Global energy events are changing the course of the ESG movement in the US

Michael W. Wise | Wednesday, March 30, 2022

Energy has always been a powerful driver of the environmental, social and governance (ESG) movement, due to the universal impact of global warming. Over the last several weeks, there have been a number of energy and environmental events that could dramatically impact the course of the ESG movement here in the U.S.

From the climate activist side, Seth Borenstein from the Associate Press reported on the ramifications of the first melting of ice shelf in East Antarctica – an area long thought to be stable and outside the reach of current global warming. In the article, University of Minnesota ice scientist Peter Neff shares his worry that previous assumptions about East Antarctica's stability may not be correct.

"And that's important because if the water frozen in East Antarctica melted — and that's a millennia-long process if not longer — it would raise seas across the globe more than 160 feet. It's more than five times the ice in the more vulnerable West Antarctic Ice Sheet, where scientists have concentrated much of their research."

Another climate related event is the sixth massive bleaching of the Great Australian Barrier Reef, the first to happen during a cooling La Nina weather pattern.

Emily Darling, a coral reef conservation scientist who directs coral reef conservation for the Wildlife Conservation Society, is quoted in the Washington Post as stating, "[This] continues to reinforce that with extreme heat waves and water getting too hot, corals are losing their recovery windows — those times between bleaching events when we know corals can recover.”

In response to climate related issues, the U.S. business community has been waiting for regulations from the Securities and Exchange Commission. On March 21, the SEC voted 3-1 to advance a proposed rule that would-for the first time-require U.S. companies to provide information on climate risks facing their businesses and plans to address those risks, along with metrics detailing companies’ climate footprint, including Scope 1, 2 and, in some cases, Scope 3 greenhouse gas (GHG) emissions. Click here for an overview of the proposed rule.

These energy events and climate disclosure requirements come as the world starts to emerge from the challenges of the COVID pandemic and addresses the Russian invasion of Ukraine. These two existential events are causing a dramatic increase in the demand for US energy, particularly natural gas.

President Joe Biden’s recent pledge to deliver more America liquefied natural gas (LNG) to Europe triggered an article in the WSG about the contradiction of government policies that diminish natural gas production while pledging more natural gas for our allies. Gina McCarthy, the White House national climate adviser, was quoted in the article as stating at an American Council on Renewable Energy Forum that the U.S. climate policy “is not a fight about coal anymore. It is a challenge about natural gas and infrastructure investments because we don’t want to invest in things that are time limited. Because we are time limited.”

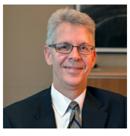
An article by Andrew Woodman also recently attempted to address the conundrum of attempting to address two existential issues – war and energy security – that appear to need contradicting solutions.

“The war has forced the world to confront a new set of challenges, like the need for greater energy security and more investment in renewable alternatives. These won't be tackled by knee-jerk reactions alone. It will take the kind of long-term ESG planning that has arguably been lacking until now.”

One official who may be able to bridge the contradiction is Senator Joe Manchin. Manchin has launched a new push for an ‘all of the above’ energy bill. Below are some thoughts on what would make sense for key initiatives for such a bill.

1. Extend the ITC and expand to 30%
2. Apply the ITC to all storage projects
3. Reinstate a simplified version of the direct pay option
4. Accelerate all pending pipeline projects
5. Accelerate drilling on Federal Land
6. Designate Natural Gas as an acceptable "Green" bridge
7. Designate Natural Gas as consistent with developing ESG guidelines

This legislation is an initiative worth watching as we see if the Congressional votes exist to both support clean energy and to remove barriers to oil and gas production. Stay tuned



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