

## **ExxonMobil: Navigating Macro-Environmental Forces for Change on the Circuitous Road to a Low-Carbon Future**

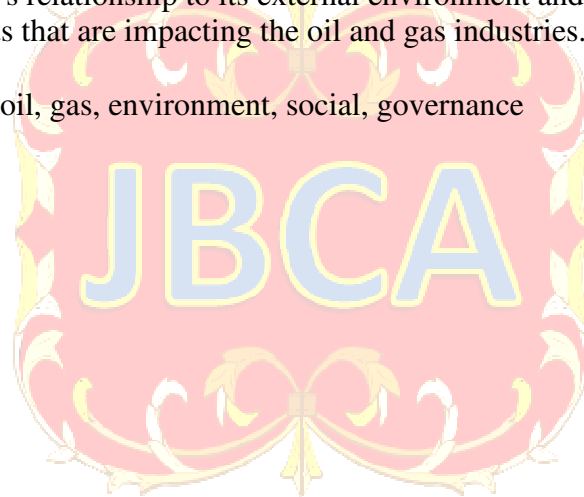
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### **ABSTRACT**

This case study of ExxonMobil reviews the company's operations, financial performance and the vertical integration and low-cost supply strategies the company pursues as a participant in the oil & gas extraction and petroleum refining industries. ExxonMobil's social and environmental impact and its recent experience with a proxy battle serve as a further basis for considering the company's relationship to its external environment and its ability to plan for and adjust to trends and events that are impacting the oil and gas industries.

Keywords: ExxonMobil, oil, gas, environment, social, governance



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## INTRODUCTION

The origins of ExxonMobil can be traced back to Standard Oil and its founder John D. Rockefeller. While the ExxonMobil of today would be only partially recognizable to Rockefeller, his relentless focus on efficiency, financial discipline, technical advances in production and vertical integration have endured as key components of the company's business model. However, more recent events have called into question ExxonMobil's ability to sustainably operate as it seeks to remain profitable and provide a return to its shareholders. Efforts to adjust capital expenditures, reduce costs and improve efficiencies in response to a prolonged period low oil prices and the Covid-19 related drop in oil consumption did not immediately serve to restore profitability; and the related decline in stock price caused the company to fall far from its former position as the world's most valuable company. The global pandemic and a low stock price are not the only challenges that the management team at ExxonMobil has contended with as of late. In early 2021 a small group of shareholder activists pointed toward the long and significant decline in company performance and a need to infuse the Board of Directors with outside members who have the experience to guide ExxonMobil through turbulent times and the transition to a lower carbon economy. The future performance of ExxonMobil will be impacted by its ability to adequately address governance concerns and successfully navigate changes in the company's external environment.

## OPERATIONS, STRATEGY, AND FINANCIAL PERFORMANCE

Exxon was incorporated as Standard Oil of New Jersey in 1882 and Mobil was incorporated as Standard Oil of New York in 1911. On November 30, 1999, the two companies merged to become ExxonMobil. Over the years, the company has sought to expand its oil and gas exploration and drilling operations while simultaneously engaging in research activities aimed at understanding the causes and solutions to climate change. To appreciate the complex nature of the business challenges that the company perpetually navigates, it is beneficial to first have a fuller understanding of ExxonMobil's operations, strategy, and its financial performance over time.

### Company Operations

The company's principal business "involves exploration for, and production of, crude oil and natural gas and the manufacture, trade, transport and sale of crude oil, natural gas, petroleum products and petrochemicals" (ExxonMobil, 2021b).

As a multinational corporation ExxonMobil seeks to identify low-cost hydrocarbon supplies around the globe and claims to have "one of the most active exploration programs in the industry" (ExxonMobil, 2021b). The company's *upstream* operations involve the extraction of both heavy oil and liquified natural gas through both conventional and unconventional methods. The company's unconventional methods include horizontal drilling and hydraulic fracturing and these methods have been applied to extraction of oil and natural gas from the shale regions of the United States. Some of the greatest supplies of shale oil are believed to exist in West Texas and its Permian Basin. During 2020 the company realized a 35% increase in year-over-year production from its operation in the Permian Basin and projects an ability to recover up to 10 billion oil-equivalent barrels from that region (ExxonMobil, 2021b).

ExxonMobil also maintains a particular focus on deep water exploration, and the company is actively exploring and developing operations off the coast of Guyana. It is projected that these operations will yield more than 750,000 barrels of oil per year by the year 2026 (ExxonMobil, 2021b). A significant interest in an acreage position in Brazil is also part of ExxonMobil's effort to develop its deep-water operations.

The company is a leader in the production of liquid natural gas (LNG), and it operates an export facility on the Gulf Coast of the United States. Future developments in Papua New Guinea and Mozambique are also part of the plan to develop its LNG business. Upstream operations include activities in 40 countries and the company produces about 4 million oil-equivalent barrels of net oil and natural gas every day.

ExxonMobil's *downstream* operations make it one of the world's largest manufacturers and marketers of fuels and lubricants (ExxonMobil, 2021b). Such operations involve the acquisition of crude oil and the manufacturing of fuel products at its 21 refineries. The sales and distribution of fuel products occurs through commercial channels and via its 20,000+ retail stores. The company's lubricant business includes the development, production and sale of motor oils and its Mobil 1 synthetic lubricant is the best-selling brand of motor oil in the United States (ExxonMobil, 2021b). The company sells approximately 5 million barrels of petroleum-based products per day.

An albeit smaller but significant portion of ExxonMobil's business is derived from the production of light gas and petroleum-based chemicals (ExxonMobil, 2021b). The company claims to be either the number one or number two producer for the vast majority of the chemicals in its product portfolio and such chemicals are the basic building blocks for materials such as polyethylene, polypropylene, and fibers that are used for clothing and insulation. ExxonMobil's chemical product portfolio also includes *performance products* that are used in a wide range of applications such as food packaging, vehicles, diapers, and disposable health care products such as facemasks and surgical gowns (ExxonMobil, 2021b; ExxonMobil, 2022).

## Company Strategy

ExxonMobil aspires to realize competitive advantage via its technological leadership, partnerships and investments in science and research, which it positions as leading to "lower operating and project costs and the creation of high-value products that meet societies' evolving needs" (ExxonMobil, 2021b). The company also attributes its advantage to the scale of its global business, which enables the broad deployment of its expertise, cost efficiencies, operational learning and the pursuit of preferred partnership opportunities. The company relies upon integration across complex global value chains that allow for operational flexibility, security of supply and the sharing of activities (ExxonMobil, 2021b). The company further attributes its advantages to its execution capabilities and a workforce that brings deep knowledge and expertise from across a wide range of critical disciplines.

The company's long term business planning involves a consideration of energy fundamentals such as "supply and demand trends, the scale and variety of energy needs worldwide; capability, practicality and affordability of energy alternatives including low-carbon solutions; and supportive government policies" (ExxonMobil, 2022a, p. 43). ExxonMobil's Energy Outlook takes into account a broad range of scenarios that are informed by global trends. The company acknowledges that scenarios require assumptions and that its various energy demand models come with a "high degree of uncertainty" (ExxonMobil, 2022a, p. 42). In its

2021 Annual the company states that the realization of global net-zero emission aspirations will be extremely challenging and will require routine and unprecedented efforts on the part of multiple stakeholders, while also stating that that it aims to play a leading role in the drive to net-zero.

### **Financial Performance**

Throughout much of its history Exxon has been considered to be unstoppable. From its inception as Standard Oil of New Jersey through its efforts to maintain control over production and prices through partnerships in Saudi Arabia and Venezuela and its more recent acquisition of Mobil, the company has maintained a steady run of profitability. In 2008, ExxonMobil realized profits of \$46 B, a then record for an American corporation; and in 2014 ExxonMobil realized the distinction of becoming the world's most valuable company with a market capitalization in excess of \$415 B (Matthews, 2020).

More recently the company has stumbled amid a prolonged period of low oil prices that have been partially attributed to the abundance of oil and gas that has been extracted via hydraulic fracturing. The company has been criticized for being late to the shale boom in the United States, a poorly timed acquisition of natural gas producer XTO energy and for bets on global projects (e.g., Canadian Oil Sands; Deep water drilling in Russia) that have failed to meet expectations (Egan, 2020; Matthews, 2020). The company's poor financial performance was further exacerbated by the precipitous decline in demand for oil as the COVID-19 pandemic curtailed travel by both plane and automobile.

By the third quarter of 2020 ExxonMobil (traded as XOM) had lost roughly 60% of its market value in what one Wall Street Journal reporter called "a stunning fall from grace" (Matthews, 2020). In August of that same year the company was removed from the Dow Jones Industrial Index after being a member of the benchmark measure of stock market performance for nearly a century (Egan, 2020; Matthews, 2020). Overall, the energy sector now represents just 2.1% of the price-weighted Dow Index and 3 % of the Standard and Poor's 500 index, as investors are increasingly drawn to tech and renewable energy stocks (Langley, 2020). In February of 2021 ExxonMobil announced its fourth consecutive quarterly loss (Matthews, 2020) and on March 23, 2020, XOM stock traded for as low as \$30.11 per share (yahoo! finance, 2022).

ExxonMobil did announce a return to profitability in the second quarter of 2021 with earnings of \$4.7B (ExxonMobil, 2021c), a \$5.6B increase over the loss of \$1.1B reported in the second quarter 2020. In the related press release CEO Darren Woods pointed toward the increased demand for company products and the best -ever contributions from its chemical division as key drivers in the return to profitability. Woods also attributed the success to "significant benefits from an improved cost structure, solid operating performance and low-cost-of-supply investments" (ExxonMobil, 2021c). Taken together these company efforts led to a \$23B profit for FY 2021 and a stated breakeven point of \$41 per barrel of oil produced. Heading into the summer of 2022 crude oil was trading at around \$110 per barrel and on May 17th XOM stock was trading at \$92.45 per share (yahoo! finance, 2022). It is clear that company earnings will continue to be impacted by changes in oil, gas and petrochemical prices (ExxonMobil, 2022); and such changes are highly dependent upon both economic conditions and global and regional events like the COVID-19 Pandemic and the Russian invasion of Ukraine.

## ENVIRONMENTAL AND SOCIATAL IMPACTS

Ten years prior to its merger with Mobil, the Exxon name became synonymous with one of the worst environmental disasters in recorded history. Just after midnight on March 24, 1989, the oil tanker Exxon Valdez ran aground on a reef in Alaska's Prince William Sound. The spill of an estimated 11 million gallons of crude oil blackened 1300 miles of coastline while killing and threatening the survival of sea otters, several species of whales, eagles and waterfowl. Exxon's reputation was further called into question as it sought to appeal the \$5B it was ordered to pay in punitive damages (Verhovek, 1999). It was not until 2008 when the Supreme Court reduced the judgement for punitive damages to \$500M, an amount roughly equal to what Exxon had previously paid in compensatory damages to each of the 32,000 native Alaskans, landowners and fisherman impacted by the spill (Liptak, 2008). While the total cost to the company is difficult to identify, it is estimated that ExxonMobil and their insurers have paid \$2B in clean-up costs and \$1.8B for personal damages and habitat restoration; and the question of whether the region will ever fully recover remains an issue for debate.

Soon after the merger with Mobil the newly formed ExxonMobil began publishing a series of advertorials in the New York Times, one of which advocated "for the central role of fossil fuels in economic development" (Livesey, 2002). Advertorials that appeared in the mid to latter part of the aughts further highlighted the benefits of energy, specifically in terms of its ability to light our homes, fuel our transportation, power our industries, drive our economy and raise standards of living (Supran & Oreskes, 2021); around that same time additional advertorials promoted the idea that oil and natural gas will be essential to meeting the projected 30% increase in demand for energy, out until the year 2030 (Supran & Oreskes, 2021).

The series of published advertorials were more generally focused on the natural environment and the topic of climate change (Livesey, 2002). Critical scrutiny of the communications suggests that they were initially aimed at calling into question whether global warming is "real, human caused and solvable (Supran & Oreskes, 2021, p. 706); and framing the related debate as a condition of individual consumer demand for (vs. industry supply of) energy. It has been further alleged that the company, and others who are participants in the oil and gas industry, have hidden their pre-existing knowledge of the human causes of climate change and have purposely mis-led the public (Crowley & Rathi, 2020; Li, Trencher, & Asuka, 2022; Supran & Oreskes, 2021).

As the aughts drew to close the messaging that appeared in advertorials and the corporate communications that followed gradually shifted towards a general acceptance of the emerging scientific consensus surrounding climate change. However, ExxonMobil's official stance on climate change did not come until 2014, well after its competitors had announced their respective positions and subsequently began to diversify into renewables. In the lead up to their announcement the company began to scale back its lobbying efforts and financial support of organizations that call into question the human causes of global warming.

Company efforts to realize a positive social impact include investments in community, educational and economic initiatives. As of 2019, the company has spent a reported \$253 million on community programs that include contributions to malaria research programs and emergency assistance to Mozambique after cyclones hit that country (ExxonMobil, 2019). Efforts to support educational programs that have benefited 125 million people via \$1.3B in support date back to



2000 and contributions of \$120M aimed at supporting economic opportunities for women in over 90 countries date back to 2005 (ExxonMobil, 2019).

ExxonMobil's reported efforts to realize environmental sustainability include 1) the creation new and innovative products that decrease plastic waste; 2) the development of new packaging materials that are more easily recycled; and 3) the advancement of technologies that will promote large scale recycling solutions (ExxonMobil, 2019).

ExxonMobil has also pledged to net zero emissions from its operated assets by 2050; a goal that is in keeping with the Paris Agreement "to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels" and "achieve a climate neutral world by mid-century" (United Nations Framework Convention on Climate Change, 2022). Between 2022 and 2028 the company plans to engage in initiatives aimed at lower greenhouse gas emissions via \$15B in investments in hydrogen, biofuels and carbon capture and storage (ExxonMobil, 2022b). While ExxonMobil does claim to be the current industry leader in carbon capture (ExxonMobil, 2022a), and does have a more immediate goal of realizing net zero emissions from its operations in the Permian Basin by 2030 (ExxonMobil, 2022b), it has been their comparatively slower response to the socio-cultural concern for the environment that served as partial rationale for the shareholder activism that began to take shape during the latter part of 2020.

## **CORPORATE GOVERNANCE AND A PROXY BATTLE**

During the Fall of 2020, Engine #1, an activist hedge fund with just .02% ownership in ExxonMobil stock, kicked off a proxy campaign to install "new board members with relevant industry experience" needed to "drive transparency and create the accountability needed for long-term value creation for all ExxonMobil shareholders" (Engine #1, 2021). Engine #1 cited ExxonMobil's 50% decrease in market capitalization and its 3-, 5- and 10- year (pre-Covid) underperformance relative to its industry peers as partial rationale for its action. The activist group also laid claim to a lack of a credible strategy to "create value in a decarbonizing world" as further justification for its proxy campaign (Engine #1, 2021).

In early 2021 Engine #1 began to interview potential board candidates as it sought to refresh the board with what it considered to be more experienced and better qualified independent directors. The group also called for 1) greater discipline in long-term capital allocation; 2) a more significant investment in clean energy; and 3) a strategic plan for sustainable value creation. Engine #1 further called into question ExxonMobil's management compensation as the company's market capitalization and profitability had continued to decline relative to both its closest competitors and energy industry benchmarks. While there are claims that hedge fund activists sometimes seek changes that are motivated by their own myopic interests, a study conducted Bebchik, Brav, & Wei (2015) found no support for the idea that such interventions are detrimental to long-term shareholder interests; and Engine #1 was quick to point towards its influence when ExxonMobil announced emission intensity reduction targets (December 14, 2020) and the formation of a Low Carbon Solutions Business Segment (February 2, 2021).

On March 16, 2021, ExxonMobil's management team filed its own definitive proxy and issued a shareholder letter urging them to vote for the company's twelve (12) nominees for board positions. In the press release CEO Darren Woods cited the need to have experienced directors who lead "some of world's largest, most complex and successful companies and bring to the

board a wide range of backgrounds, knowledge and skills relevant to ExxonMobil's business and future success" (ExxonMobil, 2021).

The proxy fight came to an end during the May 26<sup>th</sup> shareholders meeting when large institutional investors that included Blackrock, Vanguard and CalPERS joined Engine #1 and cast their votes in to support candidates that were put forth by the activist hedge fund. Engine #1 was successful in installing three of the four candidates they advanced (Former Vestas Wind Systems CEO, Anders Runevad was not elected) and infusing the board with what they considered to be independent and experienced directors. Appendix A is offered as comparison of the candidates that were advanced by Engine#1 and the three members that were not re-elected to positions on ExxonMobil's Board of Directors. In their commentary on the events surrounding the proxy battle, O'Kelley & Droste (2021) point to their annual survey of governance trends and the finding that large investors are increasingly concerned with ESG (environmental, social and governance) issues. The co-authors suggest that the similar actions on the part of investors could be a sign of things to come and that the outcomes of the proxy battle should be a wake-up call for all boards (O'Kelley & Droste, 2021).

## **U.S. OIL AND GAS EXTRACTION AND PETROLEUM REFINING INDUSTRIES**

ExxonMobil operates in the U.S. Oil Drilling and Gas Extraction and Petroleum Refining Industries. Both of these related industries are typified by a reliance on total vehicle miles driven, the world price of crude oil, and currency exchange rates (Brocker, 2022; Ross, 2022).

Companies operating in the U.S. Oil Drilling and Gas Extraction Industry are involved in the exploration for and production of crude oil and natural gas. Crude oil (petroleum) is used in many consumer products such as gasoline, diesel, kerosene and plastics, whereas natural gas is primarily used for the generation of electricity and heating.

Regulations, new technologies and OPEC+ (Organization of Petroleum Exporting Countries Plus) production levels heavily influence the direction of U.S. Oil Drilling and Gas Extraction Industry. Legislation that was passed in 2015 allowed U.S. companies to export oil and the regulation of trade that accompanied passage of the United States-Mexico- Canada Agreement (USMCA) encouraged U.S. producers to increase oil extraction and construct new pipelines. Technological advances in hydraulic fracturing and horizontal drilling techniques have allowed industry operators to better access deposits that were previously only marginally accessible. While OPEC+ does produce a majority of the world's petroleum, the U.S. has decreased its reliance on foreign oil and in 2019 became a net exporter of oil.

Despite high volatility and persistent fluctuations in global supply and demand, U.S. Oil Drilling & Gas Extraction Industry revenues still grew at a rate of 8.3% annually between 2017 and 2022 (Ross, 2022). Immediate expectations are that the industry will continue to recover from the COVID-19 pandemic and that emerging economies will "remain pivotal as they continue to build essential infrastructure and consume greater amounts of petroleum-based products" (Ross, 2022). However, alternative sources of energy such as biofuels, solar, wind, and other renewable energies are in a growth stage and pose a substantial threat to the use of oil and gas (Ross, 2022). A projected decline in energy prices is expected to further contribute to a modest decline of revenues (-.3%, annually), with overall revenues of \$456.8B projected for the five-year period ending in 2027 (Ross, 2022).

The outputs (and their corresponding percentage of revenues) of the related U.S. Petroleum Refining Industry include gasoline (49.8%), diesel (21.8%), jet fuel (7.4%), and

liquefied petroleum gasses (9.8%). While diesel is primarily used in heavy industry and shipping, European passenger cars often use diesel and automobile manufacturers produce cars with diesel engines in order to meet fuel efficiency standards. Jet fuel consumption has declined in recent years due to the pandemic. Liquefied petroleum gases (LPGs) are used for heating and worldwide temperature increases have resulted in a decreased demand for LPGs.

An oversupply and limited demand from both consumers and gasoline and petroleum bulk stations adversely impacted U.S. Refining Industry profits during the initial stages of the pandemic. However, the industry still experienced annual growth in revenues of 2.6% from 2017 to 2022 (Brocker, 2022).

The petroleum refining industry is subject to numerous regulations that also impact supply and demand. Supply will likely be most impacted by regulations that limit the development of new refineries. Demand for petroleum products will likely be adversely impacted by public policy initiatives. Examples of such initiatives include 1) the Biden Administration's proposed Build Back Better Act and its provisions to combat climate change; 2) the Environmental Protection Agency (EPA) mandate that manufacturers have a minimum fuel efficiency of 35.5 miles per gallon for cars produced after 2016; and 3) the Energy Independence and Security Act which requires the blending of biofuels with traditional fuels (Brocker, 2022). It is also believed that biofuel standards will likely require an increased level of capital investment on the part of industry participants.

IBIS World had previously projected that between 2021 and 2026 refining industry revenues would grow at an annualized rate of 1.2%. Their more recent predictions of a -4.6 % annual rate of decline is expected to translate into \$521.2 billion in U.S refining industry revenues for the five-year period leading up to 2027. These projected declines have been attributed to geo-politically influenced market volatility and "rising competition from sustainable energy sources, such as offshore wind" (Brocker, 2022). However, general demand for gas will persist into the foreseeable future and the growth in Chinese GDP suggests an increased demand for petroleum-based products, representing otherwise bright spots for the future of the U.S. Petroleum Refining Industry.

The larger companies that operate in the U.S.- based Oil and Gas Extraction and Petroleum Refining Industries are often fully integrated and operate in all phases of the value chain to include drilling, production, transporting, refining, and the marketing and retail sales of oil and gas products. Four of the largest companies in U.S. the Oil and Gas Extraction and Petroleum Refining Industries include Chevron, Conoco- Phillips, ExxonMobil and BP.

### **Chevron Corporation**

Chevron was founded in 1911 after the breakup of Standard Oil Co. Inc. The current company name was adopted in 1984 and in 2001 Chevron went on to acquire Texaco Inc (Ross, 2021). The company has a 6.7% market share in the U.S. Oil Drilling and Gas Extraction Industry and a notably higher market share (12.6%) in Petroleum refining. Chevron operates extraction sites in the Gulf of Mexico, California, and Texas which collectively account for 75% of its U.S. oil production and 50% of its natural gas production (Ross, 2021). Its five U.S. refineries have a production capacity of 900,000 barrels per day and in 2020, 79.4% of the company's oil refining capacity was based in the U.S. (Ross, 2021). In 2020 the company employed reported \$94.7 billion in total revenues (Ross, 2021) and in 2021 this figure rose to \$162.5B (Ross, 2022). Between 2016-2021 the company focused on increasing international



investments (Ross, 2021) and in February of 2022 Chevron made a “\$3.2 B all-cash acquisition of Renewable Energy Group Inc, an Iowa-based producer of advanced biofuels” (Ross, 2022).

### **ConocoPhillips Company**

ConocoPhillips was formed in 2002 when Conoco Inc. and Phillips Petroleum Company merged. The company has a 5.9% market share in the U.S. Oil and Gas Extraction Industry and maintains exploration and production facilities in 16 others. In 2020 the company earned \$19.3 billion in total revenue from its extraction activities (Ross, 2021). Phillips 66 maintains a 6.5% market share in the U.S. Petroleum Refining Industry. The companies 13 refineries and 2,000 miles of pipeline have a production capacity of 2.1 million barrels and approximately 87.3% of the company’s total refining capacity exists in the U.S. In 2020 these operations generated \$64.1 billion in total revenue (Rodriguez, 2021).

### **ExxonMobil Corporation**

ExxonMobil has a 5% market share in the oil and gas extraction industry. In 2020, extraction sites in the U.S. account for 34.3% of the company’s total oil production and 55.8% of its gas production (Ross, 2021); and the company continues to allocate capital expenditures toward the development of wells in West Texas and New Mexico. ExxonMobil has a 15% market share in the U.S. Petroleum Refining Industry (Brocker, 2022) and its U.S. facilities account for approximately 36.8% of the company’s total refinery throughput (Rodriguez, 2021). The company is considered to be the leader in motor oil manufacturing where they “display stronger market share, profit and revenue growth compared to their peers” (Ross, 2022).

### **BP PLC**

BP (British Petroleum) is headquartered in London. The mechanisms it has used to build capacity include a 1998 merger with Amoco Corporation and 2002 acquisition of Atlantic Richfield Company. Revenues from extraction accounted for 19% of 2020 company revenues and most of BP’s oil reserves are located in the U.S.

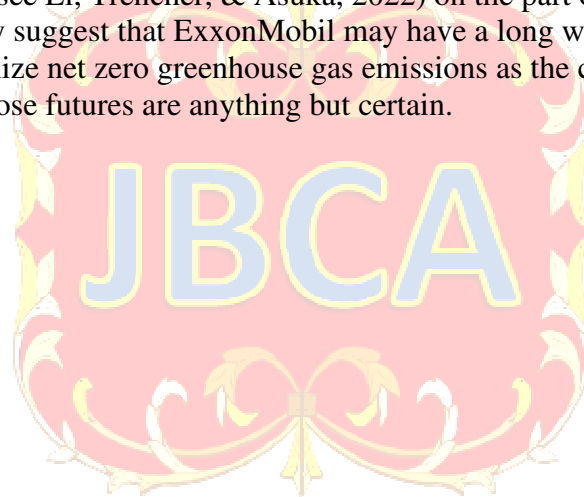
A 2010 explosion at the company’s Deepwater Horizon offshore drilling site killed 11 platform workers and injured 17. The subsequent discharge of an estimated 3.19 million barrels of oil superseded the previous Exxon Valdez record, becoming the largest offshore oil spill in U.S. history (National Oceanic and Atmospheric Administration, 2020). In 2014, BP PLC reached an agreement with the U.S. Environmental Protection Agency that allowed the company to resume operations in the U.S. BP. While the company has chosen to steadily divest from its U.S. operations since the time of the Deepwater Horizon spill (Rodriguez, 2021), it has safely and successfully developed a new subsea production system in the Gulf of Mexico via a 50/50 partnership with Shell (Ross, 2022). BP owns 10 refineries worldwide and maintains a 6.5% market share in the U.S. Petroleum Refining industry.

In 2021 BP entered the offshore wind market via a partnership with Equinor ASA and the two companies have been awarded a contract to supply the State New York with 3.3 gigawatts of power (Ross, 2022). Like ExxonMobil, BP has divested from Russia and, along with its Castrol brand, is also considered to be a leader in the Motor Oil Industry, where they claim a 22.1%

market share (Ross, 2022). Overall, the company employees 73,000 worker and in 2020 it earned \$198.9B in total revenues.

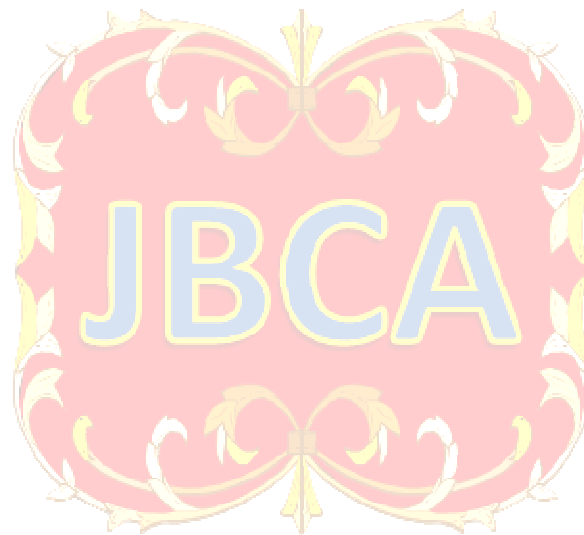
## CONCLUSION

As ExxonMobil looks toward the future its decision makers seem intent on continuing to operate as a vertically integrated company that is reliant on complex global value chains and low-cost supplies of crude oil and liquid natural gas. Recent actions aimed at reducing the company's environmental and social impact include signing MOUs to participate in carbon capture and storage projects in Scotland and France; as part of the company's stated commitment to produce low-emission biofuels, the company has expanded its agreement with Global Clean Energy to purchase 5 million barrels of renewable diesel with commercial production beginning in 2022 (ExxonMobil, 2021c). It is likely that the company will need to continue to contend with governance issues, as trends toward the type of shareholder activism that was initiated by Engine#1 and ESG inventing show no signs of abating. An analysis of the lobbying efforts (see U.S. House of Representatives, Committee on Oversight and Reform, 2021) and research into the capital expenditures (see Li, Trencher, & Asuka, 2022) on the part of the four major players in the oil and gas industry suggest that ExxonMobil may have a long way to go before it is able to honor its pledge to realize net zero greenhouse gas emissions as the company continue to compete in industries whose futures are anything but certain.



**TEACHING NOTE**

To obtain a copy of the teaching note for this case please contact Christopher Stewart at [cstewa47@msudenver.edu](mailto:cstewa47@msudenver.edu) from a valid university email. The teaching note will be provided to verifiable university faculty only.



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**Appendix A: Comparison of the ExxonMobil Board of Directors candidates advanced by Engine#1 to the three pre-existing members that were not re-elected.**



Candidates Advanced by Engine #1	XOMs Board Member Departures
<ol style="list-style-type: none"> <li><b>1. Gregory J. Goff</b> <ul style="list-style-type: none"> <li>• Former CEO of Andeavor (formerly Tesaro)</li> <li>• Spent almost 30 years with Conoco Phillips</li> </ul> </li> <li><b>2. Kaisa Hietala</b> <ul style="list-style-type: none"> <li>• Served as EVP of a petro refining and mktg. company</li> <li>• Renewable products profits grew 4x under her tenure</li> </ul> </li> <li><b>3. Alexander Karsner</b> <ul style="list-style-type: none"> <li>• Senior Strategist at Google (Alphabet's) innovation lab</li> <li>• Energy entrepreneur and investor in clean tech start-ups</li> </ul> </li> <li><b>4. Anders Runevad</b> <ul style="list-style-type: none"> <li>• Former CEO at Vestas Wind Systems</li> <li>• Credited with turnaround, returns of 480% over 6 yrs.</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li><b>1. Douglas R. Oberhelman</b> <ul style="list-style-type: none"> <li>• Former CEO of Caterpillar</li> <li>• Led that company thru downturn; drove an improved level of product quality</li> </ul> </li> <li><b>2. Samuel J. Palmisano</b> <ul style="list-style-type: none"> <li>• Former President and CEO of IBM</li> <li>• Bought focus to financial discipline and returns @ IBM, generating \$135B in shareholder returns</li> </ul> </li> <li><b>3. Wan Zulkiflee</b> <ul style="list-style-type: none"> <li>• Former President and Group CEO of Petronas</li> <li>• Managed downturn and portfolio optimization, positioned that company for a low carbon future.</li> </ul> </li> </ol>
<p>Source: <a href="https://reenergizexom.com/board-candidates">https://reenergizexom.com/board-candidates</a>, accessed 25 Mar 2022</p>	<p>Source: <a href="https://corporate.exxonmobil.com/News/Newsroom/News-releases/2021/0621-ExxonMobil-announces-final-results-in-election-of-directors">https://corporate.exxonmobil.com/News/Newsroom/News-releases/2021/0621-ExxonMobil-announces-final-results-in-election-of-directors</a>, accessed 25 Mar 2022</p>

