



What Exxon Didn't Tell Their Shareholders

Andrew Behar | October 07, 2015

Exxon was once a world leader in climate science. More than any other company or government at the time, Exxon developed deep insight into the dangers that burning fossil fuels held for the oil industry and the planet. Even though the company had a long dossier of climate science research, at almost every opportunity ExxonMobil's leadership chose not to disclose climate risks to investors.

InsideClimate News' bombshell investigative series tells the story of Exxon's longstanding awareness of the climate impacts of fossil fuels and the potential impact on its business. Exxon's own scientists repeatedly warned the company's top executives of damage from climate change driven by burning fossil fuels. A 1982 corporate primer stated, "there are some potentially catastrophic events that must be considered... Once the effects are measurable, they might not be reversible."

Though the company saw climate change as an existential threat to the oil business, Exxon's annual reports filed with the Securities and Exchange Commission (SEC) did not disclose this information to investors as a material risk, as the SEC requires.

Indeed, Exxon's own scientists have warned since the late 1970s that climate change poses a risk and that ExxonMobil's proven hydrocarbon reserves have a high probability of becoming stranded. Despite this risk, the company stated the exact opposite to its investors, potentially in violation of SEC rules, and today continues to invest billions of shareholder dollars in acquiring more carbon-intensive reserves.

For the past three years As You Sow, the non-profit that I lead, in coalition with Arjuna Capital have filed shareholder resolutions asking ExxonMobil for disclosures on the risks associated with stranded fossil fuel reserves and how these carbon asset risks might impact shareholders.

In 2014, ExxonMobil agreed to answer 14 key questions in exchange for the withdrawal of our resolution. ExxonMobil's report, "Energy and Carbon – Managing the Risks," asserts the company's position quite simply, stating, "We are confident that none of our hydrocarbon reserves are now or will become stranded."

The report also states that, "ExxonMobil takes the risk of climate change seriously." While ExxonMobil appears to recognize the operational risks, it has not provided shareholders with adequate disclosure of those risks. As a broad consensus of global scientists have stated—and as Exxon's own scientists noted—rising sea level in a 2°C or 3°C scenario would be devastating. Their core business will become increasingly difficult as storms, flooding, fires, pests, and mass movements of refugees impede drilling and pipeline operations, flood refineries, interfere with delivery systems, and harm workers.

There are serious concerns regarding this report. It seems as if ExxonMobil continues to withhold critical business information from their shareholders. Moreover, ExxonMobil has apparently spent millions to confuse the public by funding oppositional bogus-science in an attempt to deny the very risk posed by their own business practices and discovered by their own researchers. Exxon was one of the founders of the Global Climate Coalition, a powerful lobbying force whose mission is to obstruct regulations to reduce carbon emissions. Exxon also continues to contribute heavily to the American Petroleum Institute, which lobbies state and federal legislators, bankrolls political campaigns, and casts public doubt on the scientific consensus on climate change.

We are learning from the Volkswagen emissions scandal that misleading the public and shareholders can result in enormous destruction of a corporate brand and shareholder value. And one only needs to look at Shell's retreat from arctic drilling after wasting \$7 billion in shareholder funds to see the damage that bad business decisions can cause. Shareholders must continue to demand full transparency from the ExxonMobil board and management through shareholder engagement, resolutions, and all other means.