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California Municipalities' Debt Disclosures Contrast With Climate Warnings.

Exxon Mobil cites investor documents in legal battle over risks

California communities demanding oil companies protect them from rising sea levels weren't as sure about their vulnerability to climate change when they sold debt to investors, according to court filings and bond documents.

Seven local governments in California are suing Exxon Mobil Corp. and other major oil producers for court orders forcing those companies to cover the costs of sea walls and other infrastructure projects meant to fortify low-lying areas.

Now Exxon, one of the defendants, is launching a new counterattack by highlighting past bond disclosures in which its government critics suggested they couldn't predict whether and when sea levels would rise. The company filed court papers in Texas on Monday seeking to force government officials to answer questions under oath about those statements.

The underlying lawsuits are part of an aggressive strategy to hold fossil-fuel companies responsible for climate-change costs that the plaintiffs estimate could run to billions of dollars. Local officials are arguing that Exxon, BP PLC and other companies knew or should have known about the potential impacts of burning oil and gas but instead tried to sow public doubt about the science behind global warming.

The companies dispute those allegations, casting the lawsuits as an abusive campaign by California law-enforcement officials to target political opponents through the legal system and stifle debate on climate change. Scientists have linked rising sea levels to fossil-fuel emissions and warming global temperatures.

"The idea that oil companies might sue public servants personally in an attempt to intimidate them from protecting their communities and environment is abhorrent but consistent with their prior behavior," San Mateo County counsel John Beiers said. "We will not be intimidated."

The cities of Oakland, San Francisco, Santa Cruz and Imperial Beach are also plaintiffs as are Santa Cruz County and Marin County.

The legal battle is intensifying while awareness grows among investors about the potential credit risk to U.S. municipalities from future changes in world-wide temperatures. In November, Moody's Investors Service flagged environmental disruptions as a "growing negative credit factor" for coastal municipalities and said it would adjust its ratings methodology to take climate change into account.

Moody's didn't issue any credit downgrades but warned local governments to start dealing with climate risks or else possibly lose their access to low-cost financing.

Exxon's Monday filing in Tarrant County, Texas, laid out what it said was a disconnect between the claims in those lawsuits and what the municipalities told their bond investors about their exposure to climate risks.

San Francisco's lawsuit said it faced "imminent risk of catastrophic storm surge flooding," while a general obligation bond offering last year said the city "is unable to predict whether sea-level or rise or other impacts of climate change…will occur."

Santa Cruz County said in its complaint it was experiencing more frequent and extreme droughts, precipitation events, heat waves and wildfires, and faced a 98% chance of a "devastating" three-foot flood by 2050. Yet a bond offering last year mentioned only "unpredictable climatic conditions, such as flood, droughts and destructive storms" as a risk factor.

"Each of the municipalities warned that imminent sea level rise presented a substantial threat to its jurisdiction and laid blame for this purported injury at the feet of energy companies," Exxon said. "Notwithstanding their claims of imminent, allegedly near-certain harm, none of the municipalities disclosed to investors such risks in their respective bond offerings."

Santa Cruz city attorney Anthony P. Condotti said the evidence linking climate risks to fossil-fuel industry practices "has no bearing on any bond offering documents issued previously."

The lawsuits against Exxon, BP, Chevron Corp. , ConocoPhillips and Royal Dutch Shell PLC allege the companies are a "public nuisance" and ask courts to force them to create a fund for local governments to pay for climate change-related infrastructure.

The lawsuits have drawn comparisons to U.S. states' legal campaign against tobacco manufacturers in the 1990s, which netted multibillion-dollar settlements to offset the public costs of smoking-related disease.

In 2015, New York Attorney General Eric Schneiderman began an investigation into Exxon Mobil that was joined by Massachusetts Attorney General Maura Healey. Mr. Schneiderman, a Democrat, has alleged that Exxon misled investors about how it accounts for the impact of climate change on its business.

Exxon has alleged the investigation is part of a conspiracy by activists and oil antagonists to smear the company. A number of Republican lawmakers and attorneys general have sought to join Exxon's effort to fight the probe and have also sought to investigate Mr. Schneiderman.

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—Alejandro Lazo and Bradley Olson contributed to this article.