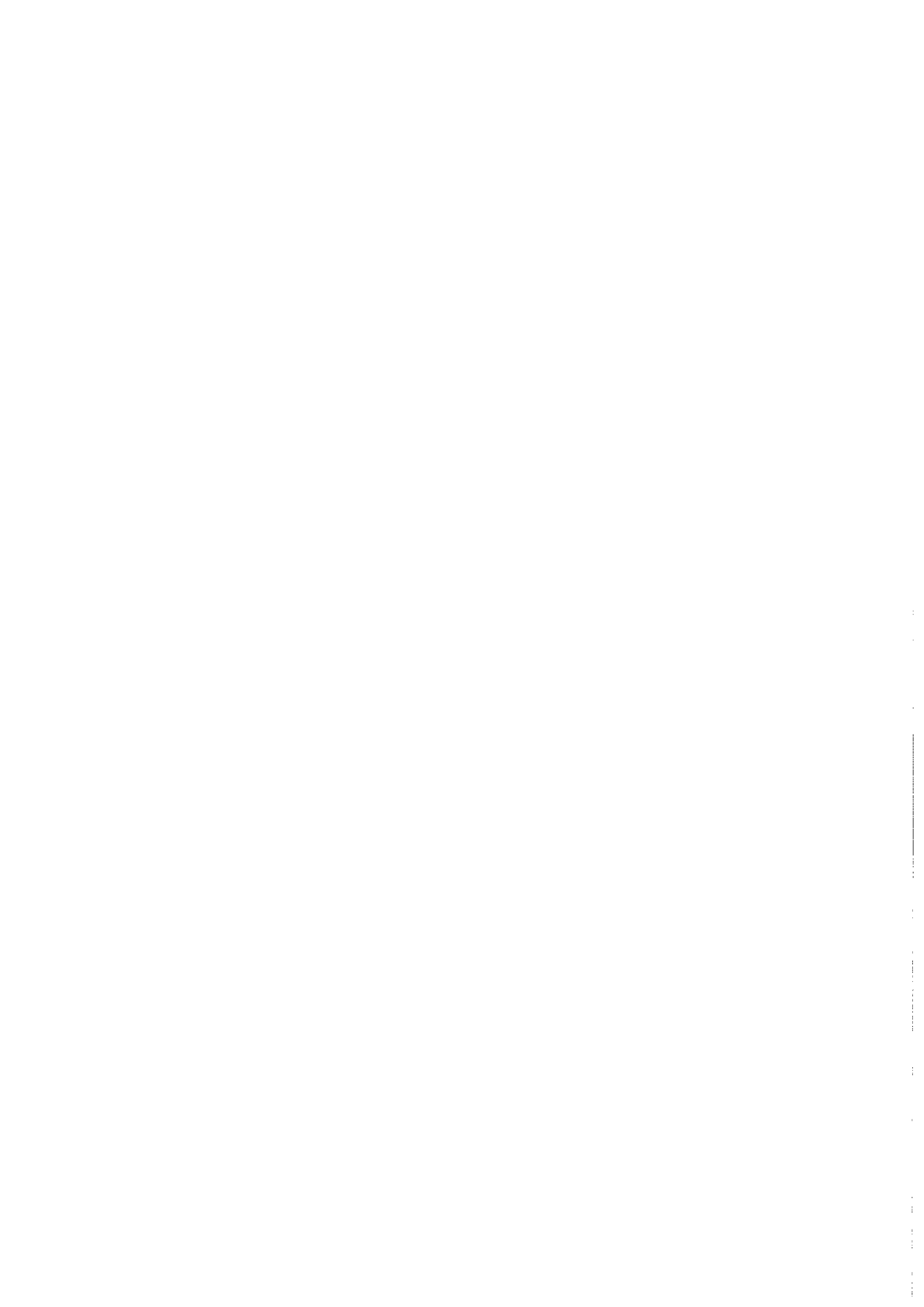


# Post 2020 Road Transport Fuel Consumption GHG Policy Position

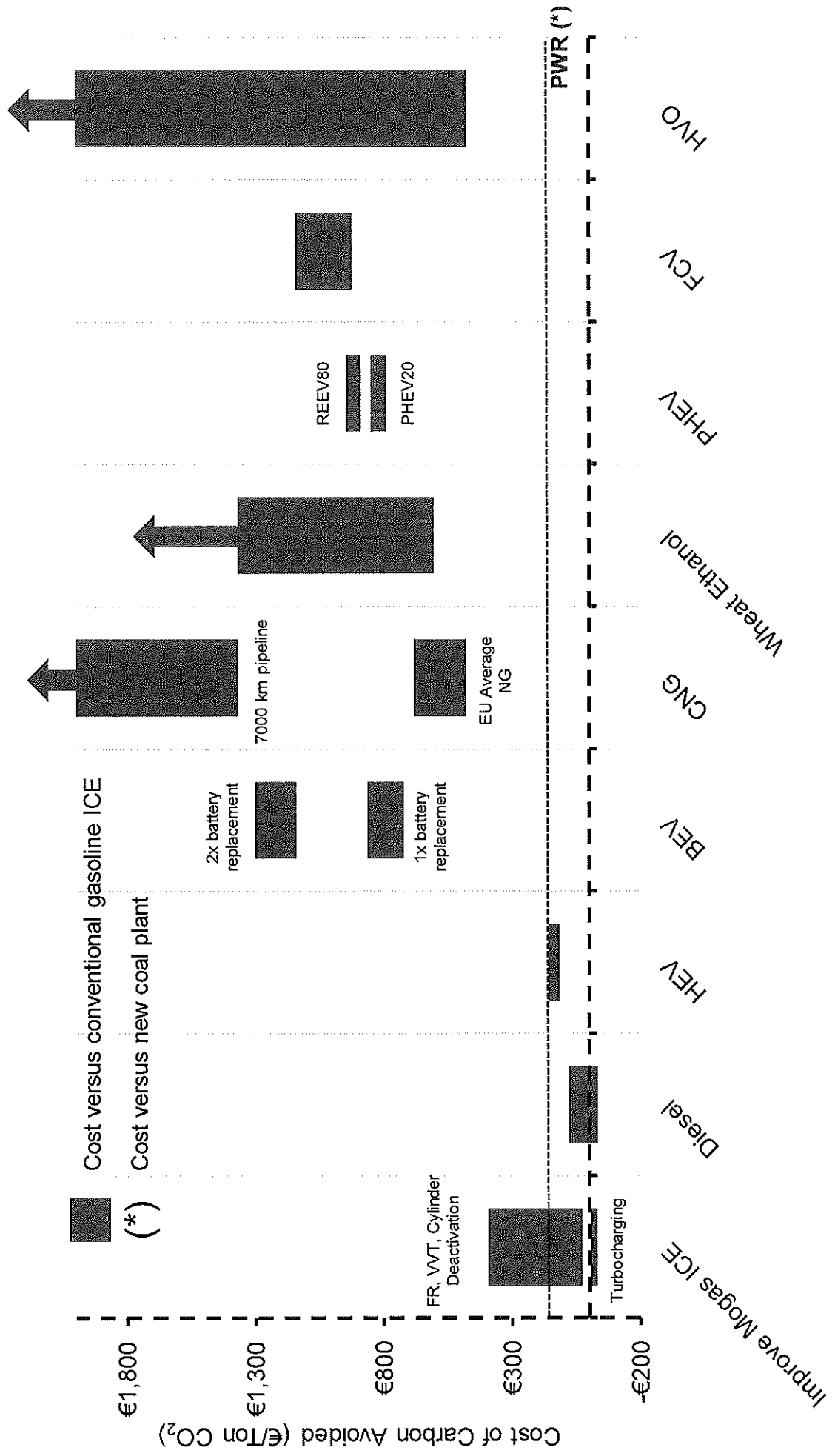
- Objective : climate policy should minimize overall cost to society of reducing climate risks
  - Policy should be market based and ensure a uniform and predictable cost of GHG emissions across the economy
  - Policy should provide a GHG emission cost signal to consumers and long term investors
  - Policy should be revenue neutral and funds generated equitably returned to society to encourage economic growth
- We support EC proposal to eliminate fuels mandates and subsidies post 2020 given that they do not align with the principles of free market and are not cost effective
- Transport fuel consumption policy should be limited to covering emissions from fuel combustion in vehicles. Other policies should cover upstream emissions.
- A GHG emissions fee on transport fuels is the preferred market based policy option to address fuel combustion in vehicles, where the price component of the GHG emissions fee is linked to the ETS.
- Bringing transport under the ETS cap could achieve the same objectives as a 'linked GHG emissions fee', but with:
  - higher complexity from not using existing tax processes
  - lower transparency from not having a visible GHG component in the consumer fuel price
  - the higher risk of ETS allowance price instability due to inelasticity of the transport sector (demand response)
  - the need to implement a potentially more complex ETS cap
- In the near term other sectors are likely to provide more direct cost effective Co2 abatement solutions than the transport sector; however, a market based policy will allow fuel and technology options in transport to compete

# Post 2020 Road Transport Fuel Consumption GHG Policy Position



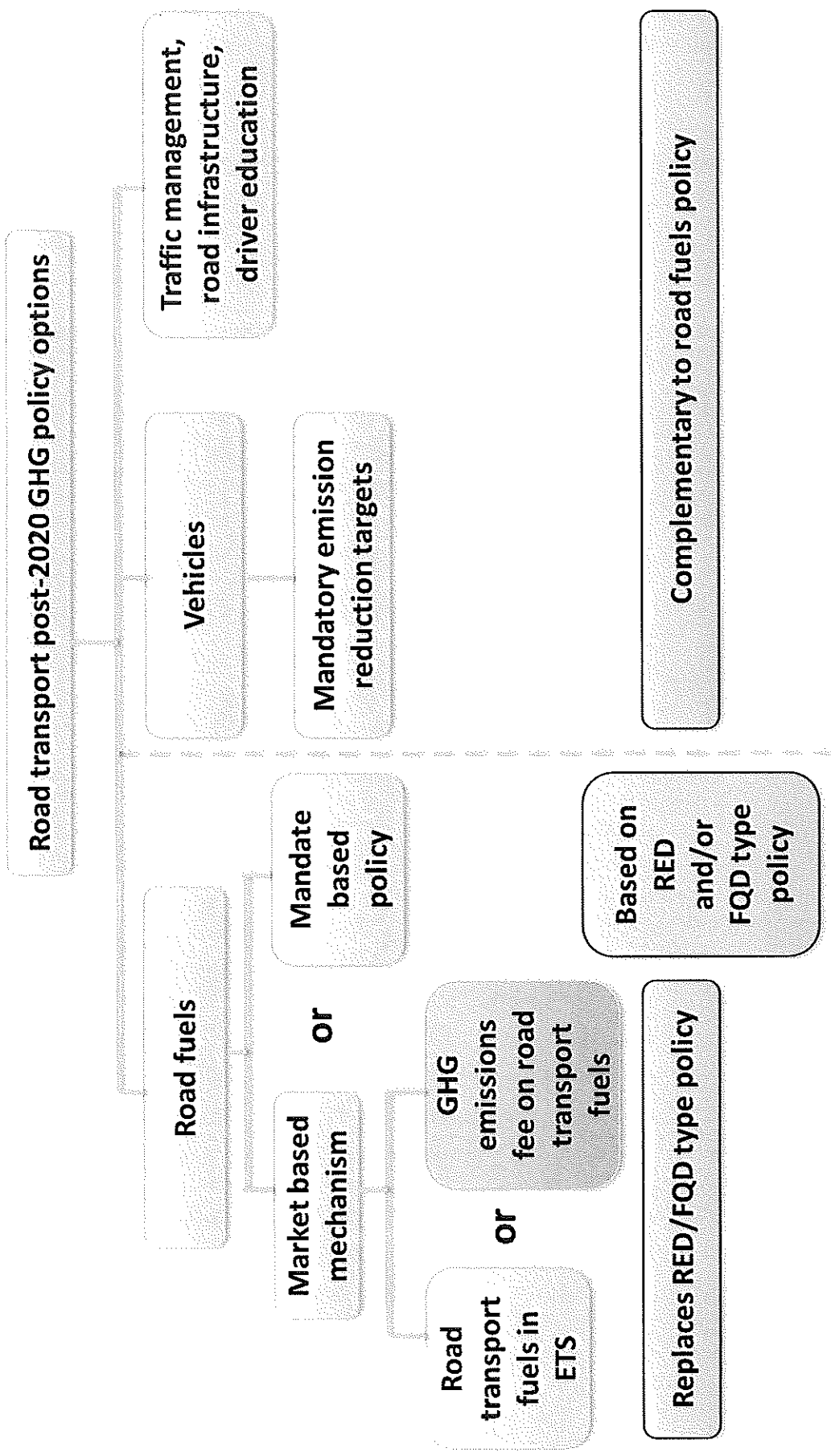
# Current European Cost of Carbon Avoided

225,000 km Lifetime Distance



Source: JEC WTW4; Eurostat; McKinsey; ICCT

# Potential Road Transport Policy Options





# Road Transport Policy Options

# Traffic Management, Road Infrastructure, and Driver Education

- **Many factors can influence on-road fuel economy of vehicles:**
  - Traffic congestion results in wasted fuel and additional emissions
  - Poor road conditions may result in poor on-road fuel economy
  - Driver behavior may result in poor fuel economy
  - Improving road safety has the additional benefit of improved fuel efficiency
- **Technology, Policy, and Investment directed towards road infrastructure and intelligent traffic control, and driver education can enable vehicles to achieve their full potential in fuel economy**
  - Without simultaneous investment in congestion reduction, improved road infrastructure, and driver education the hard-earned gains in nameplate fuel economy of vehicles will not produce actual benefits to society in terms of reduced fuel consumption or less emissions

# Alternative Fuels

- **Liquid petroleum fuels will remain the primary transportation fuels in the foreseeable future**
  - Food crop-based biofuels have not delivered the expected GHG benefits
  - Advanced biofuels derived from biomass and waste are currently limited by low technical maturity, poor scalability, and high cost
- **ExxonMobil is pursuing research in a broad array of advanced biofuels options, including basic science research to develop algal biofuels with Synthetic Genomics, Inc.**
- **As a major global natural gas producer, ExxonMobil is committed to exploring opportunities to meet the increasing demand for natural gas in marine and land transportation**
- **Switching transportation from petroleum to renewable or alternative fuels is not the most cost-effective way to reduce GHG emissions; actions in other sectors (e.g., power generation) typically cost less per ton of CO2 avoided**



# Vehicles

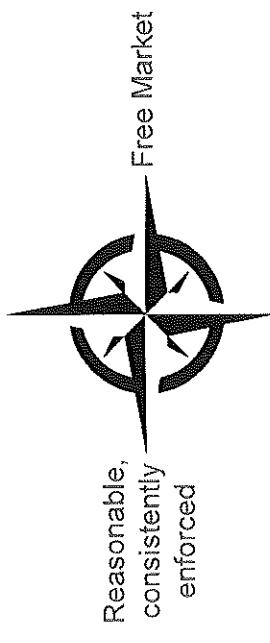
- **Many light duty vehicle technologies are available for reducing GHG emissions and energy demand from transport over the next few decades**
- I. More fuel efficient conventional vehicles
- II. Hybrids, advanced diesels, and CNG/LNG vehicles
- III. Battery electric vehicles and fuel cell vehicles require further development and cost-reduction to be commercially viable at a large scale
- **Heavy duty vehicle fleet owners have a strong incentive to implement reasonable fuel economy measures because fuel costs are a major portion of their total operating costs**
  - Public-private partnerships, such as the EPA Smartway program, are an effective way to encourage the adoption of fuel efficiency technologies

# Transport Policy Principles

- **Convenient, affordable, and versatile mobility of people and goods is a basic need**
  - Delayed or deferred travel or transport of goods has economic and social consequences and can impact competitiveness
- **Good transportation policies are based on**
  - Free market: level playing field, technology-neutral and promote innovation while letting the market drive the choice of solutions, no mandates
  - Sound science: impact analyses on a "well to wheels" basis, take into account realistic projections for technology development
  - Appropriate cost/benefit considerations: cost-effective to implement, economically sustainable without subsidies, benefits to society should exceed overall costs
  - Clear & reasonable regulatory framework: appropriate, flexible, consistently enforced compliance scheme

## Policy Principles

Sound Science



Reasonable,  
consistently  
enforced

Cost/Benefit  
Consideration

Free Market

# Policy Considerations





# ExxonMobil Road Transport Policy Position

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