CNX Resources: Climate Policy Engagement Overview

An investor briefing on CNX Resources' climate policy engagement in advance of its 2023 Annual General Meeting (AGM)

March 2023

Executive Summary

- On 4th May 2023, CNX Resources' (hereafter “CNX”) shareholders will vote on a resolution requesting “that the Board of Directors conduct an evaluation and issue a report [...] describing if, and how, CNX Resources' lobbying and policy influence activities [...] align with the goal of the Paris Agreement to limit average global warming to well below 2°C (the full resolution text is available here). This briefing provides an overview of CNX's climate policy engagement, and shows that the company has not aligned its policy engagement activities with limiting average global warming to well below 2°C.

- InfluenceMap analysis suggests that CNX's direct climate policy engagement is misaligned with science-based pathways for achieving the goal of the Paris Agreement to limit warming to 1.5°C, which entails achieving net-zero emissions globally by 2050. The company has strongly and consistently advocated for the long-term role for fossil gas in the energy mix without reference to the need for carbon capture and storage (CCS) or methane abatement measures, and has opposed the transition to a renewables-dominated energy mix both in the US and globally. This messaging is inconsistent with IPCC science on 1.5°C-aligned decarbonization pathways. A summary of the company's direct climate policy engagement is on page 4. InfluenceMap's online profile of CNX can be found here.

- CNX does not appear to hold any memberships to industry associations currently covered by InfluenceMap's database. InfluenceMap is therefore unable to provide an overview of CNX's indirect climate policy engagement via industry associations.

- CNX has not published a review of its climate policy engagement activities in line with standards put forward by institutional investors as part of the 2022 Global Standard on Responsible Climate Lobbying. The Global Standard highlights the need for companies to publish a detailed annual review to ensure that its climate policy engagement (direct and indirect via industry associations) is consistent with the 1.5°C goal of the Paris Agreement.
**Background: Shareholder resolution on climate advocacy**

Engagement with companies over their climate policy engagement 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 700 investor signatories with a total of $68 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 policy against Paris-aligned benchmarks. This system currently covers around 450 companies along with 250 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 CNX’s direct climate policy engagement in advance of the shareholder resolution at its 2023 Annual General Meeting (AGM), summarized in Table 1 below. This resolution will be voted on at CNX’s AGM on 4th May, 2023.

**Table 1: Key information for shareholder resolution at CNX’s 2023 AGM**

| Resolution: Request for a report on lobbying in line with the Paris Agreement |
|---|---|---|---|
| **Lead Filer:** | **Proxy Impact** | **AGM Date:** | **4th May, 2023** |
| **Proposal Summary:** | | |
| *The full resolution text is available here.* | | |
| “Shareholders request that the Board of Directors conduct an evaluation and issue a report […] describing if, and how, CNX Resources’ lobbying and policy influence activities […] align with the goal of the Paris Agreement to limit average global warming to well below 2°C” | | |
Summary of CNX’s climate policy engagement

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 CNX, including access to the underlying data which forms this assessment, can be found here. As CNX does not currently hold any memberships to industry associations assessed by InfluenceMap, the “Relationship Score” tab remains unscored (n/a). An overview of this assessment is provided in Table 2 below.

Table 2: Overview of InfluenceMap’s assessment of CNX

<table>
<thead>
<tr>
<th>CNX Resources</th>
<th>Performance Band (A+ to F) is a full measure of a company's climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.</th>
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<tbody>
<tr>
<td>Performance Band</td>
<td>F</td>
</tr>
<tr>
<td>Organization Score</td>
<td>Organization Score (0 to 100) expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement is, with scores under 50 indicating misalignment with the Paris Agreement.</td>
</tr>
<tr>
<td></td>
<td>24%</td>
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<tr>
<td>Relationship Score</td>
<td>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 misalignment with the Paris Agreement.</td>
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<td></td>
<td>n/a</td>
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<tr>
<td>Engagement Intensity</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>16%</td>
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Summary of direct climate policy engagement

InfluenceMap’s analysis of CNX’s direct climate policy engagement is based on 179 independent data points, all of which account for CNX’s climate engagement from 2020 onwards. This indicates active engagement on climate policy by CNX. Under InfluenceMap’s system, recent evidence is heavily weighted in the calculation of metrics, as explained in our methodology.

CNX has strongly negative top-line messaging on climate change. Throughout 2022-2023, CNX CEO Nick Delulii has consistently raised doubt as to the reliability of climate science:

- In two Twitter posts uploaded in December 2022, Delulii denied the causal relationship between human activity, climate change, and climate induced weather phenomena.
- In another Twitter post uploaded in March 2023, Delulii described climate change as a “religion” that “brainwashes young adults”.

Further, Delulii has opposed policy action in response to climate change, including the Paris Agreement and general climate change policy:

- In an opinion piece written in September 2022, Delulii stated that the UN Paris Agreement penalizes domestic US energy, and forces false solutions to create reliance on Chinese and Russian energy providers.
- In another opinion piece written by Delulii in January 2023, climate change policies were said to emanate from “anti-science ideology”, and the concept of zero-carbon was described as being ‘nonsensical’.
- Furthermore, in a February 2023 Twitter post, Delulii argued that climate policies caused inflation and energy scarcity, costing “every American, every day”.

CNX does not have a clear position on the need for emissions reductions in line with IPCC guidelines, i.e. achieving net-zero emissions globally by 2050. While CNX appears to have engaged positively on energy efficiency legislation, the company has advocated negatively on renewable energy subsidies in the US in 2023:

- In comments submitted to the US Internal Revenue Service in November 2022, CNX supported the Waste Energy Recovery Credit Scheme, which intended to incentivize energy efficiency by offering tax credits to companies reusing ‘waste energies’.
- However, CEO Nick Delulii has opposed renewable energy legislation in the US in 2023, including opposing renewable energy subsidies and targets in January 2023 tweets.
CNX also actively promotes a sustained role for fossil gas in the energy mix without the reference to the need for CCS or methane abatement measures, contrary to IPCC pathways on oil and gas to limit global warming to 1.5°C. For example:

- In a February 2023 tweet, CNX claimed that fossil gas is the “superior” solution to greenhouse gas emissions reductions. Similar positions were expressed in a September 2022 blog post and in a July 2022 Investor Presentation.
- In comments submitted to the US Internal Revenue Service in February 2023, the company advocated for the use of “sustainably derived methane” under the US Sustainable Aviation Fuel Credit. However, the company was unclear on the criteria for creating sustainable methane and if it is a carbon-neutral fuel type.

Throughout 2022-2023, the company also appeared to actively campaign against the use of renewable energies via social media:

- In a blog post uploaded by the company in February 2023, CNX opposed renewable energies on the basis that they do not “present a zero carbon footprint”.
- In another blog post from the company in March 2023, the company argued that a transition to wind and solar power would not be cost-efficient or reliable.
- Moreover, in a Twitter post from CEO Nick Deluliis in November 2022, it was argued that replacing coal plants with wind and solar energy would cause “rolling blackouts, inflation, [and] economic devastation” across America.
- These positions appear to conflict with the IPCC's 2022 Mitigation of Climate Change report which states that in pathways that limit warming to 1.5°C with no or limited overshoot, the global use of gas in 2050 is projected to decline by 45% compared to 2019. CNX's position on gas also appears to be inconsistent with the IPCC's less ambitious mitigation pathways, including scenarios for 1.5°C warming by 2100 with overshoot (45% reduction in gas and 2°C warming (15% reduction in gas).
Indirect climate policy engagement via industry associations

InfluenceMap’s platform tracks and analyzes the climate policy engagement of over 250 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.

- CNX disclosed its membership to a number of industry associations in its 2021 Governance Report, but did not disclose any further details as to the type of membership and/or the role held within these industry associations.

- CNX does not appear to hold any memberships to industry associations currently covered by InfluenceMap’s database. InfluenceMap is therefore unable to provide an analysis of CNX’s indirect climate policy engagement via industry associations¹.

- The company does not appear to have undertaken a review of its climate policy engagement, including an assessment of alignment with its industry associations on climate change. The Global Standard on Responsible Climate Lobbying - instigated by investors and launched in March 2022 - highlights the need for companies to publish a detailed annual review to ensure that its climate policy engagement (direct and indirect via industry associations) is consistent with the 1.5°C goal of the Paris Agreement.

¹ InfluenceMap is currently in the process of expanding its database of industry associations, including in key regions and sectors such as the US oil and gas industry. New industry associations will be added to CNX Resources’ company profile when they are assessed.