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Oil & gas remain critical for EU economy

EU Demand – By Section

Quadrillion BTUs

EU Demand - By Fuel

Quadrillion BTUs

ExxonMobil 2015 Outlook for Energy
Refining converts oil into many products

Source: U.S. Department of Labor

ExxonMobil 2015 Outlook for Energy
Refining converts oil into many products

Source: U.S. Department of Labor
European refining industry is important to energy security
EU transportation demand remains high

Transportation Demand
MBDOE

2000  2020  2040

Light Duty
Heavy Duty
Aviation
Marine
Rail

ExxonMobil 2015 Outlook for Energy
Demand and regulations drive fuel imbalance

• Europe’s diesel demand continues to grow
  • Growing commercial transportation
  • Sustained passenger vehicles switch from gasoline to diesel

• Further decline in gasoline demand
  • Favorable excise taxation led to ‘dieselisation’ of fleet
  • Improved fuel economy of car fleet & biofuels impact

• Fuel oil demand declines
  • Significant impact from Bunker Fuels Sulfur spec reduction (IMO)

• Fuel imbalance becomes ever more pressing issue for Europe
  • Europe increasingly dependent on diesel imports from US, Middle East, Far East
  • Challenge (and higher costs) to export growing gasoline surplus
  • US shifting from significant gasoline importer to balanced situation

1 Source: IEA data for OECD Europe
Global supply patterns are hurting EU Refining

- Excess global refining capacity
- New world-class export refineries in Middle / Far East
- Russian refinery exports shifting from feedstocks & heavy fuel oil to EU grade finished products
- US new competitors in EU Diesel market with low energy & feedstock cost
- Leading to record low utilization of European refineries

1 Western Europe and Med; Crude & Cond; Source: PIRA
US refining industry has a competitive advantage

- Energy is largest refinery operating cost
- EU refineries are world class in energy efficiency
- But faced with much higher energy cost than US

1 average prices from Nymex, ICE
2 Concawe study based on Solomon Associates data for industry averages Western Europe, United States
EU refining is facing increasing rationalization pressure

European Refining Capacity Closures

[Metric] MBD

Sources: ExxonMobil assessment based on public information
European refining industry is not globally competitive due to higher energy and labor costs, global change in demand and supply patterns, and severe / increasing regulatory burdens.
EU regulations add significant costs

Source: Concawe, Report no. 11/14, The estimated forward cost of EU legislation for the EU refining industry
Policymakers can help sustain a globally competitive EU Refining industry

• Encourage market conditions for access to energy and feedstock at a competitive cost.

• Guarantee a level-playing field amongst cost effective technologies.

• Energy taxation should be consistent and proportional to the energy content.

• Allow internal market forces to work: avoid interventions that distort free competition of assets in a global environment. Any subsidies would have the opposite effect of ensuring a competitive EU refining market.

• The EU policy framework should not cause unnecessary extra cost for the refining sector.

• EU policies should be transparent, predictable and market based.
Summary

• Oil is and will remain essential for European economies for the foreseeable future.

• The refining industry, which is an essential and integrated part of many European industries, is no longer globally competitive.

• Europe’s regulatory environment affects the competitiveness of European refining industry compared to other regions.

• EU refining is facing increasing rationalization pressure.

• Some level of domestic refining capacity is highly desirable for security of energy supply.

• Allow market forces to work and avoid interventions that distort free competition of assets in a global environment.