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Exxon Mobil Agrees to Report on Plans For Low-Carbon Future, Carbon Risks

Andrea Vittorio | Mar. 21, 2014

Exxon Mobil Corp. has agreed to publish a report describing its plans for a future in which market forces and stricter climate regulation may leave some of its carbon reserves unburnable.

Exxon Mobil is the first oil and gas producer in the U.S. to commit to reporting on its risks of stranded assets due to climate change.

The commitment came in response to a shareholder resolution filed in the fall of 2013 by wealth management firm Arjuna Capital and shareholder advocacy group As You Sow. The resolution was withdrawn after months of negotiations with Exxon Mobil.

Investors have increasingly raised concerns that stranded assets, also known as a “carbon bubble,” could occur if fossil fuel reserves are suddenly revalued under future government policies for climate change or greenhouse gas emissions.

In its report, Exxon Mobil will let shareholders know what types of reserves it holds—from deep sea drilling, tar sands or elsewhere—so that “investors have a better idea of where the risks lie and how well the company can withstand those risks,” Danielle Fugere, As You Sow's president, told Bloomberg BNA.

“That kind of differentiation is important to shareholders as they decide which company to invest in,” Fugere said.

The report will also discuss how climate risks could affect Exxon Mobil's capital expenditure plans. The report will be posted on Exxon Mobil's website by the end of March.

Exxon Mobil's Response

Natasha Lamb, director of equity research and shareholder engagement at Arjuna Capital, said she was “very impressed” by Exxon Mobil's responsiveness to the shareholder resolution.

“In the past, they've been seen as a climate denier,” Lamb told Bloomberg BNA. Exxon Mobil seems to be making more of an effort to engage with shareholders on climate change and related issues, “in part because you can only hide under a rock for so long,” she said.

Lamb said Exxon Mobil made a “big move” recently when it disclosed to CDP, formerly known as the Carbon Disclosure Project, that it has included a carbon proxy cost in its long-term business plans since 2007. Exxon Mobil is one of about 30 companies in the U.S. that put an internal price on carbon pollution.

“Exxon Mobil invests billions of dollars in energy projects which take decades to plan and execute,” Exxon Mobil spokesman Alan Jeffers told Bloomberg BNA in December. “Although climate policies remain uncertain today, for the purposes of our business planning we assume that governments will continue to gradually adopt a wide variety of more stringent policies to help stem greenhouse gas emissions.”

Exxon Mobil declined to comment on the shareholder resolution.

Setting Standard

The agreement with Exxon Mobil has the potential to set a standard for other energy companies in terms of what kind of information is important to investors, Fugere said.

About 10 energy companies, including Chevron Corp., Hess Corp. and Anadarko Petroleum Corp., have received similar shareholder resolutions on carbon asset risk so far during the 2014 proxy season. Discussions with these companies are “in various stages,” with some proposals leaning toward withdrawals, while many of the other resolutions will likely go to a vote, Fugere said.

As You Sow filed the first shareholder resolution on carbon asset risk with CONSOL Energy last proxy season. The resolution went to a vote and received about 20 percent support, which is considered high among shareholder resolutions.

Since then, CONSOL has divested nearly half of its carbon-heavy coal holdings in favor of less carbon-intensive natural gas, which Fugere said is an indication of where the energy market is going.

“Companies need to acknowledge that preparing for a low-carbon future is a necessity, not a choice,” she said.

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