



Exxon: Exxon knew!

By the 1980's Exxon knew that climate change was real and caused by burning fossil fuels, but chose to mislead the public about this in order to protect its profits.

Problem Analysis

This case illustrates that fossil fuel companies willingly and knowingly chose profit over people and the environment for decades, risking the lives of millions and irreversibly altering our climate. Exxon (together with the rest of the fossil fuel industry and its trade associations) knew that climate change was happening, knew that it was caused by fossil fuel emissions, and knew that it had to be addressed in order to avert catastrophe. Instead of taking any steps to do so, the company misled the public, shareholders, and governments in order to protect its profits. When considering the far-reaching economic and human impacts of climate change, this corporate deceit potentially constitutes one of the biggest moral and economic failures in history.

The case provides a clear example of the impact that aggressive and effective corporate lobbying has had on hindering much-needed and long overdue effective regulations to address climate change. The case also shows how Exxon and the fossil fuel industry politicized the issue of climate change, and created a culture of climate denial, which continues to slow action to this day.

Company

Company: ExxonMobil Corporation

Head office: United States

Company background

Publicly owned

Top 5 shareholders: The Vanguard Group Inc., State Street Corp, BlackRock Institutional Trust Company NA, State Street Global Advisors (Aus) Ltd, and Northern Trust Investments N A¹

CEO of company, income: Darren Woods, \$16,846,928 (2016)²

Company's annual PROFIT: \$7.8 billion (2016)³

Company's annual TURNOVER: \$218.6 billion (2016)⁴

Presence: ExxonMobil is active in North and South America, Europe, Africa, the Middle East and the Asia Pacific.

Number of employees: 73,500 (2016)⁵

Company activity

ExxonMobil Corporation is one of the world's largest oil, gas, and petrochemical corporations. It engages in the extraction, production, and sale of petroleum products.

Country and location in which the violation occurred

Global impact

Summary of the case

As early as the 1970s, Exxon (or its predecessor corporations) was researching climate change, including its causes and potential impacts.⁶ By the 1980s, Exxon's own research confirmed that burning fossil fuels caused climate change, and that if carbon emissions were not reduced, effects could be "catastrophic".^{7,8,9} Fully 83% of Exxon's published, peer-reviewed papers from this period, as well as 80% of its internal communications, "acknowledged that climate change was real and human-caused".¹⁰ Exxon's climate research was at the cutting edge, and it initially shared that research with scientific community, as advocated by Exxon's climate scientists. They also acknowledged that this would help the company shape laws relating to carbon emissions, which was inextricably linked to Exxon's core business.¹¹

By the late 1980s, the broader scientific community, governments and the general public were becoming increasingly aware of the causes of and potential impacts of climate change. In 1988, the IPCC was formed. In 1992, the UN adopted the Framework Convention on Climate Change, intended to help the world solve the coming climate crisis through reducing fossil fuel emissions.

At this time Exxon and the fossil fuel industry began to tell a different story about climate change in their public communications. Exxon, mainly through trade associations and other ostensibly independent “think tanks” and policy organizations, engaged in a public relations and lobbying campaign to: create doubt over the existence of climate change; create doubt over what or who was responsible for it; create doubt over how bad the effects would be; and seed the idea that it was impossible to solve it.¹² Indeed, according to a peer-reviewed analysis, only 12% of Exxon’s public-facing communications acknowledged climate change was real, while 81% expressed doubt over it.¹³

Beyond Exxon, the broader industry lobbying campaign (which Exxon contributed to with both monetary and policy support) has effectively delayed and stopped meaningful policies and laws to limit emissions in the United States and globally, and slowed the transition to clean renewable energy for decades.^{14,15} Exxon was a founding member of the Global Climate Coalition (GCC) (along with the American Petroleum Institute (API), Shell, Chevron, and other oil majors and lobbying groups), which engaged in a multiyear, multimillion-dollar campaign determined to sow doubt about climate science and hamper regulation of carbon emissions.¹⁶ Exxon is also a member of the API, whose aims include ensuring that “recognition of uncertainties (of climate science) becomes part of the ‘conventional wisdom.’”¹⁷ Climate denial is the prevailing position of the Republican party – and the President of the United States – with talking points that can be traced directly to this PR campaign.¹⁸ While Exxon has publicly stated that it now accepts that climate change is real and human-caused, in 2015 it gave over 2 million dollars to members of Congress and to trade groups that are opposed to climate regulations.¹⁹

Just as the tobacco industry knew that nicotine was addictive and that smoking leads to diseases and death, Exxon (and the oil industry) knew that climate change was real, that extracting and burning carbon caused it, and that climate change would be devastating for the planet. Just as the tobacco industry funded false science and public relations campaigns to deny that smoking was harmful in order to protect its profits and its executives, Exxon and the fossil fuel industry has followed the same playbook. The tobacco industry eventually faced liability in the hundreds of billions of dollars and has been restricted from everything from advertising to participating in international negotiations. Exxon and the fossil fuel industry should expect the same kind of accountability.

What forms that accountability may take remains to be seen. Exxon and other oil majors are facing a wave of recent litigation and legal actions. The attorneys general of New York and Massachusetts are investigating the company for potential financial (and other) fraud.²⁰ The Securities and Exchange Commission has also opened an investigation into how the company may have misvalued its reserves due to stranded assets.²¹ Investors have filed a claim alleging that Exxon has misrepresented climate risks to them, resulting in a drop in share price.²² Five California communities have sued Exxon (and many other oil majors) for damages relating to coming sea level rise.^{23,24} And the Commission on Human Rights of the Philippines is currently conducting an investigation into how carbon majors may have violated Filipinos’ human rights via their contributions to climate change and climate denial.²⁵

Endnotes

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- 6 Series by InsideClimate News from 2015-16 detailing history of Exxon research at <https://insideclimatenews.org/content/Exxon-The-Road-Not-Taken-Specific-source-at-https://insideclimatenews.org/news/22122015/exxon-mobil-oil-industry-peers-knew-about-climate-change-dangers-1970s-american-petroleum-institute-api-shell-chevron-texaco> (accessed 1-10-2017)
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