

# Clean Energy Claims to Get More Scrutiny

August 20, 2018

By Bloomberg News Editors

Chris Martin and Emily Chasan, Bloomberg  
In late May, Warren Buffett's MidAmerican Energy Co. claimed it was about to become the first U.S. utility with 100 percent renewable energy. It was a little premature and perhaps a bit misleading. When challenged a few weeks later, Greg Abel, a vice chairman of Berkshire Hathaway, which controls MidAmerican, admitted "Maybe we tried to simplify it too much." The claim hinged on a 2,000-megawatt wind farm that would give the utility all the power its customers consume over a year; but only while the wind is blowing. It will still operate coal plants when the winds doesn't cooperate. MidAmerican said its commitment to 100 percent renewable energy is real, but would not deny it would still deliver fossil-based power. He's not the only executive owning up to a far-fetched claim. More and more companies are being forced to admit to greenwashing—the disparaging term for gushing corporate sustainability claims with a tenuous grip on reality. Volkswagen AG touted "clean diesel" cars while its engineers tricked emissions tests. Walmart and Amazon settled lawsuits with California after they were accused of illegally selling plastic products that the state said were falsely labeled as biodegradable. Amazon said it was now in compliance with state regulations. Walmart declined to comment. Volkswagen did not respond to a request for comment. Corporate sustainability reporting has risen dramatically over the last few years, with 85 percent of the S&P 500 index producing annual corporate responsibility documents in 2018, up from just 20 percent in 2011, according to the Governance & Accountability Institute. That's partially due to investor demand. Assets in sustainable investment funds grew 37 percent last year, according to data tracked by Bloomberg. Fewer than 10 percent of large companies have third-parties (such as auditors) sign off on their sustainability data, according to a report released Wednesday by the environmental advocacy group Ceres. And just a handful of the 500 companies surveyed analyze the data to determine what might be material to investors. But a lack of standardized sustainability data are becoming more of an issue for portfolio managers who want to use the information to build strategies. Investors such as BlackRock Inc., California State Teachers' Retirement System, Neuberger Berman and Eaton Vance's Calvert Research and Management, made it a priority to press companies to use standard sustainability reporting frameworks in their annual meetings with corporate boards this year. "Companies don't say 'let me get right on it' but we get wins here and there," said John Streur, CEO of Calvert. Frustrated investors are increasingly making their own sustainability assessments. Deutsche Bank AG's asset-management arm, DWS Group, is using a natural disaster mapping tool to forecast the impact of climate change risks on its investment portfolios. UBS Asset Management worked with university researchers to come up with scientific methods to build comparable measures it could use to evaluate companies on climate change, air quality, water and public health. As investors develop more sophisticated tools to measure corporate environmental stewardship, even just a slightly misleading ad campaign can stir up activists. It's an important distinction retailers frequently rely on claims that may be more nuanced than they initially appear. Anheuser-Busch InBev SA, for instance, claims its beer is made 100 percent from renewable energy. That is, Budweiser, the king of beers, is fully fossil-free. Other beverage from the company, like Corona, Stella Artois, Beck's and even Bud Light, can't make that claim. Tony Milikin, AB InBev's chief sustainability officer, defended the company's labeling, pointing out they only put the label on Budweiser bottles and cans, not the other brands. "We're working to spread clean energy to all of our brands by 2025," he said. The brewer last year became one of the 140 corporations to join the RE100 coalition, a coalition of companies committed to cutting out fossil fuel power. "The 100 percent renewables [commitment] is for our energy use worldwide," Milikin said in an July 30 interview. "That's just the way we communicate with our customers."