In Wake of Major Climate Votes at BP and Shell, How Will Chevron Shareholders Respond Next Week?

Nearly Unanimous Votes for Greater Climate Transparency to Be Followed by "Tougher" Resolution at Chevron Shareholder Meeting on May 27th

SAN FRANCISCO, CA – May 21, 2015 – The 2015 shareholder season has seen record-high votes by shareholders at BP (98 percent) and Shell (99 percent) seeking greater disclosure of climate-related risks. On May 27th, Chevron shareholders will meet to address a more ambitious shareholder resolution from As You Sow and Arjuna Capital. The filers are asking Chevron to increase dividends to shareholders rather than continue outsized spending on high-cost, high-carbon projects, including Arctic drilling, tar sands, and other 'unconventional' fossil fuels, that are increasingly likely to be stranded.

"Chevron's continuing to pour billions into finding and developing remote, high-cost, high-carbon reserves is increasingly imprudent," said Danielle Fugere, president and chief counsel at As You Sow. "Shareholders are no longer willing to trust Chevron's business as usual, head-in the-sand approach to the clear structural challenges facing the industry. Record-high project costs, decreasing and volatile oil prices, competition from low-cost alternatives, and global climate change are increasing the likelihood that Chevron's high priced reserves will end up stuck in the ground while billions in shareholder capital is wasted."

As You Sow CEO Andrew Behar said: "While we don't expect to see the same kind of vote results that were achieved with the climate disclosure resolutions at BP and Shell, we do think it's important to ask the tough questions and educate the board and shareholders about the fact that Chevron is on an economically unsustainable path. Chevron has lost money in 9 of the last 10 quarters due to poor capital investment decisions. The bottom line here is that shareholders lack confidence in the company's direction and we don't think that we have a climate competent board capable of innovative thinking, therefore the capital is better spent as dividends than wasted by stranding more assets."

The As You Sow/Arjuna Capital resolution goes beyond calling for more transparency, focusing instead on the urgent need for action. The International Energy Agency (IEA) has cautioned: "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2 degrees Celsius goal needed to avoid catastrophic climate change."

"Profitability is suffering now as Chevron spends unprecedented amounts of investor capital looking for expensive, high carbon oil in remote corners of the earth," said Natasha Lamb, director of Equity Research & Shareholder Engagement at Arjuna Capital. "Big Oil will not make money the same way it did last century. Chevron faces two physical truths - there is only so much easy-to-get oil in the ground and only so much carbon we can pump into the air. The next hundred years will be defined by these limits. Winning companies will focus on shareholder value, returning a greater percentage of profits to shareholders rather than risk investor capital chasing every last drop."

Despite increasing concern about the risk of stranded assets, Chevron and other oil majors collectively spend over $700 billion annually to find and develop new fossil fuel reserves -- and they are finding fewer barrels of oil at higher cost. Goldman Sachs notes: "In the past two years no major new oil project has come on stream with production costs below $70 per barrel, with most in the $80-100 dollar range, raising the risk of stranded, or unprofitable, assets.

According to a 2014 Carbon Tracker Initiative (CTI) report, 26 percent of Chevron's future project portfolio (2014-2050), representing $87 billion, requires at least $95 per barrel for a break-even price, and 14 percent requires a price of $115 per barrel. By the end of 2025, CTI expects high-cost, unconventional projects to represent 36 percent of Chevron's potential future production.

Shareholders are concerned that, as Chevron digs deep to replace its oil and gas reserves, it is increasingly putting its profits in jeopardy. Profitability has been decreasing in recent years. From 2011 to 2013, while capital and exploratory expenditure increased 44 percent, Chevron's net income dropped 20 percent. During that same time, Chevron's debt more than doubled from $10.15 billion to $20.43 billion. Chevron's spending surge has even drawn the attention of the Securities and Exchange Commission, which demanded disclosure from Chevron about whether its recent capital expenditure jump will increase and affect the company's liquidity.

For the full text of the As You Sow/Arjuna Capital shareholder resolution, go to:
http://www.asyousow.org/wp-content/uploads/2014/12/CHEVRON-carbonbubble-2015.pdf

A detailed background memo on the resolution is available online at:
http://www.asyousow.org/wp-content/uploads/2015/04/chevron-2015-carbon-asset-risk-proxy-memo.pdf

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.

Arjuna Capital is the sustainable wealth management platform of Baldwin Brothers Inc., an SEC-registered independent financial advisory firm established in 1974. For more information visit www.arjunacapital.com.