WHEREAS:

Investors require information on how Hess Corporation is preparing for the likelihood that demand for oil and gas may be significantly reduced due to regulation or other climate-associated drivers, increasing risk for stranding some portion of its reserves.

Recognizing the severe and pervasive risks associated with a warming climate, global governments have agreed that increases in global temperature should be held below 2 degrees Celsius. To achieve this goal, the International Energy Agency (IEA) states that "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 …." HSBC notes that the equity valuation of oil producers could drop by 40 to 60 percent under such a low carbon consumption scenario.

U.S. and China leaders recently signed an historic accord to limit greenhouse gas emissions; European leaders have committed to a 40 percent reduction by 2030.

In addition to the potential for global treaties, oil demand is being affected by technology innovations, falling renewable energy costs, consumer substitution, and policies related to air quality, fuel efficiency, and lower-carbon energy, cumulatively reducing demand for oil and gas.

A March 2013 Citi report states that market forces could "put in a plateau for global oil demand by the end of this decade." The IEA and Deutsche Bank forecast global oil demand could peak in the next ten to fifteen years.

Industry production costs – and risk -- are rising as companies invest in higher cost, higher carbon reserves. Kepler Cheuvreux declares a "capex crisis," noting that, since 2005, annual upstream investment for oil has increased by 100 percent, while crude oil supply has increased by only three percent.

Given the likelihood of slowing demand and increasing costs, Hess' investments in high cost projects, including a range of deep water projects, are increasingly at risk of stranding. Investors are concerned that Hess is not adequately accounting for these risks. Investors require additional information on whether and how the company is preparing for these changing market conditions.

THEREFORE BE IT RESOLVED:

Shareholders request Hess to prepare a scenario analysis report by September 2015, omitting proprietary information, on the Company's strategy to address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas, including analysis of long and short term financial and operational risks to the company.

SUPPORTING STATEMENT:

We recommend the report:

- Evaluate a range of low-carbon, low-demand scenarios, including a scenario in which two thirds of reserves cannot be monetized;
- Provide an assessment of different capital allocation strategies for the low-demand scenarios including diversifying capital investment or returning capital to shareholders;
- Provide information on carbon price and crude oil price assumptions used in each scenario.