



Corporate Climate Lobbying

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LMU München January 27, 2026

Corporate climate lobbying matters

- Most countries' efforts to combat climate change are **insufficient**
- Common concern: Climate action, at least in parts, is **obstructed** by firms' lobbying activities
 - Influence policymakers to undermine, delay, or avoid pro-climate regulations or policies
 - Is **not a sideshow**: has real effects on climate action (Meng and Rode, 2019; Brulle, 2018; Gao and Huang, 2024)
 - “**Scope 4 emissions**”
- Corporate lobbying
 - Occurs **behind the scenes**
 - Sometimes collides with **public statements** on how firms plan to fight climate change



Image source: Alexander Grey by Unsplash

Video of how an ExxonMobil lobbyist said that the firm fought climate science through “shadow groups” and targeted senators to weaken President Biden’s climate proposals



Tabuchi, H. (2021). In video, Exxon lobbyist describes efforts to undercut climate action.
New York Times

Outline

1. Quantify corporate anti- and pro-climate lobbying expenses, identify the **largest corporate lobbyists**
2. Establish how climate lobbying relates to corporate **business models**
3. Document whether and how climate lobbying is priced in **financial markets**



Two steps to measure corporate climate lobbying

Step 1:

Climate lobbying

- Identify those lobbying reports that address **climate-related topics**
 - Climate-related lobbying identified based on a classification of the lobbying “*issues*” in a report
 - An issue is “*climate-related*” if its description contains a climate-related keyword or bill
- Quantify the **amounts of climate lobbying** by allocating total lobbying expenses across issues listed in the report

Example: Exxon Mobil 2010 Q1

16. Specific lobbying issues

HR 3619: Coast Guard Authorization Act; provisions related to wetlands, liquefied natural gas and New York;
HR 4396: Save our Energy Jobs Act: provisions regarding greenhouse gas regulations;
HR 4753: Stationary Source Regulations Delay Act; provisions regarding greenhouse gas regulations;

Step 2:

Anti- and pro-climate lobbying

- Follow Kwon et al. (2023) and calculate whether the firm’s executives or lobbyists contribute primarily to the Republican or Democratic Party
 - Lobbying is **anti-climate (pro-climate)** if executives or lobbyists donate primarily to **Republicans (Democrats)**

Data to construct corporate climate lobbying measures

Step 1:

Climate lobbying

- OpenSecrets
 - Lobbying Disclosure Act (LDA) of 1995
- 4,055 US-listed firms with **257,691** reports
 - 26,714 reports with climate lobbying

Step 2:

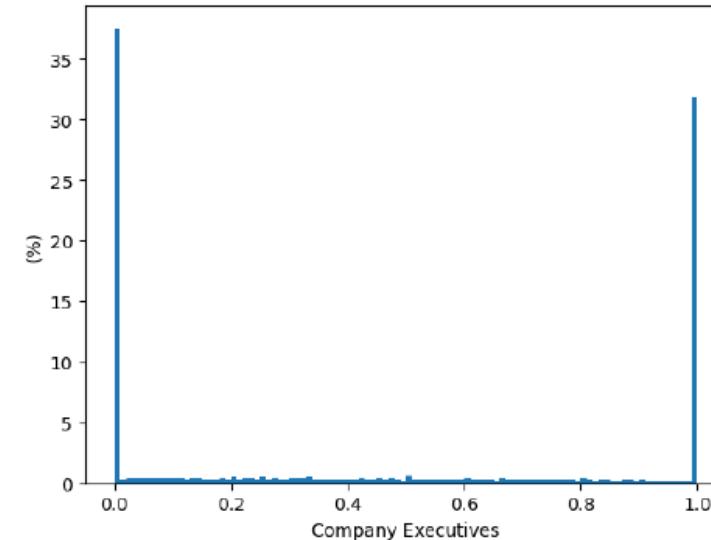
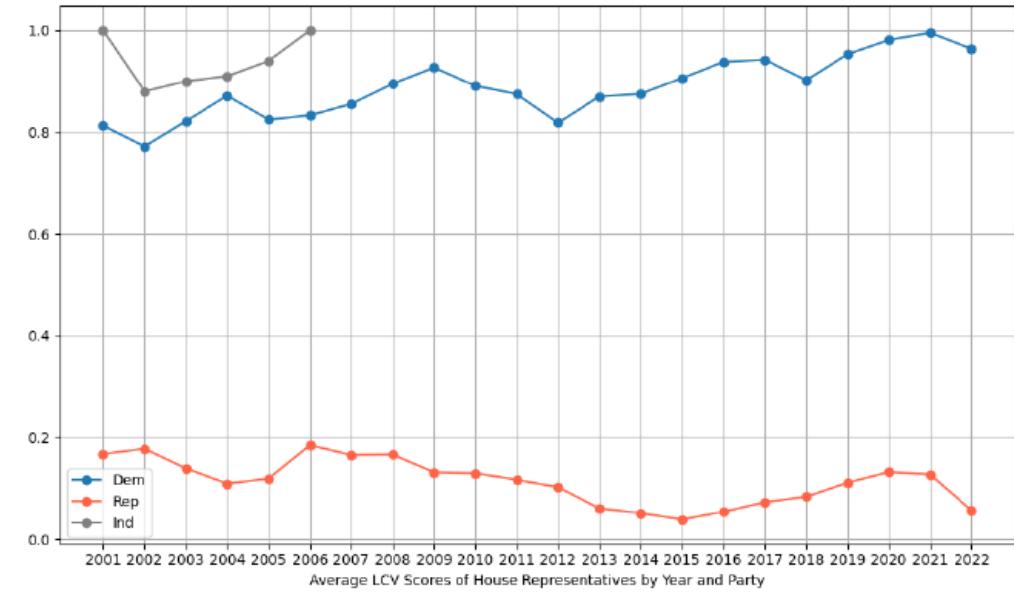
Anti- and pro-climate lobbying

- Campaign contributions from Federal Election Commission (FEC)
- Of the **257,691** lobbying reports, can then identify the political stance for **150,682** lobbying reports
 - 15,719 climate lobbying reports linked to a political leaning
 - 8,161 are linked to the Republican Party (anti-climate lobbying), and 7,558 reports to the Democratic Party (pro-climate lobbying)

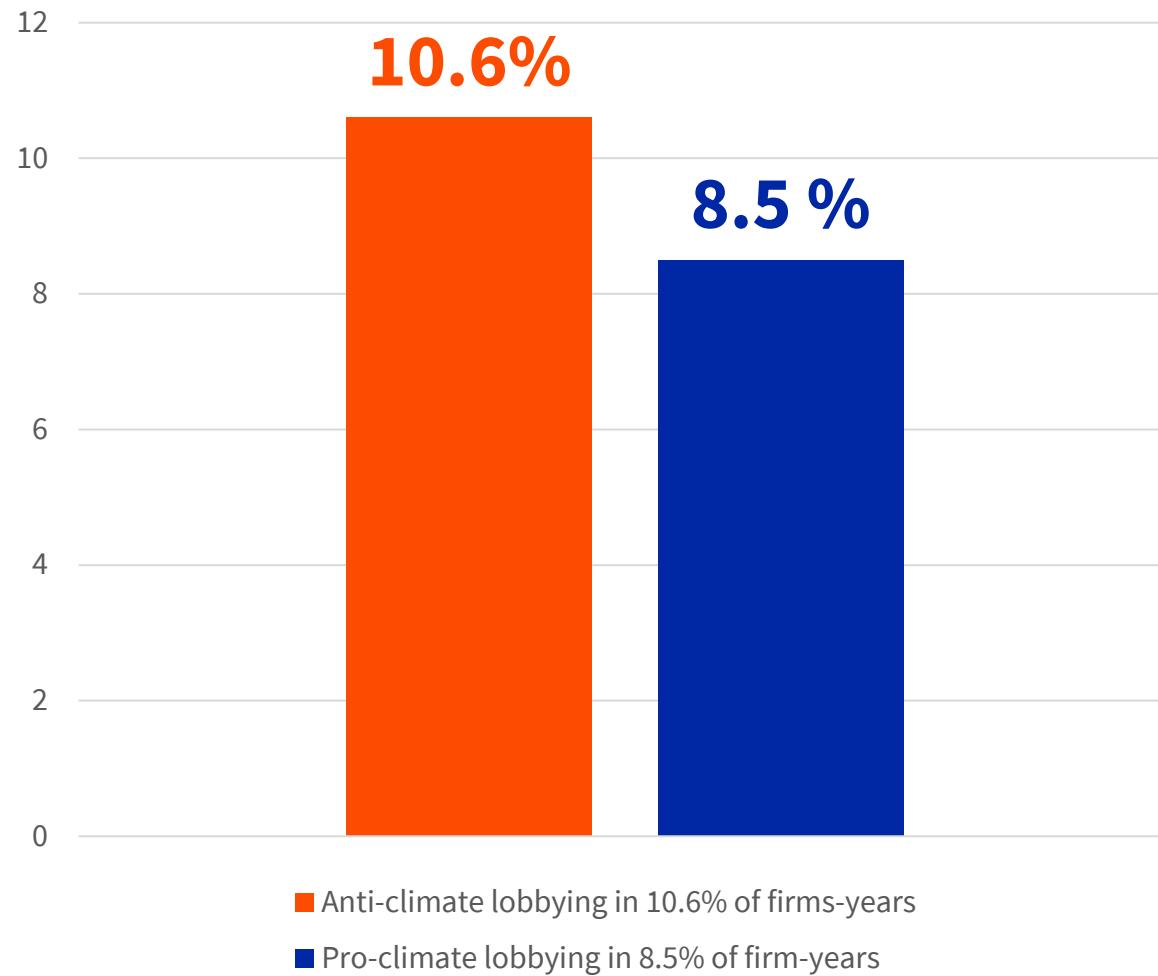
Key assumptions

- Donating predominantly to the
 - Democratic Party -> pro-climate lobbying
 - Republican Party -> anti-climate lobbying
- Plausible!
 - Sharp contrast between the two parties' League of Conservation Voters (LCV) scores:
 - Democrats > 0.8, Republicans < 0.2 (LCV ↑, pro-climate ↑)
- The climate stance of executives (lobbyists) is clear/informative
 - Plausible!
 - 69% of executives (89% of lobbyists) exclusively support one party

(Executive donation info for Step 2: Used for 70% of reports and 85% expenditures)



Some numbers on corporate climate lobbying



On average, spending on anti-climate lobbying amounts to **\$277,155** per year

and pro-climate lobbying to **\$184,564**

(at the intensive margin, for firms that climate lobby)

Top-50 anti-climate lobbying firms



Southern
Company

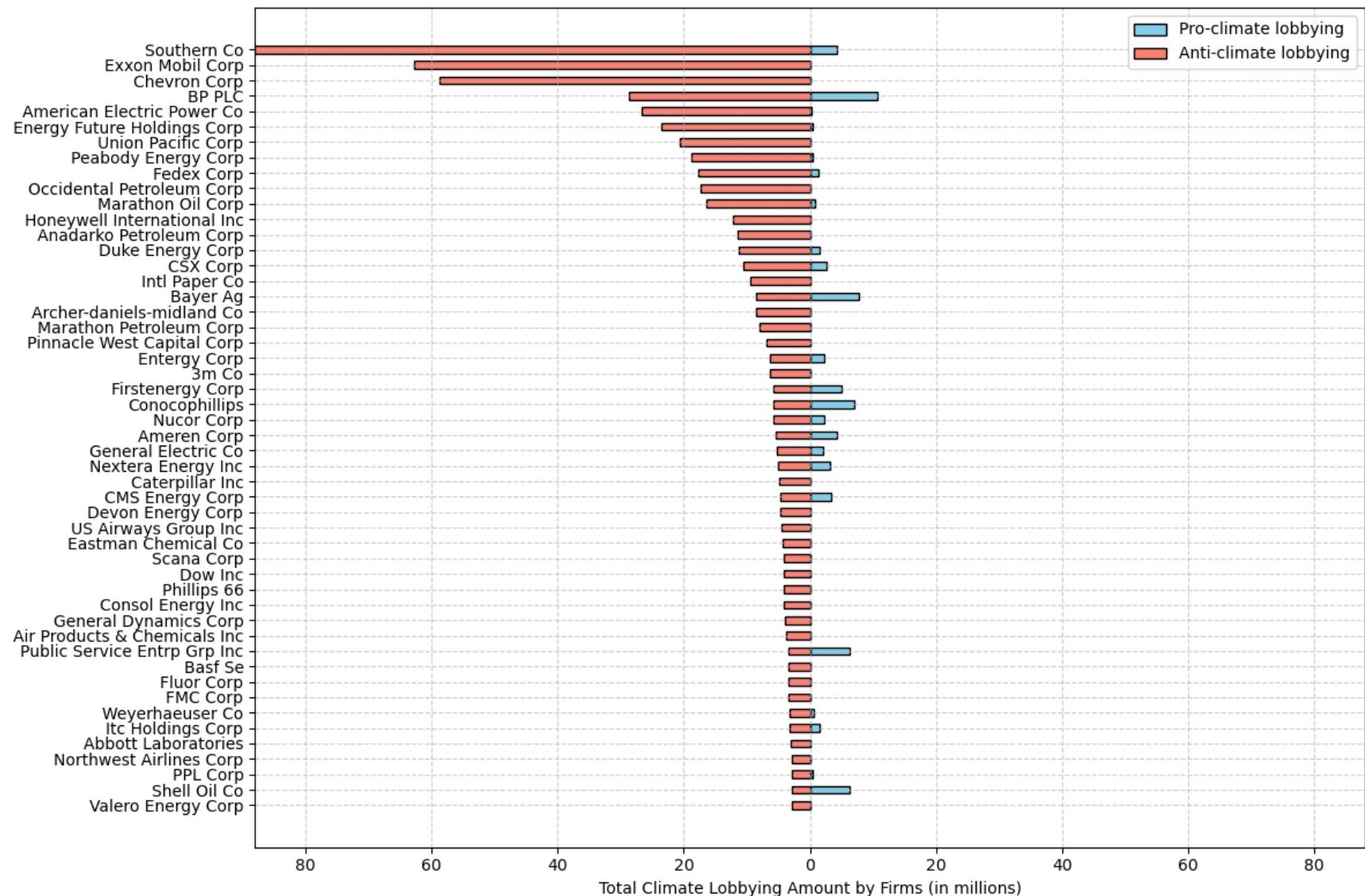
ExxonMobil



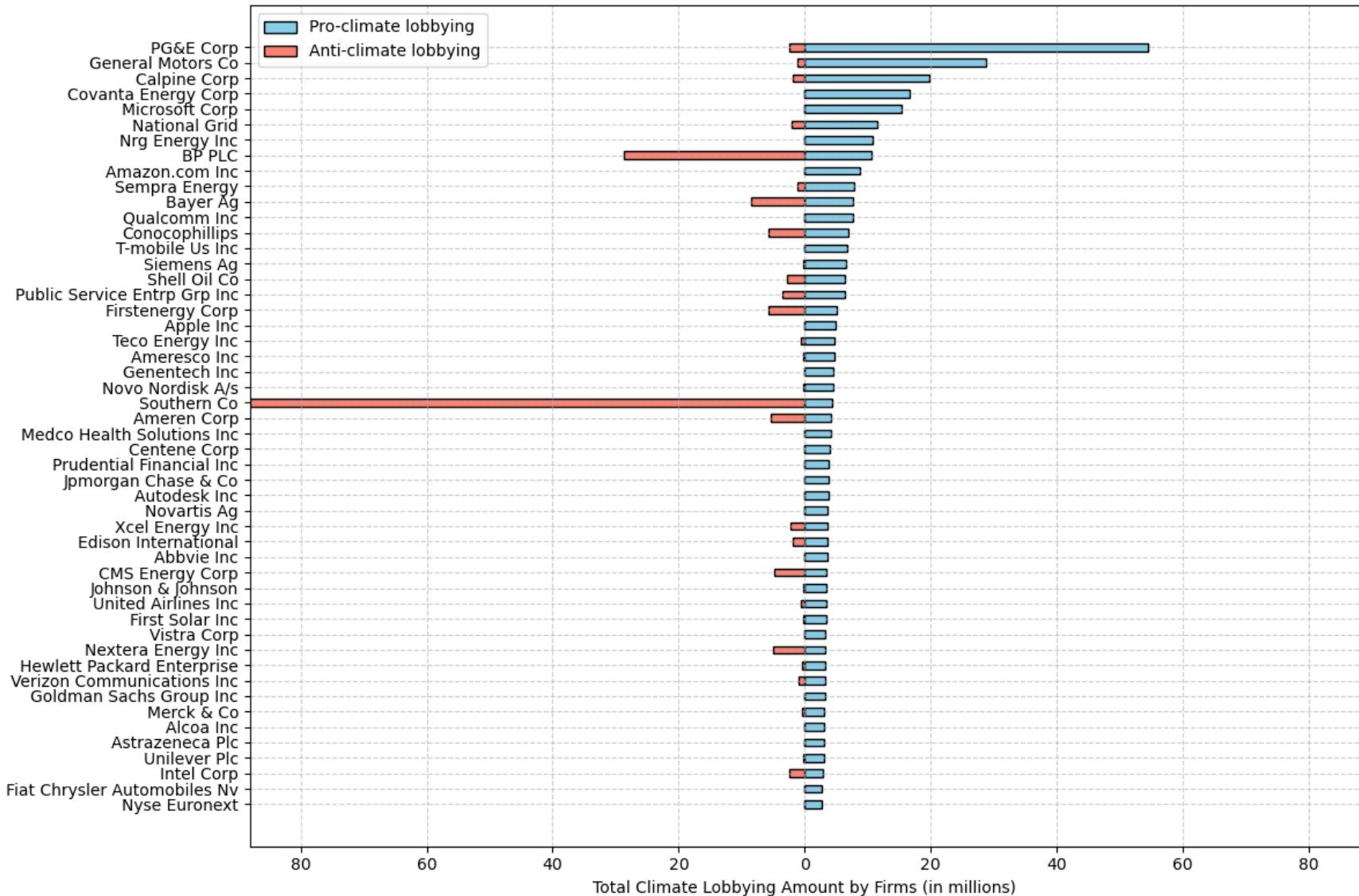
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AMERICAN
ELECTRIC
POWER

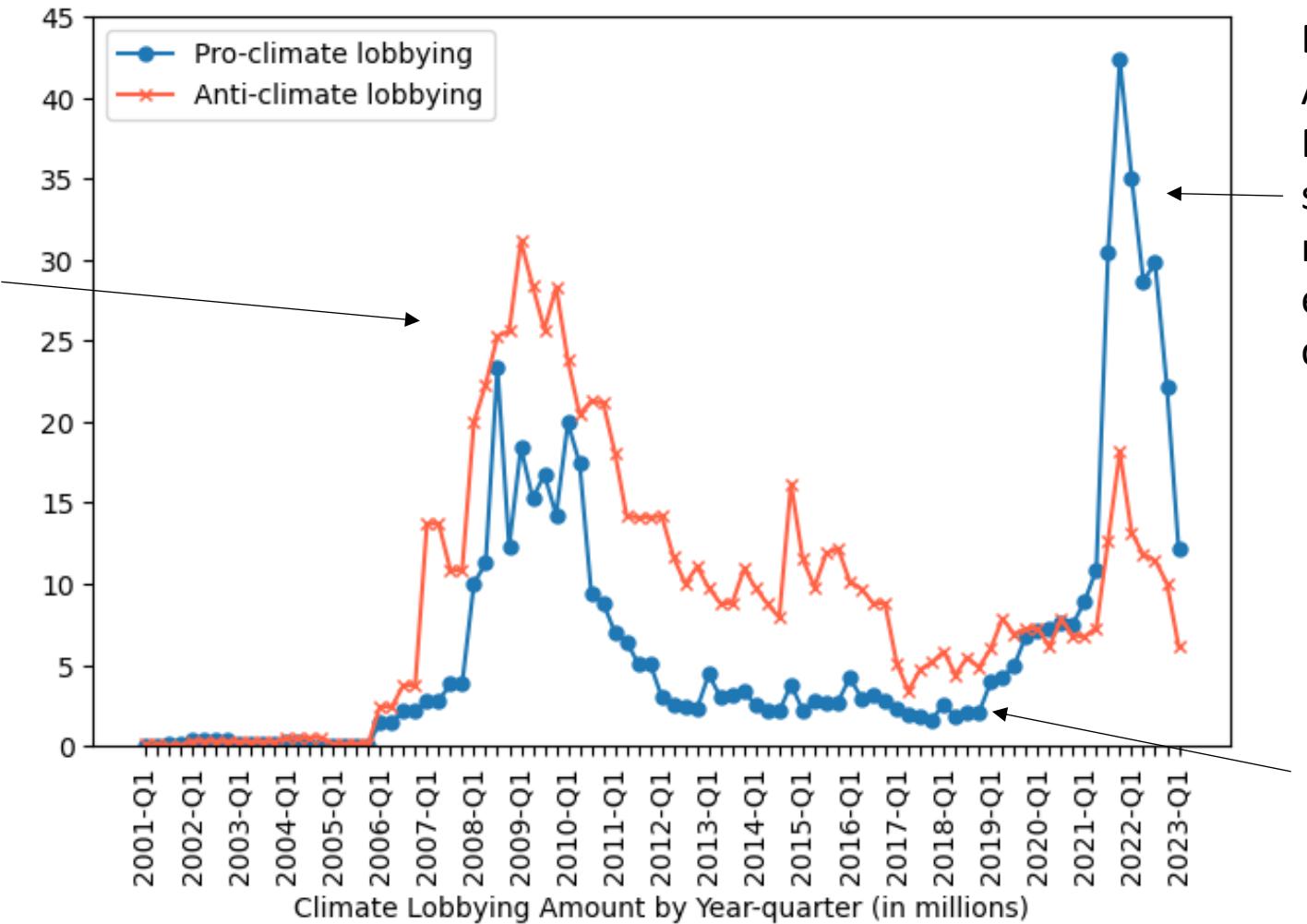


Top-50 pro-climate lobbying firms



Spending on corporate climate lobbying varies a lot over time

Surge in climate legislation, such as the American Clean Energy and Security Act



Biden Administration:
Proposed more stringent climate regulation and efforts supporting climate action

Trump Administration:
Categorical political views

Note: Figure displays the aggregate amounts of anti- and pro-climate lobbying for each quarter

Some firms try to camouflage climate lobbying

- Trend to **camouflage** climate lobbying, particularly among firms engaging heavily in climate lobbying
- Instead of explicitly mentioning the climate issues of concern
 - > refer in the description of their lobby activities to **abstract** bill codes
- These codes are not immediately identifiable as climate-related (highlights the importance of identifying lobbying not solely based on text descriptions, as we do)
 - For example, bill code “**H.R.5376**” refers to the Inflation Reduction Act of 2022

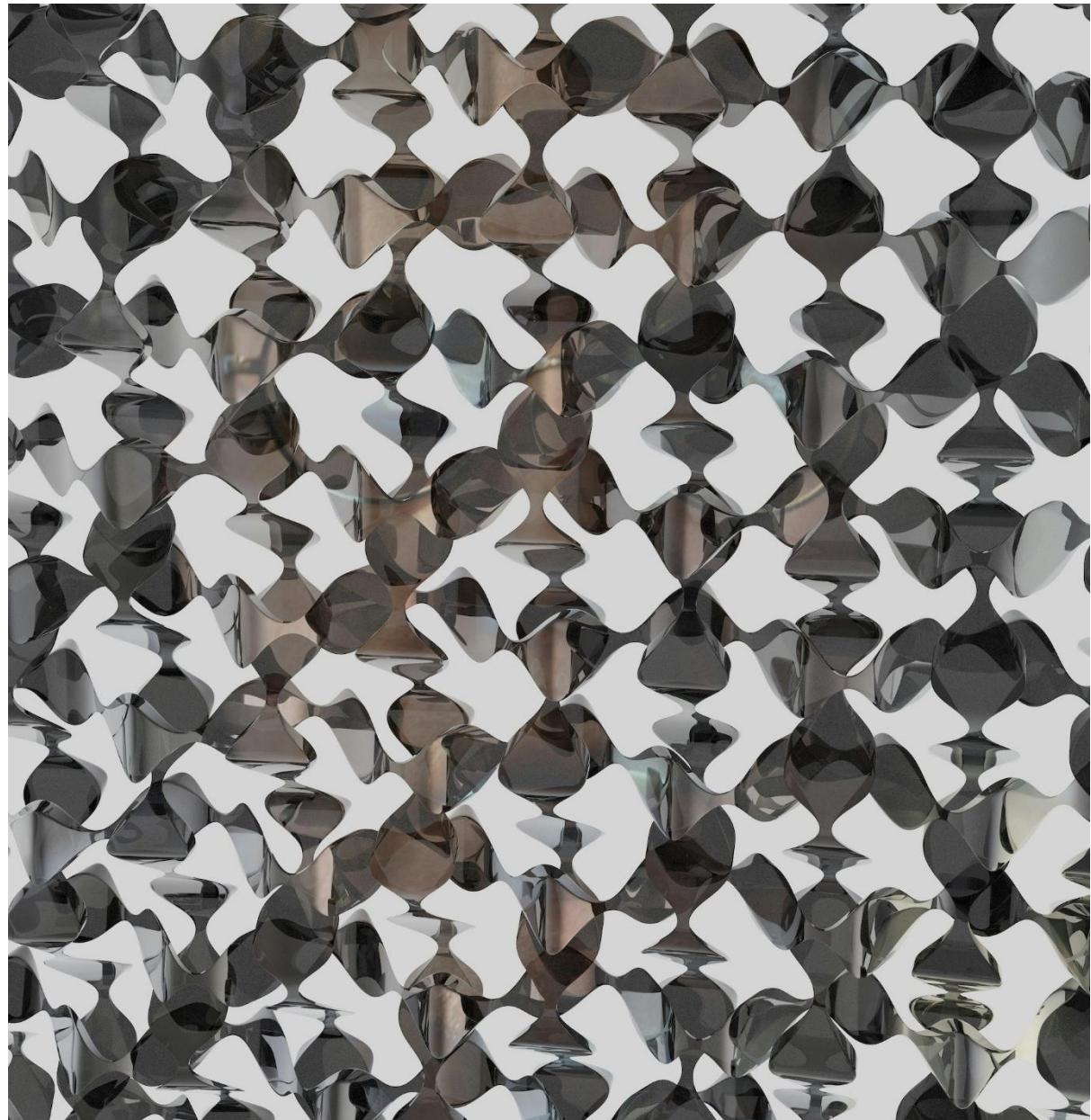


Image source: Rick Rothenberg by Unsplash

Some firms try to camouflage climate lobbying

In 2009, FedEx allocated \$5.3m to anti-climate lobbying

-> **58% (59%)** can be detected explicitly in lobbying reports using keywords (keywords and bill titles)

- By 2022, this percentage dropped to just **4%** and **34%**; all remaining anti-climate lobbying expenses can only be detected using bill info (anti-climate spending fell to \$1.3m)
- Perhaps in response to this trend, investors increasingly worry about a lack of transparency in corporate climate lobbying



Climate change

Expectations of companies



Climate lobbying:

- Companies should align their lobbying activities with the objectives of the Paris Agreement and address membership of trade bodies or associations that is or may appear incongruent with the company's climate change policy.
- Companies should be **transparent** about where they advocate for specific policy and legislative support.

What motivates camouflaging?

Firms new to climate lobbying have **15%** more of their lobbying activities concealed through the absence of climate keywords (Column 1), and **12%** more activities only identifiable through bill codes (Column 3).

	<i>Camouflage 1</i> _{<i>i,t</i>} ^{<i>Anti</i>}	<i>Camouflage 2</i> _{<i>i,t</i>} ^{<i>Anti</i>}	<i>Camouflage 1</i> _{<i>i,t</i>} ^{<i>Pro</i>}	<i>Camouflage 2</i> _{<i>i,t</i>} ^{<i>Pro</i>}				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$1(Lobby\ Policy\ Change_{i,t}^{Zero \rightarrow Anti})$	0.15*** (5.54)		0.12*** (5.23)					
$1(Lobby\ Policy\ Change_{i,t}^{Zero \rightarrow Pro})$					0.11*** (2.76)		0.09** (2.30)	
$1(Lobby\ Policy\ Change_{i,t}^{Pro \rightarrow Anti})$		-0.04 (-1.03)		-0.04 (-1.10)				
$1(Lobby\ Policy\ Change_{i,t}^{Anti \rightarrow Pro})$					0.06 (1.47)		0.05 (1.56)	
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1,524	1,524	1,524	1,524	1,205	1,205	1,205	1,205
R ²	0.35	0.33	0.26	0.24	0.43	0.43	0.30	0.29

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Carbon emissions and green innovation explain climate lobbying

Panel A: Carbon Emissions						
	$ClimateLobbyIntensity_{i,t}^{Anti}$		$ClimateLobbyIntensity_{i,t}^{Pro}$		$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$	
	(1)	(2)	(3)	(4)	(5)	(6)
$\text{Log}(CarbonEmissions_{i,t})$	0.78** (2.07)		-0.63* (-1.84)		1.41*** (3.28)	
$CarbonIntensity_{i,t}$		2.60*** (4.39)		-0.45** (-2.19)		3.05*** (5.30)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	6,094	6,094	6,094	6,094	6,094	6,094
R^2	0.06	0.07	0.01	0.01	0.01	0.02

Panel B: Green Patent and Green Innovation						
	$ClimateLobbyIntensity_{i,t}^{Anti}$		$ClimateLobbyIntensity_{i,t}^{Pro}$		$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$	
	(1)	(2)	(3)	(4)	(5)	(6)
$GreenPatents_{i,t}$	3.80 (1.43)		5.88** (2.01)		-2.08 (-0.47)	
$GreenInnovation_{i,t}$		4.11 (1.16)		7.03*** (4.10)		-2.92 (-1.09)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	6,603	9,668	6,603	9,668	6,603	9,668
R^2	0.01	0.02	0.05	0.05	0.01	0.01

1 STD \uparrow in carbon intensity
 $\rightarrow 2.60 \uparrow$ anti-climate lobbying intensity
 $\rightarrow 0.45 \downarrow$ pro-climate lobbying intensity
 $\rightarrow 88\% (18\%)$ sample mean

1 STD \uparrow in green patents (green innovation discussion)
 $\rightarrow 5.88 (7.03) \uparrow$ pro-climate lobbying intensity
 $\rightarrow 133\% (159\%)$ sample mean

Corporate climate lobbying and electricity generation

	$ClimateLobbyIntensity_{i,t}^{Anti}$ (1)	$ClimateLobbyIntensity_{i,t}^{Pro}$ (2)	$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$ (3)
<i>Coal/Assets_{i,t}</i>	0.39** (2.40)	-1.69* (-1.98)	2.09** (2.42)
<i>NaturalGas/Assets_{i,t}</i>	0.99** (2.25)	-3.63 (-1.49)	4.62* (1.89)
<i>Oil/Assets_{i,t}</i>	-0.33 (-1.67)	-2.89** (-2.63)	2.56** (2.16)
<i>Nuclear/Assets_{i,t}</i>	0.31 (0.42)	3.84* (1.81)	-3.53* (-2.02)
<i>Renewable/Assets_{i,t}</i>	0.74 (0.76)	0.01 (0.00)	0.73 (0.29)
<i>Other/Assets_{i,t}</i>	-0.50 (-0.93)	-1.00 (-0.31)	0.51 (0.18)
Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
N	903	903	903
R^2	0.08	0.30	0.25

Further results

Anti-climate lobbying associated with

... more future **climate incidents** (RepRisk)

... higher future **carbon emissions**

Interpretation:

Anti-climate lobbying undertaken to prevent future climate regulations (e.g., carbon taxes or emission limits) or to avoid regulatory costs associated with current or future climate-related incidents



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Investors demand a risk premium for anti-climate lobbying, since 2010

	ExcessReturn _{i,m,t+1}							
	2002-2009				2010-2022			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ClimateLobbyIntensity _{i,t} ^{Anti}	-0.30 (-0.65)	-0.29 (-0.48)			0.44*** (5.92)	0.57*** (4.24)		
ClimateLobbyIntensity _{i,t} ^{Pro}	-0.25* (-2.16)	-0.43 (-1.59)			-0.34 (-1.31)	-0.29 (-1.18)		
ClimateLobbyIntensity _{i,t} ^{Anti-Pro}			-0.15 (-0.44)	-0.04 (-0.09)			0.39** (2.54)	0.43** (2.56)
LobbyIntensity _{i,t} ^{Rep}		-0.03 (-1.47)		-0.03 (-1.62)		-0.02 (-0.96)		-0.01 (-0.60)
LobbyIntensity _{i,t} ^{Dem}		0.09 (1.24)		0.09 (1.09)		0.01 (0.40)		0.01 (0.54)
Log(MarketCap) _{i,t}		-0.26*** (-3.82)		-0.26*** (-3.85)		-0.06 (-1.30)		-0.06 (-1.27)
Log(B/M) _{i,t}		0.17 (0.83)		0.17 (0.83)		-0.05 (-0.17)		-0.05 (-0.17)
ROA _{i,t}		1.01 (0.48)		0.99 (0.48)		1.13 (0.59)		1.12 (0.59)
Capex/Assets _{i,t}		-7.01 (-1.63)		-7.09 (-1.64)		-10.36 (-1.75)		-10.33 (-1.75)
Leverage _{i,t}		0.05 (0.11)		0.05 (0.13)		0.80 (0.91)		0.80 (0.90)
Tangibility _{i,t}		1.27* (2.01)		1.25* (2.01)		0.59* (1.87)		0.59* (1.88)
SalesGrowth _{i,t}		-0.16 (-0.47)		-0.16 (-0.47)		-0.77*** (-7.48)		-0.77*** (-7.68)
Year-Month Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	50,462	45,420	50,462	45,420	100,016	90,732	100,016	90,732
R ²	0.25	0.25	0.25	0.25	0.32	0.32	0.32	0.32

Regressions follow Bolton and Kacperczyk (2021, 2023)

1 STD increase in ClimateLobbyIntensity^{Anti} (in Col 5)

→ 0.32% (=0.44×73/100) higher monthly returns (or 3.85% annually)

Holds after controlling for carbon emissions

Similar results if we use *Implied Costs of Capital* as proxy for expected returns

→ Eskildsen et al. (2024)

Stronger results if include lobbying via trade associations control

Is it risk or mispricing (unexpected earnings)?

	$SUE1_{i,t}$		$SUE2_{i,t}$	
	(1)	(2)	(3)	(4)
$ClimateLobbyIntensity_{i,t}^{Anti}$	-0.03 (-0.32)		-0.10 (-1.07)	
$ClimateLobbyIntensity_{i,t}^{Pro}$	-0.08 (-1.64)		0.11 (0.67)	
$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$		0.05 (1.15)		-0.11 (-0.87)
Controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
N	6,906	6,906	6,349	6,349
R^2	0.10	0.10	0.17	0.17

$SUE1$: Actual EPS – Consensus, scaled by stock price

- Consensus 8 months before fiscal year end

$SUE2$: Same as $SUE1$ but consensus 12 months before

→ Lobbying not associated with higher earnings surprises

→ Firm-year level regressions

Is it really risk?

- Anti-climate lobbying -> Decline in stock prices when **lobbying reports** are filed
- Returns of anti-climate lobbyists are **lower** (higher) at times when climate-related **regulatory uncertainty** rises (declines)



CARs around the filing of lobbying reports

	CAR[0,1]	CAR[0,2]	CAR[0,3]	CAR[0,1]	CAR[0,2]	CAR[0,3]
	All Lobby Reports			Climate Lobby Reports		
	(1)	(2)	(3)	(4)	(5)	(6)
$ClimateLobbyIntensity_{i,t}^{Attu}$	-0.32 (-1.51)	-0.80*** (-3.54)	-0.69** (-2.04)	-1.37*** (-2.80)	-2.24*** (-3.11)	-2.24** (-2.40)
$ClimateLobbyIntensity_{i,t}^{Pro}$	-0.26 (-1.33)	-0.41* (-1.75)	-0.45 (-1.52)	-0.09 (-0.27)	-0.16 (-0.33)	0.84 (1.53)
$LobbyIntensity_{i,t}^{Rep}$	-0.01 (-0.89)	-0.01 (-1.05)	-0.02 (-1.47)	0.56* (1.87)	0.75 (1.68)	0.67 (1.18)
$LobbyIntensity_{i,t}^{Dem}$	-0.01 (-1.10)	-0.00 (-0.02)	0.00 (0.01)	0.12 (1.20)	0.21 (1.03)	-0.28 (-1.58)
$\text{Log}(MarketCap)_{i,t}$	0.01 (0.57)	-0.01 (-0.68)	-0.03 (-1.62)	-0.03 (-0.99)	-0.06 (-1.11)	-0.15*** (-2.89)
$\text{Log}(B/M)_{i,t}$	-0.03* (-1.70)	-0.04** (-2.04)	-0.04* (-1.94)	-0.05 (-0.82)	-0.11 (-1.21)	-0.20* (-1.83)
$ROA_{i,t}$	0.08 (0.54)	0.34* (1.90)	0.46* (1.88)	0.02 (0.02)	1.36 (1.33)	1.00 (0.89)
$Capex/Assets_{i,t}$	0.57 (1.30)	-0.81 (-1.21)	-2.39*** (-2.78)	-0.41 (-0.24)	-0.31 (-0.15)	-0.78 (-0.45)
$Leverage_{i,t}$	-0.02 (-0.21)	-0.04 (-0.28)	-0.14 (-0.94)	-0.02 (-0.05)	-0.10 (-0.19)	-0.52 (-0.71)
$Tangibility_{i,t}$	-0.08 (-0.80)	0.03 (0.23)	0.19 (1.12)	-0.31 (-0.87)	-0.25 (-0.51)	-0.21 (-0.34)
$SalesGrowth_{i,t}$	-0.04 (-0.88)	-0.16** (-2.64)	-0.17** (-2.59)	0.37** (2.32)	0.24 (0.84)	-0.09 (-0.28)
Industry-Date Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	35,599	35,599	35,599	3,891	3,891	3,891
R^2	0.15	0.15	0.14	0.33	0.28	0.28

Event study evidence lines-up with risk channel



Panel A: Senator Lindsey Graham Drops Support for Waxman-Markey Cap-and-Trade Bill

	CAR[0,1]	CAR[0,2]	CAR[0,3]	CAR[0,1]	CAR[0,2]	CAR[0,3]
	(1)	(2)	(3)	(4)	(5)	(6)
$ClimateLobbyIntensity_{i,t}^{Anti}$	0.54** (2.17)	0.51* (1.76)	0.70** (2.06)			
$ClimateLobbyIntensity_{i,t}^{Pro}$	-0.27*** (-3.11)	-0.51*** (-6.05)	-0.49*** (-5.24)			
$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$				0.29*** (4.32)	0.51*** (6.68)	0.51*** (7.07)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	519	519	519	519	519	519
R^2	0.13	0.08	0.08	0.14	0.08	0.08

Panel B: Passage of the Inflation Reduction Act

	CAR[0,1]	CAR[0,2]	CAR[0,3]	CAR[0,1]	CAR[0,2]	CAR[0,3]
	(1)	(2)	(3)	(4)	(5)	(6)
$ClimateLobbyIntensity_{i,t}^{Anti}$	-0.53*** (-4.58)	-0.68*** (-5.81)	-0.20 (-1.44)			
$ClimateLobbyIntensity_{i,t}^{Pro}$	1.81* (1.91)	2.38*** (2.76)	2.60** (2.07)			
$ClimateLobbyIntensity_{i,t}^{Anti-Pro}$				-0.78** (-2.23)	-1.01** (-2.57)	-0.67 (-1.42)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	685	685	685	685	685	685
R^2	0.23	0.23	0.16	0.22	0.23	0.15

Failure of Waxman-Markey Bill,
April 23, 2010

1 STD ↑ in
 $ClimateLobbyIntensity^{Anti}$
→ 0.30% ↑ CAR[0,1]

Passage of Inflation Reduction
Act, July 28, 2022

1 STD ↑ in
 $ClimateLobbyIntensity^{Anti}$
→ 0.29% ↓ CAR[0,1]

Why is it risk? This is what ESG Rating Agency Sustainalytics thinks

Anti-climate lobbying can constitute an **investment risk**

- i) By damaging trust in firms or leading to “name and shame” actions (**reputation risk**)
- ii) By leading firms to not adjust business models fast enough in the hope that lobbying succeeds (**transition risk**)



Images source: Beth Jnr by Unsplash

Is it plausible? Increasing awareness by investors

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material under §240.14a-12

[NextEra Energy, Inc.](#)

CCLA Investment Management Limited has notified the Company that they intend to present the following proposal for consideration at the annual meeting.

WHEREAS: The United Nations Framework Convention on Climate Change states that greenhouse gas emissions must decline by 45 percent from 2010 levels by 2030 to limit global warming to 1.5 degrees Celsius. If that goal is not met, even more rapid reductions, at greater cost, will be required to compensate for the slow start on the path to global net zero emissions¹.

Even with the recent passage of the Inflation Reduction Act, critical gaps remain between Nationally Determined Contributions set by the US government and the actions required to prevent the worst effects of climate change. Domestically and internationally, companies have an important and constructive role to play in enabling policymakers to close these gaps. Corporate lobbying that is inconsistent with the Paris Agreement presents increasingly material risks to companies and their shareholders, as delays in emissions reductions undermine political stability, damage infrastructure, impair access to finance and insurance, and exacerbate health risks and costs. Further, companies face increasing reputational risks from consumers, investors, and other stakeholders if they appear to delay or block effective climate policy. Of particular concern are trade associations and other politically active organizations that say they speak for business but too often present forceful obstacles to addressing the climate crisis.

The latest Climate Action 100+ benchmark indicates that NextEra Energy, Inc's ("NextEra") Real Zero by 2045 goal and its medium-/short-term emissions reduction targets meet all the disclosure framework criteria, but NextEra's climate policy engagement does not meet any of the disclosure framework criteria².



Key takeaways

1. Construct a new dataset of corporate climate lobbying
2. Large anti-climate lobbyists have more carbon-intensive business models
3. Firms that spend more on anti-climate lobbying earn higher returns (risk channel)



Paper available here:

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4711812

Measures available here:

<https://osf.io/md2jr>

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