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## Exxon: Highly Unlikely World Limits Fossil Fuels

Jonathan Fahey | Mar. 31, 2014

On the same day the world's climate scientists issued its latest report on climate change and the risks it poses to society, the nation's biggest oil and gas company said the world's climate policies are "highly unlikely" to stop it from selling fossil fuels far into the future.

Exxon Mobil issued a report Monday on the risks that climate change policies could pose to the value of its assets and future profitability, by coincidence on the same day as the latest report by the Intergovernmental Panel on Climate Change, a Nobel Prize-winning United Nations group assembled to assess the science and risks of climate change.

Both Exxon and its critics used IPCC research to bolster their cases.

Exxon's report was in response to the contentions of some shareholders and environmental activists that the assets underpinning the value of Exxon and other fossil fuel companies will be worth less as society restricts consumption of fossil fuels to fight climate change.

The report, the first detailed response to these concerns by a major oil company, acknowledges the need to adopt policies to address climate change. But it concludes that because oil and gas are so critical to global development and economic growth, governments are "highly unlikely" to adopt policies that cut emissions so sharply that oil and gas consumption would be severely restricted.

"We know enough based on the research and science that the risk (of climate change) is real and appropriate steps should be taken to address that risk," Ken Cohen, Exxon's government affairs chief, said in an interview Monday. "But given the essential role that energy plays in everyone's lives, those steps need to be taken in context with other realities we face, including lifting much of the world's population out of poverty."

Natasha Lamb, director of equity research at Arjuna Capital, a sustainable wealth management group that filed the shareholder resolution with Exxon, called Exxon's report a "milestone."

"It's a huge first step in the right direction and it shows a lot of leadership," she said. Arjuna and **As You Sow**, a non-profit that promotes environmental corporate responsibility, agreed to withdraw their resolution after Exxon agreed to issue a report on climate risks.

But Lamb said she was disappointed that Exxon declined to explain what would happen if society did in fact adopt policies that would lead to sharply lower emissions, something known broadly as a low-carbon standard.

"The question is not whether or not we'll face the low carbon standard, but whether they are prepared to address it. We need to know what's at stake," she said. "But at least now investors know that Exxon is not addressing the low carbon scenario and (is) placing investor capital at risk."

Exxon and the environmental groups agree that climate change is a risk and that society will take steps to reduce emissions from fossil fuels to slow the buildup of greenhouse gases in the atmosphere. They differ, however, on how drastic society's response could be, and what would cost more — severely restricting fossil fuel consumption or not doing so and allowing more carbon dioxide to build in the atmosphere.

Exxon, along with other private and government energy researchers, believes that demand for fossil fuels will continue to grow around the world as more people demand access to electricity, heat, and transportation. Exxon predicts that

carbon dioxide emissions from energy sources will peak by about 2030 and then begin to decline as society becomes more efficient and switches to lower-carbon fuels.

The Irving, Texas-based company's report notes that its emissions predictions track closely with the IPCC's "intermediate" scenario considered in its last report.

Exxon says that renewable energy sources are not now cheap enough nor technologically advanced enough to meet growing demand for energy, let alone also replace oil and gas. Governments therefore face a choice between restricting access to energy or raising the cost of energy significantly. In Exxon's view, governments will choose to raise the cost of fossil fuels to encourage alternatives somewhat, but stop well short of enacting policies that will sharply curtail consumption, especially in developing countries, because populations would resist and social upheaval would result.

Arjuna Capital's Lamb disagrees. "There's greater risk of social upheaval from climate change itself," Arjuna Capital's Lamb says. "(Exxon's report) ignores the cost of inaction."

Lamb points to some of the conclusions in the latest IPCC report, which says climate change will worsen problems that society already has, such as poverty, sickness, violence and displacement.

The report also says climate change will slow down the benefits of a modernizing society, such as regular economic growth and more efficient crop production — exactly the types of things that Exxon argues are delivered now only by relatively cheap and available fossil fuels.