

The Carbon Policy Footprint

Corporate impact on climate policy may be more important than physical emissions - introducing the 50 Most Influential

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Executive Summary

- Research has suggested¹ that estimating the impact a company has on climate change purely based on its greenhouse gas emissions may be incomplete. For some companies an equally, if not more important, impact could be their influencing of climate-related public discourse and policy from governments around the world. This may be the case for the politically powerful oil majors. For example, last month [Harvard researchers found that ExxonMobil](#) has misled the public² over a multi-decade period on climate change, a factor not currently reflected in mainstream corporate metrics.
- New research from InfluenceMap identifies 50 of the 250 largest listed, non state-owned, industrial corporations that are most influential in shaping climate policy today, with the remaining 200 largely sitting on the fence. The research introduces the *Carbon Policy Footprint*, a metric factoring in a corporation's stance on climate policy, the level of its lobbying activity and its overall economic clout.
- 35 of the *50 most influential* are actively lobbying against climate policy. They include companies in the fossil fuel value chain (ExxonMobil, Valero Energy, Chevron), energy intensive companies (BASF, ArcelorMittal, Bayer, Dow Chemical and Solvay) and electric utilities with large amounts of coal generating capacity (Southern Company, Duke Energy and American Electric Power).
- Also in this group of 35 influential companies holding back climate policy are four powerful automotive manufacturers (Fiat Chrysler, Ford, BMW and Daimler). The research found the companies lobbying to delay or dilute efficiency and CO₂ emissions standards and procedures both in Europe and North America. Depending on region, passenger vehicle emissions account for 12% or more of all greenhouse gas emissions.

¹ What Environmental Ratings Miss, Auden Schendler and Mike Toffel, October 2011

² Assessing ExxonMobil's climate change communications, G Supran & N Oreskes, Environmental Research Letters, August 2017

- On the other side, 15 of the *50 most influential* are pushing for an ambitious climate policy agenda, favouring renewable power and electric vehicles. They include signatories to the [RE100 initiative](#) committing to buying 100% renewable power (Apple, Ikea, Unilever, Coca Cola and Nestle) as well as power sector companies (SSE, Enel, EDF, Iberdrola and National Grid) who are shifting their business models towards low carbon electricity generation.
- In between these two extremes are numerous companies from retail, healthcare, financial, telecommunications, services and media who are not particularly active in engaging with climate policy at all. The utility sector is notable for showing a divergence - that is, companies on both extremes, with some (Duke, Southern) strongly opposing and others (ENEL, SSE, Iberdrola) very supportive.
- The research shows the group of active and pro-climate companies has expanded noticeably in the last two years since the Paris Agreement and the 2016 US election. This trend will likely continue as more large corporations around the world make the case to governments for an ambitious and consistent climate-related policy pathway to help them meet their decarbonisation goals cost effectively.

How Companies Impact Policy

A Company's Physical Carbon Footprint

Systems have evolved over the last two decades to try to measure the impact a company has on climate change. They have been driven by investors (e.g. the [CDP process](#)), regulators (e.g. the EPA's [Greenhouse Gas Inventory](#)) and corporations themselves (e.g. [a recent BASF initiative](#)).³ Recognising that direct greenhouse gas (GHG) emissions from a companies' facilities may be an incomplete picture, indirect emissions, for example due to products sold, are also considered as noted by the [Greenhouse Gas Protocol](#), a collaboration between the World Business Council for Sustainable Development and the World Resources Institute initiated in 1998 which provides guidance to companies on measurement and reporting on emissions.

Category of emissions and definition	Where category may be dominant in the physical carbon footprint
Scope 1 emissions: Direct GHG emissions occur from sources that are owned or controlled by the company.	Utilities, cement, fertilisers
Scope 2 emissions: Indirect GHG emissions from the generation of purchased electricity consumed by the company.	Chemicals, steel, aluminium, data centers
Scope 3 emissions: All other indirect emissions (e.g. extraction and production of purchased materials; and use of products and services sold).	Coal mining, automotive, retail, oil and gas

While the [Greenhouse Gas Protocol](#) advises that Scope 1 and 2 emissions measurement and reporting is mandatory, Scope 3 is an optional reporting category and allows for broad and often subjective interpretation of what emissions a company is responsible for. More recently, a focus has been on climate risk inherent in corporate operations and business models leading to detailed guidance from the [Carbon Standards Disclosure Board](#) (the [Climate Change Reporting Framework](#), 2012) and the mainstream Financial Stability Board ([Task Force on Climate-related Financial Disclosures](#), 2017). Both of these recommend corporations understand forward-looking climate risk, which depending on sector, would likely involve a full analysis of Scope 1,2 and 3 emissions, both in absolute terms and relative to peers.

³ Ref: A summary of carbon footprint initiatives - [Corporate Greenhouse Gas Emission Reporting](#), Kauffmann et al, 2012, OECD Publishing

When Political Impact is More Important

A [2011 paper from Harvard Business School researchers](#)⁴ argues that a broad measure of scope 1,2 and even Scope 3 emissions from a company could present an incomplete picture of the impact it has on climate change. It noted the awarding of an AAA rating on climate change by financial information firm MSCI to News Corp while the media company's Chairman Rupert Murdoch was cited by Rolling Stone magazine as "#1 in its list of Politicians and Execs Blocking Progress on Global Warming."⁵ US-based NGO Union of Concerned Scientists [in a study from 2012](#) found that more than 80% of coverage from Fox News and the Wall Street Journal (two leading News Corp properties) was misleading on climate science. Thus measuring the climate change impact of an influential media company, that has the power to sway public discourse globally, purely based on its physical greenhouse gas emissions may be incomplete.

Revelations about the history of climate denial and obstruction of climate change policy by ExxonMobil and other oil majors suggest a comprehensive strategy to stall progress by the sector over two or more decades. For example, the [Guardian reported](#)⁶ that it viewed official US documents showing ExxonMobil pressured President George W Bush not to ratify the 1997 Kyoto Protocol. A [recent study by Harvard researchers](#)⁷ concludes the company misled the public over decades from 1977 on climate change. A prominent lobbying group active from 1989 to 2002 was the [Global Climate Coalition](#), which reportedly was refuting climate science [against the findings of its own experts](#).⁸ Its members included ExxonMobil, Chevron and the American Petroleum Institute.

In a July 2017 report The [Carbon Majors Database](#), leading data provider CDP lists ExxonMobil as the fifth heaviest GHG emitter among fossil fuel producers (Scope 1,2 & 3 cumulative emissions through 1988-2015), responsible for 2% of the global emissions from the group in that period. While quantification is difficult, it may be that the actual impact of the ExxonMobil, the largest of the oil majors, on climate change during the time relative to others could be far higher than the 2% suggested by the CDP database when its climate denial and impact on holding back policy is considered. CDP has the most comprehensive data available on corporate greenhouse gas emissions but its scoring at present does not extend to policy or public discourse influence.

The majority of investors concerned with corporate climate change issues focus on greenhouse gas emissions as metrics of performance and operational risk. However, many are now showing concern at companies that negatively impact climate policy and public discourse. Such activities could be regarded as

⁴ What Environmental Ratings Miss, Auden Schendler and Mike Toffel, October 2011

⁵ Who's to Blame: 12 Politicians and Execs Blocking Progress on Global Warming, Rolling Stone, January 2011

⁶ Revealed: how oil giant influenced Bush, the Guardian, 2005

⁷ Assessing ExxonMobil's climate change communications, G Supran & N Oreskes, Environmental Research Letters, August 2017

⁸ Industry Ignored Its Scientists on Climate, New York Times, April 23 2009

a reputational risk or simply as corporate behaviour they do not wish companies in the portfolio to exhibit or indeed, to be associated with, as shareholders.

In June 2017, Sweden's national pension fund, AP7, divested from ExxonMobil and other companies based on their obstruction of climate legislation in the United States, which it deemed to be a violation of the Paris Accord.⁹

How to Measure Climate Policy Influence

In 2015 UK think tank InfluenceMap launched the first effort to quantitatively score companies based on their influence over climate policy. The scope of this influencing was based on the UN-backed [Guide to Responsible Corporate Engagement with Climate Policy](#), published in 2013.¹⁰ The [assessment methodology](#) was devised to achieve an objective and comparable score based on numerous data points and thus show a pattern of behaviour for each company and trade association covered. This latter point was key, as previous analysis on this topic did not allow for like-for-like comparison of companies across and within sectors, something that is crucial for investors to act systematically on.

In the analysis so far, over 30,000 pieces of evidence on 250 global companies and 50 leading trade associations have been assessed in a consistent manner and are [archived on the site](#). The evidence consists mostly of direct disclosures from the companies themselves or from their trade associations. It includes inputs into regulatory consultations, comments on policy in financial filings, transcripts of CEO and senior management speeches/comments in various contexts as well as objective news reporting from legitimate media. These are all measured in an objective manner against benchmarks of climate-related policy and science positions originating from bodies like the European Commission's [DG Clima](#) and the [California Air Resources Board](#) whose mandate calls for them to devise policy solutions to achieve targeted greenhouse gas emissions reductions. The result is a [systematic and publicly available assessment](#) of the 250 largest listed industrial companies globally.¹¹ The analysis is based on current activity and attempts to measure forward-looking company behaviour towards the climate policy agenda.¹²

⁹ Swedish pension fund sells out of six firms it says breach Paris climate deal, Reuters, June 2017

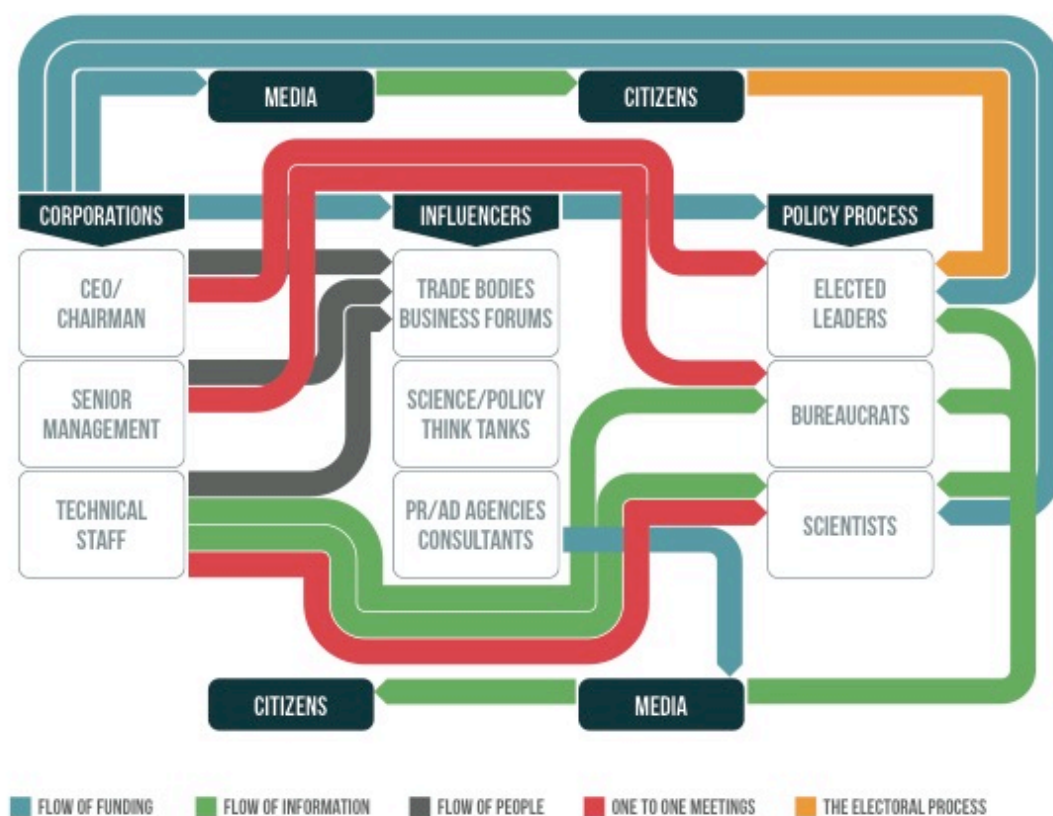
¹⁰ This Guide has evolved into something that many companies commit to under the We Mean Business process

¹¹ As assessed by the current Forbes 2000 list of global corporations excluding financial and state-owned entities

¹² Evidence and data from non-current years has lower weighting in the scoring than more recent data

Beyond "Lobbying"

The [Guide to Responsible Corporate Engagement with Climate Policy](#), published in 2013 by a group of UN agencies and leading NGOs, states that corporate influence over policy goes beyond activities associated with the word "lobbying" such as interacting with government officials, contributions to electoral campaigns, hiring of former government officials and sponsoring of government activities. It also extends to how corporations, with their considerable resources, impact the public discourse on climate and energy issues through advertising, public relations and sponsoring of research. Crucially, it states that corporations influence policy through funding and membership of trade associations, think tanks and advocacy groups pursuing these same activities. These policy-influencing mechanisms are illustrated.



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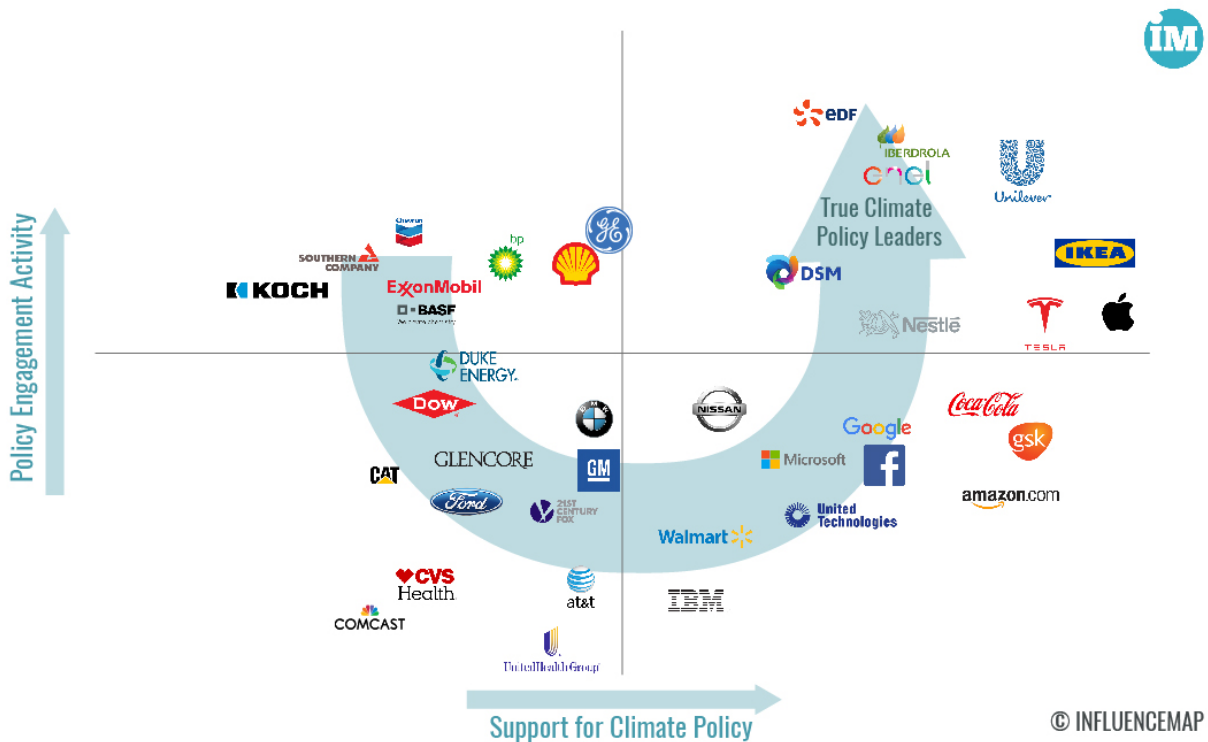
The InfluenceMap methodology attempts to capture all of these in assessing companies. In particular, it also conducts rigorous scoring of leading trade associations such as the [US Chamber of Commerce](#) and the [National Association of Manufacturers](#) who may be actively blocking climate policy. This indirect influencing analysis feeds through to the individual company scores depending on the strength of their relationship with all groups they are members of or support.

The Carbon Policy Footprint

InfluenceMap's analysis on corporate climate policy influence produces two metrics:

- The **Total Score** expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement, including the analysis of its trade association links.
- The **Engagement Intensity** expresses the intensity of this activity, whether positive or negative.

A company with a *low* Total Score and a *high* Engagement Intensity is actively opposing climate policy, as in the *upper left* of the quadrant chart below. Similarly, the companies in the *upper right* quadrant clearly see the business case for more ambitious climate policy and are positive, active advocates. The companies in the lower quadrants are in between these extremes with a pathway from active opposition to active support shown by the thick blue arrow.



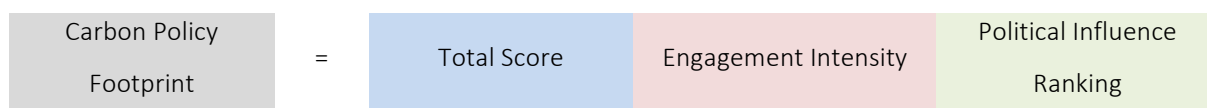
However, investors and other stakeholders increasingly want to identify the companies who, in absolute terms are most influential in opposing climate policy. For example, a small oil company may have the same Total Score and Engagement Intensity as ExxonMobil but it clearly does not exert the same level of influence over governments globally. As well as the stance of the company (its Total Score) and how active

it is in climate lobbying (the Engagement Intensity) it is necessary to consider how influential the company is relative to others. This can be achieved by adding an additional factor into the analysis:

- **The Political Influence Ranking** of a company is a measure of its power over policy and public discourse relative to other companies (on all policy matters, not just climate and energy).

To do this, it is assumed that the policy-influencing power a publicly listed company has is closely related to its economic size relative to other companies.¹³ To quantify this, four financial metrics (total revenue, profits, market capitalisation and assets owned) are merged into a ranking similar to that encapsulated by the [Forbes 2000](#) list of public companies, published annually. The upper echelons of this Political Influence Ranking has shifted significantly towards technology companies in the last few years and currently the top 10 non-financial companies are in order: Berkshire Hathaway, Apple, Toyota, AT&T, ExxonMobil, GE, Samsung Electronics, Wal-Mart, Verizon and Microsoft.

These three metrics are now combined to create a new metric, the Carbon Policy Footprint defined as a *measure of the relative impact a publicly listed company is having on climate policy next to its peers.*



This metric is designed to run from -100 (highly and negatively influencing climate policy) to + 100 (highly and positively influencing climate policy) and allow investors and other stakeholders to focus efforts on the few companies having the largest absolute impact globally. **It should be noted that the analysis presented in this metric and report relates only to influence over climate-related policy. It does not assess a corporation's influence over other policy areas or the extent of its policy influencing in general.**

The analysis reveals that a relatively small group of 50 entities, out of the 250 largest industrial corporations, have the most impact, either supportive or opposing as outlined in the next chapter.

¹³ InfluenceMap's metrics are investor-focused and do not cover state owned companies.

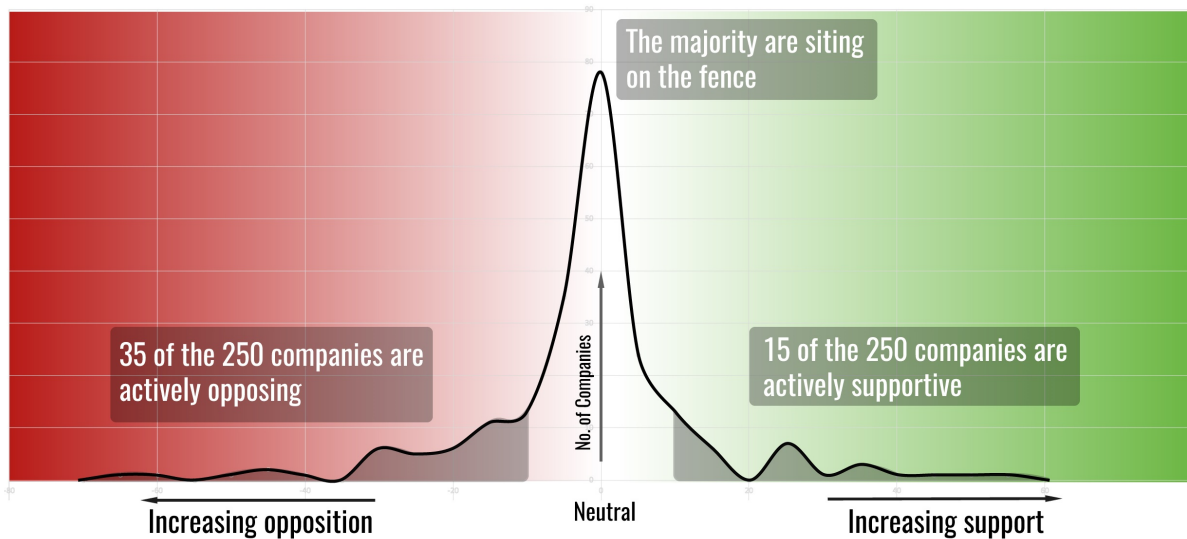
The 50 Most Influential Corporations

This section shows the 50 companies that have the most influence on climate policy globally out of the 250 largest listed industrial companies in the world.¹⁴ Fifteen of the 250 strongly support climate policy aligned with the Paris Agreement while 35 of the 250 are actively opposing. In between these two extremes are numerous powerful global companies from retail, healthcare, financial, telecommunications, services and media who are not particularly active in engaging with climate policy at all.

Numerical scores of -100 (opposing) to + 100 (fully supportive) are given in the ranking table on the next page. For comparison purposes, the two most influential non-public companies, Ikea (which is supportive) and Koch Industries (opposing) are also listed (in boxed borders for clarity).

The chart below illustrates the distribution of scores on the horizontal vs. number of companies showing that score on the vertical. It clearly shows the majority sitting on the fence while a few on either side opposing or supporting. It is noted again that this analysis is based on current, rather than historical, corporate policy influencing activity.

Opposing, supporting or on the fence: how the world's 250 largest public industrial companies engage with climate policy



¹⁴ As determined by the Forbes 2000 list, excluding financial and majority state owned enterprises.

The 50 Most Influential...

Carbon Policy Footprint	Company (With URL link to InfluenceMap Profile)	
53	Apple	
52	Unilever	
43	IKEA	
35	SSE	
31	Enel	
31	National Grid	
31	Iberdrola	
29	EDP	
24	Coca Cola	
23	Nestle	
23	Tesla	
22	GlaxoSmithKline	
22	Amazon	
21	EnBW	
21	Deutsche Telekom	
14	EDF	
~ ~ ~		
-13	21st Century Fox	
-14	Renault	
-16	BMW Group	
-16	Daimler	
-16	Ford Motor	
-16	ENI	
-16	Occidental Petroleum	
-17	Anglo American	

Increasing support for Paris Aligned Climate Policy

Increasing opposition to Paris Aligned Climate Policy

-18	Air Liquide
-19	Fiat Chrysler Automobiles
-19	Glencore International
-19	General Electric
-20	HeidelbergCement
-20	Nucor Corporation
-20	LyondellBasell Industries
-21	Caterpillar
-21	American Electric Power
-23	Phillips 66
-24	Solvay
-25	BHP Billiton
-26	Royal Dutch Shell
-28	ConocoPhillips
-30	Bayer
-30	Duke Energy
-31	Dow Chemical
-31	Total
-31	BP
-31	Berkshire Hathaway
-35	Rio Tinto Group
-35	ArcelorMittal
-43	BASF
-48	Valero Energy
-49	Chevron
-52	Exxon Mobil
-60	Southern Company
-65	Koch Industries