WHEREAS: Markets require information to operate and deploy capital effectively. In 2019 and 2020, global and U.S. accounting and auditing standard-setters reiterated that material climate-related risks should be accounted for in company financial statements and audits. Major investor groups, representing assets worth over $103 trillion, have called on companies and auditors to fully reflect climate risk in companies’ financial results and position.

These calls to action reflect the converging consensus by policymakers, investors, and companies on the need to address climate risk, limit global temperature increase to 1.5° C (net zero global greenhouse gas (GHG) emissions by 2050), and fully assess the impact of such actions to companies.

The International Energy Agency’s (IEA) Net Zero Scenario describes an energy sector pathway to achieve net zero emissions. The Scenario finds that no new investment in fossil supply projects is needed, and anticipates oil demand declining by 75% and oil prices dropping as low as $36/ barrel in 2030 and $24/ barrel in 2050.

Given these global climate imperatives, to best allocate investments, investors are calling for information to assess the financial impacts of climate-related physical and transition risks on companies and identify companies best positioned to thrive in a low carbon economy. Yet, more than 70% of listed companies, representing some of the world’s largest carbon-polluters, are not fully accounting for climate-related risks in their financial statements.

While acknowledging risks related to climate in its disclosures, Marathon’s audited annual disclosures do not currently provide investors with sufficient insight into assumptions used to assess productive assets for impairment and stranded asset risk. Further, an independent 2021 analysis concluded that Marathon’s financial statements lack the requisite transparency about climate-related assumptions and estimates, and that the company does not appear to use Paris-aligned assumptions and estimates.

In contrast, peers (Shell, bp, TotalEnergies) have released more transparent disclosures in their audited financial statements, articulating the extent of consideration of climate change contingencies and risks.

Accurate accounting assists investors in understanding the drivers of risk and return. Investors seek additional information from Marathon to understand the impact of climate-related factors on its business model and current financial reporting.
BE IT RESOLVED: Shareholders request that Marathon Oil’s Board of Directors provide an audited report addressing how application of the assumptions of the IEA’s Net Zero by 2050 pathway would affect the assumptions and estimates underlying Marathon’s financial statements, including its long-term commodity and carbon prices, remaining asset lives, existing and future asset retirement obligations, capital expenditures, and asset valuations (impairments). The report should be produced at reasonable cost and omitting proprietary information.

SUPPORTING STATEMENT: Proponents recommend the report be supported with reasonable assurance from an independent auditor.