Coterra Energy: Climate Policy Engagement Overview

An investor briefing on Coterra Energy’s climate policy engagement in advance of its 2023 Annual General Meeting (AGM)

March 2023

Executive Summary

- In Q2 2023 (Date TBC), Coterra Energy’s (hereafter ‘Coterra’) shareholders will vote on a resolution requesting “that the Board of Directors conduct an evaluation and issue a report [...] describing if, and how, Coterra Energy’s 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 Coterra’s direct and indirect (via industry associations) climate-related 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 Coterra’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 advocated to weaken US methane emissions regulation, and has actively promoted a sustained role for fossil gas in the future energy mix without reference to the need for carbon capture and storage (CCS), contrary to 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 Coterra can be found here.

- Coterra is a member of several industry associations displaying highly strategic and negative engagement with climate legislation and regulation in the United States, including the American Petroleum Institute (API), the American Exploration and Production Council (AXPC) and the Texas Oil & Gas Association (TXOGA). All of these associations have also advocated extensively in 2022-23 for a sustained role for fossil fuels in the energy mix, contrary to IPCC 1.5°C-aligned decarbonization pathways. A detailed overview of these industry associations’ climate policy engagement is on page 6.

- Coterra 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 Coterra’s direct and indirect 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 Coterra’s AGM in Q2 2023 (Date TBC).

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

<table>
<thead>
<tr>
<th>Resolution: Request for a report on lobbying in line with the Paris Agreement</th>
<th>Proxy Impact</th>
<th>AGM Date:</th>
<th>Q2 2023 (Date TBC)</th>
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<tbody>
<tr>
<td><strong>Lead Filer:</strong></td>
<td>Proxy Impact</td>
<td>AGM Date:</td>
<td>Q2 2023 (Date TBC)</td>
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<tr>
<td><strong>Proposal Summary:</strong></td>
<td>“Shareholders request that the Board of Directors conduct an evaluation and issue a report [...] describing if, and how, Coterra Energy’s lobbying and policy influence activities [...] align with the goal of the Paris Agreement to limit average global warming to well below 2°C”</td>
<td><strong>AGM Date:</strong></td>
<td>Q2 2023 (Date TBC)</td>
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*The full resolution text is available [here](#).*
Summary of Coterra’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 Coterra, including access to the underlying data which forms this assessment, can be found here. The analysis of Coterra’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 Coterra

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td><strong>Performance Band</strong></td>
<td>E</td>
<td>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.</td>
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<td><strong>Organization Score</strong></td>
<td>32%</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>
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<tr>
<td><strong>Relationship Score</strong></td>
<td>28%</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>
</tr>
<tr>
<td><strong>Engagement Intensity</strong></td>
<td>9%</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>
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Summary of direct climate policy engagement

InfluenceMap’s analysis of Coterra’s direct climate policy engagement is based on 37 independent data points, all of which account for Coterra’s climate engagement from 2020 onwards. This indicates limited transparent, direct engagement on climate policy by Coterra. By contrast, the company is a member of industry associations displaying highly strategic and negative engagement with climate regulations (see page 5).

Coterra has limited top-line messaging on climate change. In Coterra’s 2022 annual SEC Filing, published in February 2023, the company acknowledged the Paris Agreement and the risk of climate change regulation, but has not publicly disclosed a clear position on either. Coterra also 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.

However, Coterra has advocated to weaken or oppose US methane emissions regulations. For example:

- In a February 2023 joint letter to the US Environmental Protection Agency (EPA), Coterra opposed the use of Optical Gas Imaging (OGI) follow-up surveys to detect methane emissions in the atmosphere, claiming that they were ‘unnecessary or impractical’. Under the proposed 2022 US Methane Regulations, the EPA proposed quarterly OGI inspections for any site with significant production and processing equipment.

- In a consultation response to the US EPA in February 2023, Coterra opposed the latest US methane emissions regulation proposal, citing operational costs and economic impacts. The proposal included applying existing methane emissions regulations to new polluting sources, and imposing implementation requirements, including timelines, on states to limit methane pollution under the Clean Air Act.

Coterra also appears to actively promote a sustained role for fossil fuels in the energy mix without the reference to the need for carbon capture and storage (CCS), contrary to IPCC pathways on oil and gas to limit global warming to 1.5°C. For example:

- In a blog post published by the company in February 2023, Coterra framed fossil gas as a ‘clean energy’, and emphasized concerns around the technical feasibility of a move away from fossil fuels. Similar positions were expressed in its 2022 Sustainability Report and on the company’s corporate website.

- In a statement addressed to the US Federal Energy Regulatory Commission (FERC) in May 2022, Coterra supported the development of ‘responsibly sourced gas’ (RSG) and the need to increase buying and selling of ‘low emission’ fossil gas. According to an article published by Politico in June 2022, Coterra then ‘pushed back’ on FERC’s decision to reject the RSG proposal.

- 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. Coterra’s position on gas also appears to be inconsistent.
with IPCC’s less ambitious mitigation pathways, including scenarios for 1.5°C warming by 2100 with overshoot (45% reduction) and 2°C warming (15% reduction in gas).

Summary of 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. This section details InfluenceMap’s analysis of Coterra’s key industry associations and governance processes.

- Coterra disclosed its membership to a number of industry associations through its 2022 Sustainability Report, but did not disclose any further details as to the type of membership and/or role held within these industry associations.

- 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.

- InfluenceMap analysis indicates that Coterra likely holds 3 memberships to industry associations with misaligned climate policy engagement (ranked as a D or below by InfluenceMap's system). These are the American Petroleum Institute (API), the American Exploration and Production Council (AXPC) and the Texas Oil & Gas Association (TXOGA), with one of Coterra’s senior executives holding an executive committee position at TXOGA.

Detailed profiles for all Coterra’s industry associations can be explored via the links in the table or the “Details of Relationship Score” tab on Coterra’s company profile. Table 3 below gives an overview of three industry associations with examples of recent obstructive climate policy engagement.
### Table 3: Evidence of recent climate policy engagement by Coterra’s key industry associations

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>Performance Band</th>
<th>Examples of recent climate policy engagement</th>
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| **American Petroleum Institute (API)** | F | - **June 2022:** API released a “10-in-2022 Plan” outlining 10 policy recommendations for the US federal government to support oil and gas production. This included lifting the oil and gas development restrictions in the US federal lands and waters by resuming the 5-year leasing program, and revising the National Environmental Policy Act (NEPA) permitting process to swiftly approve infrastructure permitting processes.  
- **March 2022:** API opposed electrification of transport in a letter to the Connecticut government, and argued that policy should allow all types of vehicles to compete in the market.  
- **February 2022:** API opposed methane regulations in comments to the Environmental Protection Agency (EPA), several of which API referred to as “unnecessarily burdensome.” In this letter, API also contested EPA’s legal authority to apply methane standards on existing sources. |
| **American Exploration and Production Council (AXPC)** | E | - **February 2023:** In a joint letter to the EPA, AXPC opposed the use of full-site Optical Gas Imaging (OGI) follow-up surveys to detect methane emissions in the atmosphere, on account of their use being “unnecessary or impractical”.  
- **July 2022:** In a joint letter to President Biden, AXPC opposed policies which aid the decarbonization of the economy, such as banning crude oil exports, arguing that these policies would “drive up both costs and global emissions”.  
- **June 2022:** In a blog post, CEO of AXPC Anne Brandbury urged the US government to encourage investments and support infrastructure in the oil and gas industry. |
| **Texas Oil & Gas Association (TXOGA)** | F | - **February 2023:** In comments submitted to the EPA, TXOGA contested the organization’s authority in imposing methane emissions regulations under the Clean Air Act, and advocated for exemptions  
- **January 2023:** TXOGA called on elected officials to encourage growth in the oil and gas industry in its Annual Energy and Economic Impact Report. |