

CLIMATE TRANSITION MISMATCH FOR CORPORATES & TRADE ASSOCIATIONS


GUILTY BY ASSOCIATION?

Corporates should scrutinise their membership of associations which do not align with their own stated goals. At the very least, this misalignment should be explained. Bayer and LyondellBasell are sensible examples of good practice in this area. Others should follow promptly, as regulators could view this inconsistency as a form of greenwashing. Investors need to clarify this strategic confusion; they need to know whether the corporate's strategy is to align with the Paris Agreement or to lobby against a decarbonisation transition. Financial markets need to understand the financial implications of these different pathways.

Hiding behind trade associations

In recent years, the global community has witnessed a growing urgency to address the climate crisis. Corporations, particularly those with significant environmental footprints, have come under increasing scrutiny regarding their commitment to meaningful climate action. In this context, **the membership of companies in trade associations has emerged as a critical area of concern, particularly when corporate management teams claim to be supportive of lowering their carbon footprint but are members of associations that appear to be at odds with the goals set forth in the Paris Agreement.**

Previously, Planet Tracker has analysed the climate transition plans and strategies of major corporations in the consumer and chemical sectors, which are also members of the Climate Action 100+ benchmark.¹ These include [Air Liquide \(AI\)](#), [BASF \(BAS\)](#), [Bayer \(BAY\)](#), [Colgate-Palmolive \(CL\)](#), [Danone \(BN\)](#), [Dow Inc \(DOW\)](#), [Incitec Pivot \(IPL\)](#), [LyondellBasell \(LYB\)](#), [Nestlé \(NESN\)](#), [Procter & Gamble \(PG\)](#), [Toray Industries \(3402\)](#), [Walmart \(WMT\)](#), [Woolworths \(WOW\)](#), and [Unilever \(ULVR\)](#). All these companies are referenced in Table 1, with the exception of [Danone \(BN\)](#) and [Nestlé \(NESN\)](#), as at the time of this paper they were **not** found to be members of misaligned trade associations (rather only aligned or partially aligned trade associations).



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For the rest, Planet Tracker’s analysis exposed a noteworthy pattern. Two or more of these companies were members of trade associations identified as misaligned with the Paris Agreement.ⁱⁱ Notably, **the German Chemical Industry Association (VCI) had seven of these companies as a member, followed closely by the Tennessee Chamber of Commerce & Industry, National Association of Manufacturers (NAM), US Chamber of Commerce, American Fuel & Petrochemical Manufacturers (AFPM), each with five.** See Table 1.

Table 1: CA100+ Listed companies analysed by Planet Tracker and part of Misaligned Trade Association.
Source: Planet Tracker Research.

ASSOCIATIONS	MEMBER COMPANIES												ASSOCIATIONS WITH MOST PT ANALYSED CA 100+ MEMBERS
	AI	BASF	BAY	CL	DOW	IPL	LYB	PG	TRYIY	ULVR	WMT	WOW	
German Chemical Industry Association(VCI)	YES	YES	YES	YES	YES	-	-	YES	-	YES	-	-	7
Tennessee Chamber of Commerce&Industry	-	YES	-	YES	YES	-	YES	-	-	YES	-	-	5
National Association of Manufacturers	YES	YES	-	-	YES	-	YES	YES	-	-	-	-	5
US Chamber of Commerce	YES	-	YES	-	YES	-	-	YES	-	-	YES	-	5
American Fuel &Petrochemical Manufacturers(AFPM)	YES	YES	-	-	YES	-	YES	YES	-	-	-	-	5
Business Europe	-	YES	YES	-	-	-	YES	YES	-	-	-	-	4
Japan Chemical Industry Association(JCIA)	YES	YES	YES	-	YES	-	-	-	YES	-	-	-	4
Energy Users Association of Australia	YES	-	-	-	-	YES	-	-	-	-	-	YES	3
Federation of German Industries(BDI)	-	YES	YES	-	-	-	-	-	-	-	-	-	2
National Mining Association (NMA)	-	-	YES	-	-	YES	-	-	-	-	-	-	2
Spanish Confederation of Business Organizations (CEOE)	YES	YES	YES	-	-	-	-	-	-	-	-	-	2
Korea Chamber of Commerce and Industry (KCCI)	-	YES	YES	-	YES	-	-	-	-	-	-	-	2

Moreover, to emphasise the influence of these trade associations, it is worth highlighting that the US Chamber of Commerce, for example, actively undermined climate leadership for decades.ⁱⁱⁱ

Hence, this dominance of negative influence underscores the need for companies to critically evaluate their affiliations, as these associations may contradict their internal climate goals.

Trade Association Misalignment: A Critical Dilemma

The misalignment of trade associations with a corporate's stated climate goals, as highlighted in a series of articles we reviewed, is a major concern. Planet Tracker believes that **companies should scrutinise their membership of associations and take decisive action to address misalignments. Where there is a persistent misalignment, investors should require an explanation.**

The [World Resources Institute \(WRI\)](#), in October 2019, introduced the **AAA Framework**, advocating for companies to push for federal policies in line with the Paris Agreement and to align their trade associations accordingly.^{iv} The framework, now part of the Global Standard on [Responsible Climate Lobbying](#), provides a roadmap, emphasising a five-step process:

- 1 Conduct an Audit:** Perform a thorough assessment of trade associations' positions on climate change compared to internal company positions. Make audit results public and commit to regular re-audits.
- 2 Develop a Strategy:** Armed with information on misalignment, develop a strategy for self-correction. Set explicit criteria for leaving or staying within an association and define success metrics.
- 3 Speak Out:** Publicly express disagreement when a trade association's stance contradicts company positions on climate. Hold associations accountable for their actions.
- 4 Leave if Necessary:** Consider disassociation if attempts to align with trade associations prove ineffective. Follow the criteria outlined in the company's strategy.
- 5 Be Transparent:** Publicly disclose positions, actions, outcomes, and all trade association memberships. Transparency is crucial for corporate leadership.

Planet Tracker recognises that corporate executives could argue that they are members of an association in order to change its climate goal policies from within – as outlined in point 3 above. However, there are precedents which prove that internal advocacy has thus far not been effective in moving trade associations toward Paris Aligned actions. The US Chamber of Commerce is a clear example of this dynamic, where “despite surface-level changes in public messaging around climate, the Chamber has consistently obstructed meaningful action” as highlighted in a recent [publication](#) by the not-for-profit ClimateVoice. More precisely, some Chamber member companies^v pursued a strategy of effecting change from within since 2017 and, given the Chamber's consistent anti-climate track record since then (and of course before), it is fair to state that this strategy has failed. Therefore, we believe that **a timeframe should be given to enact this desired change, otherwise, this rationale would lead to the perpetual membership of a misaligned association.**

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Planet Tracker has identified a couple of good practice examples as demonstrated in [LyondellBasell's Climate Advocacy Report – May 2023](#) and [Bayer's Industry Association Climate Review - October 2023](#). In its report, **LyondellBasell (LYB) reviewed memberships in the 10 most important trade associations in which it is active**, as well as the World Economic Forum, which it joined in 2021. **The management presented information about these memberships, along with the results of its assessment of each group's positions and advocacy against LyondellBasell's climate policy positions. LyondellBasell defines each as aligned/partially aligned, or misaligned.** For example, the company identifies the American Fuel and Petrochemical Manufacturers (AFPM) as misaligned with the Paris Agreement. LyondellBasell states that it “will continue to evaluate our membership in AFPM. [They] commit to engaging the association on climate and energy transition topics and will continue to track alignment between AFPM's climate and energy transition positions and [its] own”^{vi}. For more details see Table 2.

Table 2: LyondellBasell Assessment Summary of its 10 Most Important Trade Associations.
Source: LyondellBasell's Climate Advocacy Report – May 2023.

TA	Region	2022 Dues (USD)*	2022 Grade	Paris Agreement	Hydrogen/ low- carbon fuels	CCUS	Emerging technologies	Renewable & low carbon electricity	Carbon pricing
American Chemistry Council (ACC)	United States	>\$5M	Aligned	●	●	●	●	●	●
American Fuel and Petrochemical Manufacturers (AFPM)	United States	\$1-2M	Misaligned	●	●	●	●	●	●
BusinessEurope	European Union	<\$100k	Aligned	●	●	●	●	●	●
European Chemical Industry Council (Cefic)	European Union	\$1-2M	Aligned	●	●	●	●	●	●
International Council of Chemical Associations (ICCA)	International	**	Aligned	●	●	●	●	●	●
National Association of Manufacturers (NAM)	United States	\$100-500k	Aligned	●	●	●	●	●	●
Plastics Europe	European Union	\$1-2M	Aligned	●	●	●	●	●	●
Plastics Industry Association	United States	<\$100k	No Public Position	●	●	●	●	●	●
Texas Chemical Council (TCC)	United States (Texas)	\$100-500k	No Public Position	●	●	●	●	●	●
United States Council for International Business (USCIB)	International	***	Aligned	●	●	●	●	●	●
World Economic Forum (WEF)	International	\$100-500k	Aligned	●	●	●	●	●	●

*Dues values are presented as an approximation within the following bands: <\$100k; \$100-\$500k; \$500k-1M; \$1M-2M; >\$5M; \$10M

**ICCA 's dues are paid by the member organizations, or trade associations, that from ICCA.

ICCA membership assessments are included within ACC and CEFIC's dues.

***LYB is new member of USCIB as of 2023 and as such does not have historical dues numbers.

Bayer's recent Industry Association Climate Review assesses the company's alignment with 63 associations. The key findings highlight a 36% overall improvement in aligning with trade associations on climate policies. Also, the report indicates a positive trend with a significant reduction in 'no position' instances and a slight increase in 'partial misalignment,' hinting at progress in policy development.

Climate Transition Mismatch for Corporates & Trade Associations

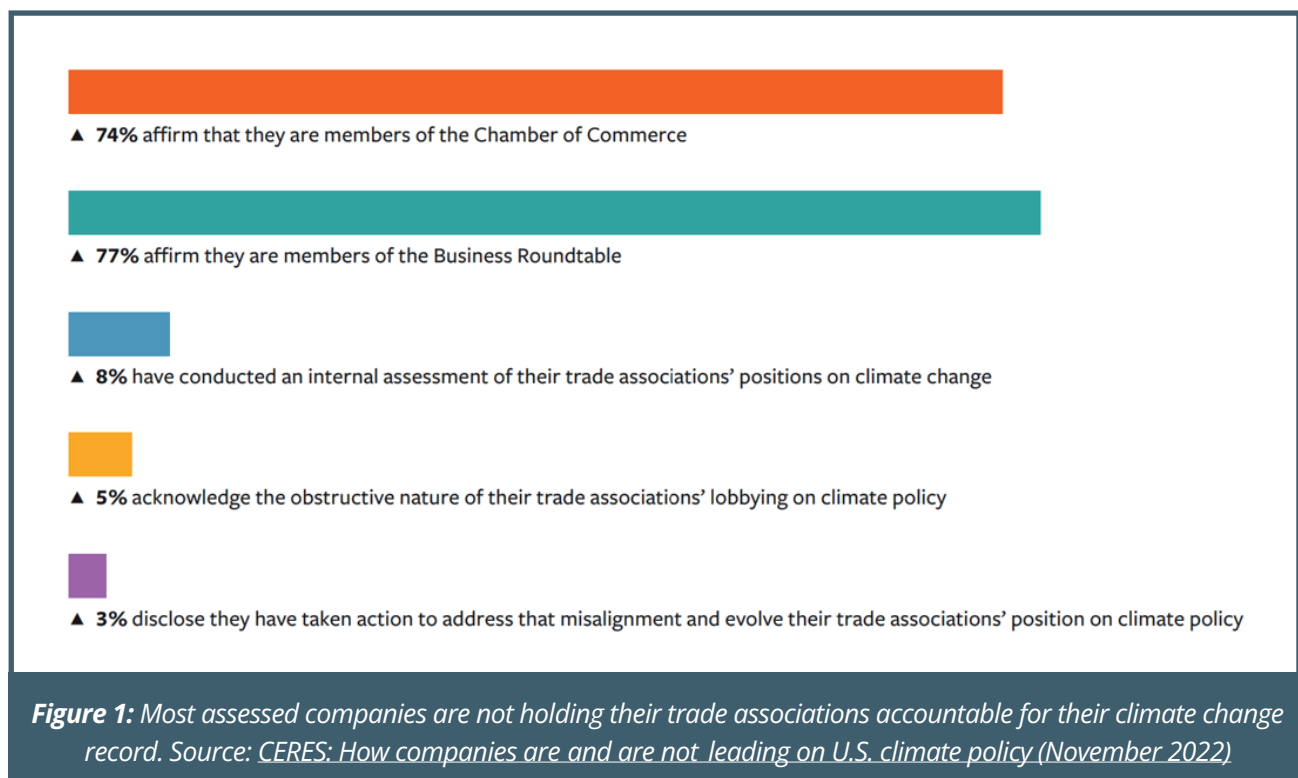
The company advocates for transparency as a key area in its reporting and emphasises its adherence to Bayer Societal Engagement (BASE) principles and a robust Code of Conduct for Responsible Lobbying. Bayer also states in the report that its engagement policy prioritises addressing material misalignments promptly, which involves a two-phase approach consisting of dialogue and, if necessary, remediation - a situation that could ultimately result in Bayer leaving the misaligned organisation.

A notable conflict is that of Bayer and VCI, where the latter is advocating for consideration of industrial CCU without permanency requirements, while Bayer is advocating for maintaining the mitigation hierarchy and keeping the removal framework of the EU. The company, argues that “[d]espite many discussions at expert level as well as in the highest climate committee, the VCI position differs significantly from [theirs], which is why [they] have decided to differentiate [themselves] from the VCI on this specific issue”. However, we are yet to see more drastic remediation actions.

In summary, Bayer’s transparent approach to climate policy engagement, commitment to addressing misalignments and proactive climate advocacy position make the company a good example to emulate.

The Role of Companies in Influencing Change

A report released in November 2022 by the sustainability non-profit [Ceres](#), evaluated the climate-related risk management, governance, and lobbying practices of 104 companies that comprised the S&P100^{vii} companies during 2021 and 2022.^{viii} While progress was noted in companies lobbying for Paris-aligned climate policies, a significant gap remained in holding trade associations accountable. The analysis revealed that **only 8% of S&P100 companies publicly assessed their trade associations’ climate policies**, indicating a lack of corporate scrutiny. More concerning was that only 5% of companies acknowledged the obstructive nature of their trade associations’ lobbying on climate policy, and just 3% of companies disclosed that they have taken action to address that misalignment and evolve their trade associations’ position on climate policy. See Figure 1.



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Still, several examples in the report showcase companies taking proactive steps to align their trade associations with climate goals. Unilever, along with Mars, Nestlé, and Shell, demonstrated leadership by challenging their trade associations to confirm their positions on a 1.5-degree future or leaving associations misaligned with their climate objectives.^{ix} The formation of the [Sustainable Food Policy Alliance](#)¹ by Danone (BN), Mars, Nestlé (NESN) and Unilever (ULVR), and Shell's (SHEL) departure from the [American Fuel & Petrochemical Manufacturers Association \(AFPM\)](#), exemplify the action companies can take when trying to exert influence in reshaping the climate narrative within trade associations.

Addressing the Misalignment Gap

In October 2023, the misalignment between pro-climate companies and their trade associations came under scrutiny once more. **The recent clash over California's Climate Corporate Data Accountability Act exemplifies the disconnect between corporate climate goals and the actions of trade associations.** As highlighted in a GreenBiz article, the State's Chamber of Commerce, CalChamber, strongly opposed the legislation which mandates companies to disclose their carbon emissions.^x Meanwhile, big corporate CalChamber members, including the likes of [Salesforce](#), [Microsoft](#) and [Google](#), backed the bill publicly, assisting its passage. In response to this conflict, companies are urged to take three critical steps that summarise the previous [AAA Framework by WRI](#): audit, leave, and lead.^{xi}

1. Audit: Lay the Foundation for Change

Companies are encouraged to conduct thorough audits of their trade associations using established guidelines. Resources provided by [InfluenceMap](#) and [The B Team](#) offer practical tools for identifying and addressing misalignments. Recognising that many trade associations may hold anti-climate policies, this step sets the stage for informed decision-making.

In line with this recommendation, in January 2024, Microsoft published a new report which evaluates how U.S. trade associations align with Microsoft on climate and energy policies, entitled "Sustainability Policy Alignment: [U.S. Trade Associations](#)."

2. Leave: A Bold Step Towards Alignment

For companies identifying policy misalignment with their trade associations, the next logical step is to disassociate. Historical precedents, such as Apple's (AAPL) departure from the U.S. Chamber of Commerce in 2009, underscored the impact of leaving associations misaligned with climate objectives. Leaving sends a strong message and enables companies to regain control over their climate narrative.

3. Lead: Proactive Climate Policy Advocacy

Companies are urged not to wait until completing audits or disassociations, to lead on climate policy advocacy. Taking a proactive stance involves distancing from trade association positions that conflict with climate action, consistent lobbying for bold climate policies, aligning political contributions with climate leadership, and participating in or leading pro-climate coalitions.

Avoiding Greenwashing

When companies are members of organisations which advocate for policies misaligned with those pronounced by companies' management, the conflict should be called out by investors and regulators. Planet Tracker identified a number of greenwashing strategies in its '[Greenwashing Hydra](#)' paper.

Planet Tracker believes that highlighting conflicting messages should not be left solely to regulators to correct, but active investors as well. They have a fiduciary duty to understand a management's strategy and confused public positions hinder this requirement.

¹ For more details on the Sustainable Food Policy Alliance see Annex I.

CONCLUSION

A Call to Consistent Messaging

There is a pressing need for companies to ensure trade association alignment with their own stated beliefs. Where there is misalignment, this should be highlighted and explained. Planet Tracker accepts the strategy of changing an association's policy from within, but this should ideally come with a delivery date. In our view, the path forward requires a vigilant audit of associations, decisive disassociation where misalignments persist, and a commitment to vocal and proactive climate leadership. The time for blurred stances on climate change has long gone and where it persists, greenwashing claims should be investigated.

PLANET TRACKER Papers of Interest

[Air Liquide \(AI\) Climate Transition Analysis](#)

[BASF \(BAS\) Climate Transition Analysis](#)

[Bayer \(BAY\) Climate Transition Analysis](#)

[Climate Transition – Unilever Leads; Colgate and P&G Lag](#)

[The Coca-Cola Company \(KO\) Climate Transition Analysis](#)

[Danone \(BN\) Climate Transition Analysis](#)

[Dow Inc \(DOW\) Climate Transition Analysis](#)

[Incitec Pivot \(IPL\) Climate Transition Analysis](#)

[LyondellBasell \(LYB\) Climate Transition Analysis](#)

[Nestlé \(NESN\) Climate Transition Analysis](#)

[PepsiCo Inc. \(PEP\) Climate Transition Analysis](#)

[Procter & Gamble \(PG\) Climate Transition Analysis](#)

[The Greenwashing Hydra](#)

[Walmart \(WMT\) Climate Transition Analysis](#)

[Unilever \(ULVR\) Climate Transition Analysis](#)

ANNEX I

The Sustainable Food Policy Alliance (SFPA) strongly supported climate regulations in 2021-23. They advocated for increasing the scope of the Environmental Protection Agency's proposed GHG emissions standards for power plants in a comment to US policymakers in August 2023. In a March 2023 letter to the leadership of the House and Senate Agriculture committees, the alliance supported scaling up renewable energy through the US Farm Bill. In an August 2022 press release, the alliance generally backed the US Inflation Reduction Act. In an April 2022 joint letter, SFPA called for tax credits and incentives for renewable legislation in the US.

The SFPA also took more moderate positions on land use-related climate policies. In November 2023, the alliance stated its support for strong legislation to address deforestation in agricultural supply chains, but in a prior letter to the US Department of Agriculture in December 2022, advocated that timelines should be "realistic." A November 2021 letter to the same department supported the US Climate Smart Agriculture initiative but advocated against a regulated carbon market. Also, the alliance did not state a position on the transition of diets towards plant-based diets in 2021-23. Still, in a March 2023 letter to the leadership of the House and Senate Agriculture committees, it supported the US Farm Bill to sustainably intensify agricultural production.

In summary, **the SFPA ranks high on the alignment with the Paris Agreement.**

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REFERENCES

- i Climate Action 100+ [link](#)
- ii See LobbyMap Methodology [link](#)
- iii See "The US Chamber of Commerce Has Helped Downplay the Climate Threat, a New Report Concludes" [link](#)
- iv See "Attention Businesses: Don't Let Your Trade Associations Undermine You on Climate Action, by K. Moss and A. Meyer, October 2019." [link](#)
- v See Statement of the Climate Solutions Working Group [link](#)
- vi LyondellBasell's Climate Advocacy Report (May 2023) page 8 & 10 [link](#)
- vii S&P100 Index Factsheet, (29 December 2023) [link](#)
- viii See "Companies are improving as climate policy advocates, but they aren't holding their trade associations accountable, a CERES note, November 2022." [link](#)
- ix See "Attention Businesses: Don't Let Your Trade Associations Undermine You on Climate Action, by K. Moss and A. Meyer, October 2019." [link](#)
- x See "SB 253 Will Drive Up Consumer Prices, Hand Market Advantage to Out-of-State and Foreign Companies" [link](#)
- xi See GreenBiz article "Don't play both sides: Take 3 steps now to fix your trade group gap, by B. Wehl and D. McNamara, October 2023." [link](#)



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