

# The Activist Network Behind Climate Change Disclosure Regulation

White Paper



June 2022

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## Key Points

- To justify the proposed climate disclosure rule, the Securities and Exchange Commission (SEC) is relying on the work of activists, foreign investor groups, and global climate initiatives.
- Our analysis shows 81% of asset managers cited by SEC in support of climate change disclosure are foreign, while only 7% of American asset managers actively support disclosure.
- Groups cited by SEC collaborate with often violent Keep-It-in-the-Ground activist groups that have threatened public safety and government employees, with some even funded by Russian oligarchs.
- Global climate groups cited by SEC have threatened U.S. corporations and lobbied to revoke the First Amendment rights of political opponents.

## Introduction

Fiduciary responsibility is the legal and ethical responsibility of an individual or organization to look out for the best financial interests of their client whose assets they manage. It is the bond upon which trust between two parties is established when one is managing the other's money. It is the promise made by community bankers and trillion-dollar portfolio managers on Wall Street alike.

Similarly, it should also be the foundation for the watchdogs of the financial industry, regulators such as SEC. In order for blue-collar workers, retirees, single moms, and young families to give their full faith and credit to overseers of the banking and finance industry, they need to count on regulators to provide all the relevant facts and information.

Unfortunately, SEC has fallen short of this requisite standard in the recently proposed climate change disclosure rule. While the justifications used by the SEC for the rule appear to be built on the demands of credible, non-partisan financial institutions and asset managers for standard climate information, the reality is quite different. Analysis conducted by Western Energy Alliance reveals what SEC is not sharing: the proposed rule relies on the work of a global network of activist organizations—not a majority of American investors or institutions—that have been collaborating for several years to end the use of oil and natural gas around the world.

Western Energy Alliance represents 200 member companies engaged in all aspects of environmentally responsible exploration and production (E&P) of oil and natural gas in the West. The Alliance represents independent oil and gas producers, the majority of which are small businesses with an average of fourteen employees. In the course of developing our comments on the rule, we found that SEC is

June 2022

justifying the rule based on the demands of mostly foreign investors with only a very small minority of American investment managers.

### **SEC's Weak Bedrock Includes BlackRock**

SEC reasons that the proposed climate disclosure rule is necessary to meet a growing demand by investors and asset managers. Under the section header "The Growing Investor Demand for Climate-Related Risk Disclosure and Related Information," the SEC begins by arguing that "significant investor demand for information about how climate conditions may impact their investments. That demand has been increasing in recent years." Based on that, the SEC states, "As a result, these investors have sought to include and consider climate risk as part of their investment selection process."

SEC cites to a well-known letter to investors from BlackRock Chairman and Chief Executive Officer Larry Fink as proof of this supposedly overwhelming investor demand:

"...BlackRock announced a number of initiatives to place sustainability at the center of our investment approach, including: making sustainability integral to portfolio construction and risk management; exiting investments that present a high sustainability-related risk, such as thermal coal producers; launching new investment products that screen fossil fuels; and strengthening our commitment to sustainability and transparency in our investment stewardship activities."<sup>1</sup>

Absent, however, from this section is any reference to the robust public debate and criticism of BlackRock's letter and continued investments in coal and oil sectors. Mr. Fink's letter is presented by the SEC as though it is widely popular and uncontroversial, and that cannot be further from the truth.

Yet a coalition of major climate activist groups, known as #BlackRocksBigProblem, has criticized the asset management firm's supposedly seminal letter to investors and lack of action. The group has accused BlackRock of still being "one of the leading investors in fossil fuel and deforestation companies."<sup>2</sup> The coalition includes the Sierra Club, Oil Change International, Rainforest Action Network, the Indigenous Environmental Network, the Union of Concerned Scientists, and several other well-known climate groups.<sup>3</sup> They cited a report by Reclaim Finance and Urgewald that states, "BlackRock holds \$85 billion in coal companies, \$24 billion of which are invested in companies planning to expand their coal business." The coalition also notes, "In late 2021, BlackRock finalized a \$15 billion deal with Saudi Aramco to acquire 49% of the oil & gas major's gas pipeline subsidiary."<sup>4</sup>

BlackRock has also been heavily criticized by members of Congress working to advance climate policies. Most notably, Sen. Sheldon Whitehouse and Rep. Jesús G. "Chuy" García (IL-04) protested BlackRock's

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<sup>1</sup> [A Fundamental Reshaping of Finance](#), Blackrock, Chairman and CEO Larry Fink, January 2020.

<sup>2</sup> [BlackRock's 2022 letter to CEOs: Trying to please all sides, Fink stalls on climate](#), #BlackRocksBigProblem, January 18, 2022.

<sup>3</sup> [About](#), #BlackRocksBigProblem.

<sup>4</sup> [BlackRock's 2022 letter to CEOs: Trying to please all sides, Fink stalls on climate](#), #BlackRocksBigProblem, January 18, 2022.

June 2022

“negative impact on human rights and our climate” in New York City in May 2020.<sup>5</sup> In December 2020, Sen. Whitehouse tweeted additional criticism of BlackRock’s letter to investors, posting, “After splashy letter, not much action from @blackrock. Tenth of ten — DFL. Nothing from these guys in Congress either.”<sup>6</sup> This is a noteworthy comment by the senator from Rhode Island, who has staked out climate policy a central pillar of public service and recently delivered his 280<sup>th</sup> speech on the floor of the U.S. Senate on the issue.<sup>7</sup>

The State of Texas pushed back on Blackrock in 2021 by passing legislation instructing the state’s comptroller to pull state money out of Blackrock and other investment firms that deny financing to oil and natural gas companies.<sup>8</sup> The bill impacts six public investment funds in the state with more than a quarter-trillion dollars, including the Employees Retirement System, Permanent School Fund, and Teacher Retirement of Texas.<sup>9</sup>

Besides the criticism from both sides of the aisle, reality set in. In October 2021, as gasoline prices continued to reach new record highs and inflation was casting a pall over the wallets of American consumers and the minds of their elected representatives, Larry Fink warned about the costly impacts associated with short-term climate policies that restrict fossil fuels:

“Inflation, we are in a new regime. There are many structural reasons for that. Short-term policy related to environmentalism, in terms of restricting supply of hydrocarbons, has created energy inflation and we are going to be living with that for some time.”<sup>10</sup>

In March 2022, BlackRock President Rob Kapito stressed to the Texas Independent Producers and Royalty Owners’ (TIPRO) annual convention in Austin that:

“BlackRock is the biggest investor in oil and gas. Nothing about our strategy with respect to the energy industry has changed. Not because of the new bill, not because of the media. We gotta get over a lot of the media hype—we are investing in fossil fuels. People talk a lot about the transition, but this is not a transition. It’s an evolution.”<sup>11</sup>

While BlackRock has adjusted to reality and the need for oil and natural gas, SEC seems not to have learned the lessons of high energy prices and continues in its quest to stifle American production by

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<sup>5</sup> [\*This Shareholder Season, Investors Are Pushing Wall Street on Climate Action\*](#), Sierra Club, Ben Cushing, May 27, 2020.

<sup>6</sup> [\*Twitter @SenWhitehouse\*](#), Sen. Sheldon Whitehouse (D-RH), December 11, 2020.

<sup>7</sup> [\*With Climate Bill Stalled, Whitehouse Delivers 280<sup>th</sup> ‘Time To Wake Up’ Speech\*](#), Sen. Sheldon Whitehouse press release, February 2, 2022.

<sup>8</sup> [\*Prohibition on Investment in Financial Companies That Boycott Certain Energy Companies\*](#), Texas State Legislature, Senate Bill 13, 2021.

<sup>9</sup> [\*Texas Legislature Directs Pension Funds to Divest From BlackRock Over Climate Investing\*](#), *Honest Austin*, May 4, 2021.

<sup>10</sup> [\*BTG’s Esteves, Pimco Warn Inflation’s Not Transitory\*](#), Bloomberg, Salma El Wardany, October 26, 2021.

<sup>11</sup> [\*BlackRock President Denies Accusations of Fossil Fuel Divestment at Texas Oil and Gas Convention\*](#), *The Texan*, Brad Johnson, March 29, 2022.

June 2022

denying it of financing through this rule. At a minimum, SEC should strike all references to the original BlackRock letter, as it is not legitimate evidence to support the rule.

### **SEC Advances Europe's Agenda, Not America's**

To further build the case for investors' supposedly pent-up demand for climate change disclosure, SEC includes a long discussion of organizations and the various international initiatives they have started, citing to the:

- United Nations Principles for Responsible Investment (UNPRI) has 4,000 signatories with \$120 trillion in assets
- Global Investor Statement to Governments on Climate Change signed by 630 investors with \$37 trillion in assets
- Investor Agenda's 2021 Global Investor Statement to Governments on the Climate Crisis, signed by 733 global institutional investors with \$52 trillion in assets
- Net Zero Asset Managers Initiative of 128 signatories and \$43 trillion in assets
- Climate Action 100+ comprised of 617 investors managing \$60 trillion in assets<sup>12</sup>
- Glasgow Financial Alliance for Net Zero with 450 financial institutions managing \$130 trillion in assets.<sup>13</sup>

The list and assets under management appear very compelling, if not overwhelming. However, SEC has failed to provide context. How many investors are represented multiple times in the laundry list, signing onto multiple of these initiatives? It is not clear. Perhaps those investors that are well on board with net-zero and the climate disclosure agenda might be promiscuous joiners, signing onto multiple of these initiatives. How many investors are there overall to put these numbers in context? Perhaps they are just a minority of investors. SEC fails to provide the context.

Likewise, given that there are about \$250 trillion in global investable assets,<sup>14</sup> those advocating for climate change disclosure may represent a minority of global assets. Indeed, in Footnote 56 of the rule SEC acknowledges, "There is some overlap in the signatories to the listed initiatives." It is not clear what the overlap is in terms of both number of investors and total assets managed, but perhaps that obfuscation is intended. Regardless, it indicates a split in opinion regarding whether or not the time-consuming, in-depth climate change disclosure contemplated by SEC would indeed prove worthwhile or that the market is truly clamoring for it.

Digging deeper into the numbers SEC cites, there are seven main climate change non-profit advocacy organizations behind them:

- Asia Investor Group on Climate Change (AIGCC)
- Carbon Disclosure Project (CDP)

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<sup>12</sup> [About Climate Action 100+](#), Climate100+.

<sup>13</sup> Rule footnote 23.

<sup>14</sup> [Despite COVID-19, Global Financial Wealth Soared to Record High of \\$250 Trillion in 2020](#), Boston Consulting Group, June 10, 2021.

# The Activist Network Behind Climate Change Disclosure Regulation

## Western Energy Alliance White Paper

June 2022

- Ceres
- Investor Group on Climate Change (IGCC)
- Institutional Investors Group on Climate Change (IIGCC)
- United Nations Principles for Responsible Investment (UNPRI)
- United Nations Environmental Program (UNEP).

Yet an examination of how these groups are interrelated further calls into question any broad consensus for climate disclosure. The multiple international groups cited by SEC are not operating independently from each other, but rather are working in close collaboration. The following chart shows that, across the board, each initiative is comprised of the same small group of members. There is very little to differentiate the Global Investor Statement from the Net Zero Asset Managers Initiative or from any of the others. These groups are so intertwined that it is not at all clear they represent anything other than a minority of investors advancing a particular policy agenda. SEC has failed to provide data that there is a broad consensus among the financial community for climate change disclosure.

### Intertwined Network of Climate Initiatives Cited by SEC and Non-Profit Advocacy Groups

Investor Agenda Founding Partners	Global Investor Statement	UNPRI	Net Zero Asset Managers Initiative	Climate 100+	Glasgow Financial Alliance for Net Zero
Asia Investor Group on Climate Change (AIGCC)	☑	☑	☑	☑*	☑
Carbon Disclosure Project (CDP)	☑	☑	☑	-	☑*
Ceres	☑	☑	☑	☑*	☑*
Investor Group on Climate Change (IGCC)	☑	☑	☑	☑	☑
Institutional Investors Group on Climate Change (IIGCC)	☑	☑	☑	☑	☑*
UN Principles for Responsible Investment (UNPRI)	☑	☑	☑	☑*	☑
UN Environmental Programme Finance Initiative (UNEP)	☑	☑*	-	-	☑*

\* denotes involvement within the organization's leadership, such as a seat on a board or advisory panel

However intertwined these groups and initiatives are, a more fundamentally fatal flaw in the use of their work by SEC is the fact that the vast majority of investors they represent are foreign. Across those seven climate initiatives and the global network of non-profit organizations that support them, only 19% are American. More than half are European.

June 2022

### Asset Management Companies Supporting Climate Change Disclosure

Asset Managers by Region	Number of Companies	Percentage
Europe	3,095	53.4%
North America	1,378	23.8%
- United States	1,124	19.4%
- Canada	254	4.4%
Asia Pacific	820	14.1%
Latin America & Caribbean	317	5.5%
Africa & Middle East	188	3.2%
<b>Total</b>	<b>5,798</b>	<b>100%</b>

Western Energy Alliance analyzed data on the 6,991 companies included in these initiatives. For the 5,800 companies that provide country of origin locations, a more than representative sample, only 1,124 are American.<sup>15</sup>

Foreign companies do not set United States policy. SEC is skating on very thin ice when it uses foreign companies organized into initiatives by seven climate change activist organizations to justify a regulation that would impose a \$10.235 billion cost on American society.

Further diving into the numbers, the 1,124 American asset management companies participating in the climate change disclosure advocacy that these seven groups are orchestrating represent a mere 7% of the 16,127 registered investment companies in the United States.<sup>16</sup> Therefore, SEC's implied "consensus" of investment companies clamoring for disclosure falls apart at just 7%. That is pretty thin ice for a rule with such wide-ranging implications.

The gruel becomes even thinner after examining the groups themselves. SEC cites to CDP in particular several times. After decades of organizing institutional investors to pressure companies to disclose their greenhouse gas emissions, CDP has been successful in organizing 168 global investment firms with \$17 trillion in assets to target 1,300 companies worldwide to disclose their emissions,<sup>17</sup> or about 7% of the total global investable assets of \$250 trillion.<sup>18</sup> According to CDP, 572 U.S. public companies,<sup>19</sup> or about 10% of the total,<sup>20</sup> have reported some climate data to CDP.<sup>21</sup> While many of these companies

<sup>15</sup> [Annual Report 2019](#), UNPRI, p. 63-68; [Our Members](#), UNEP; [Partners](#), The Net Zero Asset Managers Association; [Investor Signatories](#), Climate Action 100+; [Our progress and plan towards a net-zero global economy](#), Glasgow Financial Alliance for Net Zero, p. 97-102.

<sup>16</sup> [2021 Investment Company Fact Book](#), The Investment Company Institute trade association.

<sup>17</sup> [A record 168 investors with US \\$17 trillion of assets urge 1300+ firms to disclose environmental data](#), CDP, June 21, 2021.

<sup>18</sup> [Despite COVID-19, Global Financial Wealth Soared to Record High of \\$250 Trillion in 2020](#), Boston Consulting Group, June 10, 2021.

<sup>19</sup> [CDP Letter to SEC Chairman Gary Gensler](#), CDP, June 11, 2022 **Error! Hyperlink reference not valid.**

<sup>20</sup> [The Number Of Companies Publicly Traded In The US Is Shrinking—Or Is It?](#), Benzinga, Spencer Israel, October 30, 2020.

<sup>21</sup> [CDP Letter to SEC Chairman Gary Gensler](#), CDP, June 11, 2022

June 2022

have been compelled by the same activist investors that CDP represents, it is certainly their prerogative to do so. The fact that CDP has only been able to convince a small minority of companies with a small percentage of assets to disclose is illustrative.

The citations to the value of assets managed is actually quite irrelevant. An investment management team that signs a climate change pledge is speaking for itself, not for the thousands or millions of individual small investors behind them, unless the related investment instrument specifically has a stated climate change policy that investors consciously select into. There is just as much a policy split among those millions of investors as there is in the population at large.

A recent poll taken by Public Opinion Strategies on behalf of NBC News showed that 69% of likely voters would support a “candidate who supports expanding domestic oil and natural gas production to keep our gasoline and energy prices lower”<sup>22</sup> Another NBC News poll goes further, showing that voters prioritize increasing American oil and natural gas production over fighting climate change.<sup>23</sup> Both polls show these views were held by a majority of Democrats, Republicans, and independents.

Investors should not be pushing a political agenda that their investors may or may not subscribe to, and SEC should not be helping them do so. There are certainly ESG funds that like-minded investors can invest in, but that choice should not be foisted upon all investors.

Activist groups have been able to convince neither the American people nor the majority of their representatives in Congress to stop using oil and natural gas before viable alternatives can be found, as it would mean fundamentally altering their healthy, safe, and prosperous lifestyles. Knowing that they cannot get Congress to pass laws that prevent people from using oil and natural gas or that prevent companies from producing them, activists have shifted to pressuring investment managers, banks, and other financial entities. Likewise elevating climate change considerations over material market factors is not supported by statute.

### **Pulling Back the Curtain on Climate Initiatives and the Global Activists Network**

Significant crossover exists among the organizations funding the seven climate initiatives cited in the SEC rule as well as the global network of non-profits that are pushing their implementation. The financial backing comes from numerous well-known activist philanthropies and climate groups that have pushed Keep-It-in-the-Ground policies for several years.

We conducted a review of the publicly available information on the websites of the initiatives and non-profit organizations and found the following environmental, philanthropic, and corporate organizations that also fund the climate movement: Bloomberg Philanthropies, Carbon War Room, Ceres, Children's Investment Fund, ClimateWorks Foundation, Environmental Defense Fund (EDF), European Climate Foundation, Gordon and Betty Moore Foundation, Grantham Foundation for the Protection of the Environment, Growald Foundation, HighTide Foundation, KR Foundation, MacArthur Foundation, Myer Foundation, National Fish and Wildlife Foundation, New Venture Fund (NVF), Park Foundation,

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<sup>22</sup> [The most popular — and unpopular — 2022 candidate qualities](#), NBC News, Chuck Todd, March 30, 2022.

<sup>23</sup> “March 2022 Public Opinion Strategies National Poll & NBC News Poll: Gas and Oil Production Data, March 31, 2022.



June 2022

Patagonia, Rockefeller Brothers Fund, Rockefeller Foundation, Sea Change Foundation, The Nature Conservancy, Tides Foundations, Turner Foundation, We Mean Business Coalition, William and Flora Hewlett Foundation, and WWF.

### **Russian Influence over U.S. Climate Activism**

Notable among this group is the Sea Change Foundation, which is a funder of the Asia Investor Group on Climate Change, Ceres, Investor Group on Climate Change, and UN Principles for Responsible Investment. The foundation is accused of being a front group for Russian influence over U.S. energy and climate policies over the past decade. Most recently, Sea Change was prominently featured in a March 31, 2022 letter from 20 members of Congress to House Oversight Committee Chairwoman Carolyn Maloney (D-N.Y.) requesting a hearing “on the coordinated attempts by Russian entities to buy influence and finance U.S. environmental non-governmental organizations (NGO) in an effort to reduce the energy security of the United States.”<sup>24</sup> The lawmakers wrote:

“In the 115th Congress, Representatives Lamar Smith and Randy Weber... described how a Bermudan shell corporation known as Klein Ltd. was used to siphon millions of dollars to an environmental NGO called the Sea Change Foundation. This shell company was specifically tied to the Russian government through one of its directors, Nicholas Hoskins... According to IRS tax filings from 2010 and 2011, Klein Ltd. donated \$23 million to the Sea Change Foundation and was responsible for almost 50 percent of contributions made to the organization during those years. This organization gave \$100 million in grant money to environmental groups, such as the Sierra Club, the Center for American Progress, the US Climate Action Network, and the Natural Resource Defense Council, with the purpose of reducing ‘reliance on high carbon energy.’ Given the impact that Russia’s control of the European energy market has had in the lead up and prosecution of the war in Ukraine, it is critical that Congress gains a better understanding of the role that Russian financing has had in shaping American environmental policy and sentiment.”<sup>25</sup>

Since Russia’s invasion of Ukraine in February, the world has become painfully aware that a consequence of relying on Russian oil and natural gas is the financial support that’s offered to the Russian military.<sup>26</sup> It is regrettable enough that President Joe Biden actively lobbied Russia to increase its already record imports of crude oil into the United States in the months leading up to the invasion in Ukraine. Today, after the atrocities that have been committed by Russia, the SEC under this Administration should not compound the situation by advancing financial regulations designed to further limit American producers and benefit Russian producers, and therefore the Russian military. Certainly not when the basis of those regulations is built in part on advocacy from a Russian front group nor at a time when elected representatives in Congress seek to investigate that group. Before moving forward with this rule, the SEC should allow lawmakers to conduct appropriate oversight so the agency

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<sup>24</sup> [Comer, Norman, Davidson Sound Alarm Over Russia’s Attempts to Infiltrate U.S. Environmental Groups](#), House Committee on Oversight and Reform, March 31, 2022.

<sup>25</sup> [Representatives James Comer and Warren Davidson Letter to Chairwoman Carolyn Maloney](#), House Committee on Oversight and Reform, March 31, 2022.

<sup>26</sup> [Buying Russian gas and oil has funded Putin’s war, says top EU official](#), *The Guardian*, Daniel Boofey, March 9, 2022.



June 2022

can fully understand the scope of influence our strategic adversaries have in advancing climate global initiatives.

### **Ties to the Violent Keep-It-in-the-Ground Movement**

The litany of philanthropies and foundations above are also major financial supporters of the most aggressive activist groups within the Keep-It-in-the-Ground movement, including many that have a well-documented pattern of extremism over the past decade.<sup>27</sup>

Beneficiaries of millions of dollars in grants provided by the philanthropic groups above include 350.org, Center for Biological Diversity, Center for Western Priorities, Colorado Conservation, EarthJustice, EarthWorks, Extinction Rebellion, Food & Water Watch, Friends of the Earth, Greenpeace, League of Conservation Voters, Natural Resources Defense Council, Oil Change International, Rainforest Action Network, San Juan Citizens Alliance, Sierra Club, Sunrise Movement, Taxpayers for Common Sense, The Nature Conservancy, Union of Concerned Scientists, and Western Environmental Law Center.<sup>28</sup>

Examples of the extreme activities of these activist groups include the People vs. Fossil Fuels protest on October 14, 2021, in which hundreds of protesters gathered in front of the White House and at the Department of the Interior headquarters. The day of action was not peaceful. Numerous protesters invaded Interior's building and were arrested.<sup>29</sup> This is not an isolated incident, but rather the *modus operandi* of these activist groups over the past several years.

In July 2019, 18 months before the January 6, 2021, invasion of the U.S. Capitol, Extinction Rebellion organized a climate protest to disrupt lawmakers on Capitol Hill. Activists were arrested by Capitol Police after blocking lawmakers from making their way to the House chamber to vote.<sup>30</sup> A month before January 6<sup>th</sup> the group again organized protests that disrupted the streets of Washington, D.C., resulting in several arrests.<sup>31</sup>

Going back to 2015 and 2016, most of these activist groups—enabled by millions of dollars in grants from philanthropic groups connected to the global investor climate initiatives cited by the SEC—organized numerous protests of quarterly federal oil and natural gas lease sales held by the Bureau of Land Management (BLM) and created unrest in places like Salt Lake City, Denver, Santa Fe, Cheyenne, Billings, Reno, and Boise.<sup>32</sup> The security situation became so overwhelming, BLM postponed lease sales in Salt Lake, Denver, and Albuquerque.

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<sup>27</sup> [The Sky's Limit: No New Fossil Fuel Development](#), KeepItInTheGround.org, November 2016; [Break Free From Fossil Fuels](#), Break Free 2016, May 2016; [Join Us in Washington, D.C. To Demand a Fossil Free Future](#), People v. Fossil Fuels, October 2021.

<sup>28</sup> [Data accessed on InfluenceWatch.org](#), Capital Research Center, April 2022.

<sup>29</sup> [Police and climate activists hurt in clashes at Interior Dept.](#), *Washington Post*, Ellie Silverman, October 14, 2021.

<sup>30</sup> [Extinction Rebellion protesters confront politicians at US Capitol](#), *The Guardian*, July 23, 2019.

<sup>31</sup> [Extinction Rebellion Doubles Down on Blowing Up Pipelines Threat](#), *Energy In Depth*, December 1, 2021.

<sup>32</sup> [Activists disrupt Utah oil, gas auction](#), *St. George News*, February 22, 2016; [BLM Auction Cancelled, Event to Oppose Sale of Federal Land Leases Still Held](#), *KNUG.org*, February 12, 2016; [Hundreds protest BLM drilling lease auction in Santa Fe](#), *Santa Fe New Mexican*, Rebecca Moss, April 20, 2016; [Keep It in the Ground' Rally to Target BLM's Oil, Gas Auction in Cheyenne](#), *WildEarth Guardians*, February 1, 2016; [BLM Oil and Gas Lease Draws](#)

June 2022

When the quarterly lease sales resumed, BLM's state offices began holding the auctions offsite as a safety precaution. However, that still did not prevent protesters from disrupting the sale process in Salt Lake City, which ultimately led police to remove protesters. In another instance, even though BLM held a lease sale offsite in Denver, a massive protest was organized by the activist groups.<sup>33</sup> BLM responded by hiring a large police force that reportedly included undercover federal agents.<sup>34</sup> Offshore lease sales were similarly targets of protesters, including in the March and August 2016.<sup>35</sup>

In light of the serious security threats to federal employees and the public posed by these climate groups, the BLM Director under President Barack Obama, Neal Kornze, testified in a hearing of the House Oversight and Government Reform's Subcommittee on the Interior in March 2016 that BLM field offices were threatened by "an abnormal security situation." Mr. Kornze equated the threats by Keep-It-in-the-Ground groups to the threats his agency faced from armed militia groups. He added,

"We are concerned about safety and so a situation which we are not used to separating out, who's a bidder and who's not in a routine way, you know, gives us some pause and led us to take a half step back and say, how do we do this in the very near future and do it in a reasonable way that ensures the safety of everyone involved?"<sup>36</sup>

Delaying quarterly lease sales and moving them away from BLM offices was a temporary solution implemented by Mr. Kornze. But after he discovered that would not deter the extremist actions of the Keep-It-in-the-Ground groups, Mr. Kornze permanently moved the quarterly auctions from the traditional in-person events to online sales in order to protect his staff, the public, and bidders.

### **Megaphones Traded In for Decorum**

Moving from the streets to the boardroom, the statements by the seven climate groups cited in the SEC rule make clear their goal is the same as the Keep-In-the-Ground movement. The global climate initiatives and the activist groups behind them are part of the broad global network funded and choreographed by the billion-dollar philanthropies listed above. It's the game of good cop/bad cop, with a complex network between them to ensure the good philanthropists aren't sullied by the street-fighting radicals.

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*Protesters*, *Billings Gazette*, Tim Lutey, August 21, 2016; *Protesters Rant at BLM Nevada Oil, Gas Lease Sale, But the Market Speaks Louder*, *Natural Gas Intelligence*, March 9, 2016; *Keep It in the Ground: Idaho BLM Oil & Gas Lease Protest 2 Report*, *Wild Idaho Rising Tide*, August 3, 2016.

<sup>33</sup> *Protesters Disrupt BLM Auction*, *KUER Radio*, May 17, 2016; *Protesters Tell Feds: 'Keep It in the Ground' at Utah Oil, Gas Lease Sale*, *eNews Park Forest*, May 19, 2016; *Hundreds swarm BLM auction in Lakewood to protest oil, gas drilling*, *Denver Post*, Bruce Finley, May 12, 2016.

<sup>34</sup> *Federal Agents Went Undercover to Spy on Anti-Fracking Movement, Emails Reveal*, *The Intercept*, Lee Fang, July 19, 2019.

<sup>35</sup> *Protestors turn a federal offshore oil auction into a circus*, *Grist*, Melissa Cronin, March 23, 2016; *Gulf oil and gas lease sales become focus of protests*, *NOLA.com*, Diana Samuels, August 19, 2016.

<sup>36</sup> *Examining BLM Public Lands*, House Committee on Oversight and Reform's Subcommittee on the Interior, Hearing Transcript, March 23, 2016, p. 14-15.

June 2022

The tactics used by the seven climate groups are more subtle and couched in language appropriate for the corporate world of finance. After all, outrageous rhetoric and aggressive actions do not open doors within the investment community. Yet the language still carries a sinister undercurrent of coercion, denoted by our bolding in the quotes below.

UNPRI, the largest climate initiative cited in the SEC rule with more than 4,000 asset manager signatories, articulates this dynamic:

“Rather than hoping for activists alone to swoop in and offer them an alternative, institutional investors will instead need to **step up their scrutiny of boards’ performance** on environmental and social issues.”<sup>37</sup>

In other words, to have a seat at the corporate table to compel change, one must use decorum and enroll people from within the finance world, not rambunctious activists.

Megaphones get traded in for boardroom engagement and shareholder resolutions. Organizations like Ceres, UNPRI, and the others SEC likes to cite won’t be organizing street-level protests but instead guiding investors on anti-fossil fuel investment strategies. Extreme language is shrewdly substituted with a nomenclature that stresses transition, net zero, decarbonization, and other terms that appeal to the methodical decision-making approaches taken by investors.

AIGCC underscores the advantage of being nuanced and meeting the investment community where it’s at, stating “rather than divesting their high carbon assets, investors are focusing emissions reduction over a pledged timeline.” AIGCC points to the case study of Asset Management One (AM One), and suggests:

“Rather than simply divesting from the companies that are not yet fully aligned with net zero scenario [sic], the priority is to actively engage with these companies. AM One’s goal is to gain a holistic understanding of the company which allows them to have a **constructive dialogue that will bring about improvement and positive changes**.”<sup>38</sup>

In other words, the end game of halting investments in fossil fuels comes through engagement, dialogue, and understanding, not through blunt, aggressive tactics.

AIGCC drives the point home by spotlighting a case study on corporate engagement by Fidelity International. Like AM One, Fidelity begins by engaging with board members of companies in order to advocate for net-zero policies and carbon reductions. Through its engagement process, Fidelity uses a climate rating scoring system based on a target company’s willingness to comply. If and when it becomes clear a target company is not interested in implementing the desired climate policies, Fidelity downgrades the company to code red. The genteel rating system that seemed less aggressive quickly becomes a cudgel to coerce divestment from oil and natural gas.<sup>39</sup>

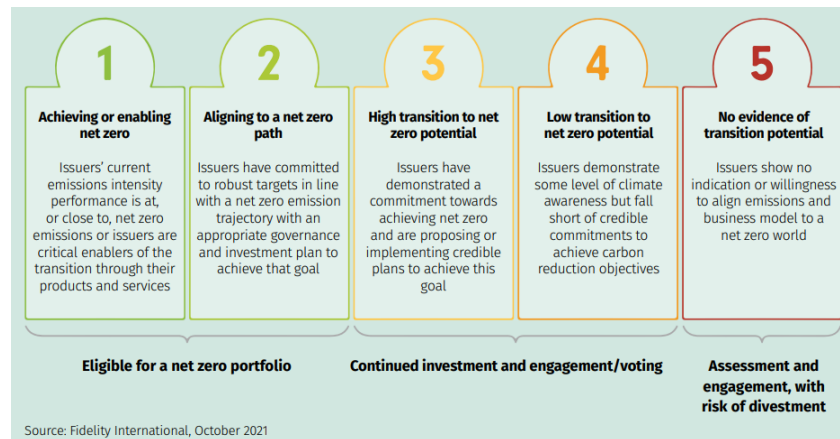
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<sup>37</sup> [How should responsible investors secure better boards?](#), UNPRI, July 30, 2021.

<sup>38</sup> [Pursuit of Ambitions: Net Zero Investment in Asia](#), AIGCC, February 2022, p. 11-12.

<sup>39</sup> *Id.*, AIGCC, February 2022, p. 23-24.

June 2022



UNPRI makes the point in a 2020 report summarizing its campaign to engage with 25 oil and natural gas companies:

“Investors therefore need to engage on an explicit net-zero agenda, looking at how oil and gas companies, and the sector as a whole, can rapidly decarbonise over the short, medium and long term. To deliver real-world outcomes, investors need to enhance their stewardship, particularly **where companies are not acting in line with expectations**. This includes exploring a **range of escalation tools** when necessary, such as: multi-asset class engagement, shareholder resolutions, proxy voting, engagement with policy makers and standard setters and/or public statements.”<sup>40</sup>

### Global Climate Initiatives Trample the U.S. Constitution

Activism by the climate groups is also clearly manifested in their calls to silence political opponents, even as far as limiting their constitutional rights to free speech and association. They shrewdly use the fake-news/misinformation meme of the past several years to their advantage but describe it with their own euphemism: negative climate lobbying.<sup>41</sup>

The climate groups see a threat from organizations like Western Energy Alliance that represent hundreds of oil and natural gas companies and thousands of workers and communicate directly with elected officials and the investment community. These are a few examples:

- Ceres suggested in 2021, during debate in Congress on the Build Back Better Act (BBB), that lobbying by oil and natural gas industry groups is a threat, telling its members, “We can’t let trade associations allow the entrenched interests of the fossil fuel industry to undermine the huge economic opportunities this plan promises.”<sup>42</sup>

<sup>40</sup> [Engaging oil and gas companies on climate: results of the PRI collaborative engagement](#), UNPRI, November 26, 2020

<sup>41</sup> [Time must be called on negative climate lobbying](#), UNPRI, August 12, 2021.

<sup>42</sup> [COP26 is over. Now it's up to investors, companies, and governments to raise their climate ambition](#), Ceres, November 19, 2021.

June 2022

- UNPRI explained to its members in the debate around air quality and methane regulations, that “an important consideration is the lobbying actions of other groups. Trade associations and industry third-party organisations can hinder policy action aimed at mitigating wider climate change risk. The policy positions that these organisations take often contradict those of their members.”<sup>43</sup> As if UNPRI understands oil and natural gas companies better than their direct trade associations.
- UNPRI also suggested to asset managers that a failure to anticipate what it perceives as negative lobbying could result in non-compliance with its guidelines, stating, “As ‘emerging’ climate regulations become ratified, strategically opposed or misaligned climate lobbying could be a red flag for lack of readiness or even non-compliance.”<sup>44</sup>

The climate groups take issue with Western Energy Alliance’s and other trade associations’ comments on the SEC’s rule. UNPRI’s expressed displeasure includes:

“The US oil and gas industry has redoubled its lobbying pursuits, specifically targeting the SEC and aiming to cripple its reformed disclosure requirements. They are lobbying to significantly dilute forward-looking elements of the Task Force on Climate-Related Financial Disclosures (TCFD) regulation and there is also concern about whether they may be supporting third parties’ legal actions to block climate disclosure regulation in the courts. Working both solely and collectively, some of the biggest names in the industry have made their opposition to the Biden administration’s stronger stance on climate abundantly clear.”<sup>45</sup>

UNPRI does not simply disagree with industry associations as a matter of policy, but must shut them down:

“The trade associations, think tanks and other third-party organisations of which many corporations are members wield significant power and influence as political stakeholders. Just a year and a half ago we saw this playing out at the SEC as corporate lobbying groups applied pressure on the Commission (under the Trump administration) regarding rules which would undermine long-standing shareholder rights and weaken investor voices. The ability of corporate lobbying groups to delay and disrupt climate legislation is significant.”<sup>46</sup>

To do so, these groups pursue a strategy that begins with putting pressure on publicly traded companies to disclose the trade associations they’re members of. Once that information is out in the open, they apply pressure on the companies to suspend those memberships and prevent the associations from lobbying on public policies. It’s the tactic of doxing a political opponent, just on a larger scale.

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<sup>43</sup> [Methane momentum gathers pace in oil and gas sector](#), UNPRI, March 22, 2019.

<sup>44</sup> [Converging on Climate Lobbying](#), UNPRI, 2018, p. 10.

<sup>45</sup> [Time must be called on negative climate lobbying](#), UNPRI, August 12, 2021.

<sup>46</sup> Ibid.

June 2022

AIGCC states, “All oil and gas companies must also disclose precisely how they are working with and via trade associations to address misalignments on climate policy.”<sup>47</sup> UNPRI warns of the perceived risks if publicly traded companies do not disclose memberships in industry trade associations:

“Even if a company has disclosed a positive stance on climate science, significant risk of misalignment with indirect lobbying practices may be highlighted through: no transparency on memberships of trade associations or other industry-backed and tax exempt organisations (especially those with a reputation of having a negative stance on climate change); and no disclosure of level of funding to these organisations.”<sup>48</sup>

The next step is to halt the lobbying of industry trade groups on behalf of their member companies on the SEC rule and all other climate-related policies. As UNPRI states:

“It’s clear the time has come to go further on reforming negative corporate climate lobbying. This is not just about financial disclosure rules but restricting and regulating lobbying efforts entirely... It’s time to confront negative climate lobbying from every link in the chain, from the funding by corporations to the lobbying organisation and ultimately to the closed-door undermining of climate action.”<sup>49</sup>

Here is an arm of the United Nations openly advocating for “restricting and regulating lobbying” of American companies and industry trade associations. The United Nations is seeking to prevent Americans from exercising their rights to freedom of speech, freedom of association, and “to petition the Government for a redress of grievances,” as guaranteed by First Amendment of the Constitution.

## Conclusion

In the course of analyzing SEC’s proposed rule and developing public comments, Western Energy Alliance has found ample evidence that the supposedly broad demand for climate change disclosure regulations from the investment community simply does not exist. There is only a small minority of American investment managers that ascribe to the agenda cited by SEC, while the pressure comes primarily from investors in Europe.

SEC instead cites to the work of a global activist organizations that have been collaborating for several years to end the use of oil and natural gas. The network of Keep-It-in-the-Ground groups has even gone so far as to threaten the public and federal employees while upending the will of Congress and official business of federal agencies. They attempt to deny American corporations and trade associations their First Amendment rights and use coercive strategies to advance their agenda. These organizations are not credible and should not be used as the justification for a major rulemaking that will reduce American energy and increase our reliance on foreign sources.

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<sup>47</sup> [Investor Climate Compass: Oil and Gas](#), AIGCC, July 2017, p. 16.

<sup>48</sup> [Converging on Climate Lobbying](#), UNPRI, 2018, p. 13.

<sup>49</sup> Ibid.