CLIMATE ENERGY FINANCE

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MORE EMISSIONS IS NOT LESS EMISSIONS: WOODSIDE AGM SEES ‘CLIMATE ACTION PLAN’ TORPEDOED BY HEAVYWEIGHT INVESTORS

This week’s voting down of Woodside Energy’s misnamed Climate Transition Action Plan at the oil and gas giant’s 70th AGM is historic. It represents a milestone in shareholder activism – and a clarion call that the tide is turning on laggard fossil fuel majors that fail to responsibly and credibly address the greatest single risk they face: climate change.

58.4% of shareholders sent an unequivocal message – Not Good Enough. Although the result is non-binding, the board is now under clear, unavoidable pressure to seriously rethink its approach and come up with a credible strategy to transition the company as the world accelerates its decarbonisation investments.

Woodside’s weak targets include a 15% reduction in Scope 1 and 2 emissions by 2025, 30% by 2030 and an “aspiration”, not a pledge, to reach net zero by 2050, with no plans to slash its over 70 million tonnes annually of scope 3 emissions. It flags only US$5bn capex to 2030 on ‘low emissions’ energy initiatives including the commercially unproven carbon capture and storage, plus blue and green hydrogen.

As CEO Meg O’Neill claimed their transition planning is informed by the available science, Woodside chair Richard Goyder, fresh from the QANTAS debacle, said that the company is committed to conducting its business sustainably, including responding to climate change.

Goyder then went on to list the massive fossil fuel bombs Woodside intends to set off. Burrup, off the coast of WA would be the largest gas hub in the Southern Hemisphere. Its lifetime pollution is 13 times Australia’s annual emissions from all sources, according to the Australian Conservation Foundation.

That hotbed of radicalism, the International Energy Agency, stated at the end of 2023 that to align with a 1.5°C Paris Agreement scenario, the oil and gas industry’s emissions need to decline by 60% by 2030.

For Woodside to massively upscale its production of climate-destroying greenhouse gases as climate change escalates, while failing to produce anything resembling a credible climate plan or reach a final investment decision on even a single material zero-emissions energy project alternative, is not only unconscionable, but beggars belief.

In a room split along the lines of rusted-on old-school fossil fuel investors versus everybody else, the board was subjected to some probing questioning.

The board was asked how on earth they got their statement that their strategy is Paris Agreement-aligned past their lawyers, and whether they are concerned about mounting greenwashing litigation risk. Another questioner asked how it is acceptable to justify the climate plan with out of date IPCC scenarios that overstate the remaining available carbon budget by roughly 100%. There was not much in the way of compelling or serious answers from Goyder or O'Neill. Just lots of hollow talk defending the indefensible.

Stakeholders such as the Australasian Centre for Corporate Responsibility and Institutional Shareholder Services have played a key role in elucidating the board governance issues at Woodside with respect to its responsibilities to reduce its greenhouse footprint and strategically pivot its planning and capex to zero-emissions.

As a result, big super, including our biggest super fund, AusSuper, and third largest, Aware, massive overseas pension funds in the US, California's CalSTRS and CalPERS and the Florida State Board of Administration, as well as Norway's largest pension fund KLP, and $2.3 trillion UK-based LGIM all voted the company's climate plan down.

That Richard Goyder retained his chairmanship ahead of his pre-announced exit at the end of this last term does not get around the fact that he has been diminished, his oversight of Woodside subjected to the blowtorch of adverse scrutiny by the world's biggest investors.

This is a pivotal moment for other climate science-denying board directors, a signal to act on their fiduciary duties, or suffer the consequences personally. There is a limit to how long they can continue externalising their firm's core cost of doing business onto everyone else – disproportionately, on future generations – while raking in massive fees. Avoiding legal liability is a powerful incentive.

More broadly, decarbonisation is accelerating globally. Penalties for emissions-heavy products – carbon pricing, carbon border adjustment mechanisms and so on – are proliferating. Clean energy investment opportunities abound. A credible and accelerating diversification and pivot of Woodside's investment strategy to zero-carbon opportunities is critical to preservation of shareholder value. Alternatively, an accelerated return of capital to shareholders is an obvious option, allowing them to reallocate their investment to solutions rather than remaining beholden to recalcitrant leadership unwilling to embrace technologies in which they demonstrably lack expertise. It is past time for board renewal.

It's 2024 and again we see an out of touch board performance that melds climate denialism and dereliction of fiduciary duty to invest strategically for the long-term interests of both shareholders and stakeholders. And this in the full knowledge that regulatory interventions are inevitably ratcheting up from benign to credible to rigorous, mandatory and material to the company's balance sheet as the climate crisis builds.

Let's be clear: Woodside has yet to commit to building any "new energy" projects or produce anything remotely resembling a clear strategy to navigate the company through the most profound transformation since the industrial revolution.

This week's shareholder insurrection says the clock is ticking.

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