



Committee Overview

It's been over two centuries since ExxonMobil first formed and over the past few decades, ExxonMobil has grown to become one of the world's largest companies by revenue and a true energy powerhouse. Operations have spread out globally and our 21 oil refineries make us the second-largest oil refinery in the world.

The growth worldwide has not come without challenges or criticism. Oil spills like the 1979 Alaska Exxon Valdez incident and the scourge of climate change activism have put ExxonMobil squarely in the eyes of government regulatory bodies. The company has been accused of working with "shadow groups" to lobby against carbon taxes and key portions of President Biden's climate agenda. One particularly embarrassing incident involved an ExxonMobil employee caught on a recording describing lawmakers as "fish" that he could reel in. In particular, the Democratic party has become much more skeptical of the oil and gas industry, pushing policies and regulatory actions that would shift America away from oil and renewables. In 2022, ExxonMobil created a low-carbon alternative energy division that could help increase public image in the Hill, but it will take time for this division to grow and make up a part of our energy portfolio.

One of the biggest recent opportunities and challenges to our operations has been the situation in Ukraine. On one hand, the surges in oil and gas prices caused by Russian sanctions have led to healthy profit margins for our products. Q3 2022 saw a record-breaking nearly \$20B in profit, causing some U.S. lawmakers to push for a windfall tax on energy profits. On the other hand, the situation has emboldened European countries to wean themselves off oil and gas for geopolitical reasons, particularly Germany. If this hastens the end of oil, this body could find itself on the wrong side of history.

State of the World

The current state of the world is one of turmoil and constant upheaval. The crisis in Ukraine has spiraled into a full-scale energy crisis that affects countries around the globe. China and the U.S. continue their soft-power escalation of tensions, and climate change continues to bring unprecedented challenges to the international community. Members of the ExxonMobil board interested in fulfilling their due diligence on broader topics facing the United Nations should refer to their State of the World brief for material related to the overarching themes and conflicts.

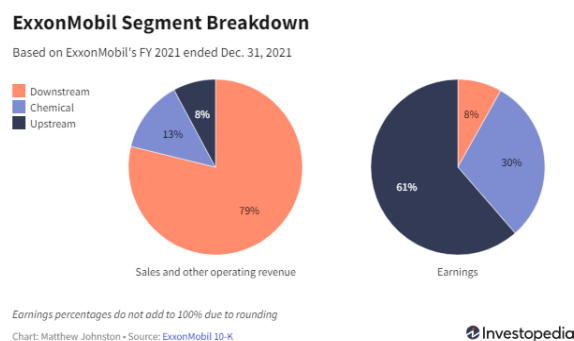
Topic A: Surviving the post-oil energy future

Executive Summary

In 2020, oil production in the United States alone was down by 8 percent (which translates to 935,000 fewer barrels a day), the largest decrease according to Energy Information Administration (EIA) records.¹ Due to this decline and the trend it portends, ExxonMobil executives should focus on finding the balance between working towards meeting environmental goals, such as working toward the standards set out by the Paris Agreement while staying profitable and strategic in the way the company operates. Transformation is upon ExxonMobil, and it is the responsibility of its executives to secure a brighter tomorrow.

Historical Background

It's no secret that the current world is trying to change by achieving more sustainable technologies, and that this will have a great impact on oil companies. The International Renewable Energy Agency (IRENA) claims that "the transforming energy scenario identifies the course the world should pursue to create a sustainable future energy system." In its study on different oil companies, such as ExxonMobil and Chevron, it is shown that they have little to no efforts committed to transitioning toward renewable energy. This leaves ExxonMobil way behind other oil companies, especially European oil companies. This could lead to a loss in the company's earnings and overall reputation. The majority of ExxonMobil's revenue relies on oil and natural gas. Of the \$428 billion total revenue expected from 2022, the greatest amount will be from the Downstream business worth \$343 billion involving refining crude oil, which is like the fossil fuels industry but higher in the supply chain beyond extraction/transportation.² Although the greatest revenue comes from Downstream, the largest profit comes from Upstream (see graph below). It's also important to note that ExxonMobil participates in a highly competitive industry. Some of its main competitors are Netherlands-based Royal Dutch Shell PLC (SHEL), Britain-based BP PLC (BP), France-based Total SE (TOT), Chevron Corp. (CVX), and Saudi Arabia-based Saudi Arabian Oil Co. (TADAWUL:2222), better known as Saudi Aramco.³ Most of these competitors are from Europe and Asia.^{4,3}



¹ [U.S. crude oil production fell by 8% in 2020, the largest annual decrease on record.](#)

² [ExxonMobil Revenues: How Does XOM Make Money? | Trefis](#)

³ [How ExxonMobil Makes Money: Upstream, Downstream, Chemical](#)

⁴ [Who Are Exxon Mobil's Main Competitors?](#)

The main reason the world urges oil companies to transition to renewable energy is to limit the impact fossil fuels have on climate change, which is one of the main global issues our world is facing right now. But the main problem that could come to oil companies if they don't transition to clean energy is that, with time, these companies are going to be left behind in exchange for those who learn to adapt to the new emerging economic environment. Not only that, but ExxonMobil has been one of the main targets for protesters around the world, putting pressure on their demands for changes that favor the environment.

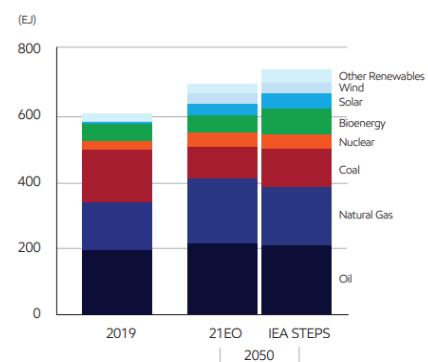
ExxonMobil CEO Darren Woods announced a plan in 2021 to invest fifteen billion dollars in greener energy over six years.⁵ ExxonMobil also spent 5.2 billion dollars in “environmental expenditures” in 2021 (half a billion more than spent in 2017).⁶ Reflecting these efforts, in 2018’s Greenhouse 100 Polluters Index, ExxonMobil ranked thirteenth, producing 36,769,748 CO2 equivalent metric tons.⁷ In 2022’s Greenhouse 100 Polluters Index, ExxonMobil ranked tenth, producing 36,750,590 CO2 equivalent metric tons.⁸

Despite the slow progress, ExxonMobil’s promises to endeavor toward a better future, such as reaching net-zero emissions, are believed by experts to be almost dreamlike. For example, Kathy Mulvey, accountability campaign director in the Climate and Energy program at the nonprofit Union of Concerned Scientists, said “ExxonMobil's emissions reduction pledge misses the mark and is too little, too late. This commitment solely covers operational emissions, known as scope 1 and 2, which make up only a small portion of the global warming emissions associated with a fossil fuel company's business.”⁹ The international renewable energy agency also confirms this in their report that “the two US companies, Chevron and ExxonMobil only have short-term goals (2023 and 2025), related to the reduction of Scope 1 and Scope 2 emissions intensity.”¹⁰

Current Situation

Two years ago, the onset of the Covid-19 pandemic upended oil markets. As curfews were implemented worldwide, oil demand dropped without precedent. This caused great losses for the main oil companies. ExxonMobil stock crashed more than 40 percent and, as a consequence, was dumped from the Dow Jones Industrial Average after 92 years.¹¹ Even though the world believes that the new future is renewable energy, ExxonMobil doesn’t think the data backs up the claim. According to the Advancing Climate Solutions 2022 Progress Report, the projections for 2050 are that “wind

Oil and natural gas remain important



Source: EM Analysis; IEA World Energy Outlook (WEO) 2021

⁵ [US oil companies are in no rush to solve Biden's gas price problem | CNN Business](#)

⁶ [Sustainability performance data | ExxonMobil](#)

⁷ [PERI - Greenhouse 100 Polluters Index: 2018 Report \(Based on 2015 Data\)](#)

⁸ [Greenhouse 100 Polluters Index \(2022 Report, Based on 2020 Data\)](#)

⁹ [Experts slam oil giant Exxon Mobil's net-zero 'ambition' - ABC News](#)

¹⁰ [Oil companies and the energy transition](#)

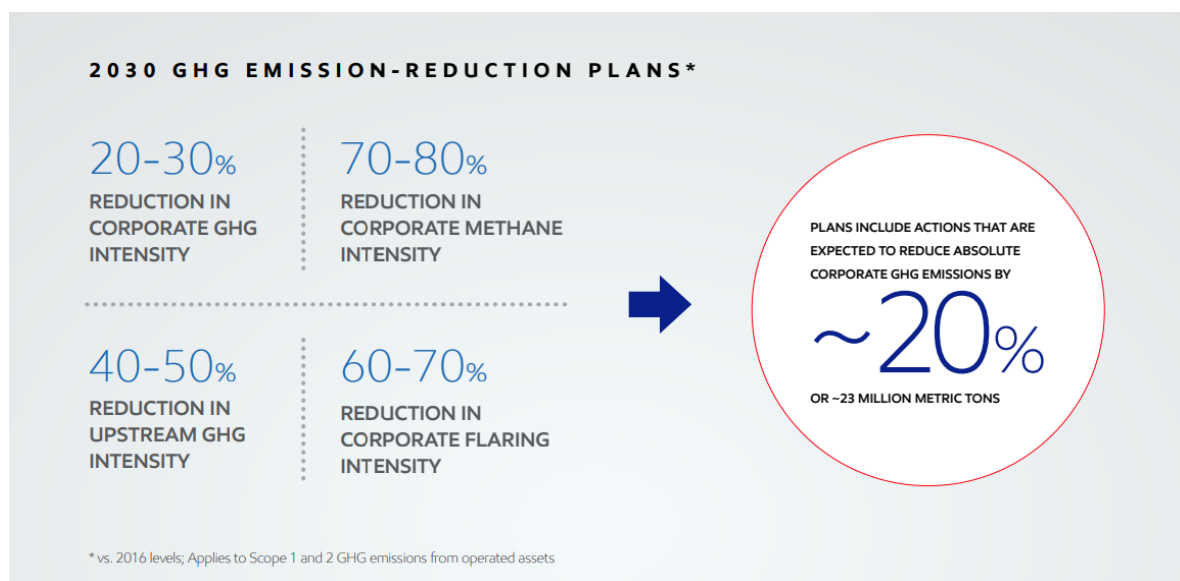
¹¹ [Big Oil's Surprisingly Bright Future. The Case for BP and Exxon.](#)

and solar will make up about 10% of primary energy demand compared to less than 2% today. Both also indicate that oil and natural gas will account for more than 50% of total primary energy in 2050.”¹²

ExxonMobil’s climate solutions plan (updated July 2022) includes 6 goals:

1. Creating sustainable solutions that improve quality of life and meet society's evolving needs
2. Net-zero ambition
3. Accelerating emissions reductions
4. Investing \$15 billion in lower-emission opportunities
5. Advocating for supportive policies
6. Resilient under net-zero pathways¹³

This board needs plans on reducing absolute corporate GHG emissions by approximately 20 percent, which translates to around 23 million metric tons, by 2030 compared to 2016.¹⁴ This could mean prioritizing carbon capture and storage as well as hydrogen and biofuels as areas with lower emission rates. Meeting the expectations of the consumer and shareholders includes goals such as decreasing emissions and advancing technological capacity to compete and lead on the global stage. The current approach can be explained as our “plan to play a leading role in the energy transition while retaining investment flexibility across a portfolio of evolving opportunities to maximize shareholder value.”¹⁵



ExxonMobil’s position toward a more sustainable future does not completely match the world’s opinion or expectations. ExxonMobil firmly believes that oil and natural gasses are still going to be relevant and necessary for 2050 and that a complete transition toward renewable energy is almost impossible. As such, its main goals are to focus on scope 1 and 2 and try to reach net-zero emissions in the next three decades.

¹² [Advancing Climate Solutions 2022 Progress Report - July update | ExxonMobil](#)

¹³ [Advancing climate solutions progress report | ExxonMobil](#)

¹⁴ [Supporting a Net-Zero Future: Advancing Climate Solutions - 2022 Progress Report Highlights](#)

¹⁵ [create sustainable solutions that improve quality of life and meet society's evolving needs](#)

Bloc Positions

Inside the cabinet, opposing views can be encountered. The most prominent one is if transitioning to renewable energies really is necessary. Likewise, as a consequence of this debate, the following question emerges: can the company keep publishing statements that ought to calm the audience, but in the long run could end up harming ExxonMobil's reputation even more than it already has?

External Actors

European Oil Companies, such as Equinor ASA and B.P. plc, are examples of companies that are actively working towards transitioning their business into renewable energy. This paints ExxonMobil in a bad light when it comes to its reputation before the main consumers of its competitors. And one of its main competitors, British Petroleum, is taking a strong lead in the market, which would create big losses for the American oil company.

The International Renewable Energy Agency

The International Renewable Energy Agency (IRENA) is a leading global intergovernmental agency for energy transformation that serves as the principal platform for international cooperation, supports countries in their energy transitions, and provides state-of-the-art data and analyses on technology, innovation, policy, finance, and investment.¹⁶ They can be a key partner as our renewable energy division continues growing and providing profits on the way to a net-zero business model.

Discussion Questions

- What does a net-zero emissions future look like? What is the role of our company and how do we get there?
- Is ExxonMobil's net-zero ambition for 2050 (regarding operated assets) feasible? What kind of transformations must take place in the company for that to occur?
- How do protesters and climate change activists affect the perception of our company?
- Who are ExxonMobil's main competitors and why does this affect the future of the company?

Key Terms

Upstream and Downstream: Upstream works include the exploration and production of crude oil and natural gas, whilst Downstream refers to the processes applied after extraction through to it being delivered to the customer in whatever format required.¹⁷

GHG (Greenhouse Gasses): Greenhouse gasses are those gasses in the atmosphere that have an influence on the earth's energy balance. They cause the so-called greenhouse effect. The best-known greenhouse gasses, carbon dioxide (CO₂), methane, and nitrous oxide, can be

¹⁶ [About IRENA](#)

¹⁷ [FAQ: In Oil & Gas what is upstream and downstream? | Eland Cables](#)

found naturally in low concentrations in the atmosphere. However, the proportion has increased significantly since the beginning of the last century due to various man-made sources.¹⁸

Additional Sources

[SUPPORTING A NET-ZERO FUTURE ADVANCING CLIMATE SOLUTIONS – 2022 PROGRESS REPORT HIGHLIGHTS](#)

[Sustainability Reporting | ExxonMobil](#)

[More oil supply could stop massive price spikes. But US producers won't fill that gap](#)

[Exxon posts biggest profit in seven years on high oil prices | Reuters](#)

[Advancing climate solutions progress report | ExxonMobil](#)

[How are oil & gas companies transitioning to renewables? — RatedPower.](#)

[Are oil and gas companies serious about the renewable energy transition? Here's what the evidence says. - REN21](#)

[Who Are Exxon Mobil's Main Competitors?](#)

[Engaging with governments | ExxonMobil](#)

[Big Oil talks 'transition' but perpetuates petroleum, House documents say](#)

¹⁸ [What are greenhouse gases? | myclimate](#)

Topic B: Ensuring continued domestic production and goodwill

Executive Summary

ExxonMobil is one of the largest oil companies in the world and the largest domestically as of 2022. ExxonMobil faces new issues regarding new, greener energies, and the board of directors is being pressured to deal with this situation. Maintaining goodwill will be an important aspect of this decision and may be the deciding factor for a shift toward new options. On the other hand, ExxonMobil faces problems in domestic consumption since the demand is also shifting toward greener options. ExxonMobil is faced with a problem where executives need to decide whether to maintain the current trajectory or start turning toward a new vision.

ExxonMobil services are relied on to provide accessible energy and efficient transportation.¹⁹ ExxonMobil is currently ranked as the greatest oil and gas producer in the United States,²⁰ and second globally in 2021.²¹ As of 2020, ExxonMobil has over 10,000 gas stations in the U.S. alone, another ~2,000 in Canada, and ~6,000 in Europe (in total, over 20,000 globally).²²

In essence, considering recent contexts of energy shortages and interdependence, there is a benefit and the market for increased domestic production, which to some extent ExxonMobil has taken advantage of. Because of uncertainty surrounding the fossil fuels industry as well as environmentally-minded pressure, however, the extent of these benefits are limited.

Historical Background

ExxonMobil, known as one of the largest petrochemical companies and a reliant player in the energy industry, has shown more than once that it is capable of maintaining its position in the market during hard times. According to company executives, the strategies employed during the Covid-19 pandemic were optimal regardless of the complex situation that led to lower consumption.²³ Maintaining this growth through 2024 is a current objective of the company, achieved through domestic production and the brand image that Americans have learned to depend on.

During the pandemic, the oil industry did take a setback. Luckily, the strategy implemented maintained ExxonMobil's position as much as possible during the downcycle, and, internally, the board was pleased with the handling of all matters from 2021 through to the start of 2022. Unfortunately, the invasion of Ukraine and the difficult transportation of foreign petroleum made the prices rise significantly alongside uncertainty, complicating the outlook for the industry. The image of the company, its goodwill, and its domestic production is key to maintaining the goals set for 2023. This is an issue that pricing has been able to control in the

¹⁹ [2021 Annual Report | ExxonMobil](#)

²⁰ [Top U.S. oil and gas companies by market cap 2022 | Statista](#)

²¹ [Ranked: The Largest Oil and Gas Companies in the World](#)

²² [ExxonMobil Statistics, Revenue Totals and Facts \(2022\) | By the Numbers](#)

²³ [ExxonMobil Earns \\$23 Billion in 2021, Initiates \\$10 Billion Share Repurchase Program](#)

past. Towards the next few years, new problems will arise and new strategies have to be taken into account.

Goodwill and domestic consumption are important, as the U.S. consumed approximately 369 gallons of oil per day in 2021, numbers that need to be in focus for the coming years.²⁴ To maintain ExxonMobil's market share, goodwill will need to be an important aspect. Image-wise, oil consumption has had difficulties with new energies becoming more and more available alongside new segments with a different point of view towards oil consumption.

This may be looking at another problem, the peak in oil consumption may go down and plummet, alongside prices and market share. Also, the fluctuation of prices between 2023 and 2024 will be a wild card, since the war in Ukraine has made prices skyrocket at times. For ExxonMobil to be able to maintain domestic consumption and a good image among consumers, prices will become a very important part of the decision-making process.²⁵

Latest reports show that gas prices are trending low and heading towards those present in 2021. The situation in Ukraine did take a very important role in 2022 and shot prices up, but it has steadily gone back down thanks to good corporate strategy and competing prices. Resulting in a good end-of-the-year image towards ExxonMobil and a better commitment towards their clients. 2022 sets a pace towards competing oil companies and new policies toward energy consumption

It is ExxonMobil's goal to reduce carbon emissions and this objective is one that will help maintain goodwill. In the past, the oil industry has had terrible situations where the reputation of big companies is affected due to the environmental damage that the mishandling of oil production may cause. This projection of positive goodwill has been company policy in the past, but it hasn't quite worked out since the oil industry tends to cause even more damage. Taking this precedent into account, it is important for ExxonMobil to maintain and grow its goodwill, so that the sustainable options it presents are taken as a positive in the face of a growing distrust of the industry as a whole.

Another situation arose this past year related to administrative failings rather than mistakes in operative execution. Oxfam filed a tax evasion challenge against many oil companies, ExxonMobil included. Oxfam, dedicated to fighting poverty, questioned tax practices from various well-established oil companies. These tax practices were considered unfair and kept the public in the dark about how oil giants paid their obligated contribution to the public. Exxon did not respond to this and handled everything internally. Now, Exxon is being accused of a lack of transparency. These accusations will no doubt continue to damage the public's perception of the company.²⁶

In the past years, ExxonMobil has been able to handle different complicated situations throughout 2021 and 2022 and managed to maintain its status. To continue to deploy effective strategies, Exxon needs to take into account what events and external issues may affect

²⁴ [Use of oil - U.S. Energy Information Administration \(EIA\)](#)

²⁵ [Oil plunge, tech collapse and Fed cuts? Strategist shares possible 2023 market 'surprises'](#)

²⁶ [U.S. oil giants Exxon Mobil, Chevron and ConocoPhillips challenged over 'secretive' tax practices](#)

domestic production. As such, ExxonMobil ought to prioritize its largest consumption market and mitigate external-based issues. The goodwill and public image of the ExxonMobil brand will be key to maintaining market share. Lastly, a good perception will also result in both greater consumption of company products and influence decision-making for potential clients.

Beyond the narrative presented above, it's important to remember the following flashpoints in ExxonMobil's recent history:

- The direction of the company has been shaped by its dedication to maintaining attractive dividend returns to shareholders.²⁷ From 2019 to 2021, Upstream income decreased from around \$23 to \$22 billion. In total revenue, the Upstream segment increased from \$23.1 to 36.0 billion from 2019 to 2022, while the Downstream segment increased from \$205 to 343 billion.²⁸
- In 2021, ExxonMobil spent \$163.4 million in community investments (\$60 million of which specifically in the U.S.). In comparison, this amount was \$202.8 million in 2020, \$252.5 million in 2019, \$211 million in 2018, and \$204 million in 2017.²⁹
- From recent events and trends, ExxonMobil has abandoned the Sakhalin-1 project due to the actions of Russia in invading Ukraine, meaning no new investments in Russia.³⁰ Recent revenue has exceeded that of before the pandemic recession due to high oil prices.³¹

Current Situation

ExxonMobil currently holds a large market share and a good position. As one of the largest American-based oil companies with a worldwide presence, its objective is to maintain that status. Being one of the giants means dealing with a variety of issues that may or may not be foreseeable. For example, as the Oxfam situation developed, ExxonMobil was unable to respond properly. Furthermore, coming off a difficult pandemic, ExxonMobil has managed to maintain growth due to the return to on-site work and the need for transportation. Although this is not meant to last forever due to the new home-office preference post-pandemic that is sure to diminish the need for transportation, and therefore, oil consumption.

To start with the less immediate threat, growth originating from the transportation needs of large cities, as well as commuting from smaller towns, has shown a new outburst of people suddenly needing gasoline to get to work, but this trend may not last. Recent polls show that more and more white-collar workers are choosing home office work over on-site work due to various reasons including comfort, better hours, better work culture, and less transportation costs.³²

²⁷ [2021 Annual Report | ExxonMobil](#)

²⁸ [Exxon Mobil Revenues: How Does XOM Make Money? | Trefis](#).

²⁹ [Sustainability performance data | ExxonMobil](#)

³⁰ [ExxonMobil and Ukraine](#)

³¹ [Exxon posts biggest profit in seven years on high oil prices | Reuters](#)

³² [61% of people working from home are doing so because they want to, even though their office is open](#)

On another topic, the situation in Ukraine may also develop into a potential world energy crisis. Ukraine is a close ally to the United States and also a large market for ExxonMobil, the fate of Ukraine does weigh in on ExxonMobil's plans. An energy crisis in Europe will lead to a short supply and a collapse in company operations overseas. This will also mean a problematic development for U.S. politics in general since an energy crisis with close allies means issues regarding domestic production and as such, may need to export to other countries. Since the very definition of war centers on being volatile, ExxonMobil needs to keep a close eye in order to prevent any developments that might impact market share, production, and distribution.³³

Now, the ExxonMobil board has seen some new changes and acquired three new board members that represent environmentalist values. These new board members come in hand with Little Engine No. 1, an investment firm focused on sustainable and long-term value centered on capital. Their firm worked towards acquiring enough shares for ExxonMobil to be able to get various seats on the board. Little engine No. 1's representatives claim that ExxonMobil's lack of regard for its environmental footprint and the dismissal of new energies is unsustainable in the long term. This a historic turn of events, since ExxonMobil has never seen such an upset for board seats from a smaller investment firm.³⁴

New technologies are also a growing threat to oil-based energy companies as electric transportation is becoming more and more prevalent. Electric cars have reported stable and constant growth in sales due to their environmentally-friendly perception and their ability to help consumers dodge the gas pump. This means possible unforeseen threats to ExxonMobil due to a growing trend in consumer preferences toward favoring environmental options. Domestically, the U.S. shows rapid growth in electric cars and alternative energies, resulting in a possible great loss of market share towards 2023, losing the edge won over in 2022.³⁵

Bloc Positions

Continue through the oil path

This bloc in the board is based on the members of the company that believe that oil will continue to be the major energy resource that the United States will consume in the upcoming years. It is important to mention that it is purely inside the company board, and these are exclusively the highest-ranking votes on the table. This is more of a conservative side and lobbies numerous policies that grow oil production for America. On this side, new energies are not relevant and are not yet a viable option for Exxon Mobil. They entertain the idea of "showing" efforts to apply new energy methods for pure marketing and goodwill purposes. It's probable that someday this bloc will need to change, but not in the foreseeable future. These, as all bloc positions, are limited to ExxonMobil's best interest and can be replaced with new investors whose money and stocks outrank them.

³³ [U.S. Shores Up Ukraine Support as Energy Crisis in Europe Looms](#)

³⁴ [Little Engine No. 1 beat Exxon with just \\$12.5 mln - sources | Reuters](#)

³⁵ [Growth Sector: Electric Vehicles Sales And The New Electric Economy Have Arrived](#)

Change company strategy and become more environmentally responsible

This bloc is based on both current climate situations and market trends toward new energies. They believe that to maintain ExxonMobil as a relevant company, they need to extend their product variety and start the jump toward renewable energy. These aren't necessarily actual activists towards a greener future, but also businesspeople who are foreseeing a possible and drastic change towards more environmentally friendly options. These are very much present in the board of directors, maybe not holding the majority of votes, but still sufficient to make an impact by convincing enough board members willing to renovate ExxonMobil. They have the same limitations as the other bloc, depending on the company's interests and other members that may come into play that will replace them.

Key Terms

- ESG
- Company Image
- Foreign Oil Export and Import
- Energy Crisis
- Methods of Oil transportation

Discussion Questions

- What level of oil production is most conducive toward accessible energy for everyday Americans?
- How long is it sustainable to increase domestic oil production?
- What current projects have been most effective in implementing investment in the communities in which we operate? Which could be expanded or adjusted (and how)?
- If ExxonMobil were to switch completely to renewable energy, how could the company manage it?
- How does the development of the war in Ukraine continue to affect ExxonMobil's operation?
- Is oil a viable option as an energy source for the foreseeable future?
- Can ExxonMobil afford a drastic shift towards affordable and renewable energies?
- What is the extent of large oil companies inside national politics?
- How can goodwill influence the public's opinion towards ExxonMobil?

Additional Sources

[Exxon posts biggest profit in seven years on high oil prices | Reuters](#)

[XOM Key Stats | Exxon Mobil](#)

[Exxon boosts oil production with new vessel, raises Guyana outlook | Reuters](#)

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[Activist investor ousts at least two Exxon directors in historic win for pro-climate campaign | CNN Business](#)

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