



The Daily Dish

Warren's Putative Assault on Oil

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Eakinomics: Warren's Putative Assault on Oil

Axios is [reporting](#) “Warren’s campaign says one of her existing policy proposals would create pressure on major oil-and-gas companies to splinter.” Her proposed legislation would require “detailed disclosures from publicly traded companies about risks to the company from policies that would force steep emissions cuts consistent with holding global temperature rise to 1.5°C.” What would be the impact?

First, it is a sensible idea that financial disclosures make clear the risks that shareholders face. In this context there are risks from climate change itself — e.g., assets imperiled by sea level rise and so forth — and from the fallout of policies to address climate change — e.g., impact of a carbon tax or climate-related regulatory standards on the demand for oil products. There are, however, a zillion possible combinations of U.S. policies, timing, and overseas policies that would be consistent with the target of limiting temperature rise to 1.5°C. Leaving it up to the company to pick among them and then file a disclosure is a recipe for lots of numbers and no information. The scenarios would not be comparable across companies and might even change over time. If the United States is to go down this road, there should be realistic, standardized scenarios provided to firms.

Second, this would not create any new liabilities for firms; it is simply a disclosure. Now, it could cause investors to re-price the value of the stock (presumably down). If the impact is dramatic enough, it might force a financial restructuring because the real assets — reserves, wells, pipelines, storage, etc. — will not support the old debt and equity structure. In the extreme this might even be a Chapter 11 bankruptcy workout.

Third, this is not a climate/energy policy. Even in the event of bankruptcy workouts, the real assets remain and the shared goal of the company and the bankruptcy court is to keep them operating and generating as much income as possible.

The question, then, is what would be accomplished by a proposal that does not produce better information nor change the structure of real economic activity?