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Chevron faces shareholder pressure over oil exploration

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A US shareholder group is calling on Chevron to cease investing in oil exploration

Asset owners concerned about climate change will have a chance to prove their commitment to the cause at [Chevron's annual general meeting](#) this week.

Resolution seven on the agenda is being proposed by As You Sow, a US shareholder group, and calls on the oil company to cease investing in exploration for new reserves that are likely to be unburnable if climate catastrophe is to be avoided.

The resolution stipulates that the capital saved by not investing should be returned to investors in the form of dividends.

“As the world moves to cleaner energy sources to avoid catastrophic harm to the planet, it is increasingly likely that the billions of dollars of shareholder capital the oil majors are ploughing into finding and developing new reserves will be stranded,” says Andy Behar, chief executive of As You Sow.

The Asset Owners Disclosure Project, which supports the resolution, has encouraged members of 1,200 pension funds to contact their trustees and call on them to back the resolution, although very few funds have publicly said they will.

Julian Poulter, chief executive of the AODP, accepts the resolution has little chance of being passed but says a number of funds are planning to vote in favour and are reluctant to go on the record about it. “It is too confrontational,” he says. Nevertheless, Mr Poulter sees this is a “rock-the-boat moment like no other”.

Following the AGM, the AODP is planning to report on who voted and who is prepared to disclose their vote, in the hope of sparking debate between fund trustees and their beneficiaries.

One reason for caution among pension funds may be that institutional investors have a prejudice in favour of the board. They are likely to have voted in at least some of the board members arguing against the resolution, says Gregg Sgambati, managing director of S-Network ESG Solutions. “If they are supportive of the directors, they may be supportive of their strategy.”

Mr Poulter says investors probably find it hard to support a resolution that effectively says “we don’t back your business model for the long term”, since the implication is that they want the company to start a process of winding down or diversifying into areas outside its core competence.

Mr Sgambati adds that the resolution may serve as an example of the pitfalls of a fossil fuel divestment policy, since an institutional investor that had gotten rid of all oil companies from its portfolio would have no voice in this matter.

[Chevron’s AGM] is a ‘rock-the-boat moment like no other

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Proponents of divestment, who urge large investors, especially university endowments, to get rid of all fossil fuel companies from their portfolios, say engagement is ineffective in the face of companies’ and shareholders’ commitment to short-term profit.

“What the divestment movement fails to realise is that there has never really been any proper engagement,” says Mr Poulter. Until now, shareholder resolutions to do with climate change have focused on calling for more disclosure, rather than substantive action.

“Post this vote, what you will see is a few leading asset owners starting to have more honest discussions with boards,” says Mr Poulter.

The vote is also likely to draw further attention to the risks of environmental issues for company valuations.

“Environmental scores are not discussed on quarterly conference calls yet, but this may help put them on the agenda,” says Mr Sgambati, who adds that analysts are already considering these issues before making investment recommendations.

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