9. Exxon Mobil Reports Future Risks

Exxon Mobil Corp is the biggest American energy company producing oil and gas. This company was formed in 1999 by a merger of Exxon and Mobil. Exxon is the world's third largest company by revenue and the second largest publicly traded company. The company has 37 oil refineries in 21 different countries all having different capacities. In 2011 the corporation announced a major oil and gas discovery in the Gulf of Mexico becoming one of the largest discoveries in the last decade.

Energy companies are being put under pressure to warn current and future investors of the upcoming risks faced within the industry, disclose personal company information and reduce carbon emissions. The Government and shareholder activists are protesting to create stricter limits on carbon emissions to help reduce the crippling effect the consumption of products of energy companies are leaving on the environment. All parties are trying to come up with a solution to decreasing carbon emissions.

The American government is another actor to this situation as they have a social responsibility from the public making sure that climate change does not pose a risk on society. The government is trying to put pressure through regulations on energy companies to preserve gas reserves and cut down green house emissions to reduce this problem.

Shareholders and investors within the company are having environmental concerns.This is forcing Exxon to address their shareholders issues under business law contract and regulations.

First Energy which is part of **Ceres As you Sow. Ceres** is a coalition of environmentalists and investors helping companies become more environmentally friendly with regards to the choices made within the company.

It is known that climate change is posing a risk on society. Through research of the potential upcoming restrictions of burning fossil fuels Exxon has predicted that it will be far too expensive to pump fuel creating a tricky situation to please all internal and external stakeholders.

The **US Government** is beginning to plan how to slow down the effects of global warming and this is seen by limiting greenhouse gas emissions. The two main goals made by President Obama is to extract a company's reserves and reduce carbon emissions which are two very conflicting issues. Scientists have come to the conclusion that by cutting emissions by 80% through the expected time frame of 2040 which will cost $80 per ton also costing the average U.S household almost $2,350 a year in additional energy expenses which will unfortunately have negative implications for economic growth.

Exxon's shareholders and investors are becoming more environmentally friendly putting pressure on Exxon to change their ways. From this Exxon is focusing on on burning energy more efficiently which also cuts down emissions. Exxon is the first company to come to the table with this issue also to disclose information in regards to the measures of calculating the carbon emissions created within the company discussing how it incorporated risks of regulation into their spending plans.

Exxon is the first energy company to create a partner alliance with **First Energy**. This company is filled with professional environmentalists and investors guiding companies to become more environmentally friendly in regards to the decisions made within the company.

Kristina Lapardin Draft 2014 Exxon

„The Ceres campaign began with a letter from shareholders representing $3 trillion in assets to 45 of the largest fossil fuel companies asking for more information about whether and how they were addressing the risks posed to their assets by changing climate policy.

Investors have been pressuring corporations into action on climate change, and a movement to persuade universities, foundations and governments to rid themselves of investments in fossil-fuel companies has had some successes. Two billionaires — Michael R. Bloomberg and Tom Steyer — have started an effort called **Risky Business**, which includes three former Treasury secretaries, Henry M. Paulson Jr., Robert E. Rubin and George P. Shultz, to assess the economic risks posed if climate change is left unaddressed.

In the 2013 proxy season, shareholder submissions grew more than 6 percent compared with the previous year, with environmental and social proposals representing the largest category, at just under 40 percent, according to a report from Ernst & Young.

Questions:

1. What should Exxon and other fossil fuel company do about disclosing information about

a. carbon usage?

b. financial risk If stricter regulations on carbon emissions are put in place?

2. Develop for Exxon best, worst and most probable scenarios for the future of climate warming-related regulations on fossil fuel companies like Exxon. Then propose what of these scenarios should be released to the public by Exxon.

This case was prepared by Kristina Lapardin, a student at Masaryk University, under the direction and with the assistance of Professor Earl Molander."