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## **Major Investors Urge Oil Spill Commission to Seek SEC-Required Disclosure of Offshore Drilling Risks Greater Transparency Essential for Investors to Gauge Whether Industry Is Addressing Material Risks Exposed by BP Gulf Spill**

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[Read the Letter](#) 

WASHINGTON D.C. - The Securities and Exchange Commission should play a critical role in requiring oil companies to boost their public disclosure of material financial risks they face from offshore oil drilling projects. To that end, a group of leading U.S. investors has asked the national commission investigating the Gulf of Mexico oil spill to recommend development of new disclosure guidance from the SEC for energy companies involved in ever-increasing deepwater drilling activity globally.

The request was made in a letter last week from the Investor Network on Climate Risk (INCR), a network of 98 investors with collective assets totaling over \$9 trillion. It was sent to the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, whose final report and recommendations are expected in January.

"As illustrated by the BP Gulf disaster, offshore drilling accidents can result in significant destruction of company and shareholder value, directly and materially impacting investor interests," wrote Mindy Lubber, director of INCR and president of Ceres, in the letter to the commission's co-chairs Sen. Bob Graham and William K. Reilly. "Greater transparency will benefit investors, regulators and ultimately the public by making it clear whether and how the industry is actually addressing the weaknesses identified by the Macondo spill."

The letter asks the commission to "recommend that the SEC develop rules or guidance under its existing regulatory authority to ensure consistent disclosure of material offshore drilling risks."

"The beneficiaries we serve have a right to full disclosure of the risks associated with oil companies' offshore operations, and the prevention, response and governance measures the firms have in place to minimize those risks," said California State Treasurer Bill Lockyer, a trustee on the boards of the nation's two largest public pension funds, CalPERS and CalSTRS, in support of last week's letter to the commission. "The SEC should make sure that right is fully enforced."

"The Gulf oil spill was a game-changer for shareholders. Our letter asks for actions that will help companies avoid future calamities that harm both investors and the environment," said Pennsylvania State Treasurer Rob McCord. "Information is power. By acting on our request, the commission can help investors distinguish which energy companies are doing the best job managing offshore drilling risks."

"We need the right disclosure, and by all players in the energy industry, to help investors pick companies with stellar offshore safety practices and to level the playing field for good companies," added Steven Heim, managing director and director of ESG Research and Shareholder Engagement at Boston Common Asset Management.

Last August, in response to the BP spill, INCR members and other global investors sent letters to 27 major oil and gas companies, asking them to disclose information regarding their risk oversight measures - including spill prevention and response plans - for their offshore oil and gas operations worldwide. "Our initial review of responses to the letters indicates that voluntary disclosure, while helpful, cannot produce the type of consistent disclosure of material risks that investors need; only SEC action can do this," Lubber said.

INCR has long advocated for SEC guidance requiring the disclosure of material risks and opportunities tied to environmental, social and governance risks. The SEC responded decisively to investors in February of this year by issuing formal interpretive guidance outlining the types of climate change-related risks all publicly traded companies should be disclosing in their financial filings with the SEC.

Congress took a similar approach - requiring improved transparency - after April's explosion at the Massey Big Branch coal mine in West Virginia. In July, Congress passed a law as part of the Dodd-Frank financial reform legislation requiring mining companies to report health and safety violations, fatalities and patterns of violations in SEC filings. This type of reporting is equally important for major oil and gas companies, since offshore drilling poses similar health and safety risks.

In last week's letter, investors asked that oil and gas companies be required to disclose the environmental, safety and health performance of their offshore drilling projects. Disclosure should also detail company investments in accident and spill prevention plans, specific spill response plans, contractor selections and oversight and governance/management systems.

Deepwater offshore drilling has become increasingly critical to the global oil industry, accounting for roughly half of new oil discoveries in the last five years. Deepwater production capacity (2,000 feet or deeper) has tripled since 2000 to five million barrels a day and has the potential to double again by 2015, according to Cambridge Energy Research Associates. There are now 14,000 deepwater wells worldwide.

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### **About Ceres & INCR**

Ceres is a leading coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as global climate change. Ceres also directs the Investor Network on Climate Risk, a network of 98 investors focused on the business impacts of climate change.