Voting down Woodside's climate plan a shareholder milestone

Activism This is a pivotal moment for other climate science-denying board directors.

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

Fifty-eight per cent of shareholders sent an unequivocal message – "not good enough". Although the result is nonbinding, the board is now under clear pressure to 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 per cent reduction in Scope 1 and 2 emissions by 2025, 30 per cent by 2030 and an "aspiration", not a pledge, to reach net zero by 2050. It flags only $US5 billion ($7.7 billion) capex to 2030 on low-emissions energy initiatives including the commercially unproven carbon capture and storage, plus blue and green hydrogen.

As chief executive Meg O'Neill claimed Woodside's transition planning is informed by the available science, chairman 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 Western Australia, 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 degree Paris Agreement scenario, the oil and gas industry's emissions need to decline by 60 per cent by 2030.

For Woodside to massively upscale its production of climate-destroying greenhouse gases as the climate crisis 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 it got its statement that its strategy is Paris Agreement-aligned past its lawyers, and whether it was concerned about mounting greenwashing litigation risk. Another questioner asked how it was acceptable to justify the climate plan with out-of-date Intergovernmental Panel on Climate change scenarios that overstate the remaining available carbon budget by roughly 100 per cent. 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 gas footprint and pivot its planning and capex to zero emissions.

As a result, the company's climate plan down was voted down by big super, including AusSuper and Aware; huge US pension funds (California's CalSTRS and CalPERS, and the Florida State Board of Administration); Norway's largest pension fund (KLP); and the $2.3 trillion UK-based asset manager LGIM.

That 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.

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 the unwillingness of recalcitrant leadership to embrace technologies in which they demonstrably lack expertise.

It is past time for board renewal.

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