

Sempra Energy: Climate Policy Engagement Overview

An investor briefing to inform voting on Proposal 5 at Sempra Energy's 2021 AGM

April 2021

Executive Summary

- On May 14th 2021, Sempra Energy investors will vote on a shareholder resolution requesting that the company reports on how its “lobbying activities (direct and through trade associations) align with the Paris Agreement’s goal to limit temperature rise to 1.5 degrees” (see page 39 of Sempra’s *2021 Proxy Statement*). This briefing provides an overview of Sempra Energy’s direct and indirect climate-related policy engagement. The briefing contains data from InfluenceMap’s online platform which tracks, assesses and scores over 300 companies and 150 industry associations on their engagement with climate change policy against Paris-aligned benchmarks.
- InfluenceMap analysis indicates that Sempra Energy actively engages with climate-related policies, including Californian emissions regulations and electrification policy in the housing and transport sectors. Despite supportive top-line messaging on climate change, the company appears to have predominantly negative engagement with detailed climate regulation, particularly related to policymaker ambition on electrification. A summary of the company’s direct climate policy engagement, including access to the underlying data, is on *page 4*.
- Sempra Energy does not transparently disclose on its use of industry associations to influence climate change policy. InfluenceMap’s analysis of Sempra Energy’s indirect climate policy engagement via industry associations is available on *page 5*.
- For example, Sempra Energy is a member of several US industry associations displaying highly strategic and negative engagement with climate legislation and regulation, including the *US Chamber of Commerce*, the *American Gas Association*, the *American Petroleum Institute*, and the *California Chamber of Commerce*. A detailed overview of these industry associations’ climate policy engagement is on *page 5*.

Background: Proposal 5 on corporate climate lobbying

Engagement with companies over their lobbying practices is now firmly on the investor agenda on climate change. It is an integral part of the *Climate Action 100+* (CA100+) investor-engagement process, which now has over 545 investor signatories with a total of \$52 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing, and scoring companies on their engagement with climate change against Paris-aligned benchmarks, currently covering around 300 companies along with 150 of their key industry associations.

InfluenceMap refers to the UN's *Guide for Responsible Corporate Engagement in Climate Policy* as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties, and participation in policy advisory committees.

This briefing provides an overview of Sempra Energy's direct and indirect climate policy engagement, to inform voting decisions on the shareholder resolution summarized in Table 1 below. This resolution will be voted on at Sempra's Annual General Meeting (AGM) on May 14th 2021.

Table 1: Key Information for Proposal 5 at Sempra Energy's 2021 AGM

Proposal 5: Report on corporate climate lobbying in line with the Paris Agreement			
Lead Filer:	Putney School Inc Endowment (USA)	AGM Date:	May 14 th 2021
Proposal Summary: <i>The full resolution text is available here.</i>	"Shareholders request the Board of Directors evaluate and issue a report (at reasonable cost, omitting proprietary information) describing if, and how, Sempra's lobbying activities (direct and through trade associations) align with the Paris Agreement's goal to limit temperature rise to 1.5 degrees and how Sempra plans to mitigate risks presented by any misalignment."		

Following growing investor scrutiny on corporate lobbying behavior, companies are increasingly facing shareholder resolutions on climate policy engagement. The number of resolutions filed in this category has significantly increased in the last three years, becoming the most popular amongst the climate-relevant resolution universe *monitored by InfluenceMap*: 17 in 2020 compared with 8 in 2018 and 13 in 2019.

This trend appears to be continuing in 2021, with investors filing record numbers of resolutions specifically calling for Paris-aligned policy engagement. InfluenceMap is producing a series of investor briefings on companies facing these resolutions in 2021, with more information available [here](#).

Summary of Sempra Energy’s climate policy engagement

Overview

InfluenceMap’s methodology, available [on our website](#), uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related policy streams. Each item of evidence is scored against benchmarks based on the advice of *IPCC science* or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company’s climate policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap’s online profile of Sempra Energy, including access to the underlying data which forms this assessment, can be found [here](#). The analysis of Sempra’s industry association relationships, including detailed profiles for each association, can be explored via the "Details of Relationship Score" tab. An overview of this assessment is provided in Table 2 below.

Table 2: Overview of InfluenceMap’s assessment of Sempra Energy

Sempra Energy		
Performance Band	D-	Performance Band (A+ to F) is a full measure of a company’s climate policy engagement, accounting for both its own lobbying activities and the lobbying activities of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate lobbying practices.
Organization Score	49%	Organization Score (0 to 100) expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “internal” misalignment between the Paris Agreement and the company’s detailed climate lobbying positions.
Relationship Score	33%	Relationship Score (0 to 100) expresses how supportive or obstructive the company’s industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “external” misalignment between the Paris Agreement and the detailed climate lobbying positions of the company’s industry associations.
Engagement Intensity	24%	Engagement Intensity (0 to 100) is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.

Summary of direct climate policy engagement

InfluenceMap's analysis of Sempra Energy's direct climate policy engagement is based on 99 independent data points, 57 of which have been logged since 2020. This section contains embedded links to our online platform, where over 30,000 pieces of assessed evidence are archived. Registration may be required for some parts of the site.

- **Not supporting emissions reductions regulations:** In a September 2020 consultation to the California Air Resources Board (CARB), subsidiary SDG&E *advocated to weaken* CARB's emissions regulations on sulfur hexachloride, a potent greenhouse gas. As reported by the Los Angeles Times, subsidiary SoCalGas *opposed* AB 3232 in California, a 2019 bill aiming to reduce carbon emissions from buildings throughout the state.
- **Not supporting the electrification of the US housing sector:** In December 2020, subsidiary SoCalGas submitted *comments to the California Energy Commission* arguing that natural gas is vital for building decarbonization. In August 2020 comments to the California Energy Commission, SoCalGas also *opposed* Title 24's (California's building energy efficiency regulation) proposed all-electric baseline. In 2019 it was *reported* by the LA Times that SoCalGas helped to set up the Californians for Balanced Energy Solutions (C4Bes), a coalition that appears to strongly oppose electrification policies throughout the state.
- **Mixed engagement with clean transportation regulations:** In August 2020, subsidiary SoCalGas *advocated to exempt* compressed natural gas (CNG) vehicles from mandatory compliance under California's Low Carbon Fuel Standard program in comments to CARB. SDG&E *commented in support* of California's Advanced Clean Trucks (ACT) rule to CARB in May 2020, however, SoCalGas submitted *comments* throughout 2019 and 2020 to expand the rule's definition of "near zero" emissions to include gas-powered vehicles.
- **Not supporting rooftop solar subsidies:** In March 2021, SDG&E joined other major California utilities in comments to the state's Public Utilities Commission, which *proposed a partial rollback* of rooftop solar subsidies as part of the state's Net Energy Metering program.

Summary of indirect climate policy engagement via industry associations

InfluenceMap's platform tracks and analyzes the climate policy engagement of over 150 industry associations using the same benchmarks and scoring process applied to companies. This gives an assessment of each association's engagement against Paris-aligned benchmarks. This section details InfluenceMap's analysis of key industry associations of which Sempra Energy is a member.

- **There is a lack of transparency concerning Sempra Energy's use of industry associations to influence climate change policy.** Sempra has not provided a dedicated disclosure of its membership to industry associations, beyond a *list of groups* to which it has given funding above a certain threshold. It therefore has not disclosed any information on the extent to which it is aligned with these associations on climate change policy, nor how it exerts its influence within these groups.
- InfluenceMap analysis indicates that Sempra Energy **holds five memberships** to industry associations with misaligned climate policy engagement (ranked as a D or below by InfluenceMap's system), including **three memberships** to industry associations with strongly misaligned climate policy engagement (ranked as an F or below). These include the *US Chamber of Commerce*, the *American Gas Association*, the *American Petroleum Institute*, and the *California Chamber of Commerce*.
- Sempra executive Lisa Larroque Alexander is a **member of the Board of Directors of the US Chamber of Commerce**, which has strongly misaligned climate policy engagement.

Table 3 below gives an overview of four key industry associations with examples of recent obstructive climate policy engagement. Detailed profiles for all Sempra's industry associations can be explored via the "Details of Relationship Score" tab on InfluenceMap's *company profile*.

Table 3: Evidence of recent climate policy engagement by Sempra Energy's key industry associations

Industry Association	Performance Band	Examples of recent climate policy engagement
American Gas Association (AGA)	E+	<ul style="list-style-type: none"> ● March 2021: AGA supported a change to International Code Council (ICC) procedures that would <i>block local governments</i> from voting for more ambitious building energy efficiency codes. The ICC is a private consortium overseeing model building codes for the US. ● March 2021: AGA has reportedly <i>coordinated lobbying</i> on various state-level bills to prevent local governments from banning natural gas. ● February 2020: AGA signed a letter submitted to the US House Subcommittee on Energy urging for <i>policy to support increased natural gas</i> infrastructure.

<p>American Petroleum Institute (API)</p>	<p>F</p>	<ul style="list-style-type: none"> • January 2021: In a speech, API CEO Mike Sommers appeared to argue <i>against</i> a ban on fracking. In its State of American Energy report, API appeared to <i>oppose</i> restrictions on federal waters and land for oil and gas production and the <i>renewal</i> of the Nationwide Permit 12 program, while supporting the <i>weakening</i> of the National Environmental Policy Act – both of which serve to make permitting approval processes for oil and gas infrastructure quicker and easier. • November 2020: The API reportedly <i>supported the removal</i> of restrictions on oil and gas production in the Arctic National Wildlife Refuge, as well as suggesting punitive measures, such as preventing access to Covid-19 relief funding, for banks that have chosen not to fund Arctic-drilling projects.. • November 2020: CEO Mike Sommers reportedly <i>stated</i> that API would use “every tool at its disposal” including legal action’ to block a proposed ban on fracking on federal land and water. • September 2020: API reportedly <i>opposed</i> an expanded moratorium on offshore oil and gas development off the coast of Florida • April 2020: API on Twitter appeared to <i>heavily criticize</i> the Renewable Fuels Standard, <i>tweeting</i> that “it is time to get rid of this broken mandate.”
<p>US Chamber of Commerce (The Chamber)</p>	<p>F</p>	<ul style="list-style-type: none"> • January 2021: In a press release, the Chamber appeared to strongly oppose Biden’s executive orders to revoke the permit for the <i>Keystone XL pipeline</i> and pause <i>oil and gas leases</i> on federal lands. • 2017 to 2020: The Chamber lobbied policymakers heavily to weaken and roll back national fuel economy standards. In August 2019, it <i>wrote a letter</i> to the US Secretary of Transport seeking to lower the fuel economy standards. In September 2020, the Chamber took <i>legal action</i> to support the revocation of California’s right to enact its own, stronger fuel economy standards. • February 2019: The Chamber took legal action to <i>support</i> the Atlantic Coast Pipeline.
<p>California Chamber of Commerce (CalChamber)</p>	<p>F</p>	<ul style="list-style-type: none"> • March 2021: CalChamber led a joint letter to the California Senate Committee on Environmental Quality, <i>condemning</i> GHG emissions reduction targets for automobiles and light-duty trucks as set by California’s SB 261. • Feb 2021: CalChamber reportedly <i>opposed increasing</i> the California gas tax and instead supported its replacement with a road users charge, widely criticized as favoring less fuel-efficient vehicles. • September 2020: CalChamber released a statement of opposition to Governor Newsom’s September 2020 <i>executive order</i> mandating that all new cars and trucks sold after 2035 be emissions-free. • January 2020: CalChamber <i>protested a bill</i> that would mandate the closure of thousands of new and existing oil and natural gas extraction facilities, criticizing the “imposition of unreasonable setback requirements” for jeopardizing local economic growth.