

2016 Noble Energy Resolution on Climate Change

WHEREAS: Recognizing the risks of climate change, nearly all nations signed the Cancun Agreement proclaiming, “the increase in global temperature should be below 2 degrees Celsius.” In light of this goal, the International Energy Agency (IEA) has developed scenarios to help policymakers and market participants understand potential energy demand futures. Oil demand would need to begin to decline starting in 2020 under IEA’s 450 scenario (referring to 450 parts per million of CO₂ in the atmosphere) consistent with policymakers’ 2 degree target. According to HSBC, the equity valuation of oil producers could drop by 40-60 percent under such a low emissions scenario.

Oil demand is already being affected by policies related to air quality, fuel efficiency, and lower-carbon energy. Analysts from Citi, Deutsche Bank and Statoil, among others, predict that global oil demand could peak in the next 10-15 years. Any global action to address climate change will only accelerate these trends.

Industry production costs have risen significantly in recent years, leaving many companies vulnerable to any downturn in demand. Carbon Tracker estimates that projects with economic breakevens exceeding \$95/barrel are clearly in excess of the requirements for global fossil fuel investment in a 2 degree scenario, and that there is an estimated \$1.1 trillion of capex earmarked for high cost projects out to 2025 needing a price of over \$95 to generate an economic return, raising the risk of stranded, or unprofitable, resources.

We recognize the importance of the oil and gas sector in providing future energy needs. However, we are concerned that Noble Energy’s current business strategy may not be sufficiently sustainable given the changing nature of demand, emerging technologies, and policy interventions aimed at limiting global temperatures.

Investors require additional information on how Noble is preparing for market conditions in which demand growth for oil and gas is reduced due to a combination of factors.

RESOLVED: Shareholders request that Noble Energy prepare a report by September 2016, omitting proprietary information and prepared at reasonable cost, on whether the company’s short- and long-term business plans align with the global goal of limiting global warming to below 2 degrees, including an analysis of the impact that such a policy would have upon demand for and pricing of the company’s products and options for aligning company goals with such policy, demand, and pricing trends.

SUPPORTING STATEMENT: We recommend the report include:

- A discussion of how the global goal of limiting warming to no more than 2 degrees is factored into the company’s business planning;
- A scenario analysis that considers a range of low-carbon and low-demand scenarios; including the IEA’s 450 Scenario;
- An assessment of different capital allocation strategies in the face of low-demand scenarios.
- The Board of Directors’ role in overseeing capital allocation and climate risk reduction strategies.