

WHEREAS: The economic risks associated with climate change exist in the real world rather than on company balance sheets. Transferring emissions from one company to another may reduce balance sheet emissions but does not mitigate company or stakeholder exposure to climate risk or contribute to the goal of limiting global temperature rise to 1.5 degrees Celsius. In the aggregate, upstream oil and gas assets are moving from operators with stronger climate commitments to operators with weaker climate targets and disclosures.¹

The Glasgow Financial Alliance for Net Zero states that “divestment of carbon-intensive assets can be ineffective and even lead to real-world increases in emissions.”² As such, these divestments should not be counted as emissions reductions.

To accurately account for greenhouse gas (GHG) emissions reductions, the Greenhouse Gas Protocol provides that companies should recalculate base year emissions in the event of a “transfer of ownership or control of emissions-generating activities.”³ Oil and gas industry association IPIECA similarly recommends “adjustments to the base year emissions” to account for asset divestiture, to avoid giving the appearance of “increases or decreases in emissions, when in fact. . . emissions would merely be transferred from one company to another.”⁴

Since 2016, ExxonMobil reports absolute Scope 1 and 2 emissions reductions of roughly 10% on both equity and operated bases.⁵ However, between 2017 and 2021, ExxonMobil sold more assets than any other American oil and gas company except Chevron, ranking fourth globally among sellers.⁶ It is unclear how ExxonMobil accounts for these divestitures in its emissions reporting. Therefore, shareholders cannot determine whether ExxonMobil’s reported GHG reductions are the result of operational improvements or of transferring emissions off its books.

In contrast, peer company Devon Energy recalculates its baseline when asset divestitures or investments result in “a change to its emissions baseline of 5% or higher” to ensure accuracy and comparability of emissions reporting.⁷ Devon notes that this

¹ <https://business.edf.org/files/Transferred-Emissions-How-Oil-Gas-MA-Hamper-Energy-Transition.pdf> p. 4

² <https://assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf> p. 52

³ <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> p. 35

⁴ <https://www.ipieca.org/resources/good-practice/petroleum-industry-guidelines-for-reporting-greenhouse-gas-emissions-2nd-edition/> p. 39

⁵ <https://corporate.exxonmobil.com/-/media/global/files/advancing-climate-solutions-progress-report/2022-july-update/exxonmobil-advancing-climate-solutions-2022-progress-report.pdf?la=en&hash=3A2B299463CE50DCDD6A9595E49AC3030CFF4350>

⁶ <https://business.edf.org/files/Transferred-Emissions-How-Oil-Gas-MA-Hamper-Energy-Transition.pdf> p. 22

⁷ https://dvnweb.azureedge.net/assets/documents/Sustainability/DVN_2022_SustainabilityReport.pdf p. 20

“recalculation methodology affirms our commitment to structurally drive down emissions, rather than divesting assets as a means to achieve our ambitious emissions reduction targets.”⁸ Investors deserve the same transparency from ExxonMobil.

BE IT RESOLVED: Shareholders request that ExxonMobil, at reasonable cost and omitting proprietary information, disclose a recalculated emissions baseline that excludes the aggregated GHG emissions from material asset divestitures occurring since 2016, the year ExxonMobil uses to baseline its emissions.

SUPPORTING STATEMENT: Proponents recommend disclosing, at management’s discretion:

- The emissions associated with ExxonMobil’s material asset divestments since 2016;
- What portion, if any, of ExxonMobil’s current emissions reduction targets relies on accounting for asset transfers as emissions reductions;
- A base year emissions recalculation policy establishing a threshold for future recalculations related to divestitures.

⁸ Ibid.