

# Woodside - shareholder resolutions

## Paris Alignment resolution

Shareholders request the Board disclose:

- a. details of how the Board will ensure that our company's capital expenditure, including each material investment in the acquisition or development of oil and gas reserves, is aligned with the Paris Climate Agreement's goal of keeping the increase in global average temperatures to well below 2°C and pursuing efforts to limit the increase to 1.5°C;
- b. short-, medium- and long-term targets for reduction of our company's emissions from both its operations (Scope 1 and 2) and products (Scope 3) ('**Targets**'); and
- c. details of how the company's remuneration policy will incentivise progress against the Targets.

This disclosure should omit proprietary information, and be prepared at reasonable cost.

Nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of our company.

## **Supporting statement**

Shareholders are concerned that our company has not disclosed a strategy to align its business with a pathway consistent with the Paris Agreement. This is of particular concern, given:

- The greater urgency communicated in the International Panel on Climate Change's (IPCC) Special Report on Global Warming of 1.5°C<sup>1</sup>, which calls for a rapid escalation in the scale and pace of the transition to limit the increase in global temperatures to 1.5°C.
- The failure to match the ambition recently shown by our company's global peers, namely Royal Dutch Shell Plc and BP Plc, which, we are concerned, would render Australian oil and gas companies global laggards. In particular:
  - Our company is out of step with its local and international peers in failing to produce disclosure aligned with the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD);
  - Shell's commitment to set emissions reduction targets inclusive of its value chain (Scope 3)<sup>2</sup>, whereas our company has limited emissions intensity target only;
  - The Board of BP Plc has supported a resolution very similar to this resolution<sup>3</sup>, and BP has set separate targets regarding its methane intensity,<sup>4</sup> and while our company has signed on to the Guiding Principles to Reduce Methane Emissions, it is yet to set actual targets<sup>5</sup>.
  - Both BP and Shell have committed to incentivise emissions reduction in executive remuneration, in contrast with our company, which continues to incentivise executives for the growth of both production and reserves via exploration<sup>6</sup>.

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<sup>1</sup> <https://www.ipcc.ch/sr15/>

<sup>2</sup> <https://www.shell.com/media/news-and-media-releases/2018/joint-statement-between-institutional-investors-on-behalf-of-climate-action-and-shell.html>.

<sup>3</sup> <https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-to-support-investor-groups-call-for-greater-reporting-around-paris-goals.html>

<sup>4</sup> <https://www.bp.com/en/global/corporate/sustainability/climate-change/tackling-methane.html>

<sup>5</sup> [https://files.woodside/docs/default-source/sustainability-documents/climate-change/reducing-methane-guiding-principles-april-2018.pdf?sfvrsn=a92de0bd\\_6](https://files.woodside/docs/default-source/sustainability-documents/climate-change/reducing-methane-guiding-principles-april-2018.pdf?sfvrsn=a92de0bd_6)

<sup>6</sup> <https://www.carbontracker.org/reports/paying-with-fire/>

The brochure our company produced in December 2018, “Our Energy Future in a Lower Carbon World”, fails to disclose credible scenario analysis - a key pillar of the TCFD recommendations. The brochure also excludes a 1.5°C scenario and disclosure of physical risks.

Our company claims to “consider a range of commodity and carbon prices based on our interpretation of a wide range of scenarios, including those that align with a 2C outcome”<sup>7</sup>. It has not disclosed these scenarios or the assumptions these scenarios rely upon, particularly the use of carbon capture and storage (CCS) and/or negative emissions. Such disclosures do not appear to reconcile with the current ‘guardrail’ understanding of 2°C developed by the UNFCCC as a “defence line that needs to be stringently defended.”<sup>8</sup>

The IPCC’s 1.5°C report projects that in the absence of, or with only a limited use of fossil fuels with carbon capture and storage (CCS), the share of primary energy provided by gas must decline by 20-25% by 2030, and 53-74% by 2050 (relative to 2010)<sup>9</sup>. It is clear there is a fundamental difference between our company’s strategy, and the recommendations of the IPCC, given the absence of commercially viable carbon capture and storage.

Our company’s commitment to reduce the intensity of operational emissions by 5% by 2020 is not a credible target. Further, our company’s plans to increase gas production and associated capital expenditure must be seen in the context of a reliance on the theory that we can entirely displace coal-fired power with gas, thus embedding emissions into Australia’s and the region’s medium-term future at a time when gas should be playing a limited role only, particularly in developed economies.

Shareholders have an interest in the long term viability of the company, and a responsibility to ensure that its business is aligned with the speed of decarbonisation that is required to limit global warming to well below 2°C, and preferably 1.5°C.

The IPCC 1.5°C report recommends that in order to reach net zero carbon emissions by 2050, gas must play a diminishing role in primary energy. Failing to limit global warming to 1.5°C will seriously impact the functioning of our financial systems and society more broadly. Companies which do not put in place appropriate plans will likely face rapid and terminal loss of social license and value. 2050 is just 31 years away, and our company -- whose core business is extracting and selling hydrocarbons -- has not begun a conversation with shareholders about how it will decarbonise.

**ACCR urges shareholders to vote for this proposal.**

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<sup>7</sup> Woodside Petroleum Ltd, Our Energy Future in a Lower Carbon World, December 2018

<sup>8</sup> <http://unfccc.int/resource/docs/2015/sb/eng/inf01.pdf> at page 18

<sup>9</sup> <https://www.ipcc.ch/sr15/>

## **Lobbying resolution**

Shareholders request that:

1. The Board commission a comprehensive review of our company's positions, oversight and processes related to direct and indirect public policy advocacy (**Review**), including through industry associations of which our company is a member or at which our company is formally represented (**Relevant Industry Associations**), on energy and climate change, covering the period between the date that the Paris Agreement was adopted (12 December 2015) and the present day.

We request that this Review:

- a. for each Relevant Industry Association, disclose the proportion of that Association's revenue contributed by our company;
- b. evaluate whether advocacy positions\* taken by Relevant Industry Associations are consistent with the Paris Agreement as a global framework for limiting the increase in global average temperature to well below 2°C; and
- c. evaluate whether advocacy positions\* taken by Relevant Industry Associations, in respect of Australian climate and energy policy, are consistent with our company's policy and serve our company's financial interests.

\*Given that 'advocacy positions' by Relevant Industry Associations are not always taken in written form, we request that this Review include, as evidence of such advocacy positions, credible media reporting.

2. the Board prepare (at reasonable cost and omitting confidential information) a report describing the completed Review and detailing the proposed actions to be taken as a result of the Review, to be made available to shareholders by the time of the company's next AGM. Shareholders request that that the company integrate reporting on its membership and assessment of alignment into its annual reporting from 2020.
3. the Board determine, and disclose to shareholders, the criteria by reference to which the company would discontinue membership of a Relevant Industry Association, in circumstances where energy and climate policy consistent with the Paris Agreement are not promoted by that Association.

## **Supporting statement**

As a shareholder, the Australasian Centre for Corporate Responsibility (ACCR) favours policies and practices that protect and enhance the value of our investments.

### **Policy uncertainty**

The last decade of Australian climate and energy policy has been characterised by short-lived policy, driven in large part by adversarial campaigning by industry bodies; while Australia continues to be a laggard in the urgent global effort to reduce carbon emissions.

Accordingly, we urge shareholders to ensure that companies in all sectors review their relationships with industry bodies that act as obstacles to the effective uptake of national and global policy frameworks aimed at limiting global warming to 2°C.

### Insufficient existing disclosure

Our company discloses a complete list of “Peak Industry Organisations” on its website, including 13 Australian organisations and 11 international organisations<sup>10</sup>. In its 2018 climate change submission to the CDP<sup>11</sup>, our company identified four “trade associations that are likely to take a position on climate change legislation”: the Australian Petroleum Production and Exploration Association (APPEA), the Chamber of Minerals and Energy Western Australia (CMEWA), the LNG Marine Fuels Institute and CO2CRC. The 2018 CDP submission omits the Business Council of Australia, which also seeks to influence climate and energy policy.

We are concerned that our company’s in principle commitment to the goals of the Paris Agreement, as well as the economic interests of shareholders, are being undermined by our company’s membership of various trade associations which undertake advocacy counter to these goals.

### Negative advocacy

We question the long-term attractiveness to shareholders of our company’s public policy advocacy through certain industry associations. Three of these associations, the Australian Petroleum Production and Exploration Association (APPEA), the Business Council of Australia (BCA), and the Chamber of Minerals and Energy Western Australia (CMEWA), have taken positions that run strongly counter to the goals of the Paris Agreement, and the corresponding interests of our company and its shareholders. For example:

1. APPEA, on whose board our company acts as Vice Chair<sup>12</sup>, has:
  - called for the “urgent removal of existing bans and moratoriums” on fracking in eastern states<sup>13</sup>;
  - proposed that the Clean Energy Finance Corporation (CEFC) support gas projects<sup>14</sup>;
  - argued for exemptions from climate policy for emissions intensive industries, including the LNG industry<sup>15</sup>;
  - opposed state-based renewable energy targets (RET)<sup>16</sup>; and
  - called for LNG plants to be exempt from public disclosure of their emissions<sup>17</sup>.
2. The BCA, on whose board our CEO Peter Coleman retains a position<sup>18</sup> has:
  - argued against any extension of the RET and stated that “there was no role for state-based” renewable energy targets<sup>19</sup>;
  - called for the removal of state-based moratoriums on fracking<sup>20</sup>;

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<sup>10</sup> <https://www.woodside.com.au/sustainability/transparency/membership-of-peak-industry-organisations>

<sup>11</sup> Woodside Petroleum Ltd, CDP Climate Change submission, 2018

<sup>12</sup> <https://www.appea.com.au/about-appea/board/>

<sup>13</sup> APPEA, Submission to Energy Security Board’s Draft Detailed Consultation Paper, 15 June 2018

<sup>14</sup> APPEA, Submission to Independent review into the future security of the National Electricity Market, March 2017

<sup>15</sup> APPEA, Submission to Review of Climate Change Policies, May 2017

<sup>16</sup> APPEA, Submission to Energy Security Board’s Draft Detailed Consultation Paper, 15 June 2018

<sup>17</sup> APPEA, Submission to the Review of the National Greenhouse and Energy Reporting Legislation, September 2018

<sup>18</sup> [https://www.bca.com.au/energy\\_and\\_climate\\_change\\_committee](https://www.bca.com.au/energy_and_climate_change_committee)

<sup>19</sup> [https://www.bca.com.au/energy\\_and\\_climate](https://www.bca.com.au/energy_and_climate)

<sup>20</sup> Business Council of Australia, Submission to Independent review into the future security of the National Electricity Market, March 2017

- proposed that the CEFC be permitted to invest in nuclear or thermal generation with carbon capture and storage<sup>21</sup>;
  - argued for exemptions from climate policy for emissions intensive industries<sup>22</sup>;
  - opposed Paris-aligned emissions reduction targets, and told government MPs that a 45% emissions reduction target would be “economy wrecking”<sup>23</sup>;
  - called for further investment in Australia’s coal-fired power stations<sup>24</sup>.
3. The CMEWA is an associate member of the Minerals Council of Australia (MCA)<sup>25</sup>, and it participates in the MCA’s Energy and Climate Committee<sup>26</sup>. The MCA has long advocated for prolonging the use of coal-fired power in Australia’s electricity grid, and claims that coal-fired power is required over the medium to long term to lift developing countries out of poverty<sup>27</sup>.

### Robust Governance

The real world impact of these relentless policy interventions is weakened policy outcomes that lack consistency with the goals of the Paris Agreement. This suggests a lack of appropriate oversight, notwithstanding our company’s positions of influence at APPEA and the BCA, which is what the governance process proposed in this resolution seeks to remedy.

The IIGCC’s ‘Investor Principles on Lobbying’ call on trade associations to “lobby positively in line with the Paris Agreement”<sup>28</sup>. None of the industry associations listed above have advocated for emissions reductions targets consistent with the Paris Agreement. Rather, they have consistently undermined ambition consistent with the Paris Agreement, derided the role of renewable energy and effectively delayed the transition to a low carbon economy.

We agree with our CEO Peter Coleman that “the time to act on climate change is now”<sup>29</sup>. However, the activities of industry associations of which our company is a member stand in conflict with this sentiment and our company’s long term financial and strategic interests. Such advocacy has the potential to undermine shareholder value over time, given our company’s exposure to climate-related risk and policy uncertainty.

Our company’s membership of Relevant Industry Associations should therefore be reviewed in light of those associations’ positions, with a view to establishing criteria for discontinuing memberships that have not promoted our company’s interests and the goals of the Paris Agreement.

### **ACCR urges shareholders to vote for this proposal.**

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<sup>21</sup> Business Council of Australia, Submission to Review of Climate Change Policies, May 2017

<sup>22</sup> *ibid.*

<sup>23</sup> <https://www.smh.com.au/politics/federal/malcolm-turnbull-says-coalition-mired-in-idiocy-and-ignorance-on-climate-20181204-p50k1p.html>

<sup>24</sup> <https://twitter.com/BCAcomau/status/1083146139329691648>

<sup>25</sup> <https://www.minerals.org.au/member-companies>

<sup>26</sup> <https://www.cmewa.com/cme-and-our-members/what-we-do/portfolios>

<sup>27</sup> [https://www.minerals.org.au/sites/default/files/190219%20CEO%20EPIA%20speech\\_0.pdf](https://www.minerals.org.au/sites/default/files/190219%20CEO%20EPIA%20speech_0.pdf)

<sup>28</sup> IIGCC, European Investor Expectations on Corporate Lobbying on Climate Change, October 2018

<sup>29</sup> <https://www.abc.net.au/news/2018-11-14/woodside-ceo-peter-coleman-argues-for-carbon-price/10494026>