



ExxonMobil and Climate Change: A Story of Denial, Delay, and Delusion

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This is the fifth installment of our series analyzing how Exxon Mobil Corporation has communicated to its shareholders the risks associated with climate change over the last two and a half decades, using the company's annual 10-K reports to the Securities and Exchange Commission (SEC). The sixth and final installment covering the years 2012 – 2016 will be published within the next two weeks.

Under active investigation by the New York and Massachusetts Attorneys General, ExxonMobil has been turning over tens of thousands of documents, under subpoena, to New York AG Eric Schniederman, and is expected to do the same for Massachusetts AG Maura Healey. Investigators are using the discovery process to look for evidence that the oil and gas giant has been downplaying and disregarding risks associated with climate change in its communications to shareholders, to the extent the company has committed securities fraud. CSPW has compared what ExxonMobil leadership has been disclosing to investors, year by year, contrasted with what was known and readily knowable regarding the state of climate science and related impacts. The two-part question many are putting significant effort into answering is: What has ExxonMobil known about climate change that it has not wanted its own investors (and the public) to know, and what steps has it taken over the years to keep us from knowing it?

ExxonMobil's role in a multi-decadal, systematic campaign of disinformation and deception regarding the scientific underpinnings of climate change, and the link between anthropogenic CO₂ emissions and climate impacts, has been well-documented. What is less clear is the difference between what corporate management has known, in real time, compared with what corporate management has been reporting to investors. To help delineate this difference, CSPW has conducted a year-long analysis of ExxonMobil's 10-K filings with the SEC, year by year, going back nearly a quarter of a century. 10-K reports were chosen for review because they offer one important way shareholders, investors, and financial analysts assess the assets and appraise factors that could inflate or deflate stock prices.

This segment of our series covers the year 2011. See [Part One \(1993-2000\)](#); [Part Two \(2000-2008\)](#); and [Part Three\(A\) \(2009\)](#) and [Part Three\(B\) \(2010\)](#). Overall, 24 years will be covered, going as far back as 1993, the earliest year for which ExxonMobil 10-K reports are available. More could be gleaned by comparing with what was in 10-K reports before 1993, especially throughout the 1980s, when the seeds of the Kyoto Protocol were planted, when the US Congress was considering a number of bills that would restrict carbon dioxide emissions, and ExxonMobil joined with other fossil fuel companies to put the “global warming denial machine” on the drawing board, and set it into motion.

Climate Change Policy and Rhetoric in 2011

On January 25, 2011, President Barack Obama delivered his third State of the Union address. While he talked about his all-of-the-above energy policy preference, he made no mention of global warming or climate change. The high hopes many had for the Obama administration on the climate question had been largely dashed by now. President Obama was not exhibiting strong leadership on the need to cut carbon emissions and boost national preparedness for climate change impacts. In June 2011 Former Vice President Al Gore called him out in a meaty *Rolling Stone* [article](#), lamenting that the President had, so far, failed to “make the case for bold action on climate change,” and ceded the stage to climate deniers, especially in the US Congress. We agree completely on this point.

The 112th Congress convened on January 3, 2011: the Democratic majority in the previous Congress was lost to a Republican majority with the largest number of Republicans (242) since 1949. Rep. John Boehner (R-OH) became Speaker of the House. The Democrats kept their Senate majority but lost seats. Climate change policy quickly came under siege: the House Select Committee on Energy Independence & Global Warming chaired by Rep. Ed Markey established in March 2007 was disbanded by House leadership, and Speaker Boehner directed all matters regarding climate change to the House Science, Space, and Technology Committee, which was already loaded with members who routinely questioned the science behind climate change. A March 2011 post by Climate Science Watch’s Rick Piltz called attention to a scathing editorial in the scientific publication *Nature*, penned in reaction to a House Committee March 15 vote approving a Republican bill that would prohibit the Environmental Protection Agency from regulating greenhouse gases to address climate change. Normally reticent on all matters political, *Nature* editorialists did not hold back:

“It is hard to escape the conclusion that the US Congress has entered the intellectual wilderness... Republicans on the House of Representatives’ energy and commerce committee have made clear their disdain for climate science. ... [T]he legislation is fundamentally anti-science, just as the rhetoric that supports it is grounded in willful ignorance. ... It has been an embarrassing display, not just for the Republican Party but also for Congress and the US citizens it represents.”

The bill, H.R. 910, was passed by the House of Representatives in April, but failed to pass the Senate. The piece ended with a note of caution to the rest of the world: “Work with the United States where possible, but don’t wait for a sudden change of tenor in Washington, DC.” Wise advice.

The rest of the world, however, was also floundering on the question of an international agreement to bring down global emissions of carbon dioxide and other greenhouse gases. The Kyoto Protocol was essentially dead; Canada's Prime Minister Harper pulled Canada from the treaty in early December, leading up to the 17th conference to the parties to the United Nations convention on climate change, known to insiders as COP17. A new international climate agreement was needed, but many of the old sources of friction among nations still hadn't been solved, such as compensation to lesser developed nations for the massive carbon emissions to date of the wealthier nations. Despite the urgent need to act, underscored by a report by the Intergovernmental Panel on Climate Change (IPCC), warning of harsher and more frequent extreme weather events, results at the Durbin gathering in December 2011 were at an all-time low.

Meanwhile, Earth's temperature continued to rise, and a host of harmful impacts related to climate change were increasingly felt in the US and globally. According to NASA, 2011 was the ninth warmest year (in terms of global average surface temperature) since 1880, and nine of the ten warmest years since temperature records have been kept occurred between 2000 and 2011. The average temperature around the globe in 2011 was 0.92 degrees F (0.51 C) warmer than the mid-20th century baseline. Texas, home to ExxonMobil headquarters and its CEO at the time, Rex Tillerson, saw a severe drought throughout most of 2011 creating conditions so dry that about a half a billion trees died in the state. The abnormally long dry spell in Texas drought didn't stop a House subcommittee, however, from holding a March field hearing in Texas titled "EPA's Greenhouse Gas and Clean Air Act Regulations: A Focus on Texas' Economy, Energy Prices and Jobs" to slam the notion of climate change and EPA's role in addressing it through the Clean Air Act. The field hearing, noted CSW, was held against the backdrop of severe, prolonged drought already well underway in the Lone Star State. The mood of this political faction in power was to turn a deaf ear to warnings that rising atmospheric concentrations of carbon dioxide as a result of fossil fuel combustion, even though proof of the deleterious impacts of doing so was right before their eyes. The lead witness for this hearing was then-Texas Attorney General Greg Abbott, who had recently been quoted stating, "It is almost the height of insanity of bureaucracy to have the EPA regulating something that is emitted by all living things." Logic, turned on its head.

Meanwhile, multiple floods along the Mississippi River in the spring of 2011 wreaked havoc, causing record flooding throughout the Midwest and the South: in May, the river was six times its normal size, nearly reaching or exceeding its all-time record of 48.7 feet. Snowmelt and torrential downpours contributed to the problem: while scientists were still reluctant to tie any one weather event to climate change, the increased precipitation was predicted by climate scientists, who also warned to expect more frequent and more severe flooding going forward. More severe and frequent extreme weather events, once relegated to predictions based on computer climate model output, became a simple matter of observation in 2011: record floods in North Dakota causing over 12,000 people to be evacuated were added to the list of abnormal weather events such as Northeastern blizzards, tornadoes, recurring flooding of the Mississippi and Missouri Rivers, not to mention massive flooding in China, Colombia, and Australia. The National Academy of Sciences issued a report in February 2011 concluding that global warming had added weeks to the autumn pollen season, especially in the Northern hemisphere – bad news for allergy sufferers. The Academy's National Research Council published a report in March 2011 commissioned by the US Navy concluding that potentially destabilizing climate change

impacts were occurring – including ice melt at the poles, rising seas, and more frequent extreme weather events – acting as a “threat multiplier” and posing serious challenges.

Despite the bold writing on the wall regarding the threat of climate change to communities across the land, the “global warming denial machine” constructed by Exxon and its sisters and brothers in the fossil fuel extraction business had done quite a bit of damage in terms of public opinion, and had taken the deepest root in the Tea Party component of the Republican Party. The manufactured scandal that had been dubbed “Climategate” in which hacked emails of climate scientists were released to the public and misinterpreted, was fully investigated. While the climate denial community had a field day with these emails in an attempt to disparage both climate scientists and science, CSW was able to report in February 2011 that the Inspector General’s review of stolen emails confirms no evidence of wrong-doing by NOAA climate scientists. Even now, in 2017, mention of “Climategate” occurs from time to time, and there is no doubt that many in the uninformed public still believe climate scientists were guilty of some sort of wrongdoing.

Oddly, the strong influence of the fossil fuel industries and the wealthy 0.1% who support them (for example, the Koch brothers) doesn’t score a place on the list of factors The Economist postulates are responsible for so many Americans rejecting the notion of climate change as a scientifically proven phenomenon with real implications for society. “Today, however, there seems to be a particular hostility to climate scientists among a large minority of Americans,” says *The Economist*, as if the author had been in a coma and woken up to a new reality. Fomenting hostility toward scientists was the day job for a small army of barely visible operatives employed by a bevy of conservative think tanks beholden to oil and gas money; for many, it was their hobby as well. A December 2011 Pew Research Center poll revealed the Continental Divide between the political parties: While 51 percent of Democrats and 40 percent of Independents polled agreed that climate change was real and was mostly a result of human activity; only 19 percent of Republicans and 11 percent of Tea Party Republicans agreed with this statement. ExxonMobil and the American Petroleum Institute have been harshly criticized for engaging in “astroturfing” – faking public support by securing volunteers or paid staff to pretend they are exercising democracy by advocating for or against a public policy. According to at least one study, it works.

Those who have generally been mystified by the overwhelming effectiveness of the fossil fuel-funded denial machine in shaping public opinion will be equally as mystified by the fact that several scientists often asked to testify before Congress and provide their expert views for purposes of policymaking were summarily outed as shills for oil and gas companies. One comprehensive analysis conducted by Carbon Brief in 2011 determined that, out of a pool of 938 published scientific papers casting doubt on the veracity of climate change, *the authors of nine out of ten of these papers had a connection with the Exxon Mobil Corporation*. Of the total, 186 papers were written by just 10 authors, the foremost among them Dr. Sherwood Idso, author of 67. At the time, Idso headed the Center for the Study of Carbon Dioxide and Global Change, an ExxonMobil-funded think tank. The second highest number of papers were authored by Dr. Patrick Michaels, a senior fellow at the Cato Institute heavily funded by the oil and gas industry. Casting doubt is what these paid mouthpieces were hired to do: a confused public is less of a threat than a public who is against you, so goes the rationale. A June 2011 investigation by Greenpeace presented overwhelming evidence that a prominent astrophysicist and climate

“skeptic,” Willie Wei-Hock Soon, then with the Harvard-Smithsonian Center for Astrophysics, had been accepting large payments (at least \$800,000) from fossil energy interests such as the American Petroleum Institute, the Southern Company, the Exxon Mobil Corporation, Donor’s Trust, and the Koch Foundation. By “skeptic” we mean that Willie Soon had abused his position of presumed credibility to purport that the Arctic was not melting and that solar variability explains all changes in our climate system. Another investigation revealed that Roy Spencer had also been accepting oil industry money.

The summer of 2011 was when the public (and company shareholders) learned they had been lied to by the ExxonMobil corporate leadership. A Freedom of Information Act (FOIA) request yielded documents proving that ExxonMobil had broken its 2008 promise to stop funding climate deniers, despite its earlier pledge to stop funneling money to groups that sow doubt about the underpinnings of climate science. 2011 was also the year the American Petroleum Institute, a powerful trade association for the multinational oil and gas industry, decided it would begin directly backing political candidates and making direct political donations, rather than leaving that function to its member companies. At the time, the API was already spending about seven million dollars a year on lobbying.

ExxonMobil has always been two-faced regarding climate change and the role of fossil fuels. The company will, at times, say one thing and do another, such as voicing support for a carbon tax but then lobbying against such a tax when one is actually being considered in Congress. The Union of Concerned Scientists has documented this split personality of ExxonMobil in this graphic found in its 2012 report, A Climate of Corporate Control.

ExxonMobil’s 2011 10-K Report to the SEC

Just as in its 2010 10-K report, ExxonMobil says the following about climate change, language that is identical to the 2010 filing:

“Throughout ExxonMobil’s businesses, new and ongoing measures are taken to prevent and minimize the impact of our operations on air, water and ground. These include a significant investment in refining infrastructure and technology to manufacture clean fuels as well as projects to monitor and reduce nitrogen oxide, sulfur oxide, and greenhouse gas emissions (emphasis added) and expenditures for asset retirement obligations.”

Under a section titled “Regulatory and litigation risks” the company says: “Even in countries with well-developed legal systems where ExxonMobil does business, we remain exposed to changes in law (including changes that result from international treaties and accords) that could adversely affect our results, such as: changes in environmental regulations or other laws that increase our cost of compliance or reduce or delay available business opportunities (including changes in laws related to offshore drilling operations, water use, or hydraulic fracturing); and adoption of regulations mandating the use of alternative fuels or uncompetitive fuel components” (among other factors). Thus, ExxonMobil continues to view public policies regulating fracking or reducing greenhouse gas emissions as a risk to its operations, not a reduction of the climate threat, per se.

The clincher paragraph in the 2011 10-K reads as follows:

“Preparedness. Our operations may be disrupted by severe weather events, natural disasters, human error, and similar events. For example, hurricanes may damage our offshore production facilities or coastal refining and petrochemical plants in vulnerable areas. Our ability to mitigate the adverse impacts of these events depends in part upon the effectiveness of our rigorous disaster preparedness and response planning, as well as business continuity planning.”

So, while acknowledging the disruptive nature of severe weather such as hurricanes, ExxonMobil remains silent on the link between the emissions from the product it sells when used as intended, and the increased frequency and severity of extreme weather that can, and does, disrupt oil and gas operations worldwide. Is this an innocent oversight, or a lie by omission?

ExxonMobil devotes an entire paragraph to climate change in its discussion of risk factors, as follows:

“Climate change and greenhouse gas restrictions. Due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. These requirements could make our products more expensive, lengthen project implementation times, and reduce demand for hydrocarbons, as well as shifting hydrocarbon demand toward relatively lower-carbon sources such as natural gas. Current and pending greenhouse gas regulations may also increase our compliance costs, such as for monitoring or sequestering emissions.”

Even though ExxonMobil has, at various times, come out in favor of a carbon tax, such a tax is listed as a risk factor that could make their product more expensive and have other negative consequences.

Most notably and possibly the most damning piece of evidence against ExxonMobil, in terms of demonstrating that it was aware of the climate threat and yet did not warn shareholders, was its decision to enter into an agreement with Russia in August 2011 to explore for oil in the Arctic Ocean off the coast of Russia. What made this possible is the melting ice; the warmer conditions making drilling in this area possible. Oil and gas exploration in the Arctic Ocean had begun to look more attractive after conditions changed; areas typically covered by ice more than nine months of the year were melting and offering less hostile conditions. Said one observer, “Exxon has realized that a warming planet offers some new opportunities for profit and is adjusting its strategic decisions accordingly.”

This was a strategic decision, alright, but one that strategically chooses profit over people and the planet.