Disclosing the real risks of climate change

SEC says companies must disclose risks due to climate change. Seize the opportunity.

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We are not weighing in on the climate debate. We are not opining on whether the world's climate is changing, at what pace or due to what causes, Securities and Exchange Commission Chairman Mary Shapiro insisted on announcing the SEC's new "interpretive guidance" on climate change.

The Commission's two Republican members objected that the Obama Administration was using the Commission to promote its global warming and renewable energy agenda (along with the EPA, NASA, Defense and Interior Departments and others). It's true, but irrelevant.

Environmentalists and "ethical investing" groups had pressured the Commission for years to require corporate disclosure on climate matters. Now, as the SEC steps in, the Copenhagen treaty negotiations have collapsed in disarray. Cap-and-trade has bogged down over senators' fears of further damage to the economy and their reelection chances. The Environmental Protection Agency has decreed that plant-fertilizing carbon dioxide is a "dangerous pollutant," because senators are increasingly reluctant to micromanage the economy, companies and families, but the regulations' forward trajectory is uncertain.

Michael Mann's "hockey stick" graph and the ClimateGate email scandals have metastasized into a tsunami of revelations that have besmirched the IPCC's credibility and its role as dominant arbiter on matters of energy and climate. Manipulated and missing temperature data. Doctored computer models and disaster scenarios. Alarmist scientists rejecting any studies that dissent from climate catastrophe claims. Headline-grabbing disaster "studies" about melting glaciers and parched rainforests based on rank speculation or written by World Wildlife Fund activists. "Mann-made" climate change, indeed.

Investors certainly do have a "fundamental right to know" which companies are well positioned to address future crises and opportunities, and which are not – as we are frequently reminded by activist investor groups like Institutional Shareholder Services and CALPERS. However, these groups want to use the SEC decision to drive cap-and-trade laws and "endangerment" rulings forward, and drive hydrocarbon use into oblivion.

Many companies have been cowed into going along with this agenda. They seek to gain "a seat at the negotiating table," curry favorable PR through "greenwashing" and "green-nosing," protect themselves against lawsuits over CO2 emissions and global warming, or profit from renewable energy mandates, subsidies and stimulus grants.

But the "right to know" extends far beyond the activists' narrow agenda. Indeed the lesson may be that this SEC guidance offers a tremendous opportunity for any company or investor wise enough to seize it. For the new guidance does not say companies must disclose only alleged risks from climate change.

It says they should also address impacts from legislation, regulation, international accords and their effects on business trends. This creates valuable opportunities for educating investors, customers, employees and voters about climate change issues.

Some 2,400 lobbyists are working on energy and climate issues in Washington. General Electric alone spent $7.6 million lobbying in the second quarter 2009, to secure stimulus, climate change and renewable energy dollars from US taxpayers. GE hopes to garner up to $192 billion over the next several years from projects funded by governments worldwide, including renewables and electricity grid modernization.

Wind turbine and solar panel sales are high on GE's list, and will play a growing role. However, their electricity is 3-5 times more expensive than coal-based power, which translates into big taxpayer subsidies and more factory layoffs. Moreover, generating just 20% of US electricity with wind power would require some 186,000 turbines, 19,000 miles of new transmission lines, 18,000,000 acres of land (half of Illinois), and 270,000,000 tons of concrete, steel, copper, fiberglass and rare earth minerals (the equivalent of 180,000,000 Toyota Priuses). Even worse, a West Texas wind farm now under construction created 2,800 jobs – but 2,400 of them are in China. Solar power cost-benefit issues are similar.

Insurance companies and reinsurers may want to "disclose" alleged 20-foot higher sea levels and more violent hurricanes conjured up by computer models. These Gore and IPCC scare stories can translate into "increased risk," higher premiums and additional profits. New York Senator Kirsten Gillibrand says carbon permits could be a "boon" for the Big Apple's financial sector, creating a commodities market of "as much as $3 trillion by 2020."

Other members of the climate-industrial-government-activist-scientist complex likewise have a big stake in global warming disasters and massive government spending to "prevent a cataclysm" and terminate our "perilous dependence on fossil fuels." Exelon, Duke Energy, Penn State (Mike Mann again), NASA and other institutions all see huge potential returns on "investments" in climate alarmism and lobbying.

But 38 states depend on coal for 35-98% of their electricity and a sizable portion of their jobs and tax revenues. While others get rich, they will pay dearly. While a few members left the US Chamber, because it opposes cap-and-trade legislation, most recognize the risks in laws and regs that will send energy costs skyrocketing, ship millions of jobs overseas, and shackle living standards and civil rights across America.

Carbon emissions trading on the Chicago Climate Exchange began at $1 per metric ton in January 2004. Prices then fluctuated wildly, reaching a $7 peak value in May 2008, before crashing to $0.10 in October 2009. Speculators who entered the carbon market on 5/30/08 lost 98.6% of their investment.

Imagine how they might have fared if SEC rules had compelled utility companies, the Chicago Climate Exchange, and Al Gore's Generation Investment Management firm to truthfully disclose what was going on in the IPCC, Climate Research Unit and NASA. Imagine the roller coaster ride that GE, Exelon and Munich RE investors could take, as more sordid details come out of the IPCC, concerns soar about US deficits and credit ratings, and taxpayer anger rises over climate fraud, subsidies, and sweetheart deals that corporate lobbyists have negotiated with Congress and the Administration.

Investors have a right to know all these complex facts. That's where the SEC guidance offers vital opportunities for intelligent investors and socially responsible companies. They should carefully consider how to comply with the Commission's ruling in the areas it has identified.

Physical impacts of climate change: Are the impacts real, or generated by computers and activists? What is the current state of climate science and its integrity, transparency and accountability?

Impacts of legislation, regulation and international accords: Are projected future profits based on current and reliable vote counts and realistic assessments that a binding climate treaty will be agreed to? As Climategate unfolds and 2010 elections approach, will wind turbine makers and carbon traders benefit – or will it be hydrocarbon-based industries like chemicals, manufacturing, airlines and tourism?

Indirect impacts on business trends: Are profit projections based on melting glaciers and other Climategate fraud, greenwashing, backroom lobbyist deals, or wishful carbon trading? How will new laws affect demand for goods in industries that have recently been extolled – or vilified? How will they affect consumers?

It has become increasingly clear that the real risks to businesses, investors, employees, and low-income, minority and elderly families are not from climate change. They are the result of policies enacted in the name of preventing climate change. The SEC guidance can help identify risks and opportunities – and advise people about them in a timely, accurate, responsible manner. Socially responsible companies will seize the opportunity.

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