

# United States Senate

WASHINGTON, DC 20510

March 5, 2024

The Honorable Gary Gensler  
Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Dear Chair Gensler,

Recent announcements of major acquisitions in the fossil fuel industry—including ExxonMobil’s proposed acquisition of Pioneer Natural Resources (Pioneer) and Chevron Corporation’s proposed acquisition of Hess Corporation, despite both companies’ public commitments to key climate goals—raise questions about whether fossil fuel companies are taking actions that undermine their own stated climate pledges. We write to request information regarding the Securities and Exchange Commission’s (SEC) efforts to improve covered entities’ environmental disclosures and investigate the ongoing integrity of companies’ public climate commitments, especially when viewed in the light of new business acquisitions that may undermine such commitments.

Exxon’s and Chevron’s recent announcements raise concerns of potential greenwashing, a type of manipulative behavior used to convince investors that a company or investment fund is environmentally friendly when, in fact, it takes actions that significantly harm the environment. As you know, under Section 10(b) of the Exchange Act and Rule 10(b)-5, issuers are prohibited from using “any manipulative or deceptive device” to support the purchase or sale of securities. This can include press releases and statements. Further, Section 12 of the Securities Act explains that “untrue statements of a material fact or omissions of material facts” in advertisements or solicitations are liable for enforcement actions. These laws and regulations give the SEC the required authority to investigate registered entities that are believed to be greenwashing. The Federal Trade Commission has also recently opened inquiries into these two mergers to determine if they are anticompetitive.<sup>1</sup>

Exxon and Chevron have made public pledges and statements about their plans to reduce emissions and combat climate change. Both Exxon and Chevron have publicly supported the Paris Agreement,<sup>2</sup> which aims to reach net zero emissions by 2050.<sup>3</sup> The companies say they have taken and plan to take action to reduce greenhouse gas emissions to meet these goals. In its

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<sup>1</sup> *FTC opens inquiry of Chevron-Hess merger, marking second review this week of major oil industry deal*, Associated Press News (Dec. 8, 2023) (online at <https://apnews.com/article/chevron-hess-oil-merger-federal-oversight-gas-648487ab4bcb9e5ecd3f47e4600952f7>).

<sup>2</sup> ExxonMobil, *Reaffirming our commitment to the Paris Agreement* (Jan. 20, 2021) (online at <https://corporate.exxonmobil.com/news/viewpoints/commitment-paris-agreement>).

Chevron, *Chevron Supports Well-Designed Climate Policy* (online at <https://chevron.com/sustainability/environment/climate-policy>) (accessed Dec. 19, 2023).

recently updated *Roadmap* to achieve the Paris Agreement goals, the International Energy Agency stated that there needs to be 1) no investment in new coal mines or oil, or gas projects beyond those fields already approved for development<sup>4</sup>; 2) much greater financing for renewable projects; and 3) less reliance on unproven technologies, including those promoted by the fossil fuel industry to justify continued oil and gas expansion, such as carbon capture, utilization and storage.<sup>5</sup>

However, Exxon and Chevron's past investment and capital expenditure trends and these recent mergers indicate that both companies are committed to investing in new oil and gas supply.<sup>6</sup> Exxon and Chevron both announced plans to rely heavily on carbon removal technologies and offsets to reach net zero instead of investing those resources in decarbonizing<sup>7</sup>, a tactic the IEA warns is not guaranteed to achieve net zero emissions.<sup>8</sup> Altogether, these actions suggest that despite Exxon and Chevron's professed support for the Paris Agreement, they are not taking adequate action to achieve goals included in the Agreement.

Additionally, both Exxon and Chevron focus on their Scope 1 and Scope 2 emissions in communications with investors. These emissions only account for 5 to 20% of total emissions for fossil fuel companies. Meanwhile, Scope 3 emissions account for 80 to 95% of most fossil fuel companies' total emissions.<sup>9</sup> Only mentioning Scope 1 and 2 impacts leaves investors with

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<sup>3</sup> United Nations, *For a Livable Climate: Net-zero Commitments Must be Backed by Credible Action*. <https://www.un.org/en/climatechange/net-zero-coalition#:~:text=to%202010%20levels-,To%20keep%20global%20warming%20to%20no%20more%20than%201.5%C2%B0,reach%20net%20zero%20by%202050>. (accessed February 8, 2024).

<sup>4</sup> International Energy Agency, *Net Zero Roadmap A Global Pathway to Keep the 1.5 °C Goal in Reach* (2023) (online at [https://iea.blob.core.windows.net/assets/9a698da4-4002-4e53-8ef3-631d8971bf84/NetZeroRoadmap\\_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf](https://iea.blob.core.windows.net/assets/9a698da4-4002-4e53-8ef3-631d8971bf84/NetZeroRoadmap_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf).)

<sup>5</sup> International Energy Agency, *The path to limiting global warming to 1.5 °C has narrowed, but clean energy growth is keeping it open* (Sept. 2023) (online at <https://www.iea.org/news/the-path-to-limiting-global-warming-to-1-5-c-has-narrowed-but-clean-energy-growth-is-keeping-it-open>.)

<sup>6</sup> NPR, *Making oil is more profitable than saving the planet. These numbers tell the story* (December 12, 2023) (online at <https://www.npr.org/2023/12/11/1217802769/oil-prices-exxon-mobil-green-energy-solar-wind-cop28-climate-talks>).

The Guardian, *No New Oil, Gas or Coal Development if World is to Reach Net Zero by 2050, says World Energy Body* (May 18, 2021) (online at <https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>).

<sup>7</sup> Chevron, *Chevron Invests in Carbon Capture and Removal Technology Company, Svante* (Dec. 15, 2022) (online at <https://chevroncorp.gcs-web.com/news-releases/news-release-details/chevron-invests-carbon-capture-and-removal-technology-company>).

Investor's Business Daily, *Exxon Mobil Ups Carbon Capture Bet with Biggest Deal in Six Years* (July 13, 2023) (online at <https://www.investors.com/news/exxon-mobil-ups-carbon-capture-bet-with-biggest-deal-in-six-years/>).

<sup>8</sup> International Energy Agency, *Net Zero Roadmap A Global Pathway to Keep the 1.5 °C Goal in Reach* (2023) (online at [https://iea.blob.core.windows.net/assets/9a698da4-4002-4e53-8ef3-631d8971bf84/NetZeroRoadmap\\_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf](https://iea.blob.core.windows.net/assets/9a698da4-4002-4e53-8ef3-631d8971bf84/NetZeroRoadmap_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf).)

an incomplete and potentially misleading picture of Exxon's and Chevron's effect on climate change and the amount of financially material transition risk associated with their emissions.

For example, Exxon's climate pledge states it aims to reach net zero Scope 1 emissions and Scope 2 emissions by 2050<sup>10</sup>, describing this goal as "helping society reach a lower-emissions future."<sup>11</sup> Chevron also says it "aspire[s] to achieve net zero upstream emissions (Scope 1 and 2) by 2050."<sup>12</sup> Exxon's and Chevron's climate pledges, however, are silent on the companies' Scope 3 emissions, which are created by downstream use of oil and gas products. In Exxon's case, they account for an estimated 82.6% of emissions.<sup>13</sup>

The companies' recent acquisitions will significantly *increase* fossil fuel production and resulting Scope 3 emissions. For example, Exxon spent \$59.5 billion on its purchase of Pioneer Natural Resources, and the merger—if approved—is expected to increase Exxon's production in Texas's Permian basin by 1.3 million barrels of oil and gas daily.<sup>14</sup> Exxon estimates this will increase to two million barrels of oil and gas daily by 2027.<sup>15</sup> Exxon is currently producing more than 560,000 barrels of oil and gas per day in the Permian Basin.<sup>16</sup> The proposed merger is expected to increase Exxon's production by approximately 232% in the Basin, affecting the company's Scope 1, 2, and 3 emissions. By comparison, Exxon reduced its Scope 1 and 2 emissions by 15%

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<sup>9</sup> Wood Mackenzie, *Press Release: Few Oil and Gas Companies Commit to Scope 3 Net Zero Emissions as Significant Challenges Remain* (Oct. 28, 2022) (online at <https://www.woodmac.com/press-releases/few-oil-and-gas-companies-commit-to-scope-3-net-zero-emissions-as-significant-challenges-remain/#:~:text=Scope%203%20emissions%20account%20for,from%20oil%20and%20gas%20companies>).

<sup>10</sup> ExxonMobil, *2023 Advancing Climate Solutions Progress Report* (online at <https://corporate.exxonmobil.com/news/reporting-and-publications/advancing-climate-solutions-progress-report#:~:text=Net%2Dzero%20ambition,for%20our%20major%20operated%20assets>) (accessed Dec. 19, 2023).

<sup>11</sup> ExxonMobil, *ExxonMobil Announces Ambition for Net Zero Greenhouse Gas Emissions by 2050* (Jan. 18, 2022) (online at [https://corporate.exxonmobil.com/news/news-releases/2022/0118\\_exxonmobil-announces-ambition-for-net-zero-greenhouse-gas-emissions-by-2050](https://corporate.exxonmobil.com/news/news-releases/2022/0118_exxonmobil-announces-ambition-for-net-zero-greenhouse-gas-emissions-by-2050)).

<sup>12</sup> Chevron, *Lowering the Carbon Intensity of Our Operations* (online at <https://chevron.com/sustainability/environment/lowering-carbon-intensity>) (accessed Dec. 19, 2023).

<sup>13</sup> S&P Global Market Intelligence, *Exxon discloses Scope 3 greenhouse gas emissions data for 1st time* (Jan. 5, 2023) (online at <https://www.spglobal.com/marketintelligence/en/news-insights/podcasts/ir-in-focus-ep-10>).

<sup>14</sup> *ExxonMobil Doubles Down on Fossil Fuels with \$59.5 Billion Deal for Pioneer Natural as Prices Surge*, Associated Press (Oct. 11, 2023) (online at <https://apnews.com/article/exxon-pioneer-acquisition-crude-oil-natural-gas-00e0e0eea67b7fb8bf3685221e5423d1>).

<sup>15</sup> *ExxonMobil Doubles Down on Fossil Fuels with \$59.5 billion Deal for Pioneer Natural as Prices Surge*, Associated Press (Oct. 11, 2023) (online at <https://apnews.com/article/exxon-pioneer-acquisition-crude-oil-natural-gas-00e0e0eea67b7fb8bf3685221e5423d1>).

<sup>16</sup> ExxonMobil, *Working to Meet Energy Supply and Demand* (online at <https://corporate.exxonmobil.com/what-we-do/energy-supply#:~:text=Between%202019%20and%202022%2C%20we,this%20year%20compared%20to%202021>) (accessed Dec. 19, 2023).

through the end of 2022 in comparison to 2016 levels.<sup>17</sup> This reduction is small given the predicted Scope 3 emissions increase.

Meanwhile, Chevron spent \$53 billion on its purchase of Hess, and the company predicts its oil output will increase by 10% if the merger is finalized. Chevron currently produces approximately three million barrels of oil and gas per day.<sup>18</sup> Chevron will also take ownership of Hess's 30% stake in Guyana's 11 billion barrels of oil equivalent.<sup>19</sup> Chevron's 30% stake in Guyana's oil and gas production is expected to increase to 360,000 barrels of oil and gas a day by 2027.<sup>20</sup> This will reverse the approximately 48% reduction in Scope 1 and Scope 2 greenhouse gas that the company has managed to achieve since 2016.<sup>21</sup>

In response to significant investor concerns over corporate greenwashing and investor demand for higher quality climate-related information, the SEC has recently taken steps to protect investors from deceptive climate disclosures.<sup>22</sup> For example, the SEC created the Enforcement Task Force Focused on Climate and ESG Issues in order to curb greenwashing efforts by issuers and investment companies.<sup>23</sup> In addition, the SEC has also developed a proposed rule to Enhance and Standardize Climate-Related Disclosures for Investors.<sup>24</sup>

However, more must be done to ensure that investors receive clear and accurate information about the potential impact of mergers and acquisitions on companies' climate goals. To better understand the SEC's efforts to improve the quality and availability of companies' environmental disclosures, we request answers to the following questions no later than March 19, 2024:

1. When does the SEC investigate the integrity of a company's environmental commitments and goals compared to the company's actual achievements, if the Agency suspects wrongdoing? During these investigations what are the specific factors and information the SEC considers?

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<sup>17</sup> ExxonMobil, *2023 Advancing Climate Solutions Progress Report* (online at <https://corporate.exxonmobil.com/news/reporting-and-publications/advancing-climate-solutions-progress-report#:~:text=Net%2Dzero%20ambition,for%20our%20major%20operated%20assets>) (accessed Dec. 19, 2023).

<sup>18</sup> *Chevron to Acquire Hess for \$53 Billion in Latest Major Oil Deal*, New York Times (Oct. 23, 20213 (online at <https://nytimes.com/2023/10/23/business/chevron-hess-acquisition.html>).

<sup>19</sup> Chevron, *Chevron Announces Agreement to Acquire Hess* (Oct. 23, 2023) (online at <https://chevron.com/newsroom/2023/q4/chevron-announces-agreement-to-acquire-hess>).

<sup>20</sup> *Chevron to Acquire Hess for \$53 Billion in Latest Major Oil Deal*, New York Times (Oct. 23, 2023 (online at [www.nytimes.com/2023/10/23/business/chevron-hess-acquisition.html](http://www.nytimes.com/2023/10/23/business/chevron-hess-acquisition.html)).

<sup>21</sup> Chevron, *U.S. Upstream Operations Reduce Carbon Intensity* (May 19, 2022) (online at [www.chevron.com/newsroom/2022/q2/us-upstream-operations-reduce-carbon-intensity](http://www.chevron.com/newsroom/2022/q2/us-upstream-operations-reduce-carbon-intensity)).

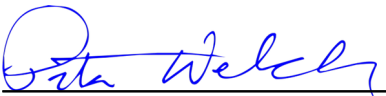
<sup>22</sup> PRI, *Demand for Climate Data is Not Going Away* (May, 12, 2023) (online at <https://www.unpri.org/policy/demand-for-climate-data-is-not-going-away/11571.article>).

<sup>23</sup> 17 CFR Parts 230, 232, 239, 270 and 274.

<sup>24</sup> U.S. Securities and Exchange Commission, *SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors* (Mar. 21, 2022) (online at [www.sec.gov/news/press-release/2022-46](http://www.sec.gov/news/press-release/2022-46)).

2. What challenges does the SEC face in assessing whether environmental goals are realistic, accurate, and achievable? What information regarding these goals—and progress towards them— is required to provide a non-misleading picture to investors on an ongoing basis?
3. When companies announce mergers with the potential to impact their publicly stated climate commitments and goals, what steps does the SEC take to assess whether companies are accurately portraying a mergers' impact on their climate goals?
4. If a company isn't meeting its environmental goals as determined by the SEC, what steps does the SEC require the company to take to correctly notify investors?
5. Does the SEC have the authority, staffing and funding needed to monitor companies' environmental pledges as required by law? What additional steps could Congress take to improve the SEC's ability to ensure investors have access to accurate information?

Sincerely,



Peter Welch  
United States Senator



Jeffrey A. Merkley  
United States Senator



Bernard Sanders  
United States Senator



Elizabeth Warren  
United States Senator