

Capital Distributions

WHEREAS:

In the face of global climate change, we believe investor capital is at risk from capital expenditures on high cost, high carbon projects.

Recognizing the risks of climate change, global governments have agreed “the increase in global temperature should be below 2 degrees Celsius.” The International Energy Agency (IEA) states that, “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° C goal.”

The IEA forecasts global oil demand will peak by 2020, further stating, “once a credible path towards decarbonisation is in place, projects at the higher end of the supply cost curve, particularly those that feature both long lead times and relatively high carbon-intensity, face significantly higher commercial and regulatory hazards.”

Massive production-cost inflation over the past decade has made the industry particularly vulnerable to a downturn in demand.

- According to Bloomberg, capital expenditures by the largest oil companies has risen five-fold since 2000, yet overall industry production is nearly flat.
- Goldman Sachs notes in the past two years no major new oil project has come on stream with production costs below 70 dollars per barrel, with most in the 80-100 dollar range, raising the risk of stranded, or unprofitable, assets.
- Kepler Cheuvreux declares a “capex crisis” as companies invest in higher cost, higher carbon unconventional crude to stem conventional crude decline rates. Since 2005, annual upstream investment for oil has increased 100 percent, while crude oil supply has increased 3 percent.

Given growing global concern over climate change and actions to address it, investment analysts indicate companies may not be adequately accounting for or disclosing downside risks that could result from lower-than-expected demand for oil and cost competitive renewables.

- HSBC reports the equity valuation of oil producers could drop 40 to 60 percent under a low carbon consumption scenario.

Investors are concerned Exxon Mobil is not preparing for a low demand scenario and that potential and planned capital expenditures on high cost high carbon projects are at risk of eroding shareholder value. Our Company has said this scenario is “highly unlikely” stating, “the world will require all the carbon-based energy that ExxonMobil plans to produce during the Outlook period.”

According to Carbon Tracker Initiative (CTI), 39 percent of Exxon Mobil’s potential capex spend through 2025 requires an oil price of 95 dollar per barrel to be economical, and 17 percent requires a price of 115 dollar per barrel. By the end of 2025, CTI expects high cost projects to represent 35 percent of our Company’s potential future production.

In light of the climate change related risks of decreasing profitability and stranded asset risk associated with planned capital expenditures on high cost high carbon projects, be it **RESOLVED:**

Shareholders hereby approve, on an advisory basis, Arjuna Capital/Baldwin Brothers’ proposal: Exxon Mobil commit to increasing the amount authorized for capital distributions to shareholders through dividends or share buy backs.