

Exxon Mobil Shareholders Push for Climate Policy Risk Disclosure

June 08, 2017 | Blog | By Hannah Coman

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A new trend is emerging among the country's most influential fossil fuel investors: a demand for climate change accountability and progress towards a low-carbon economy. On May 31, 2017, a vote among Exxon Mobil's shareholders **approved a resolution** mandating that the company begin offering detailed reports analyzing the impact of compliance with climate change policy on its core business. With this resolution, Exxon's major shareholders are pushing directly against company leadership, which has historically resisted such disclosure.

The vote took place at the company's annual shareholder meeting in Dallas on May 31, the first since **former CEO Rex Tillerson** left to become secretary of state. 62.3% of Exxon Mobil's shareholders **support** the re-introduced resolution, a significant uptick from last year's 38% backing. When a similar resolution was first proposed by investors three years ago, it was withdrawn after Exxon became the **first** oil and gas producer to agree to disclose risk metrics regarding the impact of carbon emissions on its business. However, the resulting reports have been criticized for presenting diluted data that circumvents the real question of whether complying with policies aimed at addressing climate change would be harmful to Exxon's business prospects and assets. In a 2014 report addressing how much of its reserves would become unsellable if a global treaty decreased fossil fuel demand, Exxon deemed it "highly unlikely" that governments would enact strong enough policies to affect demand. Yet several news sources **discovered** that Exxon's scientists had raised concerns about the risks the company would face from climate change as early as 40 years ago.

The **new resolution**, spearheaded by the New York State Common Retirement Fund, says that the company "should analyze the impacts on Exxon Mobil's oil and gas reserves and resources under a scenario in which reduction in demand results from carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 2-degree [C] target". Further, it should "assess the resilience of the company's full portfolio of reserves and resources through 2040 and beyond, and address the financial risks associated with such a scenario."

Institutional investors are increasingly agreeing that climate risk is a long-term financial risk that needs to be part of standard financial reporting. Support for the Exxon resolution is widespread and includes its largest shareholder BlackRock, which voted for a similar proposal earlier this year at **Occidental Petroleum** in a first-time direct opposition to Occidental's management. A similar resolution also recently overcame management opposition at **PPL Corp.**, a major utility holding company in Philadelphia.

While the Exxon Mobil resolution is technically nonbinding, chief executive Darren W. Woods has **suggested** that the board of directors would seriously consider a result supported by a majority of shareholders. The decision arrived not long before President Trump announced the widely-opposed **withdrawal of the United States from the 2015 Paris Accord**, a landmark international agreement to take global action on climate change. With the pressure of both investors and public opinion, as well as the threat of a real climate crisis, at an all-time high, we are eager to see whether the world's largest publicly traded oil company will take its shareholder concerns about climate risk seriously.

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