

Constants in a sea of change: Factors for continued success

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Over the past few years, global energy markets have entered a period of significant and far-reaching change

The world's energy landscape has been fundamentally transformed by new technologies. Because of expanding supplies and increased efficiencies, we have entered a new era of global energy abundance. This new era has brought tremendous benefits to the world, but, for the energy sector, it is also introducing new challenges.

In 2014, at the last World Petroleum Congress, our industry discussions took place within the context of several years of a sustained uptrend in energy markets. Yet today the energy sector and many governments are grappling with a wholly different set of questions: How to navigate the current market downturn.

It is clear that new market realities are continuing to put pressure on companies around the world. In response, these realities will demand a re-doubling of our focus on fundamentals: We must control costs, exercise capital discipline, create our own margins, and execute projects with new efficiencies and innovations. In addition to these new market challenges, the industry is facing a host of policy changes around the world, as many nations seek ways to meet environmental goals through increased regulation.

But even in the midst of this far-reaching change and these new challenges, there are some constants to guide us.

In fact, several key factors that have long shaped our industry will continue to be critical: The growing demand for energy worldwide; the importance of innovation to meet our shared aspirations for energy and the environment; and the need for sound policies to enable the investment and international cooperation that lead to success.

The long-term challenge

The challenges we face will be similar to those a century ago or even two years ago: We must meet the world's growing energy needs in a safe and responsible way – especially as those energy demands are projected to grow significantly in the decades ahead.

ExxonMobil's latest Outlook for Energy projects a 25 per cent increase in global energy demand by 2040, even with substantial gains in energy efficiency. This is equivalent to adding the current energy use of North America and Latin America combined.

Leaders in government and industry must recognise that this massive and growing energy demand reflects, and enables, progress. It means nations are poised for economic growth, and billions of people in the developing world may soon enter the middle class – gaining access to improved transportation, modern healthcare, better education, and greater opportunities.

To expand the supplies of energy needed for this economic growth and human advancement, the world must pursue all sources of energy – wherever and whenever they are economically competitive.

The world will need wind, solar, and nuclear power. But credible analysts and researchers agree that, in the decades ahead, oil, natural gas, and coal will continue to provide the vast majority of the world's energy due to their flexibility, availability, and affordability.

For this reason, billions of people around the world will depend on the oil and natural gas industry's ability to expand supplies. But this is just one part of the industry's dual-natured challenge. The second critical part of our long-term energy challenge is to reduce the emissions associated with energy use. In this way, we can help mitigate the risks of climate change.

Expanding supplies while reducing emissions will require extraordinary investment and innovation. It will require the industry to look beyond the current state of markets to anticipate the energy and environmental needs of 10, 20, or 30 years down the road. We will need long-term planning and discipline.

But for those companies that plan for the long term and continue to invest throughout the cycle, there will be great opportunities ahead.

The importance of innovation

Technology has shaped our industry's past and present, and it will certainly transform our future.

This new era of energy abundance is the direct result of industry innovations that have opened up energy resources from offshore deepwater, made it possible to develop oil sands safely and responsibly, and unlocked vast new supplies of oil and natural gas from shale rock.

Expanding supplies of energy have led to a realignment of global energy supply and demand, which is reflected in recent price declines. But just as technology has led to expanding supplies, it will also be the key to success in the current market downturn. Innovation can help us



to find new efficiencies, lower costs, and maximise resource values.

For example, the US shale industry has demonstrated remarkable resilience throughout the market downturn thanks to continued technological advances such as enhanced completion techniques. These advances, which have both decreased costs and improved well production, have increased the amount of tight oil that can be developed at a given investment level by 70 per cent over the past three years. Technology will also remain instrumental in our industry's overall mission to find integrated solutions – solutions that expand supplies while simultaneously reducing emissions.

The shale revolution has proven that innovation can help us achieve both our economic and environmental goals. The influx of affordable and cleaner-burning natural gas into the energy mix has helped reduce US carbon dioxide emissions to levels not seen since the mid-1990s. Remarkably, these reductions have come even as the US economy has grown about 60 per cent and added 50 million more energy consumers.

By expanding global access to natural gas and employing clean-energy technologies like cogeneration and other efficiency techniques, we can continue to meet increasing energy demands and do so with a lower carbon footprint.

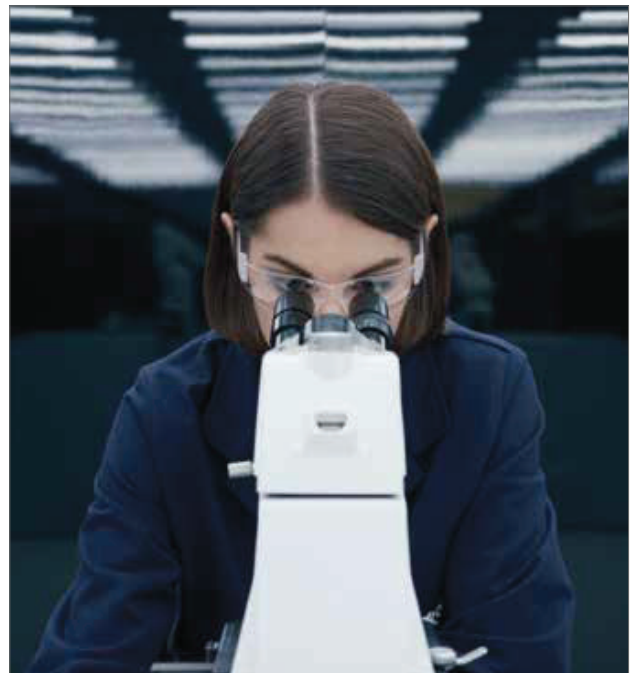
In addition to deploying proven technologies, we must invest in promising next-generation solutions that could help change the course of our energy future. At ExxonMobil, we are researching the possibility of producing advanced biofuels from algae and pursuing ways to make carbon capture more affordable and scalable in hopes of achieving the next breakthrough.

The need for sound policies

In order to successfully address the market challenges we face today, as well as to meet the needs of tomorrow, the world will continue to need sound and stable policies.

We must put in place policies that enable the long-term planning, cooperation, and investment necessary to spur innovation and technological advancement. Free trade and free markets will remain vital to the development of economic energy supplies and our ability to pursue the most cost-effective approaches to address the risks of climate change.

Throughout history, we have seen the power of free markets to encourage growth, development and mutual



ExxonMobil is investing in breakthrough technology to solve next-generation energy challenges

benefit. Unfortunately, we have also repeatedly witnessed the adverse consequences that follow when governments attempt to pick winners and losers, tilt or limit the field of competition, and constrain the free flow of goods and services in markets.

Sound policies have never been more important to the future. Economic growth around the world remains anemic. Policymakers must put in place policies that lead to investment, opportunity, and hope. Economies around the world need regulatory reform that enables investment and innovation, and spurs the competitive dynamism that produces robust growth. The success of the energy industry, and every sector of the global economy, depends on sound government leadership.

Our industry has proven that we can expand supplies in increasingly safe and environmentally responsible ways, and our investments and innovations have led to extraordinary successes and a better life for billions of people.

With continued resolve and the right policies, we can build on this progress and create an even brighter future. ●