

Climate Responsibility

The Instrumental Rationales of Private Oil Companies

Henrik Vili-Walter Mustakallio

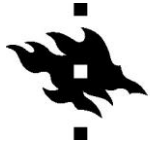
University of Helsinki

Faculty of Social Sciences

Global Political Economy

Master's thesis

November 2020



Faculty Faculty of Social Sciences		Degree Programme Master's Programme in Global Politics and Communication	
Author Henrik Vili-Walter Mustakallio			
Title Climate Responsibility: The Instrumental Rationales of Private Oil Companies			
Subject Global Political Economy			
Level Master's Thesis	Month and year November 2020	Number of pages 66	
Abstract <p>This study examines the climate responsibility, a sub-category of corporate social responsibility (CSR), of two oil companies, ExxonMobil and Shell. The study is a comparative case study of the climate responsibilities of two private oil companies, that makes use of academic literature and recent primary sources of the case companies, such as sustainability reports and statements. The study has a theoretical emphasis, and at first, it discusses the theoretical debates involving CSR. The separation of ownership and control in corporations that occurred in the early 20th century enriched the later discussion about the contradictions between capitalism and CSR, which was emerging slowly. From the 1970s, the practice of CSR became more familiar, and for instance, the orthodox liberal viewpoint became more positive about it: It was possible to combine profit-maximizing and CSR. Later, in the 21st century, governance studies gave a new perspective on interdisciplinary CSR studies.</p> <p>The study shows that climate responsibility might differ extensively between two same-sized oil companies. ExxonMobil's climate responsibility has changed in the past twenty years: First, the company doubted whether climate change was true. Later, it admitted that it is a fact, and the company has committed to the Paris Climate Agreement. However, it commits to greenwashing regarding finding solutions. The company emphasizes its expertise and authority and is against government climate regulation. For ExxonMobil, the responsibility remains on the level of talk. It is not attempting to withdraw from oil. Shell's climate responsibility, however, materializes in practice, too, even though the company has committed to greenwashing in the past. Shell has invested substantially in renewable energy sources and states that it aims to transform its business model to correspond with ambitious climate objectives. Further, contrary to ExxonMobil, Shell relies on a climate scenario, which follows an estimate that global warming from the pre-industrial era will not exceed 2°C.</p> <p>The study underlines that instrumental factors can explain the forms of corporate climate responsibility. However, the study does not exclude institutional, relational, nor philanthropic reasons for climate responsibility. This study discusses broad instrumentalism, which includes profit-maximizing and pursuit of corporate power. Profit-maximizing explains the form of climate responsibility that both companies practice. ExxonMobil's climate responsibility speech is explained by maintaining a reputation and advertising matters, that is, short-term profits. However, its climate responsibility in practice remains modest, even irresponsible: The company is not withdrawing from oil nor investing in renewable energy sources. That is because, whereas the new oil resources are becoming harder and harder to exploit, ExxonMobil has relatively large oil resources compared with other oil companies. In turn, Shell's climate responsibility is explained, especially by the long-term profits. Shell has relatively low oil reserves. Thus, it prepares for future regulation and positions as a progressive actor regarding energy transition to maximize profits in the 22nd century. Also, the case companies differ in the way they pursue corporate power. In the case of ExxonMobil, its climate responsibility speech is an attempt to pursue corporate power against government regulation and to obtain autonomy. On the other hand, in climate issues, Shell highlights cooperation with the government and other stakeholders instead of self-regulation through its CSR.</p> <p>In the end, the thesis discusses the implications of the results to a broader question of global climate governance. When sustainability has become a growing business, and there are challenges in global climate governance, it is important to recognize the limits of climate responsibility, and more broadly, the limits of corporate social responsibility as a long-term solution. However, in the short term, the climate efforts of corporations are necessary to fill the regulatory gaps of global climate governance.</p>			
Keywords corporate social responsibility, climate responsibility, sustainability, oil companies, ExxonMobil, Shell, global governance			

Contents

1.	Introduction.....	1
1.1.	ExxonMobil criticizes President Trump’s decision to withdraw from the Paris Climate Agreement.....	1
1.2.	CSR, sustainability, and climate responsibility.....	2
1.3.	Research questions.....	5
1.4.	Relevance for Global Political Economy	6
1.5.	Case study	7
1.6.	Structure of the thesis	9
2.	Corporate Social Responsibility	10
2.1.	Separation of control and ownership.....	10
2.2.	The contradiction between CSR and capitalism	11
2.3.	Nature of big corporations	14
2.4.	Mainstream CSR tradition: integrating profits to responsibilities	17
2.5.	CSR meets Governance.....	23
3.	Climate Responsibility: ExxonMobil and Shell	25
3.1.	ExxonMobil – a controversial case?	28
3.1.1.	Historical background	28
3.1.2.	Climate change and greenwashing.....	29
3.2.	Royal Dutch Shell – a progressive case?.....	35
3.2.1.	Historical background	35
3.2.2.	Greenwashing, business model, and climate change.....	36
3.2.3.	Scenarios and strategies.....	39
3.3.	Conclusion.....	42
4.	How instrumental factors explain climate responsibility?	44
4.1.	Profit-maximizing	46
4.2.	The pursuit of corporate power.....	48
4.3.	Results.....	50
5.	Climate responsibility as a part of global climate governance	52
6.	Conclusion	54
7.	References	56

1. Introduction

1.1. ExxonMobil criticizes President Trump's decision to withdraw from the Paris Climate Agreement

Anthropogenic climate change is essentially a global problem. The need for reducing greenhouse gas emissions has been acknowledged for decades. Since the Industrial Revolution, emissions produced have been increasing, and so has the average temperature. An IPCC special report (2018) warns about the massive consequences of climate change if the warming from the pre-industrial state does not limit to 1.5°C. The report highlights that “rapid and far-reaching transitions in energy, land, urban and infrastructure” are required to stop global warming (p. 15). In addition to academia, the urgency is widely shared among people: the climate strikes are an excellent example of a global movement against climate change. Call for more ambitious climate policy is justified because the governance of climate change has not been sufficient; greenhouse gas emissions have continued to increase even though the problem has been stressed for decades. At the international level, the Paris Agreement is hitherto the most ambitious attempt to face the issue. The 21st Conference of the Parties to the United Nations Framework Convention on Climate Change was held in Paris in December 2015. The main aim of the agreement is “to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius” (UNFCCC). It also recognizes the importance of domestic politics tackling the issue, making a framework for “voluntary pledges that can be compared and reviewed internationally, in the hope that global ambition can be increased through a process of ‘naming and shaming’” (Falkner, 2016, abstract). Having all nations in the agreement was a critical starting point for global climate governance to succeed.

However, in June 2017, President Trump announced that the United States would withdraw from the Paris Climate Agreement signed in April 2016. The act was not a surprise because he had made his intentions clear early in his campaign and later as a president. But in whose interests was that? One could intuitively argue that the oil industry lobbied him to withdraw because the industry is significantly responsible for greenhouse-gas-emissions. To agree on reducing emissions should

contradict to their oil-based profit-making. However, two of the biggest oil companies in the U.S., ExxonMobil and Conoco, opposed Trump's decision (Bloomberg, 2017). States, cities, and companies from various industries in the U.S. have also criticized Trump's decision and committed to the climate agreement on their own.

Climate change as an issue is a hard task to confront. According to Hale et al.¹, factors that make climate change such a hard problem are as follows: 1.) almost every action causes emissions, 2.) the fossil fuels have a central position in political economy, 3.) it is expensive to reduce emissions, 4.) time is running out to solve the problem, 5.) and every action to prevent climate change would have been cheaper in the past. Besides, multipolarity, fragmentation, and institutional inertia make the governing of climate change a very hard task (Hale et al., 2013, pp. 251–269). One aim of this study is to assess how corporate social responsibility, as a form of governance, confronts the “super wicked problem” – as Hale et al. put it – of our time: climate change. Why do companies want to participate in the global governance of climate change that has great problems at the international level due to President Trump's decision? What is the role of a corporation in climate governance? How corporate interests and climate objectives fit together?

1.2. CSR, sustainability, and climate responsibility

The pro- Paris Agreement stance of the oil companies can be explained by **Corporate Social Responsibility** (CSR). Briefly, practicing CSR means that a corporation is doing more than required by law and shareholders in order to contribute to society. In this thesis, CSR is an object of study, not a normative dogma nor a theory. The study of CSR is very fragmented. It is studied mainly in three disciplines: business studies, political science, and law. The differences in views within a discipline can be remarkable. Also, the divide between disciplines is ambiguous: many theories in business studies would drop into the category of liberal theories in political science. What makes the CSR field even more complicated is that in the literature, many different words mean the same or differ mildly, e.g., corporate sustainability, responsibilities for businessmen, corporate

¹ In *Gridlock*, Hale, Held, and Young use a gridlock metaphor to capsulize the problems of global governance in the fields of economy, security, and environment. The mechanisms that lead to the gridlock, which can drive each other, are classified into growing multipolarity, institutional inertia, harder problems, and fragmentation.

citizenship, and corporate social responsiveness. Due to various interpretations, many scholars define CSR more broadly. For example, Wickert and Risi (2019) define CSR as “an umbrella term to describe how business firms, small and large, integrate social, environmental and ethical responsibilities to which they are connected into their core business strategies, structures and procedures within and across divisions, functions as well as value chains in collaboration with relevant stakeholders” (p. 22).

Wickert and Risi conceptualize the depth of CSR by the concepts of low-hanging and high-hanging fruits. Low-hanging fruits concern the issues “where a connection to core business operations is directly visible because they are in a company’s immediate sphere of influence” (Wickert & Risi, 2019, p. 9). Such issues include “pollution control, eco-efficiency and waste management” (p. 9). These are the issues companies start addressing at the beginning of their CSR journey. High-hanging fruits, on the other hand, require “large-scale changes and reconsideration of production processes, or for instance entirely new technologies and buyer-supplier relationships” (p. 9). Catching these high-hanging fruits is difficult and may require even fundamental changes in the business model.

The CSR of a company materializes in **sustainability reports**, which promote the CSR efforts of a company. The reports highlight the various sub-sections within **sustainability**. For example, ExxonMobil divides its sustainability into environment, social, and governance with six sub-categories (see Figure 1). Sustainability is a very similar concept to CSR, only slightly more environmentally oriented. It has roots in the Brundtland report (World Commission on Environment and Development, 1987) that defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

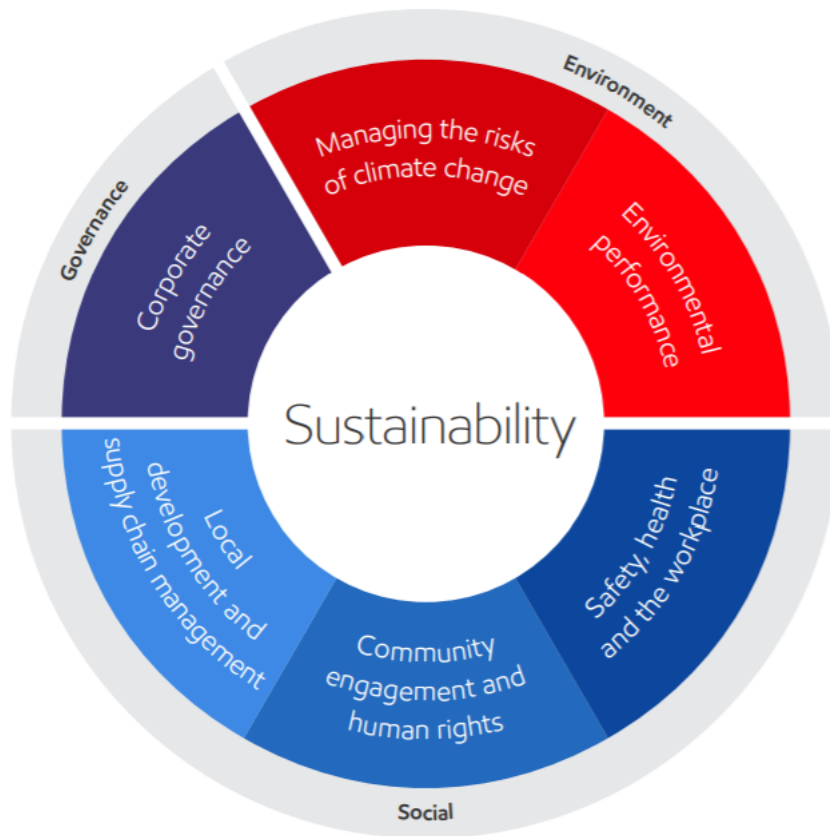


FIGURE 1 (EXXONMOBIL, 2019A)

In this study, the CSR targeted to mitigate climate change is referred to as **climate responsibility**. It is a sub-category of CSR and has some advantages as a concept compared to the broad umbrella term. The CSR actions can be divided into internal (employees) or external (stakeholder) for the company (see Hameed et al., 2016). However, effective climate responsibility is essentially external: the aim is to control externalities, greenhouse gas emissions. Fauna and flora are the stakeholders. The outcome of overall climate responsibility is more easily detected; there is only one climate. In turn, unfortunately, if a company violates human rights in the developing world, it does not cause a violation of human rights in more advanced countries. Moreover, it is essential to distinguish between local environmental CSR efforts and climate responsibility: soil contamination in other parts of the world does not have such a direct impact on another side of the globe as greenhouse gas emissions do. Climate responsibility has a global nature. Also, on the company level, there are fewer possibilities of freeloading when the focus is on one issue area. That is, regarding CSR, a company may be relatively responsible even if it neglects, say, climate issues thoroughly: It can fill

the pages of sustainability report how it contributes to society in other terms. In turn, rather than comparing the issue areas, the challenge in climate responsibility is mainly on distinguishing between “talk,” which is written in the sustainability reports, and “walk,” which is the actual progress in mitigating climate change.

1.3. Research questions

In recent CSR studies, institutional and relational factors have been emphasized as the rationales of CSR. This study aims to examine how instrumental factors explain CSR in the context of climate change. That is whether and how corporate self-interest has a role in the battle against climate change. The attempt of this thesis is not to undermine ethical or relational aspects, but to recall the importance of instrumental motives and how broad a scope these might have. To study how climate responsibility is coordinated with corporate self-interest, this study concentrates on two oil companies, ExxonMobil and Shell. The focus of this study is on private oil companies because, in the case of a state-owned company, the relation to *corporate* social responsibility is unclear. Though, it must be acknowledged that e.g. ExxonMobil has close ties to the U.S. government. The thesis has two research questions, and the first is required to answer the second. The first question forms an empirical case study of two oil companies, which helps to inquire about the second, more theoretical, question.

1. What kind of climate responsibility do ExxonMobil and Shell practice?

2. How instrumental factors explain the climate responsibility of oil companies?

In this case, instrumental factors are divided into profit-maximizing and pursuit of corporate power. Regardless of the complexity of large corporations, *profit-maximizing* is vital for companies to thrive. Many theorists, discussed in Chapter 2, argue that profit-maximizing is, or at least ought to be, the primary goal of a company. This thesis examines profit-maximizing on two timescales: Does, both long-term and short-term profits, give a rationale for climate responsibility? Long-term profits mean the profits oil companies desire in the future, at the end of the 21st century and beyond. Short-term profits, on the other hand, emphasize the marketing and reputational aspect of CSR. That is, climate-

conscious consumers will more probably buy the products of a responsible company now. Another and often neglected instrumental factor is *the pursuit of corporate power*. Do oil companies want to govern, take state-like responsibilities, and maximize their organizational power, like public organizations more traditionally do? The most obvious way to assess this is how the company reacts to regulation. It may aim to increase self-regulation instead of external regulation or lobby for regulation it desires. CSR is said to go beyond profit-maximizing, but this study aims to unravel how corporate self-interest can still explain climate responsibility. I refer to the instrumentalism of this study as **broad instrumentalism** because, in this study, self-interest covers corporate power, and ideational instrumentalism is considered instead of just focusing on material profits.

1.4. Relevance for Global Political Economy

Corporate Social Responsibility studies locate mainly in business studies. However, the research question and the case of this study are strongly in the field of Global Political Economy (GPE). First, the question of the *political* power of corporations is an essential part of GPE. Oil companies possess great power and have an influence on many lives: where to drill, whom to employ, and whether to sow suspicion about climate change. And on the other hand, oil companies lobby heavily nation-states and influence on other actors as well. Second, global oil companies are still vital for the *economic* system due to their size, global operating sphere, and their provision of energy to the global economy. Third, these political and economic aspects occur on a *global* level, but the biggest reason why the topic is global is climate change. Perhaps planetary would be a better term to describe the issue, but the governance of climate change is global. To adapt the description of IPE²/GPE by Theodore Cohn: the topic crosses the boundary between economics and political science, to understand the behavior of major oil companies (Cohn, 2016, p. 3). A CSR study from the perspective of GPE supplements the business studies-dominated discussion. Furthermore, this thesis is necessary because of the climate change focus. Theorizing climate responsibility³ as a sub-category of CSR provides a clearer picture of the issue than using the broad and complex framework of CSR. However, there is a danger that theorizing climate responsibility could make CSR discussion

² Cohn does not make a distinction between International Political Economy and Global Political Economy.

³ The first time I saw the concept of *climate responsibility* used was in an article by Frumhoff et al. (2015)

even more complicated. But, introducing climate responsibility could clarify the role of CSR in climate change governance, which is an urgent GPE question.

1.5. Case study

A case study provides a means to examine the broad social regularities and uncover mechanisms of the social world. And on the other hand, case studies help to “identify the multiple processes that together produce the broader patterns and correlations” (Risjord, 2014, p. 248). Case studies have a small sample, and they do not aim to be statistically significant. According to Flyvbjerg (2001), to falsify a universal theory, one case is enough if its causal assumptions are carefully considered (pp. 81–84). However, Risjord (2014) argues that if the role of case studies is only in falsification, they would not be useful in finding social mechanisms (p. 252).

Flyvbjerg (2006) underlines that “in the study of human affairs, there appears to exist only context-dependent knowledge, which thus presently rules out the possibility of epistemic theoretical construction” (p. 4). He argues that formal generalization is over-valued, and “the force of example” is underestimated in social sciences. Also, case studies are essential for learning. In the Dreyfus model⁴, the leap from third to fourth and fifth level in the learning process requires context-dependent knowledge and experience. “If people are exclusively trained in context-independence knowledge and rules, that is, the kind of knowledge which forms the basis of textbooks and computers, they will remain at the first levels of the learning process” (Flyvbjerg, 2001, p. 71).

This study examines a particular context in the world economy: climate responsibility in the oil industry. It assesses the conditional regularities instead of universal regularities. When analyzing the acts of global oil companies, it is necessary to understand the time and space, relations, and positions in the world economy where they occur. The universal model, irrelevant to time and space, would not be beneficial in understanding the global political economy in the case. In critical realism, the statistical deduction from a sample is not the concern of generalization but, contrary to

⁴ The five levels of learning in the Dreyfus model are *novice*, *advanced beginner*, *competent performer*, *proficient performer*, and *expert*. (Flyvbjerg 2001, p. 10.)

Flyvbjerg, generalization in a case study makes a difference in refining theories (Wynn & Williams, 2012, pp. 804–805). In this study, generalizations are not necessary as such, because the climate responsibility of an oil company is such a significant factor in the economy itself. However, generalizations are possible at least in three ways. First, ExxonMobil and Shell are selected to represent the private oil companies instead of state-owned ones due to the essence of CSR. Therefore, the case study on that level ought to generalize the results to involve other private oil companies. Thus, the two oil companies represent a generalization of the private oil industry. Second, at the oil industry level, the results can be generalized to other sectors to some extent. However, the role of the oil industry as a dominant energy supplier, in comparison to the sectors demanding energy, must be acknowledged. Third, and perhaps most importantly, in this study, results can tell something about the nature of large private corporations and whether theories of the corporation should be refined. In that theoretical level, the results can work as a counter-argument that falsifies general, especially economic theories, or even refine CSR-theories. (Risjord, 2014).

Case studies are “multimethod” in the sense that they can draw in qualitative and quantitative methods (Risjord, 2014, p. 252–253). This study relies on qualitative methods. I use many secondary sources, meaning relevant academic literature, but supplement those with primary sources. Those primary sources include the recent statements and publications (from 2018 to 2020) on climate change and sustainability from ExxonMobil and Shell. One important note is that there is more literature focusing on the climate irresponsibility of ExxonMobil rather than Shell. Indeed, the initial focus of the research process was on ExxonMobil, but in many studies, Shell was mentioned as one of the “better” actors compared to ExxonMobil. In a study by Pickl (2019), ExxonMobil and Shell were the extremes regarding the investments in renewable energy. Therefore, I supplemented the study to include Shell’s climate responsibility as a contrastive case to ExxonMobil. That is, the selection of the case study is information-oriented, and cases are maximum variation cases regarding the assumed climate progressiveness of the companies (Flyvbjerg, 2001, p. 79). The purpose of pulling in Shell is to introduce another take on climate responsibility. I use more secondary sources in the case of ExxonMobil because there are differences in the earlier studies of the companies: ExxonMobil’s climate communications have been studied more profoundly. Also, in

the case of Shell, I use more primary sources because Shell uses more pages in its sustainability reports on climate change.

1.6. Structure of the thesis

In this chapter, I have introduced the basic concepts, the research questions, relevance for the GPE discipline, and methodological framework of the case study. This chapter gives motivation and direction to the thesis. The second chapter goes further to the concepts I introduced and links CSR to broader questions regarding the nature of a corporation and it as a form of global governance. The chapter aims to give the theoretical context for the proceeding chapters. The first sub-chapter of the second chapter represents the starting point of this discussion. How control and ownership were separated in the early 20th-century corporation? The second subchapter considers the contradictions between capitalism and CSR. The focus is on Friedman's critique of CSR. In the third subchapter, I discuss the reality of large corporations, mainly reflecting Galbraith's ideas on technostructure. Also, I consider the social construction and the post-World War II conditions of a corporation. The fourth subchapter introduces how mainstream CSR has evolved since the 1970s and what role instrumentalism has in it. The last subchapter integrates CSR to emerging governance studies. Overall, the chapter is loosely chronological. Meaning, I introduce the prominent thinkers and CSR issues chronologically, while I add more recent studies to enrich the past debates.

The third chapter answers the first research question, and it is the basis of this study. I bring in the case study and reduce CSR to climate responsibility. I will introduce the case companies and analyze what kind of climate responsibility ExxonMobil and Shell practice. The purpose of the the chapter is to answer what kind of climate responsibility occurs. The fourth chapter responds, based on the third chapter, to the second research question: How instrumental factors explain climate responsibility? Instrumental factors are divided into profit-maximizing, which has short-term, long-term, and immediate categories; and pursuit of corporate power, which is mainly related to the attitude a company has toward regulation and autonomy. I discuss what the results tell about broad instrumentalism and how the results reflect with other studies. In the fifth chapter, I discuss what do the results mean regarding the future of climate governance. And finally, in the sixth chapter, I summarize the results and conclude the master's thesis.

2. Corporate Social Responsibility

Before CSR developed in the late 20th century, similar activities were considered as individual **philanthropy**. The objects of that philanthropy were such as arts, churches, community projects, and education institutions. Philanthropy has occurred especially in the United States, where universities have been privately funded, and companies like Ford have considered their responsibilities since the early 20th century (See Meyer et al., 2015; Lewis, 1976; Matten & Moon, 2008). Also, in the U.S., the (corporate) social responsibility literature has been more extensive later. Carroll (2008, pp. 20–22) considers the Industrial Revolution as a good starting point regarding the practice of social responsibility. Already then, the question was whether the companies were concerned about employees in business terms or social reasons: to have more productive workers or better members of society by offering welfare schemes. However, theorizing CSR awaited till 1953 and Bowen’s seminal book *Social Responsibility of the Businessman*. Since the 1970s and the rise of CSR in practice, the theory has become extensively fragmented.

2.1. Separation of control and ownership

Prior to “CSR” was a thing, important contributions to the thematic of a corporation were made. Adolf A. Berle and Gardiner C. Means (1933) recognize corporations as political units (Mizruchi & Hirschman, 2010, p. 1071). They describe the modern corporation as an equal with (smaller) states in terms of concentration of economic power, and capable of competing on equal terms. Dalia Tsuk (2005), however, remarks that the legacy of *The Modern Corporation and Private Property* (Berle & Means, 1933) lives not on corporate power, but more precisely, on the separation of ownership and control in large public corporations. Tsuk argues that Berle and Means were inspired by the collectivist tradition of legal thought, legal pluralism. Therefore, they saw the separation of ownership from control as an issue that “allowed corporations to amass economic and political power, and it undermined the traditional assumption that (individual) self-interest was the best constraint on the use of corporate power” (Tsuk 2005, p. 181). On the other hand, economists Fama

and Jensen (1983) emphasize that separation of control (decision) and ownership (risk-bearing) benefits the specialization of management and risk-bearing (pp. 301–302).

Berle and Means do not mention “CSR” as such. However, they recognize the issue that the separation of ownership from control raised: the interests of owners and managers differed, meaning the managers were not so motivated by the profits. Therefore, “publicly held business corporations were public trustees. Their power was to be exercised to satisfy the demands of the community” (Tsuk, 2005, p. 189). After all, Berle and Means recognize the “trust responsibilities,” but they do not define them. The further definition of responsibilities and the beginning of the social responsibility discussion waited until the 1950s.

The mainstream approach of CSR dates back to the 1953 and Howard Bowen’s book, *Social Responsibilities for Businessmen*, which is considered as a starting point to the modern CSR approach (Carroll, 2008, pp. 24–26; Garriga & Melé 2004, p. 51). Bowen recognizes the same institutional changes in the modern corporation as Berle and Means (1933), that is, the separation of ownership and control in the large companies, which has created a new managerial class. According to Bowen, this separation of ownership and control made it easier for managers to be concerned about social responsibilities and is one of the reasons why businessmen are concerned about their social responsibilities (Bowen, 2014 [1953], p. 104; Lee 2008, p. 57). However, further significant mainstream CSR literature has not referred to early institutionalist legacy often.

2.2. The contradiction between CSR and capitalism

Bowen defines the social responsibilities of businessmen as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 2014, p. 6). That definition emphasizes the moral consciousness and the decisions of an individual (male) manager in the corporation, concentrating more on personal responsibility rather than the responsibility of the whole company (Wickert & Risi, 2019, p. 26). Also, he combines social responsibilities to a versatile list of economic goals stating that “[t]he social responsibilities of businessman have meaning only in relation to the

goals or values which we seek from our economic system” (Bowen, 2014, p. 8). These goals and values are a high standard of living, economic progress, economic stability, personal security, order, justice, freedom, development of the individual person, community improvement, national security, and personal integrity. Interestingly, these *economic* goals are not the goals and values of shareholders, but more broad, societal goals. Thus, he argues that the businessmen have “social responsibilities that transcend obligations to owners of stockholders” (Bowen, 2014, p. 5). However, even though Bowen welcomes CSR, he does not consider it as a panacea to all societal ills (Lee, 2008, p. 57).

Later, a famous economist Milton Friedman participated in the CSR⁵ debate initiated by Bowen’s book. He presented his critique early in *Capitalism and Freedom* with Rose Friedman (1962), but most famously in an essay, *The Social Responsibility of Business is to Increase its Profits*, for New York Times in 1970. He questions the thematic that “business” has responsibilities, asking “[w]hat implies for whom?”. Similarly to Bowen, he considers that only individuals can have responsibilities, and managers are the ones who make these responsibility decisions. He argues that social responsibility is an act by a manager, which is not in the interest of the manager’s employers, the shareholders.

Friedman considers that social responsibility is problematic on two levels. First, social responsibility questions an essential political principle. He argues that social responsibility is like imposing taxes and deciding how to spend them. Meaning there occurs “taxation without representation.” Therefore, the manager takes the roles of legislator, executive, and jurist. Friedman sees that, eventually, the responsibilities managers take, diminish the justification of the capitalist system. The role of a manager becomes to resemble the role of a civil servant. Ultimately, he sees that the views that emphasize the other responsibilities than profit-making are, in fact, socialist viewpoints. By asking for more responsibilities for the business, one admits the accused flaws of the Capitalist system. Overall, Friedman advocates a strict line between politics and the economy. That is, his list of economic goals is restricted to profit-making contrary to Bowen, whose economic goals and societal goals intertwine. Another level of Friedman’s critique is the consequences. He argues that

⁵ There was no “CSR” literally, but I use the term for simplicity.

managers, taking the role of a civil servant, have no expertise to operate in an expanded field. Corporate executive “is presumably an expert in running his company—in producing a product or selling it or financing it. But nothing about his selection makes him an expert on inflation” (Friedman, 2007 [1970], p. 175).

In the case of answering urgent problems, Friedman advocates democratic decisions by the majority. Therefore, the social responsibility of businessmen is not the right solution to tackle issues. However, he is severely against the democratization of companies and extending the political mechanism. He argues that taken seriously, social responsibility “would extend the scope of the political mechanism to every human activity” (Friedman, 2007, p. 178). That “cloak of social responsibility” would harm the foundations of a free society. By political mechanism, Friedman means socialism, which is not compatible with democratic society⁶, according to him (Friedman & Friedman, 1962, p. 15).

Milton Friedman characterizes an exciting contradiction within the liberal theory of GPE⁷. The orthodox liberal position on CSR includes Friedman’s profit-oriented point that questions the whole concept: the only responsibility a firm has is to gain profits for the shareholders. Orthodox liberals also have newer, more positive views that reflect on the significant rise of CSR practices in the past half a century. They emphasize the prospect of voluntary regulation in the case of CSR because government regulation “would stifle innovation and national competitiveness” and that regulation “is also unnecessary because MNCs [multinational companies] are aware of the financial benefits in being socially responsible” (Cohn, 2016, p. 327). Even more positive and optimistic are interventionist liberals, who state that CSR can supplement government regulation, for example, in the grey areas of law. CSR is also considered good for an individual firm’s profitability. So-called “strategic CSR,” compounds social good and firm’s interest. Surprisingly, critical theorists agree with Milton Friedman that CSR does not make a difference for multinational companies (MNCs): that is,

⁶ Friedman emphasizes guaranteeing individual freedom when talking about a democratic society.

⁷ The grand theory groups of GPE/IPE are neomercantilism/economic nationalism, liberalism, and critical approaches. Neomercantilism derives from the realism of IR and see the global political economy as a zero-sum game of relative gains. Liberals, on the contrary, see the global political economy as a positive-sum game focusing on absolute gains. Critical perspectives include a variety of different theories: historical materialism, constructivism, feminism, and environmentalism. What they have in common is that they focus on issues neomercantilism and liberalism tend to overlook. (Cohn 2016 pp. 4-6).

an MNC cannot be socially responsible. However, in contrast to Friedman, they demand more mandatory regulation to tackle issues firms are claiming to handle in the name of CSR. Teivainen (2013) points out the same similarity between Friedman and critical theories than Cohn does. He divides the participants of CSR discussion into three classes: CSR-optimists (liberal interventionist), rightist skeptics (Friedman), and leftist skeptics (radical left).

As mentioned, recent orthodox liberals are more favorable toward CSR than Friedman. Even though contradicting the capitalist system in principle, CSR is seen as a part of rising corporate power by normalizing corporations as substantial actors. The expanding economic sphere reduces the political sphere, causing decision-making to change from democratic to non-democratic. Teivainen (2002, pp. 172–180) calls that diminishing significance of democracy as “monarchization” of democracy. Usually, this expanding economic sphere is associated with privatization and the power of economic institutions, but CSR represents the same phenomenon, but here, the corporations themselves are the actors directly. A similar discussion is how publicly-owned corporations are privatized and how private sector influences spread to the public sector through the rise of public administration theories such as New Public Management. CSR works as a reverse process of the same phenomenon. Social responsibilities move to the private sector where firms self-regulate and communicate how they act responsibly to fill that void of governance. In the 21st century, firms do have their legislators, executives, and jurists as the sustainability “industry” keeps growing. Harrod (2006) remarks how “[t]he management literature demonstrates, and investigatory journalism and whistleblowers reveal, that the current corporation is indeed an example of a bureaucratic organization similar to that usually discussed in relation to governments” (p. 26). Therefore, he argues that organization theories earlier focused on the public sector, such as Weber’s fear of a Kafkaesque bureaucracy, should be applied to the 21st-century corporation (p. 38).

2.3. Nature of big corporations

John Kenneth Galbraith extended the institutionalist framework in *The New Industrial State* (1967). Due to “the exacting technology, [a] large commitment of time and capital,” supply and demand are replaced by the planning of large corporations. That is, most of the government work, like fixing prices and insuring demand, will be done by large corporations in modern capitalist societies

(Galbraith, 1967, p. 32). Further, he argues that the planning of large corporations in the capitalist system and the planning of the state in the socialist system had converged to resemble each other, at the expense of the market (p. 108). Galbraith states that the time of an entrepreneur is over. He recognizes the separation of ownership and control in a corporation. However, contrary to Berle and Means, Galbraith goes further and argues that the role of management in decision making is replaced too (pp. 70–71). To demonstrate who has the power in large corporations, Galbraith introduces a concept of “technostructure.” It illustrates a group of analysts within an organization who do not strive to maximize profits but to maintain and possibly expand the organization while staying in power. That is anecdotal to the phenomenon discussed in the rational choice theory of public administration: According to empirical evidence, bureaucrats maximize the control to the budget, not the size of the budget (Niskanen, 1994, p. 269; Frederickson et al. 2016, p. 203). For technostructure, when the necessary amount of profits is ensured, and profit-making is a choice, not a necessity, *autonomy* is what matters. Therefore, corporations are troubled by government regulation, even if their profits are not threatened (Galbraith, 1967, pp. 169–171). That is similar to the realist approach to a corporation where the firm seeks for economic, social, and political power first. That is, “surplus generating may be postponed in favor of power-seeking” because making surplus is easier with a broader power (Harrod, 2006, p. 39).

The characteristics of a corporation work as presuppositions in economic theories. Anwar Shaikh (2016, chapters 7 & 8) considers perfect competition of mainstream economics and imperfect competition of heterodox economics both insufficient. He does not consider perfect competition plausible, primarily because it requires impossible expectations, like rationality and the similarity of corporations. Galbraith, too, criticizes the simplistic nature of the discipline demonstrating, that “there is not such a thing as [a] corporation. Rather there are several kinds of corporations all deriving from a common but very loose framework” (Galbraith, 1967, p. 73). Also, according to Shaikh, imperfect competition is insufficient because it depends on the perfect competition dichotomy. Thus, Shaikh introduces real competition, that compares competition to war where firms seek to undermine each other by lowering costs and cutting prices in turbulent conditions to prevent the profits of a competitor. The notion that prices are not given was already emphasized by Berle and Means (1933). Instead of an atomistic economy, they introduce a corporate economy. In which markets are concentrated, corporations administrate internal economic activities, no

bargaining exists, and the interest rate is determined administratively. The doctrine of administrative prices does not only point out how the firms determine prices but how institutional and human nature affect the economy (Lee, 1988, p. 16). These points demonstrate how Friedman's normative view of how the economy and politics should be separated was not the reality in the 20th century. Due to the rise of CSR in the late century, it is now even more impractical.

Various matters affect how a corporation is socially constructed over time. Mizruchi and Hirschman (2010) argue that in the post-World War II period, "[t]he separation of ownership from control helped create a class of managers with a relatively moderate, pragmatic approach to the concerns of the larger society" (p. 1107). That is visible in the extensive list of "economic" goals that Bowen aligned with social responsibilities. There was a sub-set of businesspeople that were not entirely conservative. Mizruchi and Hirschman argue that this increased social responsibility, or moderate stance, was due to "three countervailing forces: (1) a relatively powerful and active state; (2) a relatively powerful and well-organized labor movement; and (3) a financial community capable of mediating conflicts of interest among firms and disciplining recalcitrant individual capitalists" (p. 1085). However, by the end of the 1970s, all the countervailing forces were weakened. In the 1980s, acquisitions brought shareholders back to a better position. "In the single decade of the 1980s, fully one-third of the Fortune 500 manufacturers disappeared, in most cases the result of acquisition by other firms rather than dissolution" (p. 1100). Managers were superseded by the Wall Street investors. They had now aligned incentives with shareholders: their compensations were linked to the stock price (p. 1099). The moderate stance of the post-war era has distanced even further when coming to the 21st century. In 1983, the Business Roundtable recommended a tax increase for responding to the high deficit and President Reagan's income tax cuts. In 2004, the Business Roundtable faced an identical situation regarding President Bush's tax cuts, but the Roundtable remained silent on the issue. Deficits were considered a big problem, but there was no mention of the relation of tax cuts and public deficit. Mizruchi and Hirschman see that "as the breakdown of business collective action, the increasing inability of the leaders of the corporate community to support a position consistent with society's—and ultimately its own—long-term interest" (p. 1105). The development of mainstream CSR theories is aligned with the changes in the character of a corporation since the 1970s.

2.4. Mainstream CSR tradition: integrating profits to responsibilities

After Bowen, the second influential figure of modern CSR debate is Archie B. Carroll. In the article published in 1979, he presents a three-dimensional conceptual model of corporate performance. The dimensions are social responsibility categories, social issues involved, and the philosophy of social responsiveness. Social responsibility categories are different types of responsibilities: economic, legal, ethical, and discretionary⁸. Carroll takes advantage of earlier definitions of corporate social responsibility. For example, economic responsibilities are similar to Friedman's view. The second category, or dimension, represents the issues for which a social responsibility exists. Carroll divides the issues into consumerism, environment, discrimination, product safety, occupational safety, and shareholders. However, he is not clear about the particular problems because he recognizes that social issues change and differ by industry and by time. The third dimension is the philosophy of response. The choices of response are defense, accommodation, and proaction. It is about the strategy of how the business reacts to the assumed social responsibility issue. This thematic is derived from William Frederick's social responsiveness, which is referred to as CSR-2: "Corporate social responsiveness refers to the capacity of a corporation to respond to social pressures" (Frederick, 1994 [1978], p. 154). The strategic emphasis of this CSR-2 is highlighted by Carroll when he compares corporate social responsibility to corporate social responsiveness. He states that the latter "has no moral or ethical connotations but is concerned only with the managerial processes of response," whereas the former has morals and ethics involved (Carroll, 1979, p. 502).

⁸ Later in 1991, Carroll introduces a pyramid model of CSR, which is based on the social responsibility categories. From the bottom of the pyramid are economic responsibilities, legal responsibilities, ethical responsibilities, and on the top, philanthropic responsibilities. (Carroll 1991).

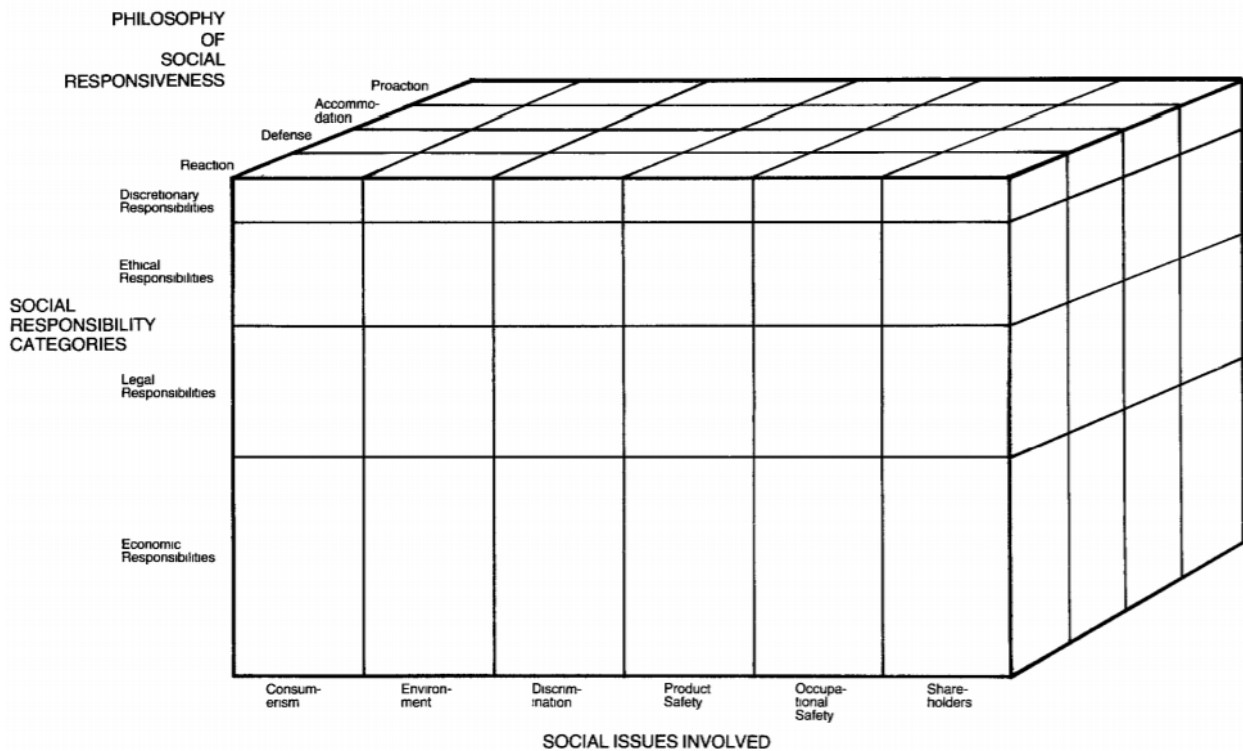


FIGURE 2 (CARROLL, 1979)

As a whole, those dimensions construct a cube (see Figure 2). It aims to help perceive a distinction between different definitions of social responsibility and to clarify the social responsibility concept in academia. Whereas for managers, it aims to assist “in understanding that social responsibility is not separate and distinct from economic performance but rather is just one part of the total social responsibilities of business” (Carroll, 1979, p. 503). According to Lee (2008, p. 60), “[t]he most important contribution of the model is that the three-dimensional model does not treat the economic and social goals of corporations as incompatible trade-offs.” Wartick and Cochran (1985) and Wood (1991) elaborated further on the Corporate Social Performance (CSP) model. Wartick and Cochran modified the dimensions to consist of principles, processes, and policies. In turn, Wood tried to link the model to other theories like “organizational institutionalism, stakeholder management theory and social issues management theories” (Lee, 2008, p. 60). However, despite the modifications, the CSP had one major flaw: it was impossible to test the model empirically. In practice, “the lack of objective and behavioral measurement made it difficult to compare the social performance of different firms” (Lee, 2008, p. 60).

Wickert and Risi (2019, pp. 25–28) consider that the contribution of Bowen and Carroll concerns the ethical motives of CSR. The ethical motive for CSR is centered on the question: “what is the right thing to do?”. Garriga and Melé (2004) divide various CSR theories of business studies into four categories. One of the categories is ethical theories, which state that the relationship between business and society is embedded in ethical values. Theories include the *universal rights* and *sustainable development* approaches that arise from international organizations. The former takes Human Rights and the UN Global Compact with its nine principles regarding the areas of human rights, labor, and the environment as the basis for CSR. The latter is linked to the Brundtland Report in 1987 by the World Commission on Environment and Development. Later, the definition of sustainable development has broadened to include a social dimension too. (Garriga & Melé, 2004, p. 61–62).

However, it is insufficient to explain CSR by ethical motives alone. Another category Garriga and Melé have is instrumental theories. Already Carroll refused to consider economic and social goals as incompatible trade-offs but, for instrumental theories, the tenet is that a corporation is an instrument for wealth creation, and CSR is considered as a tool for financial performance. This category includes three groups of theories. First, the *maximizing shareholder values approach* is derived from the Friedmanian view and resembles the recent orthodox liberal views. The approach sees that the sole purpose of a corporation is to make profits, and therefore CSR is only relevant when it benefits the corporation itself. Maximizing shareholder value is oriented on short-term profits, whereas *strategies for achieving competitive advantages* focus on long-term profits. This group of theories has three approaches that focus on achieving long-term social objectives and creating a competitive advantage. *First*, social investments in a competitive context approach, represented by Porter and Kramer (2002) argue that “philanthropic activities may be the only way to improve the context of competitive advantage of a firm” because – opposite to Friedman – “the firm has the knowledge and resources for a better understanding of how to solve some problems related to its mission” (Garriga & Melé, 2004, p. 54). *In turn*, the natural resource-based view of the firm and its dynamic capabilities approach highlights the firm’s “interplay of human, organizational, and physical resources over time” to outperform its competitors (Garriga & Melé, 2004, p. 54). *Finally*, strategies for the bottom of the economic pyramid have a developmental take on CSR. The strategies emphasize the possibility of serving poor people while making profits in developing

countries. The last group of instrumental theories includes *marketing-related views*, such as cause-related marketing, which considers a firm’s reputation and product differentiation-related issues. CSR creates an honest and reliable reputation for the firm that makes consumers believe that the products are of high quality as well (McWilliams & Siegel, 2001, p. 120). That is implemented by product differentiation, like fair trade certifications, and participation in activities such as cultural and sports events. What is common to these instrumental theories is that the activities enhance both CSR and CFP (corporate financial performance). Another term to describe instrumental CSR is Strategic CSR (see Figure 3).

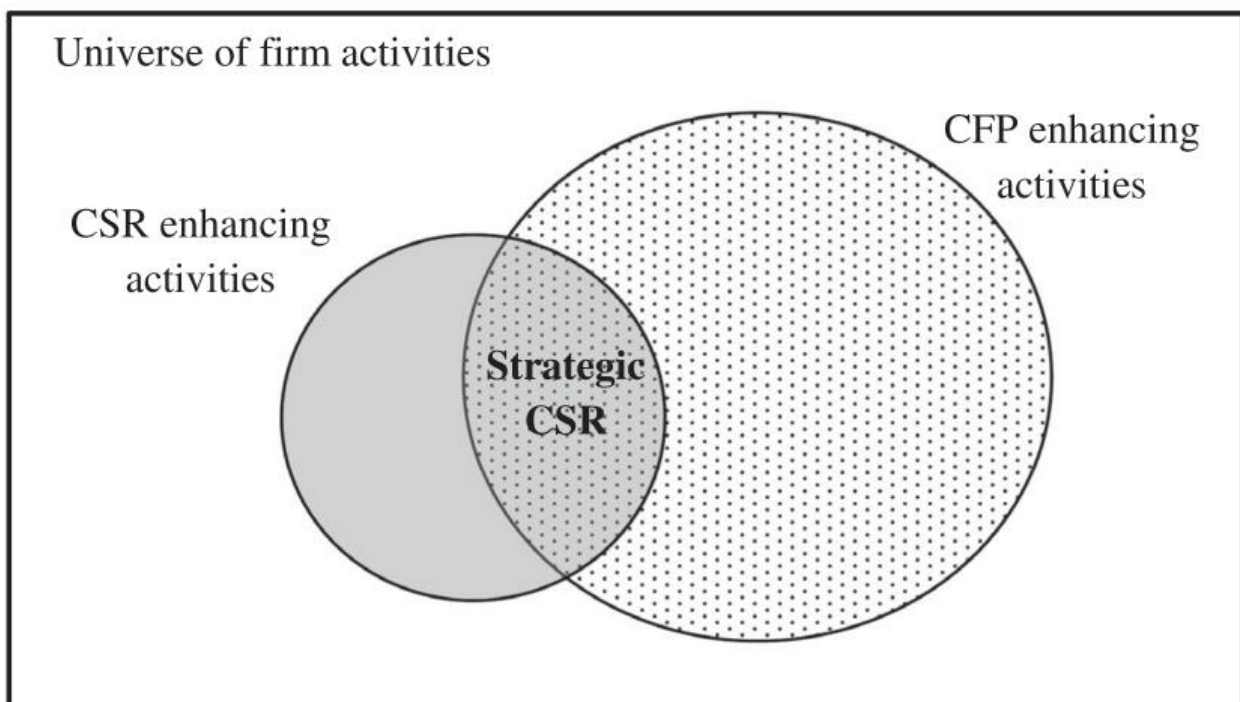


FIGURE 3 (VISHWANATHAN, 2019)

Wickert and Risi (2019, p. 28) introduce four factors that provide an instrumental motive for CSR. The first three of the motives are profit-oriented, whereas the last one concerns corporate power. First, CSR programs contribute to job performance and productivity by attracting talent, increasing employee engagement, motivation, and satisfaction, and reducing employee retention. Second, moving from internal to external audiences, CSR can help to gain reputation by enhancing the trust and support of consumers that leads to increased sales. Third, CSR has the potential for cost-cutting in operations. For example, “the implementation of eco-efficiency or recycling measures leads to energy savings and reductions in waste and raw materials used” (p. 28). Fourth, voluntary

commitment to CSR initiatives may retain corporations independent from the increase of government regulation.

Garriga and Melé have two more categories. First, political theories bring in political considerations and analysis. Davis (1960) developed a theory called *corporate constitutionalism*. It resonates with early institutionalists because it considers “that business is a social institution and it must use power responsibly” and criticizes the concept of perfect competition (Garriga & Melé 2004, p. 55). Davis explored the power that business has in society and introduced “business power as a new element in the debate of CSR” (Garriga & Melé, 2004, p. 55). Thus, because of the social power businesses have, they also have social responsibilities. Another political CSR theory, *corporate citizenship* began in local communities. However, since the 90s, it has tried to give an account of the crisis of the Welfare state and globalization, the reality where “large multinational companies have greater economical and social power than some governments” (Garriga & Melé, 2004, p. 57).

Second, integrative theories emphasize the dependency between society and business: the former guarantees the business’s existence and has social demands for it. Moreover, those demands should be integrated by corporate management because it gains legitimacy and prestige by that. One of the sub-theories is *issues management*, a successor of social responsiveness, which focuses on the gap between the organization’s performance expected by the public, and its actual performance. These gaps are usually located in the “zone of discretion” (Ackerman, 1973). Issues management itself includes the definition of social responsiveness “but emphasizes the process for making a corporate response to social issues” (Garriga & Melé, 2004, p. 58). Issues management has a strategic tone and focuses on responses to crises and pressures and how to minimize surprises.

In addition to ethical and instrumental reasons discussed earlier, Wickert and Risi go further to relational motives for CSR. They argue that due to the institutionalization of CSR, the differentiation and profit-making through CSR has become more difficult. Therefore, it is required to go beyond the instrumental motives of CSR. Thus, they introduce relational motives that are linked to the stakeholder theory and institutional theory. They argue that CSR activities are “a reaction to the judgement about those issues of other parties that are mostly external to the firm” (Wickert & Risi,

2019, p. 37). The list of stakeholders includes consumers; NGOs, activists, and civil society groups; governments and regulatory authorities; socially responsible investors; employees; and other corporations like competitors, buyers, and suppliers. Furthermore, they argue that “ethical driver plays a rather marginal role and the instrumental is in decline,” whereas they suggest that “companies engage in CSR for relational reasons” (p. 43).

Wickert and Risi rely on Campbell’s study (2007), which “provides a comprehensive account of the interplay of various relational motives for CSR which are all linked to the influence of different stakeholder groups and how those groups can push business firms towards accepting greater responsibility” (Wickert & Risi, 2019, p. 40). However, further look to the relational motives shows that many of those are, in fact, instrumental regarding corporate power. For example, “the effect of regulatory threat is probably one of the key motives why companies engage in CSR” (Wickert & Risi, 2019, p. 41). And as Campbell puts it: “It is important to understand that regulation is not always the responsibility of the state. Often, industries establish their own regulatory mechanisms to ensure fair practices, product quality, workplace safety, and the like by setting standards to which their members are expected to adhere” (Campbell, 2007, p. 955). Therefore, “[c]orporations will be more likely to act in socially responsible ways if there is a system of well organized and effective industrial self-regulation in place to ensure such behavior, particularly if it is based on the perceived threat of state intervention or broader industrial crisis and if the state provides support for this form of industrial governance” (Campbell, 2007, p. 956). That shows that the “relational” motives might cover instrumental motives. Especially if the instrumental motives are not just maximizing short-term profits, but broader, including long-term profits and corporate power/self-maximizing. At least one of the instrumental motives by Wickert and Risi, the one considering government regulation, is related to corporate power rather than direct profit-maximizing. Also, two of the instrumental motives: external audiences and government regulation, are relational. As different theory groups introduced by Garriga and Melé, and division to ethical, instrumental, and relational motives by Wickert and Risi show, there is no clear border in the literature between what is instrumental and what is not. This study considers broad instrumentalism in Chapter 4.

2.5. CSR meets Governance

CSR research is criticized due to its neglect of institutions. Brammer et al. (2011) consider the mainstream CSR studies, which the categorization by Garriga and Melé represents, are lacking the societal aspects, and the CSR debate is dependent on agency theory. Brammer et al. underline that “[c]orporations are not just passive players in a global economy whose social impacts follow a simple profit-maximization rationale with little relevance beyond the confines of the corporate sphere” (p. 6). Also, the responsibility in the CSR debate is quite-essentially voluntary. They emphasize that “[t]he corporation has always been a political creation,” created by the state to facilitate the accumulation of capital. They advocate institutional theory in understanding CSR as a mode of governance and see that as a promising attempt to bridge the boundaries of business and society.

To better understand CSR, it is crucial to recognize the broader picture. As Brammer et al. mention, CSR is a form of governance. Cohn (2016) defines governance as “[f]ormal and informal processes and institutions that organize collective action”; and global governance as “[f]ormal and informal arrangements that provide a degree of order and collective action above the state in the absence of global government” (p. 413). Held (2010) describes the three characteristics of global governance. First, it is multilayered: solving global issues requires coordination of global, regional, national, and local agencies. Second, it is multidimensional. That is, the type of governance differs from sector to sector. Finally, “global governance is a multi-actor complex insofar as diverse agencies participate in the development of global public policy” (Held, 2010, p. 32). Jessop (2016) distinguishes four modes of governance: exchange, command, dialogue, and solidarity. Failure in these lead to meta-governance: meta-exchange could mean redesigning markets, metacommand organizational redesigning, metadialogue reordering networks, and metasolidarity developing new identities. To tackle the failures of meta-governance, third-order governance, collibration, aims to take responsibility for the overall balance of governance. (Jessop, 2016, pp. 169–174).

Why then, in the first place, do corporations face social expectations increasingly? Wickert and Risi (2019, p. 15) introduce three regulatory gaps that explain why corporations have taken the role of government in certain areas. First, due to privatization, liberalization, and deregulation, “[g]overnments are no longer providing social needs.” For instance, companies operating in

healthcare, education, or public safety, “face many of the social expectations hitherto directed at governments and the political sphere in general.” Second, especially in the less-developed countries “[g]overnments are unable or unwilling to address social needs.” Thus, private companies start building infrastructure and hospitals for communities they operate. Therefore, companies have the expectations that the governments used to have. Third, corporations are, in many ways, more global actors than governments, who “cannot address social problems beyond national boundaries.” Due to the global reach of issues such as climate change, the public expects businesses to address it. However, “globalization of responsibility,” in the case of climate change, means that corporations can move to countries where standards are rather low, underlines a big flaw of global governance. (Wickert & Risi, 2019, pp. 14–16).

In GPE, the Varieties of Capitalism (VoC) approach has a branch considering CSR too. Matten and Moon (2008) offer a conceptual framework for a comparative understanding of CSR. They rely on VoC, which distinguishes between liberal market economies (LME) and coordinated market economies (CME). The contribution they have to comparative CSR is the distinction between explicit and implicit CSR. Roughly, the former describes the American variation of CSR and the latter the European one⁹. Explicit CSR “[c]onsists of voluntary corporate policies, programs, and strategies,” whereas implicit CSR “[c]onsists of values, norms, and rules that result in requirements for corporations” (Matten & Moon, 2008, p. 410). In explicit CSR, the responsibility is more of an internal one in the corporation, for the society’s interests. Whereas implicit CSR emphasizes the role of a corporation within society among a great number of groups in society. Matten and Moon introduce seven features¹⁰ that explain the differences between the U.S. and Europe in the early 2000s. One of the features is the nature of a firm that crystallizes to the question of who owns firms. In the U.S., firms are more market based, with contract-based ownership. Whereas, for instance, in Germany, there is a higher amount of direct or alliance ownership. That leads to the difference that in Germany, as in Europe, more generally, corporations have established a wide range of relations with societal stakeholders. (Matten & Moon, 2008).

⁹ However, as Mizruchi and Hirschman (2010) describe, due to the change of the social construction of a corporation in the U.S., the American post-war “CSR” was more implicit in these terms.

¹⁰ Features are the political system, financial systems, education and labor systems, cultural systems, nature of a firm, organization of market processes, and coordination and control systems.

3. Climate Responsibility: ExxonMobil and Shell

This chapter answers the first research question of the thesis: What kind of climate responsibility do ExxonMobil and Shell practice? The focus is on reactions to climate science and climate regulation, future objectives, and the actual changes the oil companies have in the business model. Also, the phenomenon of greenwashing is considered: that is, the difference between climate statements and practices. Further, this chapter examines the differences and similarities between the case companies and; gives explanations of how and why ExxonMobil and Shell have different approaches to climate responsibility in some respects and, on the other hand, converge in other aspects. This chapter gives a foundation for the fourth chapter, where I examine how profit-maximizing and pursuit of corporate power explain the climate responsibility of oil companies.

The oil industry displays two significant contradictions in practicing climate responsibility. First, on a broader level, as mentioned in Chapter 2, Milton Friedman argues that CSR contradicts the profit-making responsibility and threatens the justification of the capitalist market economy. He even compares this substitution of profit-making responsibilities to the taxation without the representation. Thus, a company is sacrificing its profits to operate in the area of the public sector. According to Friedman, the expanding responsibilities would increase the pressure to democratize companies, which is what he opposes (Friedman, 1970). Second, more specifically, the basis of an oil company's business causes climate change. Whereas at the same time, in the sustainability reports, the aim is to mitigate climate change. The goal is declared, but they are running backward. That is the fundamental greenwashing in the context of climate change.

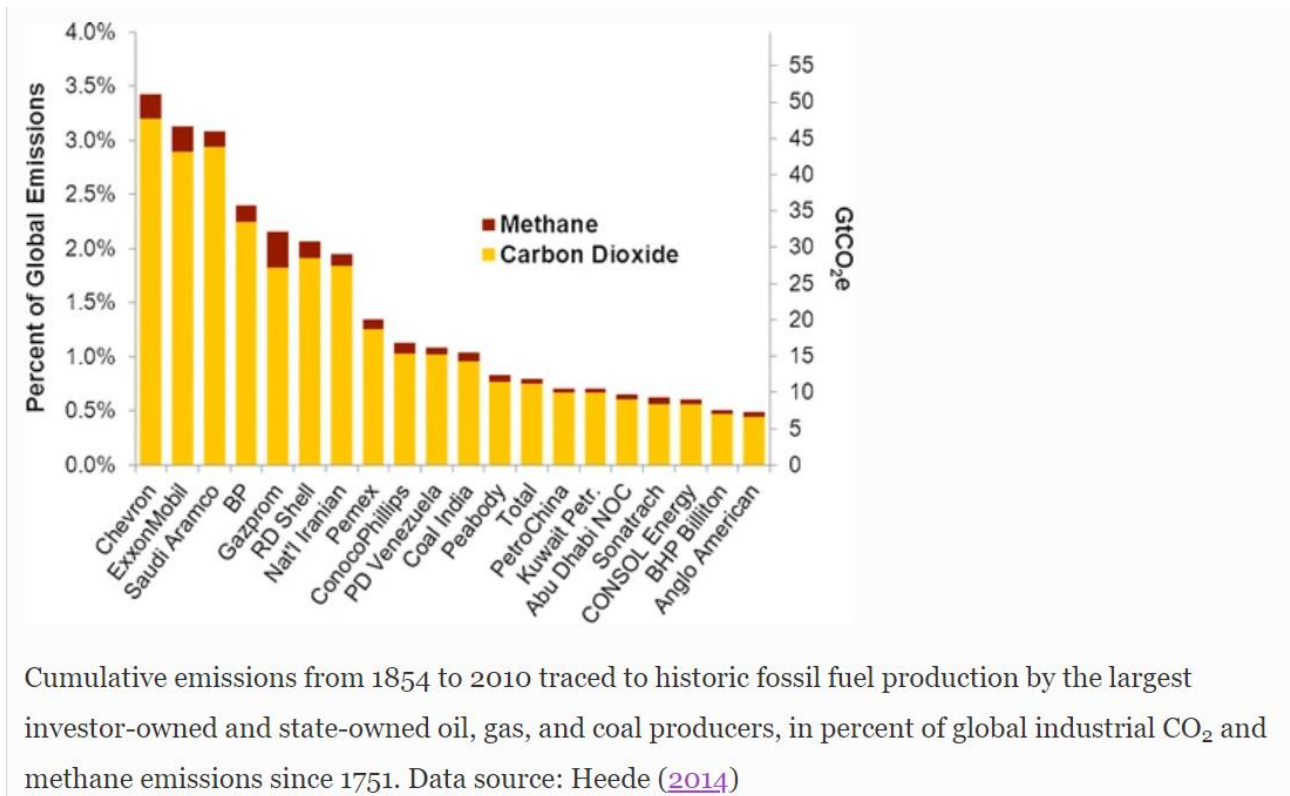


FIGURE 4 (FRUMHOFF ET AL., 2015)

Even a single oil company has had a massive contribution to climate change, let alone the whole oil industry (see Figure 4). 90 producers of oil, natural gas, coal, and cement – so-called carbon majors – “represent 63 % of global industrial CO₂ and methane from fossil fuel combustion, flaring, venting, fugitive or vented methane, own fuel use, and cement between 1751 and 2010” (Heede, 2014, p. 234). 56 of these 90 are crude oil and natural gas producers. Still, the oil industry remains a significant part of the global political economy. To argue that the world economy is oil-dependent is not an overstatement because “approximately 90% of the supply chain of all industrially manufactured products depend on the availability of oil derived products, or oil derived services” (Michaux, 2019, p. 1). However, the industry is on the verge of great change. A report by the Geological Survey of Finland¹¹ argues that the economic viability of the global oil market is threatened soon. The oil is not running out, but it is becoming too costly to exploit it. Approximately 70% of the daily oil supply comes from oil fields discovered before 1970, discoveries peaking in 1962, and only small oil fields have been discovered since 2006. “Global conventional crude oil plateaued in January 2005. That would prove to be a decisive turning point for the industrial ecosystem”

¹¹ Author: Simon Michaux

(Michaux, 2019, abstract). Since 2008 fracked oil has become more significant. In 2018 the U.S. fracking (/tight oil) sector “accounted for 98% of global oil production growth in 2018” but most actors in the U.S. fracking sector face economic issues too, struggling to finance the upstream¹² infrastructure (Michaux, 2019, abstract).

At the industry level, the trend is to move from oil to energy, at least in the statements. Ultimately this is manifested to whether the company considers itself an oil/gas company or energy company. Pickl (2019) analyses the activity in renewable energy markets and proved oil reserves of eight major oil companies. He aims to examine whether the companies have transformed from oil to energy companies. In his categorization, Equinor¹³, Eni, Total, Shell, and BP pursue strategies to transit from oil to energy, whereas Chevron, Petrobras, and ExxonMobil do not. ExxonMobil and Shell represent the opposites regarding the investments in renewables (see Figure 5). Pickl suggests that “[o]il majors with less proved oil reserves to tap into seem to be moving into the renewable space faster with the aim of developing more diverse and less volatile portfolios sooner” and “[t]hose companies with large pools of oil reserves, remarkably including U.S. majors with especially low breakeven oil assets, are rather selecting the strategy to embrace the renewable industry at slower pace” (Pickl, 2019, p. 7). This chapter aims to understand the climate responsibilities of two oil companies with different strategies: ExxonMobil remaining as an oil company, and Shell eager to transform into an energy company.

¹² In the petroleum industry, *upstream* means the business done in the lower end of the production chain: that is, e.g., the exploration of new oil fields and drilling. *Downstream*, on the other hand, means the business of converting raw resources into final products.

¹³ Former Statoil

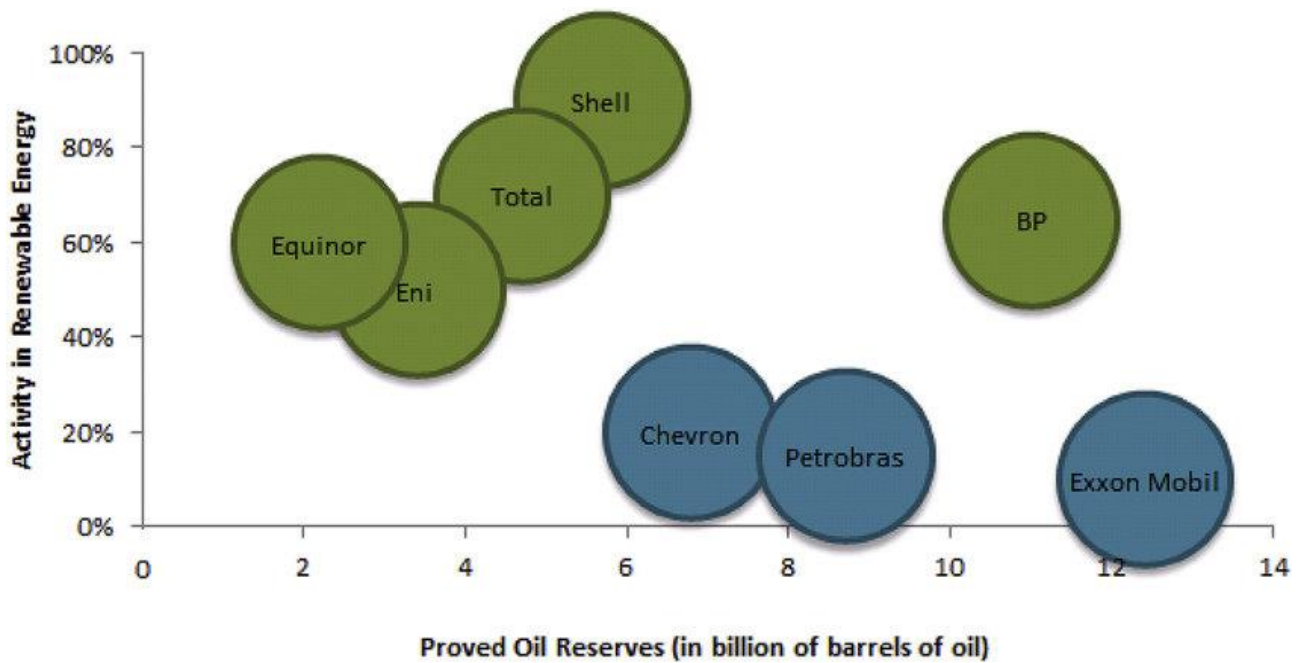


FIGURE 5 (PICKL, 2019)

3.1. ExxonMobil – a controversial case?

3.1.1. Historical background

The origin of ExxonMobil traces back to John D. Rockefeller's Standard Oil Company, established in 1870. Following an over decade-long proceeding, in 1911, by the decision of the Supreme Court of the United States, Standard Oil was broken up into 34 companies due to its monopoly position¹⁴. Two of the emerged companies were Standard Oil Company of New Jersey and Standard Oil Company of New York, later known as Exxon and Mobil, respectively. Later, both belonged to the Seven Sisters¹⁵, a cartel that dominated the global oil industry before the 1973 oil crisis. On November 30, 1999, Exxon and Mobil merged as Exxon Mobil Corporation, Exxon being the buyer. The main reason for the merger was to scale up and compete with the state-owned oil companies. Also, the merger suited Exxon because Mobil's oil resources were more radically distributed around the globe and, therefore, complemented the conservative, upstream strategy of Exxon, centered on North America and Europe. At the organizational level, the reorganization due to the merger meant that the more hierarchically organized Exxon transformed into a more decentralized company

¹⁴ Standard Oil Co. of New Jersey v. the United States

¹⁵ Due to mergers, nowadays, the descendants of Seven Sister are represented by four transnational oil companies: BP, Chevron, Royal Dutch Shell, and ExxonMobil

(Skjærseth & Skodvin, 2001, pp. 44–45). (ExxonMobil, 2018a; Statista, 2020; Skjærseth & Skodvin, 2001; Coll, 2012, pp. 60–66).

However, environmental controversies have darkened the recent decades of ExxonMobil and its predecessor. The most notable is the Exxon Valdez oil spill in Prince William Sound in Alaska in 1989. Over 11 million gallons of crude oil spilled into the ocean, causing the deaths of approximately “50,000 seabirds, 2,800 sea otters, 300 harbor seals, 250 bald eagles, up to 22 killer whales, and an unknown number of salmon and herring” (BBC 1999). Only two species, river otters and bald eagles have recovered from the spill. The accident caused Exxon more than economic losses; it lost credibility and environmental reputation (Skjærseth & Skodvin, 2001, p. 79). The company officially regrets the accident and has changed the procedures to avoid similar incidents. However, the victims “maintain that Exxon has made profits on the delayed award, manipulated scientific information and presented lies since 1989” (Skjærseth & Skodvin, 2001, p. 79). However, the Exxon Valdez oil spill “did not lead to any change in the company’s orientation towards climate change” (Skjærseth & Skodvin, 2001, p. 95). The environmental responsibilities remained local, instead of broadening to the global level, where the company operates. In the 21st century, the company has finally addressed the issue of climate change, but its reaction to it remains controversial.

3.1.2. Climate change and greenwashing

ExxonMobil is an interesting case due to its changed attitudes toward climate change in the 21st century. In 2015, ExxonMobil welcomed the Paris Climate Agreement stating that it is “an important step forward by world governments in addressing the serious risks of climate change” and believed that the company “has a constructive role to play in developing solutions” (ExxonMobil, 2016). Therefore, the company criticized the decision of President Trump to withdraw from the Paris Climate Agreement because the U.S. would influence better if it has a seat at the same table with other countries (Bloomberg, 2017). On their website, ExxonMobil emphasizes that they have done climate research for four decades, which “has resulted in nearly 150 publicly available papers, including more than 50 peer-reviewed publications, and nearly 300 patents for cutting-edge technological advances in emissions reductions and other related applications” (ExxonMobil, 2018b). However, there has been continuing controversy over ExxonMobil’s climate change

positions. The #ExxonKnew campaign argues that the company knew the consequences of their business for climate but misled the investors, similar to the tobacco industry in the 20th century. In 2019, ExxonMobil found not guilty of fraud over misleading investors on the climate crisis at the trial in the New York supreme court (The Guardian, 2019). In turn, the academic literature on ExxonMobil's CSR and sustainability confirms that in the past, the company has not been so eager to tackle climate change publicly as it is now.

A study by Supran and Oreskes (2017) assesses and compares the private and public statements of ExxonMobil on anthropogenic global warming (AGW). The study is a content analysis of 187 documents covering a publication period of 1977 – 2014. There are 32 internal documents, 72 peer-reviewed articles, 47 non-peer-reviewed articles, and 36 advertorials. They assess three positions: whether the AGW is real and human-caused, should AGW be considered as serious, and whether AGW is solvable. Regarding whether climate change is human-caused, peer-reviewed publications and non-peer-reviewed documents acknowledge overwhelmingly that AGW is real and human-caused. Most internal documents acknowledge AGW too, but there are some notions about the uncertainty. However, Supran and Oreskes consider that uncertainty as reasonable doubt. As a demonstration of this broad acknowledgment, Henry Shaw, an Exxon scientist, presented an expectation in 1984 that the average temperature will rise 1.3 °C–3.1 °C, which “was comparable to projections by leading research institutions (1.5 °C–4.5 °C)” (Supran & Oreskes, 2017, p. 8). However, advertorials, the editorial style advertisements, have taken a different position, doubting whether AGW is human-caused. The advertorials focus on the uncertainties and cast doubt on the increasing scientific consensus. Therefore, “[s]ignificantly, throughout the late 1990s and early 2000s, ExxonMobil peer-reviewed publications and advertorials in the same years contradict one another” (Supran & Oreskes, 2017, p. 9). Similarly, the message of advertorials differs from other documents regarding the seriousness and solvability of AGW: Advertorials doubt the seriousness of climate change, and 64% of advertorials doubt that it is solvable, whereas only 3% of peer-reviewed papers do so. Thus, Supran and Oreskes conclude that ExxonMobil has contributed to advancing climate science quietly by its scientists but has misled the non-scientific audiences loudly (Supran & Oreskes, 2017, p. 9).

In the study by Supran and Oreskes, the advertorials assessed were from a period of 1989 to 2004¹⁶. Therefore, the study misses the more recent developments in ExxonMobil's statements on climate change and environmental sustainability. The change in attitude occurred when Barrack Obama became the president of the United States after the Bush-regime, and Rex Tillerson became the CEO of ExxonMobil after Lee Raymond. Tillerson advocated a carbon tax. It was a huge turning point for ExxonMobil to demand any regulation at all (Coll, 2012, p. 535). Thus, instead of raising doubts over whether AGW is real, the advertisements in 2009–2011 acknowledge the issue but commit to greenwashing. Plec and Pettenger (2012) argue that ExxonMobil, in their widely aired "Energy Solutions" television advertisements, use a didactic, greenwashed frame. The emphasis is on technological solutions, while the problems tied to consumerism are ignored. In the case of advertising algae-based fuels, Plec and Pettenger argue that the "ads actually discourage consumer environmental activism and interest by posing a didactic frame oriented toward technocratic and authoritarian values" (Plec & Pettenger, 2012, p. 466). By introducing the algae research by Joe Weissman, an ExxonMobil Scientist, the product sold is not the energy but "rather the integrity and optimism of ExxonMobil" (Plec & Pettenger, 2012, p. 466). In this greenwashed frame, science, technology, and the expertise of authorities are highlighted: Oil companies are framed as the caretakers of the environment. The power to control the marketplace and the media even amplifies the message. The didactic frame establishes the authority and goodwill of ExxonMobil's scientists and emphasizes the role of scientific solutions in solving environmental problems. What is important is that climate change is a part of "the dual challenge," which is "meeting the world's growing demand for energy while reducing environmental impacts and the risks of climate change" (ExxonMobil, 2019c). There is no priority to tackle climate change at the expense of meeting energy demand. (Plec & Pettenger, 2012).

To complement the lack of advertorials since 2004 in the study by Supran and Oreskes, another complementary channel to make a statement to the bigger audience has been the sustainability reports. After the Exxon Valdez oil spill in 1989, public demand for sustainability reporting grew. It lasted until 2002, when ExxonMobil published its first sustainability report, then called the Corporate Citizenship Report (Bell & Lundblad, 2011, p. 22). Bell and Lundblad (2011) argue that first, ExxonMobil's sustainability reporting was "to improve its corporate image with customers;

¹⁶ Internal documents 1977-1995, peer-reviewed 1982-2014, non-peer-reviewed 1980-2014, advertorials 1989-2004.

regulators; politicians; NGOs; and the press” (Bell & Lundblad, 2011, p. 25). By 2005 the reports started to be less ceremonial; ExxonMobil began to use external standards from IPIECA and API, which it was participating in establishing, though. Finally, in 2008 ExxonMobil “allowed a panel of four experts, independent of EM [ExxonMobil], to review the materiality analysis process used to select items for their report and to review EM’s draft 2008 CSR [sustainability report] before it was published” (Bell & Lundblad, 2011, p. 26). Sustainability reports support the argument for a greenwashed frame. In the 2018 Sustainability Report’s Chairman’s Letter, Darren W. Woods praises how ExxonMobil “joined the Oil and Gas Climate Initiative, an international CEO-led energy company effort dedicated to developing practical solutions to climate change in areas such as carbon capture and storage, methane emission reductions and energy and transportation efficiency” (ExxonMobil, 2019a, p. 3). The company admits that in 2018 the methane emissions from their global operations increased due to production growth. However, they highlight how they invest \$1 billion annually in research development across their business and employ more than 20,000 scientists and engineers, which more than 2,200 have PhDs. Also, they highlight how they target 10K barrels per day of algae biofuel and how they have 1/5 of the world’s carbon capture capacity. Here, science, technology, expertise, and the authority of ExxonMobil are highlighted in their climate solutions.

In recent years ExxonMobil has published Energy Carbon summaries that focus on the dual challenge of increasing global energy demand and climate change. In the 2020 Energy & Carbon summary, ExxonMobil advocates only “sound policy that can help facilitate advances in low-emissions technology” to mitigate global warming to 2°C (p. 1). They engage in policy discussions and “assist policymakers seeking expertise about energy markets and technology” (p. 24), but, as a solution, they only advocate the carbon tax and other market-based approaches. Instead, they lay the overwhelming emphasis on technology. So, they help their customers to reduce their emissions by providing better products, and they mitigate emissions in their operations. As a demonstration of their will to tackle climate change with a “sound” policy, they emphasize how the Paris Agreement does not require that they should reduce production. “The structure of the agreement recognizes that energy-related emissions are driven by society’s demand for energy – not its supply. Improved efficiency, effective government policies and informed consumer choices are more effective measures to address demand” (p. 35). Also, they emphasize how “substantial new investments are

required in both oil and natural gas capacity to meet [that] demand, even under the assessed 2°C scenarios” (p. 10).

ExxonMobil does rely on a compromise between assessed baseline scenarios and assessed 2°C scenarios of “[a] comprehensive multi-model study coordinated by the Energy Modeling Forum 27 (EMF27) at Stanford University” (p. 9). That average scenario indicates that “primary energy demand on a worldwide basis is projected to increase about 0.5 percent per year on average from 2010 to 2040” (ExxonMobil, 2019d, p. 42). The company assures that all energy sources will remain important in the climate solution. “With oil and gas a key part of the future energy mix across all of the assessed 2°C scenarios, it is important to consider the investments needed to meet society’s demand” (ExxonMobil, 2019d, p. 43). New investments in oil and natural gas are required to match the slightly growing demand for oil and natural gas. Whereas, they have not invested in traditional sources of renewable energy, wind, and solar; because they consider that those sources have not had new technological breakthroughs. For ExxonMobil, these climate scenarios are for a relatively short timescale to justify the continuing demand for oil and gas in the near future without taking responsibility for changing the business model toward renewables. (ExxonMobil, 2020).

Parafiniuk and Smith (2019) define the greenwashing of extraordinary level as such: “companies create a sustainability report, dedicate pages on their website touting their environmental stewardship, spend money on projects that make them appear ‘green’ and at the same time spend millions of dollars lobbying the government to decrease environmental regulations and stop any plan to curtail carbon emissions” (Parafiniuk & Smith, 2019, p. 1). Parafiniuk and Smith use the term “green gilding” to describe “the process of creating a veneer of sustainability while actively fighting against sustainability through actions, funding, and lobbying” (Parafiniuk & Smith, 2019, p. 2). They analyze the money spent by three companies, ExxonMobil, Chevron Corp, and Koch Industries, on lobbying to undermine the sustainable policy. However, it is necessary to recall that these corporations also fund the American Petroleum Institute, which supports climate change-denying scientists. In their own approximations, ExxonMobil is currently avoiding 15% of the emissions that *would be emitted* if they had not taken steps to mitigate emissions. Nevertheless, their emissions are trending only slightly lower: “their 2017 emissions are down approximately 3% from 2008 but less than 1% from 2009 numbers” (Parafiniuk & Smith, 2019, p. 2). The avoidance of the *would*

have-emissions and the ethos of “40 years of climate science” contradict the fact that still in 2018, ExxonMobil funded the groups that are fighting against government action on climate change, giving \$1.5 million to 11 think tanks and lobby groups that reject the established climate science. In 2018, “ExxonMobil spent \$1,825,138 on direct contributions to people running for office in the US as well as leadership PACs and parties” (Parafiniuk & Smith, 2019, p. 4). 93% of the money was spent on Republican politicians. However, the numbers are nowhere near the amount spent on lobbying, \$11,150,000 in 2018, and \$11,390,000 in 2017. In addition to spent on denying climate science, the focus is on delaying the solutions. The desired policy is a carbon tax because it is a small government intervention, but the most desirable outcome is an “absence of policy.” ExxonMobil is not only promoting inaction; they go beyond classic greenwashing by “actively undermining any possible solutions through who and what ExxonMobil funds” (Parafiniuk & Smith, 2019, p. 4). In practice, ExxonMobil has not shifted its focus away from petroleum-based foundations. They instead highlight how critical their product is. Therefore, ExxonMobil commits to greenwashing of an extraordinary level.

In Pickl’s analysis, ExxonMobil is the worst actor regarding the activity in renewable energy sources, contributing only to biofuels and carbon capture without significant capital investment into renewables. Also, ExxonMobil has the largest proved oil reserves of the eight companies compared. Pickl suggests that there is a link between high (low) activity in renewables and low (high) oil reserves, apart from BP, which has high activity in renewables but also high oil reserves (see Figure 5). Therefore, the lack of ambition by ExxonMobil in mitigating climate change and their slower embracement of renewables is explained by their still upstream oriented business model.

As a summary, the literature gives a schizophrenic picture of ExxonMobil’s environmental CSR. The company has, in fact, “four decades of climate science research,” as it argues and has contributed to climate research (ExxonMobil, 2018b). But, the long-lasting skepticism at the executive level underlines internal contradiction. However, how ExxonMobil has reacted to climate change publicly has changed. In the 1990s and early 2000s, it spread doubt about climate change, even contrary to its research. Nevertheless, in the 2010s, the corporation has changed its public position on climate change, attempting to develop a green image. That is, its research is now acknowledged but used in greenwashing. Publicly, it is one of the “climate warriors,” but, in practice, it continues to prevent

climate actions indirectly by funding the climate deniers. Also, it has relatively large oil reserves and unambitious investments in renewables. Furthermore, if ExxonMobil wants to tackle climate change, it is not through cooperation with the government. The only government intervention it supports is the smallest one, the carbon tax. That indicates that if the company aims to mitigate climate change, it is through CSR and self-regulation, not by demanding more regulation to the industry, where it remains a heavily upstream-oriented actor.

3.2. Royal Dutch Shell – a progressive case?

3.2.1. Historical background

The Royal Dutch Shell Group was formed in 1907 when two companies, Royal Dutch and the Shell Transport and Trading Company, merged on a 60:40 basis. Established by Marcus Samuel, the latter had its roots in shell trade, expanding to transport of oil later by his youngest sons, Marcus and Samuel. The companies retained their separate identities. The merger of the British and Dutch rivals was necessary to compete with the monopoly of Standard Oil globally (Aftalion, 2001). And so, the merger meant rapid expansion for Shell in the early 20th century. However, the time after WWII was financially rough for Shell. To face the challenging circumstances: the volatile market for oil and expensive reconstruction, Shell built new refineries in the U.K. and focused on exploration in Africa and South America, and later in the Middle East. The company reacted to the changing oil prices in the 70s and 80s by diversifying and researching the drilling techniques to drill more cheaply. In 2005 the merger was finally completed when companies unified entirely and based the headquarter in The Hague. (Doran, 2017; Shell: Company History; Tulder & Zwart, 2006, pp. 289–297).

In the 90s, Shell was in the middle of an environmental conflict in the Niger Delta. The presence of the oil companies, especially Shell, which found oil in Niger Delta in 1956, was threatening the rich biodiversity and sensitive ecosystem of the delta. Shell formed close ties to the government, leading to a situation that, for many communities, there was not much difference between the state and the oil company (Ibeanu, 2000, p. 21). The conflict culminated in the execution of nine Ogoni activists by Nigeria’s military rulers, who backed Shell and the other oil companies operating in the area. When the military dictator General Sani Abacha died, the operation of crude oil companies was paralyzed in Nigeria when “[a]ngry youths seized oil wells, terminals, and flow stations

belonging to companies like Shell, Chevron, and Mobil, and took numerous hostages for ransom” (Ibeanu, 2000, p. 19). However, Shell continued to operate in Nigeria, causing two large oil spills more in Niger Delta in 2008. In 2013 a Dutch court ruled Shell to be held partially responsible for pollution in the Niger Delta. (The Guardian, 2011; Reuters, 2018).

Greenpeace has crossed swords in particular with Shell. First, with environmental reasons. Shell’s attempt to sink the Brent Spar, a redundant oil storage installation in the North Sea off the Scottish coast in 1994, caused the greatest controversy. Consequently, 30 Greenpeace activists occupied the Brent Spar to prevent the sinking. This David versus Goliath situation triggered media attention, and civil society reacted: there were extensive boycotts against Shell and vandalism occurred in its petrol stations in Germany. Eventually, the situation settled when “the Norwegian government offered to stall the Brent Spar in one of its fjords before its dismantling” (Tulder & Zwart, 2006, p. 293). After all, the objective of the campaign was to prevent the sinking of the hundreds of other platforms. It succeeded due to an EU convention, which “should ensure that the remaining 400 hundred platforms won’t end up at the bottom of the ocean” (Tulder & Zwart, 2006, p. 297). However, later, Greenpeace admitted that it used exaggerated information to change the general attitude. That caused its reputation to deteriorate too. Later, the critique of Greenpeace has focused on Shell’s climate change actions.

3.2.2. Greenwashing, business model, and climate change

In 2012 Greenpeace assessed the green acting versus green behaving of big corporations 20 years after the 1992 Earth Summit. Its assessment of Shell is crushing. At the time, Shell’s portfolio was, in fact, “the most carbon intensive of the supermajors,” even “more carbon intensive than ExxonMobil, normally considered the ‘bad guy’ compared to Shell and BP, which have embraced environmental rhetoric more enthusiastically” (Greenpeace, 2012). Even though Shell has been more progressive on renewables in recent years (Pickl, 2019; Parafinuk & Smith, 2019), it has committed to greenwashing too. First, even if the company has invested more in renewables than its competitors and has taken a stance openly against climate change, Shell’s PR campaigns understate their dirty side of the business and highlight the clean energies. Second, it has committed to so-called Ad Bluster greenwashing that occurs when “advertising or PR campaigns overstate

environmental achievements to divert attention away from more fundamental environmental problems” (Wickert & Risi, 2019, p. 64). Further, compared with ExxonMobil, at least in the early 2000s Shell’s greenwashing was even worse than ExxonMobil’s. Because the latter, even though “considered as having a worse ecological performance” communicated its CSR credentials less aggressively (Wickert & Risi, 2019 p. 68).

Shell has its environmental controversies and commits to greenwashing like ExxonMobil and other oil companies. However, its reaction to climate change is not criticized to an extent like ExxonMobil’s is. In the literature, which focuses mainly on ExxonMobil, Shell is often considered as a “better” example, whom to compare. ExxonMobil issued its first sustainability report in 2002, whereas Shell already in 1998 (Bell & Lundblad, 2011). Furthermore, later Shell has contributed to the CSR *walk*, in addition to its big talk. Parafiniuk & Smith (2019) name Shell as one of the “Better Actors,” stating that it “has a reputation as one of the most progressive oil companies with major investments in solar and wind” (p. 8). Shell has an ambitious – relative to other oil companies – aim to half the CO₂ emissions by 2050, which includes both direct and indirect emissions from their products. Also, they aim to transit away from all fossil fuels by 2060. To achieve this, instead of just investing vaguely in research and technology, “Shell is investing up to \$2 billion a year in cleaner energy solutions,” such as wind, solar, and hydrogen (Parafiniuk & Smith, 2019, p. 9). Almost two decades earlier, Skjærseth & Skodvin (2001, p. 69) pointed out the differences between ExxonMobil and Shell in *climate* strategies: ExxonMobil was reluctant toward the problem, whereas Shell acknowledged it. ExxonMobil opposed the Kyoto Protocol explicitly; Shell supported it explicitly. ExxonMobil had no greenhouse gas emission reduction target and measures, whereas Shell did. Moreover, ExxonMobil had low reorientation in business areas, whereas Shell had high. Since the 2000s, ExxonMobil has at least acknowledged the problem. However, it has remained controversial in its relation to climate change as Chapter 3.1. shows. Chapter 3.2.3. below shows how the current strategies of Shell are based on far longer-term scenarios than ExxonMobil’s 2040 climate scenarios.

However, it is important to recall the basic business model of the company when considering the climate *walk*. Royal Dutch Shell plc seeks to create shareholder value through the following activities:

- 1.) exploring crude oil and natural gas worldwide,
- 2.) cooling natural gas to produce liquefied natural gas,
- 3.) transporting and trading oil and other energy-related products,
- 4.) by the portfolio of refineries and chemical plants, and
- 5.) investing in “low-carbon energy solutions such as biofuels, hydrogen, wind and solar power, and in other opportunities linked to the energy transition” (Shell, 2018b).

It is important to recall that still, only one of the five publicly announced core business strategies consider renewables. The organization is divided into Integrated Gas (includes New Energies), Upstream, Downstream, and Projects & Technology. Furthermore, as already mentioned, Shell’s business model differs remarkably from the upstream oriented ExxonMobil. Shell’s Upstream revenues (47,733 \$ million in 2018) are significantly lower than Downstream revenues (340,038 \$ million in 2018) and slightly lower than Integrated Gas (48,617 \$million in 2018). That is, Shell’s income comes from refining crude oil rather than from the exploration and extraction of crude oil.

At the beginning of the 2018 sustainability report, CEO Ben van Beurden highlights the three things at the heart of their sustainability approach. First is the “aim to run a safe, responsible and profitable business” to get the basics right, preventing fatalities – two in 2018 – at Shell locations (p. 1). Second, delivering “energy products that people need and want – and do this responsibly to help shape a more sustainable energy future” (p. 1). Shell strives to be a responsible steward for these energy products. Moreover, the third matter at the heart of Shell’s sustainability is “to make a positive contribution to society,” meaning “paying taxes, boosting local economies and developing talent, as well as investing in education to inspire new generations of people with innovative ideas” (p. 1). That also includes one of the UN’s 17 sustainable development goals: helping to give access to clean and affordable energy. The report discusses many issues, like human rights and safety, but climate change has an overwhelming focus. (Shell, 2019a).

In addition to a broad focus on climate change in the sustainability report, Shell has its own Energy Transition Report. In his message, Chair Chad Holliday emphasizes that Shell has a strategy for the changes in the energy system.

“This strategy is based on creating strong returns for our shareholders and continuing to provide the world with the oil and gas it needs for decades to come. It is based on exploring new business models and technologies to help us find the clear commercial winners in a lower-carbon world” (Shell, 2018a, p. 4).

In his introductory words, CEO Ben van Beurden introduces the three strategic ambitions for Shell, which are also in the sustainability report. The first ambition “is to provide a world-class investment case, which means being the number one company in our sector in terms of total shareholder return.” That means withstanding volatility in oil and gas prices by investing in growing and sustainable objects. The second ambition is “to thrive through the transition to lower-carbon energy by meeting society’s need for more and cleaner energy.” Producing both more and cleaner energy is justified by demand. That is similar to ExxonMobil’s emphasis on growing energy demand, but here the growing demand for green energy is also highlighted. The first and the second ambition relate to profit-maximizing by broadening of the business model and emphasizing the demand. However, the third ambition is essentially CSR-fashioned. It is “to sustain Shell’s societal licen[s]e to operate, to make a real contribution to people’s lives,” to be “a responsible energy company that operates with care for people and the environment” (p. 6). van Beurden believes that the world can achieve the aims of the Paris Agreement and that Shell “will help, inform and encourage progress towards the aims of the Paris Agreement” (p. 7). He assures that, “[u]nderstanding what climate change means for our company is one of the biggest strategic questions on my mind today” (p. 7). Furthermore, Shell’s ambitions can be summed as Wickert and Risi (2019) express Shell’s maxim: “‘we supply energy in the most sustainable way as possible’ instead of ‘we sell petroleum’” (p. 45). (Shell, 2018a).

3.2.3. Scenarios and strategies

Shell is a pioneer in scenario creation. It has had scenarios since 1965 and the more turbulent times. The value of global scenarios lies in “providing the requisite context for business success, helping to train intuition, contributing to organizational learning and cultural engineering, supporting the quality of judgment and leadership, and serving as a collaborative platform”, but seldom directly in decision making (Wilkinson & Kupers, 2015, p. 14). Also, scenarios consider the uncertainties of long-term strategy instead of short-term, forecast-based planning. “Scenarios encourage a deeper

understanding of how changes in the business environment that lie beyond the influence of the organization might impact the success of decisions taken today” (Wilkinson & Kupers, p. 20). An important matter to recognize is that Shell has a practical orientation on scenarios. The company “does not believe its scenarios will or should come true – and whether they do so is not the point” (Wilkinson & Kupers, 2015, p. 86).

Shell has three main scenarios of how future energy systems will evolve in order to guide their business decisions: Mountains, Oceans, and Sky. Mountains and Oceans deliver net-zero emissions that fall short of the Paris Agreement temperature goal¹⁷. In the former, “strong governments and powerful economic actors work together to create stability and maintain their own interests” (p. 18). Whereas in the latter, “competitive markets and a strong private sector are the main engines of change” (p. 18). Sky, however, “assumes that society takes actions so as to meet the Paris goal,” requiring “unprecedented and sustained collaboration across all sectors of society, supported by highly effective government policy” (p. 18). In the report, Shell emphasizes how they are prepared for the Sky scenario in investments, Upstream, and other fractions. So, the company is prepared for the changes that achieving the Paris Agreement’s goals would cause. They are relying on a scenario that assumes highly effective government policy, among collaboration across all sectors of society. They do not demand directly more regulation but recognize the necessity of governments in the battle against climate change. That is different from ExxonMobil, which more clearly argues that the oil industry is the authority to solve the issue.

CEO van Beurden emphasizes the role of the governments further in a speech at The Times CEO Summit in London on June 11, 2019.

“A large part of demand comes down to individual consumer choices. And it is here that governments have a huge role. Regulation. Consumer signals, like well-designed, well-balanced taxes. Incentives, like electric car grants. Government-led carbon-pricing mechanisms to encourage low-carbon choices.” (Shell, 2019b).

¹⁷ The goal of the Paris Agreement is to keep a global temperature rise below 2 degrees Celsius above pre-industrial levels and pursue efforts limiting the temperature even further to 1.5 degrees Celsius (UNFCCC).

However, he states that governments need help. The sectors supplying and demanding energy need to work together to decarbonize energy use. He also underlines that there is no alternative to action and no other plan than Paris.

Shell distinguishes between medium and long term regarding the changing portfolio. In the medium term, to 2030, Shell has “a diverse portfolio – both geographically and across different parts of the energy industry. This means we are not dependent on any individual country or sector. It also means we can respond to change” (p. 26). In the long term, beyond 2030, Shell aims to change its portfolio. They recognize the changing consumer needs and plan to reduce their Net Carbon Footprint. The ambition is demonstrated by the changes that are required for reducing the Net Carbon Footprint to match the energy system in 2050. It means reducing the amount of CO₂e to 43 grams of CO₂e per megajoule¹⁸. The first action required is “[s]elling the output from 200 large offshore wind farms the size of our planned Borssele wind farm in the North Sea”. Second, “[c]hanging the proportion of gas in the total amount of oil and gas we produce, so that natural gas increases from 50% to 75%.” Third, “selling the fuel produced by 25 biofuel companies the size of our joint venture Raízen in Brazil.” Fourth, “[s]elling enough electricity on our forecourts around the world to meet three times the total demand for power in the Netherlands.” Fifth, “[d]eveloping the capacity of 20 CCS [carbon capture and storage] plants the size of our Quest CCS plant in Canada”. And finally, “[p]lanting forests the size of Spain to act as a carbon sink for emissions that still exist.” (Shell, 2018a, p. 54).

Overall, Shell has taken steps toward more sustainable practices. However, its business model is still very dependent on oil products even though it has diversified its portfolio. What is remarkable, however, is the extent of the climate “talk” and future preparation. The company sees climate change as so enormous a threat that it has long-term plans to change its business model radically. And what is more, it recognizes the roles of governments in climate governance. Still, its big talks already in the 90s raise a reasonable question of whether the climate walk of the company will be as ambitious as anticipated.

¹⁸ The starting point of Shell is higher than the world average, 74 grams of CO₂e per megajoule nowadays.

3.3. Conclusion

This chapter has shown that there can be different kinds of climate responsibilities. The reactions to climate change can be described through the concept of social responsiveness: According to Carroll (1979), choices of response are defense, accommodation, and proaction: ExxonMobil's response in the early 2000s was defense, and it has developed to accommodation. Today's Shell, on the other hand, might have even proactive response to climate change pressures. Nowadays, both of the case companies share climate responsibility in their public statements. Also, how ExxonMobil has adopted sustainability reports and climate responsibility is an illustration of a broader development: sustainability reports of large multinational companies look increasingly similar, maintaining standardized CSR templates. Therefore, it has become more challenging to differentiate from competitors. (Wickert & Risi, 2019, pp. 33–34).

Even though the formal practices have converged, the case study indicates that there are considerable differences in the contents of responsibility talk and the practice of climate responsibility between the case companies. Also, an exciting division concerns what kind of regulation companies desire through CSR. ExxonMobil seeks to self-regulate or have as light as possible measures like a carbon tax. Whereas, Shell acknowledges that mitigating climate change requires extensive government actions and is more responsive to government regulation. One possible factor explaining this contrast is the difference in CSR between the U.S. and Europe. For example, that voluntarism, typical to American, explicit CSR, is present in ExxonMobil's CSR. Opposite, Shell emphasizes the role of corporations in wider formal and informal institutions to tackle climate change, which is a demonstration of implicit CSR (see Matten & Moon, 2008). Also, cases illustrate that the differences in the action against climate change depend on the business model of an oil company. ExxonMobil is heavily concentrated on the upstream business, whereas Shell on downstream (Pickl, 2019). Nevertheless, at least at the communicational level, both consider climate change as a huge problem, even though the emphasis differs on their sustainability reports. The table below summarizes the climate responsibilities of ExxonMobil and Shell.

	ExxonMobil	Shell
Attitude to climate change	<p><i>Till the 2000s, sow suspicion publicly, even though contributed to climate science quietly.</i></p> <p><i>In the 2010s considered anthropogenic global warming a fact and emphasized how the company has contributed 40 years to climate science.</i></p> <p><i>Supports the Paris Climate Agreement.</i></p>	<p><i>The company has not denied climate change publicly. Also, has been active in finding international solutions to climate change since the 1990s.</i></p>
Business structure	<p><i>High oil reserves. Upstream oriented. Not about to withdraw from oil.</i></p>	<p><i>Relatively low oil reserves. Downstream oriented. Attempt to get rid of fossils in 2060.</i></p>
Climate responsibility “talk”	<p><i>Underlines technology and authority. Shifts responsibility to consumers.</i></p>	<p><i>Has ambitious plans to move from oil to energy. Sees that the solution involves cooperation with governments and the private sector.</i></p>
Climate responsibility “walk”	<p><i>Relies still on crude oil. Has not invested in renewables, because considers that the technology is not sufficient to tackle climate change.</i></p>	<p><i>Has become more ambitious in the 2010s investing significantly in renewables. However, remains still an oil company on its core business.</i></p>
Greenwashing	<p><i>Commits still to greenwashing because while gilding its sustainability image, funds climate change deniers and lobbies for climate inaction.</i></p>	<p><i>Has invested in renewables significantly recently but committed to greenwashing earlier due to its vague walk compared to big talks in the 90s and 00s.</i></p>

Attitude to regulation	<i>Has advocated carbon-tax and other neutral, market solutions.</i>	<i>Has not literally advocated regulation but recognizes and prepares for the path where more government regulation is required to mitigate climate change.</i>
Views on the future energy demand	<i>The company must answer the growing demand for oil and gas.</i>	<i>The company must answer to growing energy demand and the growing demand for cleaner energy.</i>
Scenarios	<i>In the public statements, introduces scenarios till the 2040s. Relies on the average scenario between the current path and 2°C scenarios. That is, the company believes that the temperature will rise above 2°C.</i>	<i>Introduces three scenarios that reach the 2070s and beyond. Relies on the most ambitious scenario, Sky, which considers that the temperature will rise below 2°C.</i>

This chapter has shown that there is an attempt, at least, for climate responsibility in the oil industry. The next chapter seeks to evaluate whether profit-maximizing and pursuit of corporate power explain that responsibility.

4. How instrumental factors explain climate responsibility?

In this study, instrumental factors divide into two: profit-maximizing and pursuit of corporate power. The inclusion of corporate power makes the instrumentalism of this study broader than so-called strategic CSR. As discussed in Chapter 2, this broad instrumentalism may include factors that are considered relational or institutional in other studies. Profit-maximization and pursuit of corporate power are interlinked: more revenue creates more opportunities for corporations to

pursue power. And vice versa, gaining a powerful position in society facilitates better profit-making opportunities. In the case of climate change, profit-maximizing occurs in different time scales. The long-term profits will be achieved in decades to come, even at the end of the century, when results of climate change become inevitable if climate governance fails. Also, the gain can be either immediate or indirect. In turn, corporate power is interpreted through the line between political and economic decision making, corporations representing the latter. For example, the corporate power of a case company is interpreted concerning the attitude to (self-)regulation.

Further, instrumentalism is not thoroughly materialist. Wendt (1999) discusses the concept of 'rump' materialism, which highlights the idealistic nature of instrumentalism but recognizes the role of physical reality. According to him, the rational choice theory is idealist, not materialist. Power and interest are *ideas* of the actor. Also, he shows that "much of the apparent explanatory power of ostensibly 'materialist' explanations is actually constituted by suppressed constructivist assumptions about the content and distribution of ideas" (Wendt, pp. 95–96). Further, power and interest are the actor's ideas, and material forces explain relatively little in social life. Forces of material production are a good candidate for brute material forces, "[b]ut relations of production are thoroughly ideational phenomena, namely institutions or rules – which are ultimately shared ideas – that constitute property and exchange relationships, who works for whom, class powers and interests, and so on." (pp. 94–95). But it is *not idealism all the way down*, because "scientific realism shows that ideas are based on and are regulated by an independently existing physical reality" (Wendt, 1999, p. 110). That is, brute material forces, such as material capacities, the composition of those capacities, and geography and natural resources, have an impact on international life. Wendt's analysis concerns the states of the international system but, the analysis of power and interests applies to the modern corporation too: natural resources and material production are at the core of oil companies, but the ideas of power and interest, and the identity of a company are idealistic.

The instrumental motives below include the second and third factors that Wickert and Risi (2019) introduce as instrumental. The second, trust and consumer reputation related factor is considered as short-term profit-maximizing below. The third factor, which means cost-reduction, is stated as immediate measures. Besides, aspects of corporate planning that Galbraith (1967) discusses are

considered as long-term profits. The fourth factor that emphasizes corporate interdependence from the government is included too. However, due to broad instrumentalism, it is extended to the pursuit of corporate power, instead of just “effective management of environmental and social risks” as Wickert and Risi put it (p. 28).

4.1. Profit-maximizing

The profit-maximizing is emphasized in mainstream economics as a presupposition of how firms operate. As discussed in Chapter 2, other objectives are also possible such as autonomy or undermining competitors. However, in large corporations, financial gains do play an essential role in accomplishing those goals. Profits serve as a means to the ends. As discussed earlier, Friedman’s view of CSR as adverse to profit-making is outdated. Thus, orthodox liberals of today attach CSR to profit-making. CSR and climate responsibility are not just philanthropy activities in the 21st century. The question is not how money is *spent* but how it is *made* (see Wickert & Risi, 2019). The climate responsibility that ExxonMobil and Royal Dutch Shell implement shows many instances of how climate responsibility is rationalized through profit-making.

ExxonMobil's climate responsibility is oriented on short-term profit maximization. The company is not attempting to detach from oil on any scale. The green-washing and green-gilding it practices, without investments in renewables, indicate that its climate responsibility is related to the reputation and the public image of the company: To disagree with President Trump about the Paris Agreement does good for PR globally. The turn of ExxonMobil in climate change position, from denial to acknowledgment in the 2000s, is an example of reacting to reputational issues. ExxonMobil is a global company. For its customers and associates outside the U.S., its former stance was bad for its reputation, harming its profit already in the short-term. Shortly, the climate responsibility *talk* of ExxonMobil is reasoned by short-term profits. Or, more likely, the reasoning is to avoid short-term losses because climate responsibility *talk*, through the proliferation of CSR practices, has become more of a standard. Shell, in turn, arguably benefits from ambitious climate talk in the short term, but if the company is serious in its statements, its climate responsibility involves long-term profits.

Shell has changed its business model from an oil company toward an energy company, in practice too, by increasing the number of renewable energy sources in their portfolio (Shell, 2018a). It aims to maximize its profits in the long term by a different strategy. Its ongoing shift to renewables is an example of planning in the very long term. Shell's scenarios and objectives extend to the end of the century, to the time when probably none of its recent executives are alive. In their strategy, Shell positions itself "as a leader among peers in the transition to a lower-carbon future" (Shell, 2019a). The time perspective of Shell is impressive regarding the common understanding of quarterly market economy where decisions are made on a very short-term basis. That is, Shell is maximizing the profits of the 22nd century by its transition plan for the 21st century. The company indicates that it prepares for the actions planned for achieving the objectives of the Paris Agreement, such as regulation by the governments.

As Michaux (2019) remarks, all the facile oil sources are exploited, and the profit is made easier in renewables. Both companies underline the growing energy demand, especially in developing countries. ExxonMobil acknowledges the contradiction between the increasing demand for energy and mitigating the risks of climate change. However, Shell, contrary to ExxonMobil¹⁹, emphasizes the changing consumer demands in the form of energy and aims to meet that demand by supplying more products that produce lower emissions (Shell, 2018a, p. 54). ExxonMobil, on the other hand, has not made a statement about changing its business strategy in the long term. The company downplays the possibilities of renewable energy sources meeting the growing energy demand in developing countries. According to Pickl (2019), ExxonMobil's relatively low interest in renewables, in practice, is related to its high number of oil reserves. Therefore, ExxonMobil's climate *irresponsibility* is explained by the long-term profit-maximizing, too.

In the case of climate responsibility, some operations are beneficial for the climate but also cut the costs (Wickert & Risi, 2019, p. 28). These immediate measures involve internal efficiency improving, which concerns profits in the short and long term. Both companies aim to utilize excess energy from

¹⁹ ExxonMobil has an article where they consider the energy demand, where consumer's needs for lower emissions are considered as an example of consumer preferences. However, they do not consider any attempts to answer that changing consumer demand in their sustainability report. (ExxonMobil 2019b).

their production. ExxonMobil uses cogeneration, which is “a process that improves efficiency by simultaneously producing electricity while capturing useful heat or steam for industrial processes” (ExxonMobil, 2019a). This form of climate responsibility does not provoke similar contradictions like the measures discussed earlier. Also, the significance of immediate measures on climate change mitigation is not significant. The fact that ExxonMobil highlights energy efficiency as one of its main measures against climate change (ExxonMobil, 2019a, p. 9) affirms the greenwashed, technology-centered frame discussed in Chapter 3.

4.2. The pursuit of corporate power

Of the two cases, ExxonMobil is a more telling example of an oil company that wants to take responsibility for the issues instead of being regulated by the government. It emphasizes its authority and expertise in the battle against climate change: the policy recommendation it requests is as minimal as possible, a carbon tax. Even though the company opposed Trump’s decision to withdraw from the Paris Climate Agreement, it lobbies primarily against climate regulations in the U.S. Through its explicit CSR practice, ExxonMobil does not want the government to decide whether climate change should be mitigated and how. Its climate responsibility talk, which assures the company is motivated to confront the issue, is likely motivated by keeping the government out of its business. In this case, CSR is not an appropriate form of governance regarding climate change because ExxonMobil lacks the outcomes (walk) even if the CSR output (talk) is converged with other companies. ExxonMobil uses weak climate responsibility to gain legitimacy in climate issues, that hopefully, on their behalf, keeps government regulation out of its business.

In turn, there are three notions about the relation of climate responsibility and regulation in the case of Shell. *First*, Shell is a member of API, but there are no clear indications that Shell avoids regulation, at least to an extent ExxonMobil does. *Second*, Shell acknowledges the possibility of collaboration between private and public actors. Therefore, it recognizes the significance of public actors in mitigating climate change and its role in a broader body of climate governance. *Third*, regarding the climate battle, Shell aims to be the leading company in the energy transition. So, it is probably eager to adapt to future regulations and hold on to its market position or even benefit

from the energy transition. By positioning itself as a progressive actor, it may gain influence among ambitious governments.

Galbraith's analysis of the death of the entrepreneur turned out to be wrong due to technological innovations on the verge of the new millennium. The success of entrepreneurs such as Jeff Bezos, Mark Zuckerberg, and Steve Jobs demonstrates that the separation of control and ownership is not inevitable if new technology is created. However, oil companies were founded in the 19th century and fit easily with Galbraith analyses. Shell's planning on a very long scale resembles how Galbraith describes the similarity between socialist planning and the planning of a corporation. The employees of today's Shell will not likely see the outcomes in the 22nd century, but they still aim to maintain and expand the corporation. On that scale, planning resembles state planning. Gaining legitimacy for planning requires considering identity. Samuels (2004) discusses the firm identity. "The impact of firm decision-making on markets is driven by jockeying for position to establish a firm's identity, the deployment of one strategy or another, and the vagaries of the internal organization of firms and of interaction among firms" (p. 362). The differentiated climate progressive firm identity that Shell pursues can work as a way to form an advantage. One possible reason why Shell is open to the government regulation is, as Samuel notes, "[l]aw is an instrument of forming advantage. Firms with one set of comparative advantage seek through legislation to have their advantage given a privileged position in restructured markets" (p. 363).

ExxonMobil seeks for autonomy. The company wants the government to stay out of its business as a principle. Even though its profits would not be threatened, its climate responsibility efforts work as payment for the government to stay out of the issue. Wendt (1999) argues that ideas constitute interests. The only material force that constitutes interest is human nature (p. 115). "The rest is ideational: schemas and deliberations that are in turn constituted by shared ideas or culture" (p. 115). And, interest constitutes power. "[T]he meaning of the distribution of power in international politics is constituted in important part by the distribution of interests, and that the content of interests are in turn constituted in important part by ideas" (p. 135). The pursuit of corporate power is related to the idea of power. Which, regarding autonomy, may even exceed material interests as the case of ExxonMobil indicates.

ExxonMobil's pursue of autonomy through CSR and Shell's openness to climate regulation emphasize how countervailing circumstances affect corporate strategies. As Mizruchi and Hirschman (2010) argue that prior 1970s and neoliberal era, three countervailing forces – a powerful and active state, well-organized labor movement, and “a financial community capable of mediating conflicts of interest among firms and disciplining recalcitrant individual capitalists” affected the firm strategies (p. 1086). Whereas now, two countervailing and in a way contradicting forces prevail: On the one hand, CSR and economism have prevailed, but on the other hand, the public has become even louder about climate change and other issues. The corporation of the 21st century has more power, but also pressures for responsibility.

4.3. Results

The case of oil companies' climate responsibility shows that profit-maximizing is a significant rationale among the two oil companies. Also, the pursuit of corporate power is heavily linked to profit-maximizing and vice versa. Shell positions itself as a leading company in energy transition and aims to maintain its role in the changing circumstances. In a way, the company makes a wager that climate regulation will increase, and climate change mitigation will occur globally. On the other hand, ExxonMobil aims to self-regulate and pursuit corporate power to maximize the profits as they still are a very upstream oriented oil company and are pessimistic about meeting the climate objectives. Similar uses of climate responsibility in instrumental fashion are found, for instance, in the automotive industry too. Shinkle and Spencer (2008) examine three automotive companies – Daimler (Germany), Toyota (Japan), and General Motors (the U.S.), and consider their corporate citizenship regarding climate change. They “anticipate that it will be increasingly important for firms to align their interpretations and their strategic actions consistent with the discourse evolution regarding global warming. In this way, they may maintain the desired corporate image regarding corporate citizenship” (p. 35). Further, they argue that global warming is not only an image issue, “it may become an economic opportunity or threat for many firms” (p. 35.).

Following the explicit CSR (ExxonMobil) versus implicit CSR (Shell) difference, the contradiction between liberal theories is present in the case, too: ExxonMobil is an example company of CSR for modern orthodox liberals, aiming for climate self-regulation. In turn, Shell is an example company for liberal interventionists, seeing their responsibility more as a supplementary to broader efforts mitigating climate change. This study shows that profit-making is a significant rationale explaining climate responsibility even in the oil industry. Still, this study has demonstrated that profit-maximizing is a complex phenomenon with various time scales and can serve as a means for the pursuit of corporate power. Even though the results are significant as such due to the size of oil companies, the results are most likely generalized to private oil companies. As in Pickl's analysis, the case companies represent extreme cases regarding the transformation from oil to energy. That is, oil companies may differ in their climate strategies, but the long-term profits are an essential rationale of their climate responsibility. Therefore, regardless of the growing sustainability business and CSR speech, companies' instrumental interests are present in climate governance. That is important to consider in policy discussions about climate change mitigation. It is challenging to generalize results further from the energy sector or even from the oil industry. That concerns the companies that do not supply but demand energy. Further study could be conducted on whether energy-demanding companies put the responsibility of climate change to energy suppliers in turn, as ExxonMobil emphasizes that the consumer choice of an energy source is not its responsibility. However, if we forget climate responsibility, the results of this study might be generalized in a broader – CSR as a form of governance – issue.

Climate responsibility has not been studied extensively. Many studies have considered the instrumental reasons for CSR more generally. Having analyzed more than 150 studies, Wickert and Risi (2019) point out that there are inconsistencies in previous studies regarding the relationship between CSR and financial performance. "Some have found a linear positive relationship where CSR is seen as a business opportunity allowing companies to sell more products or to save costs. Others have found a linear negative relationship where CSR is mainly a burden that involves substantial costs that do not necessarily pay off in the long term" (p. 30). However, Wickert and Risi do argue that instrumental driver for CSR is in decline and relational reasons play a bigger role (p. 43). Due to the institutionalization of CSR and the growing sustainability business, that is most arguably true in the case of climate responsibility of ExxonMobil and Shell, in the short term. However, in the long

run, Shell's plans for changing the business model are at least anticipated to provide financial performance if its scenarios materialize. Vishwanathan et al. (2019) constructed a study about the relationship between corporate social responsibility and corporate financial performance. They conclude that firm reputation, stakeholder reciprocation, firm risk reduction, and innovation capacity explain only 20 percent of the CSR-CFP relationship, indicating the need for adjusting and expanding strategic CSR (p. 340). Those results demonstrate that the broad instrumentalism of this study is the right way to proceed.

5. Climate responsibility as a part of global climate governance

In the case of climate responsibility, two conditions predominate: *First*, there is no world-government, and therefore governance prevails. In a liberal interventionist sense, the virtues of CSR are on refilling gaps of governance. On the other hand, these regulatory gaps, as Wickert and Risi name it, demonstrate the lack of a world government. If there were a world government, global governance would not be needed. The attempts to create a world-government or increase world-governmentality are not likely to happen swiftly. Whereas, the puzzle of climate change governance must be solved in decades, or even in a few years. Meaning, corporate climate responsibility is a prominent way of governance in an urgent matter. That gives the economic sphere an essential role in the battle against climate change. *Second*, however, climate responsibility is not sufficient in the long term due to the clear instrumental rationale. Even though instrumentalism is broader than mere profits, regarding self-interest, corporations have no unified, progressive stance on climate change. The necessity for CSR-based climate governance is in the short term. All measures are required in the circumstances of an urgent crisis where there is a vacuum in climate regulations. Companies like Shell are prepared to go further in climate governance and fill the regulation vacuum in an interventionist liberal sense. As this study has shown, Shell adjusts its climate policies to the required global measures to tackle the crisis. That implicit CSR, cooperation-oriented form of CSR is better suited to the climate responsibility walk. "Progressive" oil companies would form the necessary practices, and governments and potentially international organizations would adapt to new circumstances later. Then, more or less climate irresponsible companies like ExxonMobil face those regulations more harshly and would lose in instrumental terms. For the future, it is interesting to see how the firm cultures and company-specific values evolve. How distant ExxonMobil and Shell

are, *politically*, at the end of the century especially if the current lack of world governmentality continues. Or, will the oil companies, in the end, care as much for conservative and liberal pockets?

The lack of world-government, less climate ambitious oil companies, and recent nationalist tendencies threaten the battle against climate change. Many states are not ambitious in climate policies due to various reasons. Reasoning that their contribution is not necessary because other countries are not contributing to the climate efforts and are therefore benefitting from the situation is popular. For instance, the politicians of developed countries claim measures unnecessary because developing countries are increasing their emissions, as agreed in previous climate conventions. Alternatively, in smaller countries, the significance of their actions is questioned because many times, more populous countries are not as ambitious. Speaking of IR theories, these views have a realist take on the issue. If governments do not fill the need for climate action, corporations might match the growing demand for renewable energy, sustainability, and hope for a better future. That brings in an exciting legitimacy and democracy question, if companies, to a large extent, would adjust their policies for adequate future regulations. It would indicate that companies like Shell would want that regulation to occur as they have heavily invested in the greener future. The point of Friedman remains, on the contrary as well. What if the democratically elected leaders do not want to commit to the battle against climate change, and on the other hand, the private, undemocratic companies would aim for “better” policies regarding climate change mitigation. The greener future without popular demand would be “taxation without representation,” too, in Friedman’s terms.

In general, climate responsibility is a relevant research topic to research further, obviously because of the urgency of climate change and the current state of global climate governance. Besides, sustainability is a growing business. That is, an increasing number of private actors provide certification and frameworks for sustainability reports. If governments lack action, this business is likely to proliferate even more. For instance, these developing sustainability markets could be studied further in Economics. Exciting future research questions would consider climate responsibility in different sectors: what kind of differences in climate responsibility are there? One crucial distinguishing factor is whether a company is an energy supplier or demands energy. Oil companies' climate responsibility is relatively easy to study because it can be detected from their

business models. A possible study would consider how big corporations, other than energy providers, consider between different energy options. Do those companies throw the responsibility to energy providers, like in turn, ExxonMobil emphasizes the responsibility of energy consumers? Also, with companies that demand energy, certain voluntary, not business-oriented CSR measures, like donating to reforestation, might play a greater role in their climate responsibility. There could be marketing and reputational factors involved among the energy demanders, but climate responsibility motivated by long-term profits would need further clarification.

6. Conclusion

ExxonMobil and Shell do practice climate responsibility. However, the former did not take climate change seriously until gradually changing its executive position in the CEO-era of Rex Tillerson. ExxonMobil did contribute to climate science, but the climate change views between its scientists and executives differed significantly. Finally, in the 2010s, ExxonMobil acknowledged climate change as a massive issue, but they continued to fund actors who sow doubt whether climate change is real or not. Its climate responsibility fits the *explicit* CSR category, as it avoids regulation and aims to gain autonomy. Regarding the climate *walk*, it clearly has a greenwashed tone. The company underlines itself as the proper authority to solve the problem, but in practice, remains a fossil-fuel oriented oil company. Shell, on the other hand, is a more progressive actor in that field and commits to greenwashing to a lesser extent. It has invested heavily in renewables and is prepared for ambitious means mitigating climate change. Also, Shell relies on a more optimistic climate scenario than ExxonMobil does. The former believes that global warming will stop at 2°C, whereas the latter does think that the 2°C target will fail.

The rationales of the climate responsibility of oil companies are best understood by broad instrumentalism. This study shows how the profit-making and pursuit of corporate power explain the stances that the case companies have on climate responsibility. ExxonMobil's different business model explains its climate irresponsibility in practice. It has significant oil resources compared with other oil companies, making it upstream-oriented, whereas Shell is more downstream-oriented. The oil sources are increasingly harder to exploit; therefore, for Shell, the change of the business model

and its climate ethos are explained through profit-maximizing in the long term. That is, decisions now affect the profits in the 22nd century. In turn, ExxonMobil's greenwashed climate responsibility is intended to work in the short-term through reputation and marketing efforts. But on the other hand, its climate *irresponsibility* in climate walk is explained by long-term profit-making.

ExxonMobil wants to self-regulate climate issues and has lobbied against government climate regulation. Shell, on the other hand, aims to be the leading company in the energy transformation. The company is transforming from an oil company to an energy company. It also recognizes the required government cooperation in climate governance. This study manifests that the profit-maximizing and pursuit of corporate power are interlinked. Short-term profits are vital for a company to thrive, but for ExxonMobil, autonomy and self-regulation are the ends that it seeks by its climate talk. Whereas for Shell, profits in the very long term play a more crucial role than short-term profits. That is, of course, if the company commits to its ambitious energy transition plans. In sum, the results show how oil companies do not fit in the fast-paced quarterly economy model that is common in modern business speech. Rather, planning on a very long term prevails.

What do these results mean for the global governance of climate change? Climate change is an urgent but permanent problem. If the emissions dropped dramatically in the near future, the issue would remain because the desired situation should be sustained. In the short term, in the next 10 to 20 years, climate responsibility is a necessary tool for climate governance. It helps to fill the gaps in climate regulations. However, CSR is no panacea for climate change in the long run because climate responsibility has an instrumental character, and there occurs a varying scale of climate ambitiousness among companies. Instead, for the sake of democracy, increasing world governmentality is a more sustainable route.

7. References

Ackerman, R. W. (1973). How companies respond to social demands. *Harvard business review*, 51(4), 88–98.

Aftalion, F. (2001). *A history of the international chemical industry*. Philadelphia: Chemical Heritage Foundation.

BBC (1999, March 18). Exxon Valdez: Ten years on.

<http://news.bbc.co.uk/2/hi/americas/298608.stm>

Bell, J., & Lundblad, H. (2011). A comparison of Exxonmobil's sustainability reporting to outcomes. *Journal of Applied Business and Economics*, 12(1), 17–29.

Berle, A. A., & Means, G. C. (1933). *Modern corporation and private property*. New York, NY: Macmillan Co.

Bloomberg (2017, May 31). Climate Changed: Exxon and Conoco Reiterate Support for Paris Climate Deal. <https://www.bloomberg.com/news/articles/2017-05-31/exxon-conoco-back-paris-climate-deal-as-trump-weighs-pact-exit>

Bowen, H. (2014). *Social responsibilities of the businessman*. Iowa City: University of Iowa Press.

Brammer, S., Jackson, G., & Matten, D. (2012). Corporate social responsibility and institutional theory: New perspectives on private governance. *Socio-economic review*, 10(1), 3–28.

Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of management Review*, 32(3), 946–967.

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of management review*, 4(4), 497–505.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business horizons*, 34(4), 39–48.

Carroll, A. B. (2008). A history of corporate social responsibility: Concepts and practices. In Crane, A., McWilliams, A., Matten, D., Moon, J., & Siegel, D. S. (Eds.). *The Oxford handbook of corporate social responsibility* (19–46). Oxford: Oxford University Press on Demand.

10.1093/oxfordhb/9780199211593.001.0001

Cohn, T. (2016). *Global political economy : theory and practice* (Seventh edition.). New York, NY: Routledge, Taylor & Francis Group.

Coll, S. (2012). *Private empire: ExxonMobil and American power*. New York, NY: Penguin Press.

Davis, K. (1960). Can business afford to ignore social responsibilities?. *California management review*, 2(3), 70–76.

Doran, P. (2017). *Breaking Rockefeller : the incredible story of the ambitious rivals who toppled an oil empire*. New York, NY: Viking.

ExxonMobil (2016, November 4). Statements on Paris climate agreement.

<https://corporate.exxonmobil.com/Energy-and-environment/Environmental-protection/Climate-change/Statements-on-Paris-climate-agreement#statementOnAgreementEnteringIntoForce>

ExxonMobil (2018a, September 4). Our History.

<https://corporate.exxonmobil.com/Company/Who-we-are/Our-history>

ExxonMobil (2018b, September 10). ExxonMobil's four decades of climate science research.

<https://corporate.exxonmobil.com/Energy-and-environment/Environmental-protection/Climate-change/ExxonMobil-four-decades-of-climate-science-research#blogs>

ExxonMobil (2019a). *2018 Sustainability Report Highlights*. <https://corporate.exxonmobil.com/-/media/Global/Files/sustainability-report/publication/2018-Sustainability-Report.pdf>

ExxonMobil (2019b, August 28). *Energy demand: Three drivers*.

<https://corporate.exxonmobil.com/Energy-and-environment/Looking-forward/Outlook-for-Energy/Energy-demand#Threedrivers>

ExxonMobil (2019c, July 15). Energy transition. <https://www.exxonmobil.eu/Policy/Climate-and-environment/Energy-transition>

ExxonMobil (2019d). 2019 Outlook for Energy: A perspective to 2040.

https://corporate.exxonmobil.com/-/media/Global/Files/outlook-for-energy/2019-Outlook-for-Energy_v4.pdf

ExxonMobil (2020). *2020 Energy & Carbon Summary*. <https://corporate.exxonmobil.com/-/media/Global/Files/energy-and-carbon-summary/Energy-and-carbon-summary.pdf>

Falkner, R. (2016). The Paris Agreement and the new logic of international climate politics. *International Affairs*, 92(5), 1107–1125.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics*, 26(2), 301–325.

Flyvbjerg, B. (2001). *Making social science matter: Why social inquiry fails and how it can succeed again*. Cambridge: Cambridge university press.

Flyvbjerg, B. (2006). Five misunderstandings about case-study research. *Qualitative inquiry*, 12(2), 219–245.

Frederick, W. (1994 [1978]). From CSR1 to CSR2: The Maturing of Business-and-Society Thought. *Business & Society*, 33(2), 150–164. <https://doi.org/10.1177/000765039403300202>

Frederickson, H. G. (2016). *The public administration theory primer (Third edition.)*. Boulder, Colorado: Westview Press.

Friedman, M., & Friedman, R. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press.

Friedman, M. (2007 [1970]). The social responsibility of business is to increase its profits. In: Zimmerli W.C., Holzinger M., Richter K. (eds) *Corporate Ethics and Corporate Governance* (pp. 173–178). Berlin, Heidelberg: Springer. https://doi.org/10.1007/978-3-540-70818-6_14

Frumhoff, P. C., Heede, R., & Oreskes, N. (2015). The climate responsibilities of industrial carbon producers. *Climatic Change*, 132(2), 157–171.

Galbraith, J. (1967). *The new industrial state*. Boston: Houghton Mifflin.

Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of business ethics*, 53(1-2), 51–71.

Greenpeace (2012, June 11). Greenwash+20.

<https://issuu.com/greenpeaceinternational/docs/greenwashplus20>

Gillespie, A. (2014). *Foundations of economics*. Oxford: Oxford University Press.

Grantham, S., & Vieira Jr, E. T. (2018). ExxonMobil's social responsibility messaging—2002–2013 CEO letters. *Applied Environmental Education & Communication*, 17(3), 266–279.

Hale, T., Held, D., & Young, K. (2013). *Gridlock: why global cooperation is failing when we need it most*. Malden, MA: Polity.

Hameed, I., Riaz, Z., Arain, G., & Farooq, O. (2016). How Do Internal and External CSR Affect Employees' Organizational Identification? A Perspective from the Group Engagement Model. *Frontiers in Psychology*, 7, 788–. <https://doi.org/10.3389/fpsyg.2016.00788>

Harrod, J. (2006). The century of the corporation. In May, C. (2006). *Global Corporate Power* (pp. 23–46). Boulder, CO: Lynne Rienner Publishers.

Heede, R. (2014). Tracing anthropogenic carbon dioxide and methane emissions to fossil fuel and cement producers, 1854–2010. *Climatic Change*, 122(1-2), 229–241.

<https://doi.org/10.1007/s10584-013-0986-y>

Held, D. (2010). *Cosmopolitanism: Ideals and realities*. Cambridge: Polity Press.

Ibeanu, O. (2000). Oiling the friction: Environmental conflict management in the Niger Delta, Nigeria. *Environmental change and security project report*, 6(6), 19–32.

IPCC. (2018). *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press.

Jessop, B. (2016). *The state: past, present, future*. Cambridge: Polity Press.

Lee, F. S. (1989). *GC Means's Doctrine of Administered Prices*. London: Thames Polytechnic.

Lee, M. D. P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews*, 10(1), 53–73.

<https://doi.org/10.1111/j.1468-2370.2007.00226.x>

Lewis, D. L. (1976). *The public image of Henry Ford: An American folk hero and his company*. Detroit: Wayne State University Press.

Matten, D., & Moon, J. (2008). “Implicit” and “explicit” CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of management Review*, 33(2), 404–424. <https://doi.org/10.5465/AMR.2008.31193458>

Meyer, J., Pope, S., & Isaacson, A. (2015). Legitimizing the transnational corporation in a stateless world society. In Tsutsui, K., & Lim, A. (Eds.). *Corporate social responsibility in a globalizing world* (27–72). Cambridge: Cambridge University Press.

Michaux, S. (2019). *Oil from a Critical Raw Material Perspective*. Espoo: Geological Survey of Finland.

Mizruchi, M. S., & Hirschman, D. (2010). The modern corporation as social construction. *Seattle University Law Review*, 33(4), 1065–1108.

Niskanen, W. A. (1994). *Bureaucracy and public economics*. Cheltenham: Edward Elgar Publishing, number 333.

Parafiniuk, A., & Smith, Z. A. (2019). Green Gilded Oil: How Faux Sustainability by US Oil Companies is Undermining Neo-Sustainability. *Sustainability*, 11(14), 3760-.
<https://doi.org/10.3390/su11143760>

Pickl, M. J. (2019). The renewable energy strategies of oil majors – From oil to energy?. *Energy Strategy Reviews*, 26, 100370. <https://doi.org/10.1016/j.esr.2019.100370>

Plec, E., & Pettenger, M. (2012). Greenwashing consumption: The didactic framing of ExxonMobil's energy solutions. *Environmental Communication: A Journal of Nature and Culture*, 6(4), 459–476.
<https://doi.org/10.1080/17524032.2012.720270>

Reuters (2018, September 23). Timeline: Shell's operations in Nigeria.
<https://www.reuters.com/article/us-nigeria-shell-timeline/timeline-shells-operations-in-nigeria-idUSKCN1M306D>

Risjord, M. (2014). *Philosophy of social science: A contemporary introduction*. New York, NY: Routledge.

Samuels, W. J. (2004). Markets and their social construction. *Social Research: An International Quarterly*, 71(2), 357-370.

Shaikh, A. (2016). *Capitalism: competition, conflict, crises*. New York, NY: Oxford University Press.

Shell. Company History. <https://www.shell.com/about-us/our-heritage/our-company-history.html>

Shell (2018a). *Energy Transition Report*. https://www.shell.com/energy-and-innovation/the-energy-future/shell-energy-transition-report/jcr_content/par/toptasks.stream/1524757699226/3f2ad7f01e2181c302cdc453c5642c77acb48ca3/web-shell-energy-transition-report.pdf

Shell (2018b). Our businesses and organisation. <https://reports.shell.com/investors-handbook/2018/company-overview/our-businesses-and-organisation.html>

Shell (2019a). *Sustainability Report 2018*. https://reports.shell.com/sustainability-report/2018/servicepages/downloads/files/shell_sustainability_report_2018.pdf

Shell (2019b). Climate Change: The Difference Business Can Make. <https://www.shell.com/media/speeches-and-articles/2019/climate-change-the-difference-business-can-make.html>

Shinkle, G., & Spencer, J. W. (2008). The Social Construction of the Responsible Corporate Citizen: Sustainability Reports of the Global Automotive Firms. *Purdue CIBER Working Papers. Paper 56*.

Skjærseth, J. B., & Skodvin, T. (2001). Climate change and the oil industry: Common problems, different strategies. *Global Environmental Politics*, 1(4), 43–64.

Statista (2020). ExxonMobil – Statistics & Facts.

<https://www.statista.com/topics/1109/exxonmobil/>

Supran, G., & Oreskes, N. (2017). Assessing ExxonMobil's climate change communications (1977–2014). *Environmental Research Letters*, 12(8), 084019. <https://doi.org/10.1088/1748-9326/aa815f>

Teivainen, T. (2002). *Enter economism, exit politics: experts, economic policy and the damage to democracy*. London: Zed Books.

Teivainen, T. (2013). *Yritysvastuun umpikuja*. Helsinki: Kalevi Sorsa -säätiö.

The Guardian (2011, August 3). Shell oil spills in the Niger delta: 'Nowhere and no one has escaped'. <https://www.theguardian.com/environment/2011/aug/03/shell-oil-spills-niger-delta-bodo>

The Guardian (2019, December 10). Exxon found not guilty of fraud over true cost of climate regulations. <https://www.theguardian.com/business/2019/dec/10/exxon-mobil-climate-change-fraud-new-york>

Tsuk, D. (2005). From pluralism to individualism: Berle and Means and 20th-century American legal thought. *Law & Social Inquiry*, 30(1), 179–225. <https://doi.org/10.1111/j.1747-4469.2005.tb00349.x>

Tulder, R., & Zwart, A. (2006). *International business-society management : linking corporate responsibility and globalization*. London: Routledge.

UNFCCC. The Paris Agreement. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

Vishwanathan, P., van Oosterhout, H., Heugens, P. P., Duran, P., & Van Essen, M. (2019). Strategic CSR: A Concept Building Meta-Analysis. *Journal of Management studies*, 57(2), 314–350. <https://doi.org/10.1111/joms.12514>

Wartick, S. L., & Cochran, P. L. (1985). The evolution of the corporate social performance model. *Academy of management review*, 10(4), 758–769. <https://doi.org/10.2307/258044>

Wendt, A. (1999). *Social Theory of International Politics*. In *Social Theory of International Politics*. Cambridge: Cambridge University Press. <https://doi.org/10.1017/CBO9780511612183>

Wickert, C. & Risi, D. (2019). *Corporate social responsibility*. Cambridge: Cambridge University Press. <https://doi.org/10.1017/9781108775298>

Wilkinson, A. & Kupers, R. (2015). *The essence of scenarios: Learning from the Shell experience*. Amsterdam: Amsterdam University Press.

World Commission on Environment and Development. (1987). *Our common future*. Oxford: Oxford University Press.

Wood, D. J. (1991). Corporate Social Performance Revisited. *Academy of management review*, 16(4), 691-718. <https://doi.org/10.2307/258977>

Wynn Jr, D., & Williams, C. K. (2012). Principles for Conducting Critical Realist Case Study Research in Information Systems. *MIS quarterly*, 36(3), 787–810. <https://doi.org/10.2307/41703481>