

Lobbying – a challenge and opportunity

AP7 together with Church of England led a collation of investors with AUM of \$2 tn. Together they called for increased transparency from the 55 heaviest CO₂-emitters in Europe demanding that they would review the positions adopted by trade associations and organizations of which they are members.

Adam Matthews, Director of Ethics and Engagement Church of England Pensions Board, elaborate about the cooperation with AP7 on Climate Lobbying.

1. Why is Corporate Climate Lobbying an important issue?

If you speak to any government minister, government negotiator or senior UN official working on climate change they acknowledge the role that lobbying plays in shaping the outcomes of national, regional and international processes. Two quotes make the case very clearly for me:

"There is a serious group of companies that have a voice that is much louder, that is better funded, that operates much more in unison and that is still stuck in the technologies and the fuels of yesterday."
- *Christina Figueres, executive secretary of the UNFCCC, 2011*

"I'm getting resistance from some fossil fuel interests who want to protect the outdated status quo. When you start seeing massive lobbying efforts backed by fossil fuel interests or conservative thinktanks or the Koch brothers, pushing for new laws to roll back renewable energy standards or prevent new clean energy businesses from succeeding, that's a problem."
- *Barack Obama, 44th President of the United States of America, 2015*

AP7 have been far ahead of many other investors in identifying the impact of lobbying on climate change policy and international processes. Our joint initiative is intended to connect the statements of support that companies have made for the goals of the Paris Climate Agreement with their lobbying and that of their industry associations.

2. What effects have you seen?

Since launching the initiative we have focused on 55 companies in Europe. We have seen significant responses most recently from Royal Dutch Shell publishing a review of 19 of its major industry associations. This resulted in Shell leaving 1 major US association and placing 9 others under review. Those under review are being engaged with by Shell and they have outlined that they would consider leaving them were they not to change their approach.

Importantly, Shell along with a number of other oil and gas companies broke ranks with the position of one major industry body The American Petroleum Institute (API) and called for greater regulation of methane emissions in the US. This was the first time companies had publicly broken ranks with the API. In other sectors we have had commitments from Anglo American who are due to publish their own review as well as further development by Rio Tinto of the criteria they have developed for assessing industry association alignment on climate change. It was also great to see the first cement company acknowledge they needed to review their industry association memberships when Heidelberg Cement committed last month in its Annual Review to do so. Lastly, in the auto sector you have seen the first challenge of one of the main industry associations by VW.

3. What is the next step during 2019?

We are continuing to engage with companies in the sector and encourage them to undertake the reviews of their industry associations as well as learn from the emerging best practice from other companies. There is growing interest and support from institutional investors for our joint initiative. A key part of our work will be filing shareholder resolutions at a number of companies. We are still in negotiation with the target companies to see if they will commit to the actions we have outlined. Ultimately, what we want to see is good governance

within the company of these issues as well as transparency in their reporting to shareholders so that we can assess the effectiveness of the company approaches. We are also in discussion with the London School of Economics to develop a more rigorous academic framework to assess good practice. Ultimately, if the power and influence that many trade associations exert on public policy could be directed to supporting the goals of the Paris climate agreement and not towards delaying action then I believe we will be injecting a positive force for change that will raise ambition.

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