

**WHEREAS:**

Investors require better information on Hess' potential financial exposure to scenarios in which its assets become stranded due to climate change-related regulation or other carbon related demand reductions.

Recognizing the severe risks associated with a warming climate, global governments have agreed that global temperature increases should be held below 2 degrees Celsius. To achieve this goal, the International Energy Agency states that two thirds of proven fossil fuels reserves cannot be consumed prior to 2050 ...." (2012). HSBC notes that the equity valuation of oil producers could drop by 40 to 60 percent under such a low carbon consumption scenario. (2013).

In addition to the potential for global carbon emission reduction agreements, demand for oil has the potential to be significantly reduced by other climate change induced factors including fuel economy standards, air quality policies, and competition from renewables. Global oil demand growth is projected to slow in 2016 and, under a 2 degree scenario, is forecast to peak by 2020. (IEA, Oil Market Report 2015 and World Energy Outlook 2014).

Hess' investments in high cost, unconventional projects, including deep and ultra-deepwater projects, require high oil prices to break even, making the company increasingly uncompetitive in a volatile, carbon-constrained market. BlackRock warns that it is "cautious on companies with high-cost reserves" in a decarbonizing economy. (Price of Climate Change, 2015). Kepler Cheuvreux notes that undeveloped deepwater and other unconventional reserves would be most at risk of stranding under a global climate agreement. (Stranded Assets, Fossilised Revenues, 2014). The 2014-2015 oil market demonstrates that even a modest over-supply of oil can halt production and development of the highest cost resources.

While Hess' public reporting generally discusses stranded assets, and why it believes they may not occur, it has not analyzed the financial impact to the company of varying levels of stranded assets which, in the opinion of proponents and oil sector experts, may reasonably be expected to occur due to climate regulations or low demand scenarios. Moreover, the company inappropriately downplays the short term risks that some portion of its proved reserves could become stranded. Investors are concerned that Hess is not adequately and transparently accounting for these risks.

**BE IT RESOLVED:**

Shareholders request that Hess prepare and publish a report by September 2016, at reasonable cost and omitting proprietary information, disclosing the financial risks to the Company of stranded assets related to climate change and associated demand reductions. The report should evaluate a range of stranded asset scenarios, such as scenarios in which 10, 20, 30, and 40 percent of the Company's oil reserves cannot be monetized.

**SUPPORTING STATEMENT:**

We recommend the report also:

- Provide a range of capital allocation strategies to address the growing potential of low-demand scenarios, including diversifying capital investment or returning capital to shareholders;
- Provide information on assumptions used in each scenario, including carbon price and crude oil price.