

**Proxy Memo: ExxonMobil Corp.
AGM: May 25, 2011 in Dallas, TX
Item #12: Greenhouse Gas Emissions Goals**

MEMO

SUBJECT: Vote FOR the ExxonMobil shareholder resolution requesting the company to adopt greenhouse gas reduction targets

DATE: May 25, 2011

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Re: Proxy Advisors and Shareowners should support Item 12, requesting greenhouse gas emissions goals for products and operations.

Resolved: *“Shareholders request that the Board of Directors adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's products and operations; and that the Company report to shareholders by September 30, 2011, on its plans to achieve these goals. Such a report will omit proprietary information and be prepared at reasonable cost.”*

Rationale for a Yes vote:

- 1. ExxonMobil's shareholders bear significant financial and competitive risk if ExxonMobil remains unprepared to meet existing and impending requirements to reduce greenhouse gas (GHG) emissions from its operations and its products. Quantitative reduction goals provide the clearest signal to investors.**
- 2. ExxonMobil's climate risk preparedness lags behind major peers.**
- 3. Without improved disclosure and GHG goals, shareholders cannot adequately assess the risks of their investment in ExxonMobil Corp.**

EXXONMOBIL'S SHAREHOLDERS BEAR SIGNIFICANT FINANCIAL AND COMPETITIVE RISKS

By virtue of its carbon-intensive products and long capital horizons, the oil sector is uniquely exposed to economic, competitive, and regulatory risks resulting from climate change. It is imperative that investors know which companies are prepared for these risks – and which are not.

Numerous regulations exist or have been proposed in relation to GHG emissions--including regulations that have direct impacts on the oil sector. The U.S. Environmental Protection

Agency (EPA) issued an endangerment finding under the Clean Air Act in April 2009 that is quite relevant to ExxonMobil's core business lines. It cites carbon dioxide and five other greenhouse gases (GHGs) as plausible threats to human health and welfare, clearing the way for regulations to reduce GHG emissions. The U.S. EPA's endangerment finding on greenhouse gases states that, "in both magnitude and probability, climate change is an enormous problem."¹ ExxonMobil has acknowledged that "climate change poses risks to society and ecosystems that are serious enough to warrant action — by individuals, by businesses, and by governments."² Yet year after year, the company fails to take serious action in producing quantifiable targets to reduce their product-related and operational GHG emissions.

On January 27th 2010, the US Securities and Exchange Commission issued new interruptive guidance that specifies what corporations must disclose to investors in regards to climate change. This includes both the material risks and opportunities to the company posed by physical, regulatory, and other impacts of climate change.

Setting targets is an important step in the development of a comprehensive long-term strategy to significantly reduce GHG emissions from operations and products. The company also does not disclose specifics on the financial risks of climate change, which would help investors assess the potential impacts of the risks described above and the potential effectiveness of the company's strategies. **Without quantitative product and operational goals and more specific disclosure of the financial risks of climate change, it will be difficult for investors to assess ExxonMobil's readiness for a carbon-constrained economy or the effectiveness of climate-related strategies.** ExxonMobil's shareholders need to know that management is taking these issues seriously and is acting accordingly.

EXXONMOBIL'S CLIMATE RISK PREPAREDNESS LAGS BEHIND PEERS

While ExxonMobil has made progress in incrementally reducing operational emissions and investing in research partnerships, ExxonMobil has not developed a comprehensive target and strategy to significantly reduce GHG emissions from its products. We commend the company for taking the step to estimate a price on carbon as noted in their last report.

In 2009, Chevron Corporation agreed to track and report on the carbon content of its products after working with faith based and socially responsible investors³. This competitor has made advancements in its carbon footprint and in preparing for viability in a low-carbon business environment.

The company's emissions from flaring (largely in Nigeria) are a ripe target for concrete reduction goals. While ExxonMobil has committed to substantial spending on flaring

¹ *EPA Finds Greenhouse Gases Pose Threat to Public Health, Welfare: Proposed Finding Comes in Response to 2007 Supreme Court Ruling*. 2009, US Environmental Protection Agency.

<http://yosemite.epa.gov/opa/admpress.nsf/0/0EF7DF675805295D8525759B00566924>

² "Meeting growing energy demand and addressing climate risk." Tillerson, Rex. June 21, 2007. Royal Institute for International Affairs speech. http://www.exxonmobil.com/Corporate/news_speeches_20070621_RWT.aspx

³ <http://tricri.org/news/30-breakthrough-on-tracking-carbon-emissions>

reduction in Nigeria over the course of several years, most of those projects have faced repeated setbacks due to the political difficulties facing the company in that region.

The proponents' resolution does not prescribe a particular reduction target, but clearly the company must move to diversify its product mix to include low carbon energy alternatives.⁴ This can be achieved through renewable energy investments, which many investors have encouraged, or it could be done in part by the technological innovations ExxonMobil has announced in the past four years (thin film separators for lithium ion batteries, carbon sequestration technology in Wyoming, light polymer materials to improve fuel efficiency, etc.) But if ExxonMobil is to make substantial GHG reductions, the scale of these technology innovations needs to be far broader with significant resources behind them to achieve large-scale emissions cuts for the company. In addition, Research by McKinsey & Co. finds that most companies have options to reduce carbon emissions at negative cost – across the overall economy there is the potential to save as much as 12Gt CO₂e, 25% of the global total annual emissions in this way by 2030.* *McKinsey & Co (2009) Pathways to a Low Carbon Economy.*

While ExxonMobil has an **energy efficiency target for its refining operations** (the baseline target set by its industry trade association), the company is lagging behind competitors who have already set company-wide GHG emissions targets.

Chevron	Shell	Total	Exxon Mobil
<p>Quant Goal: Preliminary goal for 2010 was 59 million metric tons, slightly higher than 2009's actual emissions.⁵</p>	<p>Quant Goal: Reduce GHG emissions from operations by 5% relative to a 1990 baseline for all facilities globally under operational control.⁶</p>	<p>Quant Goal: (a) reduce flaring of gas by 50% between 2005 and 2014; (b) Boost efficiency 1% per year for refining and 2% per year for Exploration & Production.⁷</p>	<p>Quant Goal: achieve 10% energy efficiency improvement across U.S. refining operations and globally between 2002 and 2012.⁸</p> <p>ExxonMobil has not set absolute greenhouse gas (GHG) emissions targets.</p>

ExxonMobil clearly lags behind its peers in terms of setting clear targets for reducing GHG emissions from total operations. ExxonMobil's energy efficiency improvements provide

⁴ See Exxon's 2007 Corporate Citizenship Report, pp. 12-13 and 18. While 10 percent of GHG emissions are attributable to operations, 90 percent of emissions result from consumer use of petroleum products.

http://www.exxonmobil.com/Corporate/files/Corporate/community_ccr_2007.pdf

⁵ Chevron 2010 CDP response, question 9.1

⁶ Shell 2010 20-F, p.50

⁷ Total 2010 CDP response, question 9.1

⁸ CDP6 Greenhouse Gas Emissions Questionnaire: Exxon Mobil Corporation, 2008. *Carbon Disclosure Project.*

http://www.cdproject.net/responses/public/Exxon_Mobil_Corporation_1208_Corporate_GHG_Emissions_Response_CDP6_2008.asp

significant carbon benefit, but it has failed to promote a company-wide emissions reduction plan.

ExxonMobil's peers have an advantage on this front—at least they have begun diversifying into renewable energy businesses in past years, and are ramping up their managerial and marketing prowess for these emerging business lines. Peers such as Chevron are even going so far as to allocate a cost of carbon for project planning, as well as setting emission reduction goals. Chevron discusses their 2011 reduction goals for GHG emissions from operations and product in their April 2011 “Additional Information on Chevron’s Greenhouse Gas Management Activities”.⁹

Since ExxonMobil's managerial team seems to perform well with clear expectations, and it appears its team is very goal-oriented in order to achieve fiscal discipline, shareholders believe management would also make clearer progress on emissions reductions with set goals that are company-wide. A commitment of reduction goals, with strong monitoring elements, would signal a preparedness to move forward in a carbon restricted future.¹⁰

WITHOUT IMPROVED DISCLOSURE AND GHG GOALS, SHAREHOLDERS CANNOT ADEQUATELY ASSESS THE RISKS OF THEIR INVESTMENT IN EXXONMOBIL

Regulations such as those in the EU, U.S., and California are increasingly focusing on product emissions including lifecycle emissions from ‘wells to wheels’, making this an important emerging risk that needs managing in addition to the targets needed for emissions from operations. Having a GHG reduction target for emissions from products would let investors know the company is seriously preparing for a carbon-constrained world. Companies in other sectors whose products are at risk from climate-related regulatory and consumer-preference changes (e.g., Ford in the auto sector) have set GHG reduction targets for their products.¹¹ ExxonMobil needs to do the same, to demonstrate to shareholders that our company can survive and thrive in the context of current and proposed regulations of greenhouse gases.

⁹ http://www.chevron.com/documents/pdf/GHG_Management.pdf Chevron 2010 Corporate Responsibility Report

¹⁰ “ExxonMobil Can Be A Leader: 12 Indicators of Long-Term Business Prosperity in a World of Climate Risk” Tellus Institute, May 10, 2010 Tellus Institute

¹¹ http://www.iccr.org/news/press_releases/2008/pr_ford04.09.08.htm