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DISCUSSION PAPER

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# **BIG OIL REALITY CHECK**

**ASSESSING OIL AND GAS COMPANY CLIMATE PLANS**

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Oil Change International is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the coming transition towards clean energy.

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# EXECUTIVE SUMMARY

Increasingly, oil and gas companies claim to be part of the solution to the climate crisis—but the reality is very different. In this discussion paper, we analyze the current climate commitments of eight of the largest integrated oil and fossil gas companies—BP, Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, and Total (the “oil majors”)—in light of the ambition and integrity required to achieve a 1.5 degrees Celsius (°C) aligned managed decline of oil and fossil gas.

None of the evaluated oil majors’ climate strategies, plans, and pledges come close to alignment with the Paris Agreement. This discussion paper intends to spark and inform discussion, as well as encourage careful and critical analysis of oil and gas climate pledges and plans.

## ESTABLISHING BOTTOM LINES FOR A MEANINGFUL CLIMATE COMMITMENT

Past Oil Change International research shows that burning the oil, gas, and coal in existing fields and mines around the world would push average global temperature rise far beyond 1.5°C, and exceed a 2°C carbon budget.<sup>1</sup> Even if global coal use were phased out overnight, developed oil and gas reserves would still push the world beyond 1.5°C.

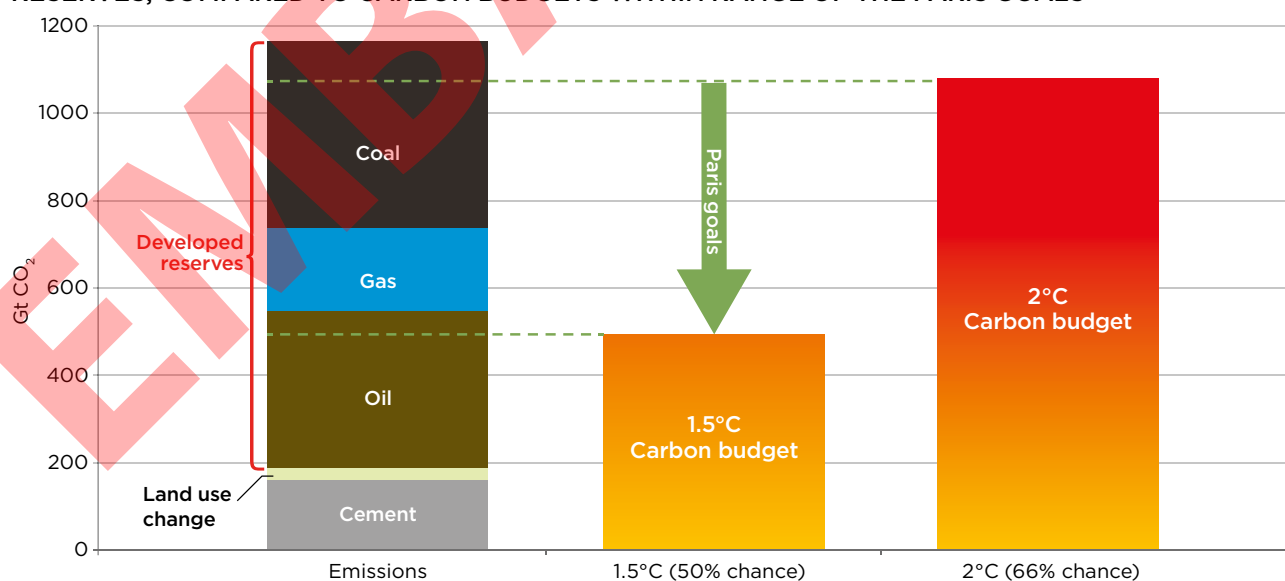
If oil and gas companies were serious about the Paris Agreement, they would need to end new oil and gas exploration and extraction now and phase out production from existing developed reserves. This phase out would need to reflect the principles of a Just Transition.<sup>3</sup>

Building any further infrastructure, investing any further capital, or employing any further workers to exploit additional fossil fuel reserves will only create even more “carbon lock-in”—making it more difficult, both politically and economically, to limit production.<sup>4</sup>

## FAILURE ACROSS THE BOARD: THE OIL MAJORS’ CLIMATE PLANS

This discussion paper measures oil and gas company climate plans against ten minimum criteria that they must meet to have the possibility of being 1.5°C-aligned. Meeting these criteria alone would not guarantee 1.5°C alignment, but they are essential preconditions for it. As shown in Table ES-1, the oil and gas majors’ commitments largely fail this baseline test:

**FIGURE ES-1: CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS FROM DEVELOPED GLOBAL FOSSIL FUEL RESERVES, COMPARED TO CARBON BUDGETS WITHIN RANGE OF THE PARIS GOALS**



Sources: Oil Change International analysis based on data from Rystad Energy, IEA, World Energy Council, IPCC and Global Carbon Project.<sup>2</sup> Remaining carbon budgets shown are as of 1 January 2020.

TABLE ES-1: ASSESSING THE OIL MAJORS' CLIMATE PLANS

								
<b>Ambition</b>								
Stop exploration	Only in new countries	No	No	No	No	No	No	No
Stop approving new extraction projects	No	No	No	No	No	No	No	No
Decline oil and gas production by 2030	<30% drop by 2030	No	Plateau by 2025, decline only for oil	No	No	No	No	No
Set long-term production phase-out plan aligned with 1.5°C	No	No	No	No	No	No	No	No
<b>Integrity</b>								
Set absolute target covering all oil and gas extraction (full equity share)	Absolute; major Scope 3 loophole	No	Yes	Scope 3; intensity target only	No	Scope 3; close to absolute	Scope 3; intensity target only	Scope 3 "net zero" only in Europe
Do not rely on carbon sequestration or offsets	No	No	No	No	No	No	No	No
Be honest about fossil gas as high carbon	No	No	No	No	No	No	No	No
End lobbying and ads that obstruct climate solutions	No	No	No	No	No	No	No	No
<b>Transition Planning</b>								
Commit to explicit end date for oil and gas extraction	No	No	No	No	No	No	No	No
Commit plans and funding to support workers' transition into new sectors	No	No	No	No	No	No	No	No

COLOR CODE FOR RATING COMPANY COMMITMENTS AGAINST CRITERIA

Grossly insufficient	Insufficient	Partial alignment	Close to alignment	Fully aligned
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For sources and further explanations, see Table 1 at page 13.

## RECURRING THEMES STILL INVESTED IN GROWING PRODUCTION TO 2030

Most of the oil majors are still on track to significantly increase their oil and gas production between now and 2030. This is according to Rystad Energy projections based on the assets they currently hold and are planning to sanction. Only one oil major, BP, has committed to cutting oil and gas extraction by 2030. However, it has excluded around 30 percent of the carbon pollution associated with

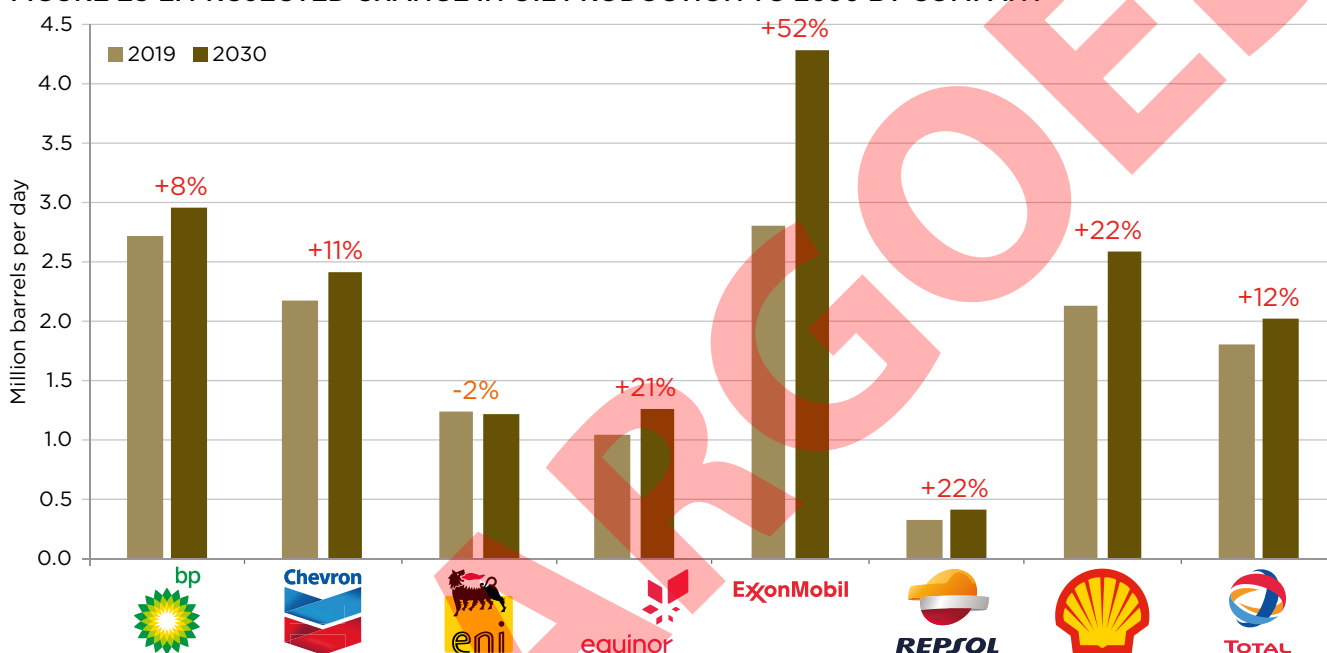
its extraction investments from that commitment. Almost all oil and gas majors are still on track to increase their overall contribution to the climate crisis between now and 2030, as shown in Figures ES-2 and ES-3.

This trajectory will not meaningfully shift until these companies commit to not develop new projects in their development pipeline and/or phase out some of their existing assets early. (BP's recent commitment does not show up in

these projections because BP has not yet shifted its asset portfolio to match it.)

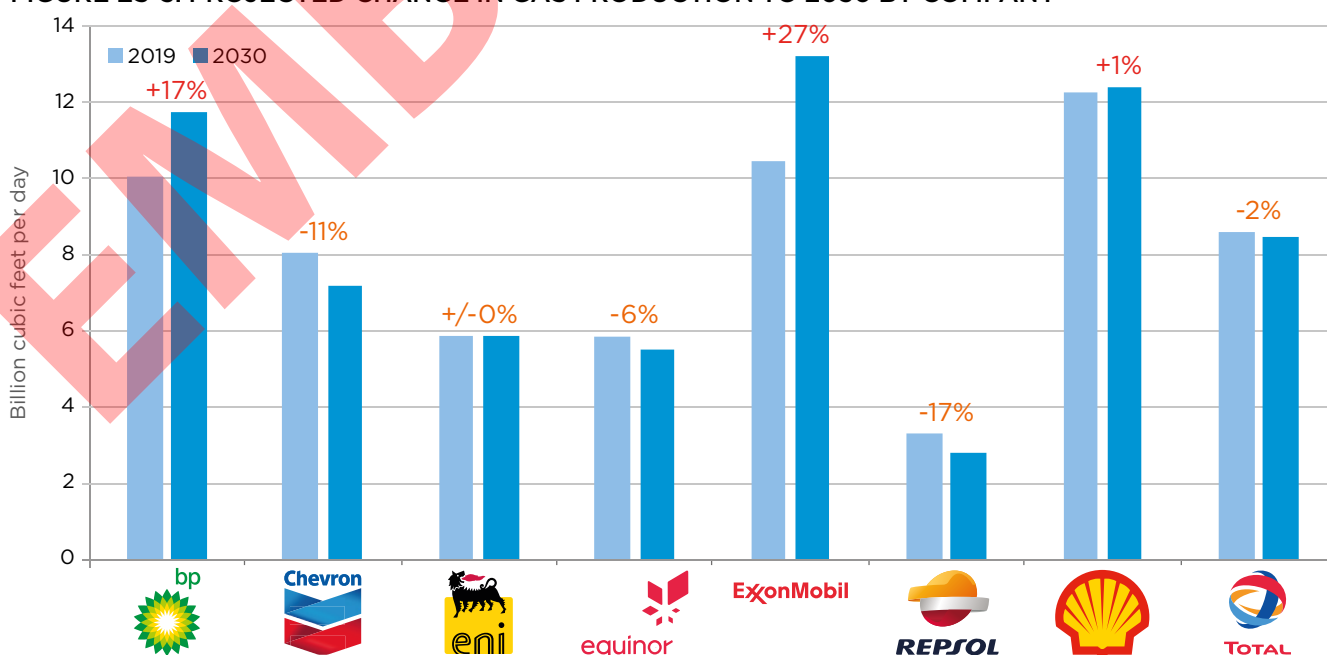
There is an alternative pathway, as shown in Figure ES-4. By stopping investments in new fields, stopping putting new reserves into production, and accelerating the phase-out of some existing production, oil and gas production would decline at a pace aligned with 1.5°C.

FIGURE ES-2: PROJECTED CHANGE IN OIL PRODUCTION TO 2030 BY COMPANY



Source: Rystad Energy UCube

FIGURE ES-3: PROJECTED CHANGE IN GAS PRODUCTION TO 2030 BY COMPANY

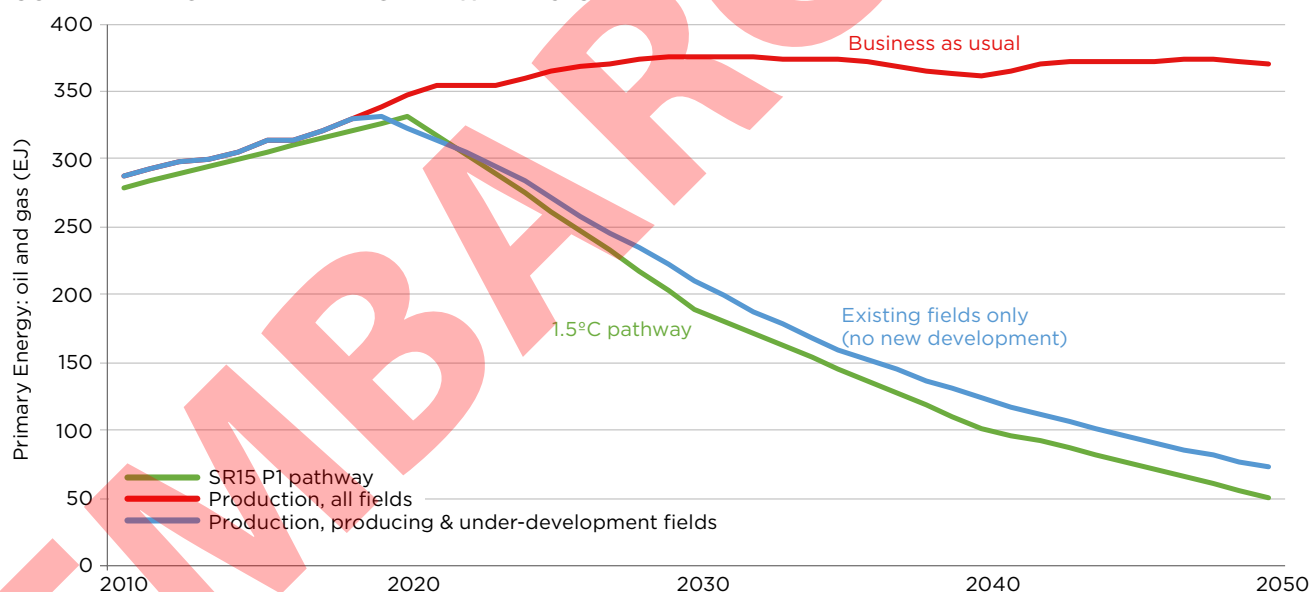


Source: Rystad Energy UCube

## BIG OIL AND GAS REALITY

BP ANNOUNCED PLANS TO LAY OFF 10,000 OF ITS WORKERS THIS SPRING—JUST WEEKS AFTER MAINTAINING A USD 2.1 BILLION DIVIDEND PAYOUT TO SHAREHOLDERS.<sup>95</sup>

FIGURE ES-4: GLOBAL OIL AND GAS EXTRACTION WITH AND WITHOUT NEW DEVELOPMENT, COMPARED TO DEMAND ALIGNED WITH 1.5°C



Sources: IPCC SR15 and Rystad Energy UCube<sup>®</sup>

## CUTTING CORNERS IN "NET-ZERO" PLEDGES

Several oil majors' "net zero" emissions pledges contain large exclusions. Examples include ignoring certain jurisdictions where climate regulations don't already exist, or excluding projects where companies share ownership with another company. Others provide no guarantee that the company will cut what matters most for the climate: the

absolute level of carbon-dioxide pollution associated with burning the oil and gas they produce.

## CONCLUSION: OIL AND GAS COMPANIES WILL NOT MANAGE THEIR OWN DECLINE

No major oil and gas company has released a climate pledge or sustainability plan that meets the bare

minimum criteria for alignment with the Paris Agreement. In order to ensure a phase out that reflects the urgency and ambition of the Paris temperature limits across the entire oil and gas sector, governments must step in to manage the decline of production and facilitate a Just Transition.



# INTRODUCTION: BIG OIL CLIMATE PLANS DON'T STACK UP

This year, the COVID-19 crisis has put people's health, jobs, and lives at risk, as well as throwing the global energy economy into turmoil. The oil and gas industry had spent the last decade investing in an oversupply of oil and gas. Then, low oil prices and a near-term drop in demand combined to cause immediate financial and logistical stress for the fossil fuel industry.<sup>6</sup> The disruption caused by the global pandemic hit the oil and gas industry at a time when companies were already lagging in confronting long-term reality: the structural transformation of our energy system driven by ever-cheaper renewables and pressure to act on the climate crisis. As a result, oil and gas companies are laying off workers, cancelling projects, and even abandoning polluting infrastructure entirely.<sup>7</sup>

In the five years after the Paris Agreement, many of the oil majors have released successive climate strategies, plans, and pledges. Increasingly, they claim to be part of the solution to the climate crisis—but the reality is very different. These companies continue to pursue aggressive lobbying strategies and demand bailouts and loopholes to preserve, and in most cases increase, fossil fuel production.<sup>8</sup>

Meeting the Paris Agreement's goals will require governments to proactively manage the phase-out of oil, fossil gas, and coal production. That is, to limit warming this century to less than 1.5°C above pre-industrial levels, governments will need to phase out fossil fuels in a predictable, people-centered, and Paris-aligned way. To “build back better,” governments need to break free of the unstable boom-bust cycles of fossil fuel extraction.

We are currently witnessing an unmanaged decline in oil and gas. Even

## BIG OIL AND GAS REALITY

*SINCE RELEASING ITS LATEST CLIMATE PLAN, TOTAL HAS SIGNED DEALS WORTH USD 15 BILLION TO FORGE AHEAD WITH CONSTRUCTION OF A MASSIVE LIQUEFIED NATURAL GAS (LNG) EXPORT FACILITY IN MOZAMBIQUE THAT IS FUELING HUMAN RIGHTS VIOLATIONS, CORRUPTION, VIOLENCE, AND INEQUALITY. TOTAL'S CONSTRUCTION ACTIVITIES WERE ALSO LINKED TO THE COUNTRY'S LARGEST CORONAVIRUS OUTBREAK.<sup>96</sup>*

before COVID-19, the fossil fuel industry was already showing signs of financial decline.

Current events, however, provide no guarantee that fossil fuel production will stay in long-term decline. They also provide no indication that the current decline will be at the pace needed to limit global warming to 1.5°C, or that this decline will be a just, equitable one—unless governments intervene to manage the decline in production and implement Just Transition measures.

This is the context for the oil majors' current climate promises, and why they must not be taken at face value. These plans need critical assessment: Do they align with the Paris Agreement's ambition? Do they have integrity? Do they plan for a Just Transition?

If these companies were committing to a clear production phase-out, then this analysis would not be needed. However, it is difficult to clearly assess the climate implications of many company plans because where they lack ambition, they substitute complexity.

This discussion document outlines a ten point framework for assessing whether oil and gas companies' climate change promises and strategies meet a minimum criteria to align with the Paris

Agreement. It then applies this framework to the current climate claims of eight of the largest integrated oil and gas companies—BP, Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell, and Total. Finally, it analyzes recurring themes and problems.

## NOTES ON METHODOLOGY

- ① To maintain a consistent baseline for analysis across companies, we look at the total oil and gas these companies invest in extracting from the ground, the associated carbon pollution – and their plans to reduce that (or not) – as the primary metric of their climate responsibility. Therefore, we do not account for oil and gas that companies may refine or sell from third parties but do not invest in extracting themselves. Oil and gas that's not extracted, cannot be refined or burned.<sup>a</sup>
- ② We use the Rystad Energy UCube database as our primary source for historical and projected data on oil companies' production. Rystad is an independent oil and gas consultancy that maintains a bottom-up database and economic model of all upstream oil and gas projects in the world. Where Rystad projections are used, they are based on Rystad's long-term base oil price scenario of USD 60/bbl (real \$, as of August 2020).

a For example, Total may sell a barrel of oil that was extracted by Shell. In this approach, we attribute that barrel of oil to Shell, the producer.



# ESTABLISHING A BASELINE

## THE BIG PICTURE AND THE NEED FOR A MANAGED DECLINE

The cumulative carbon dioxide (CO<sub>2</sub>) emissions over time determine roughly how much average global temperatures will rise.<sup>b 9</sup> To keep warming within any particular limit—all else being equal—there is a maximum amount of CO<sub>2</sub> that may be emitted. This is the world's carbon budget.

The 2015 Paris Agreement aims to pursue efforts to limit this global average temperature increase to 1.5°C and to hold it well below 2°C above pre-industrial levels.<sup>10</sup> The Intergovernmental Panel on Climate Change's (IPCC) 2018 *Special Report on Global Warming of 1.5 Degrees* highlighted the critical importance of limiting warming to 1.5°C,

which would significantly reduce impacts on communities made vulnerable by geography or structural oppression and reduce risks of systemic collapse.<sup>11</sup>

Past Oil Change International research compared global carbon budgets to the CO<sub>2</sub> emissions from fossil fuels in already-operating fields and mines, using optimistic estimates of emissions reductions from land use change and cement.<sup>12</sup> Figure 1 displays a summary of this research, and shows:

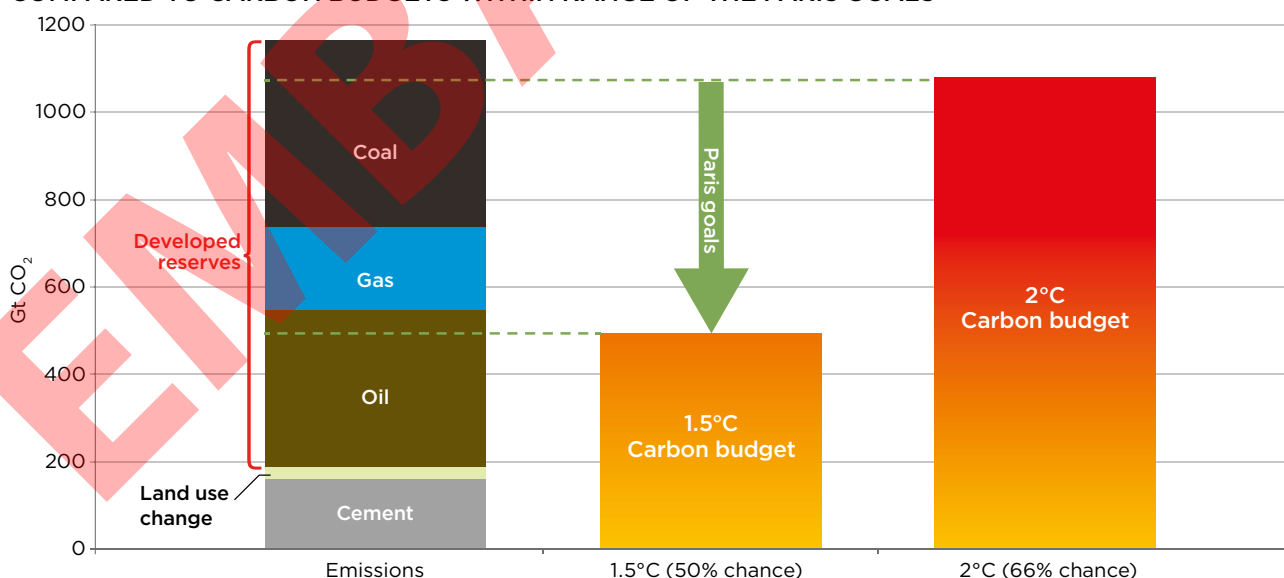
- ❶ The oil, gas, and coal in existing fields and mines would push average global temperature rise far beyond 1.5°C, and exceed a 2°C carbon budget.
- ❷ If global coal use were phased out overnight, developed oil and gas

reserves would still push the world beyond 1.5°C.

The developed reserves shown are in already-operating projects, meaning the infrastructure has already been built, capital invested, and workers employed. This creates “carbon lock-in,” and means that it is more difficult, both politically and economically, to limit extraction from these projects relative to those not yet built.<sup>14</sup>

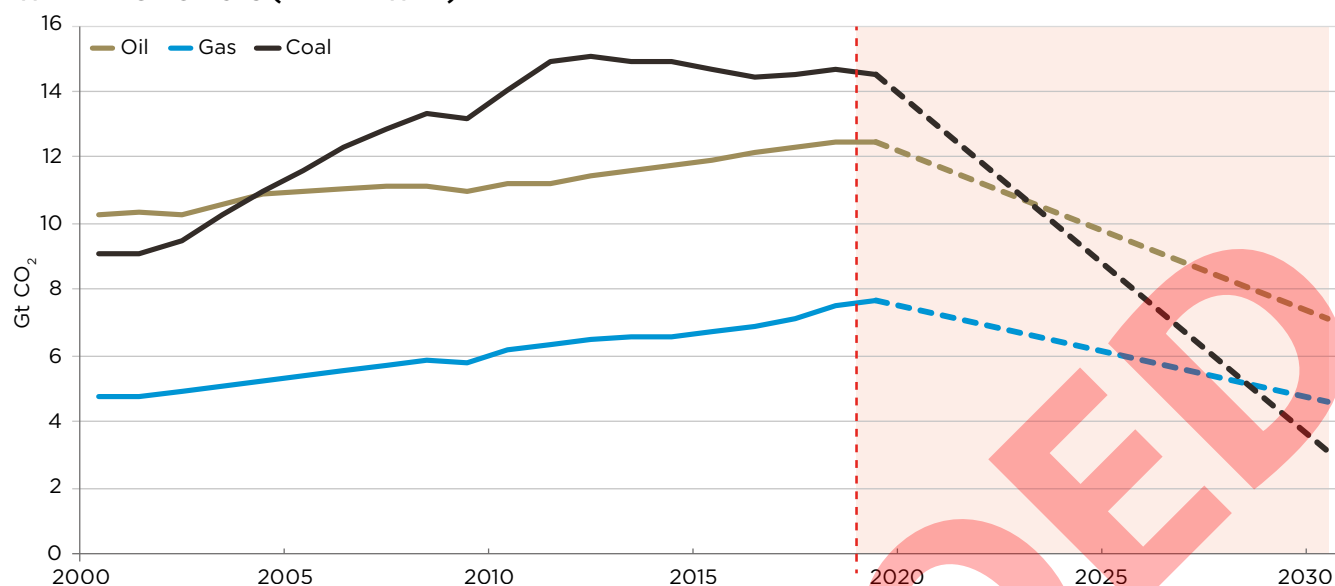
The Stockholm Environment Institute and United Nations Environment Programme's 2019 *Production Gap Report* highlighted this gap further, finding that governments currently plan to produce 120 percent more fossil fuels by 2030 than would be consistent with a 1.5°C pathway (and about 50 percent more than would be consistent with a 2°C pathway).<sup>15</sup>

**FIGURE 1: CO<sub>2</sub> EMISSIONS FROM DEVELOPED GLOBAL FOSSIL FUEL RESERVES, COMPARED TO CARBON BUDGETS WITHIN RANGE OF THE PARIS GOALS**



Sources: Oil Change International analysis based on data from Rystad Energy, IEA, World Energy Council, and IPCC and Global Carbon Project.<sup>13</sup> Remaining carbon budgets shown are as of 1 January 2020.

<sup>b</sup> Specifically, the rise in global temperature is roughly proportional to cumulative CO<sub>2</sub> emissions over time, assuming a given level of emissions of short-lived greenhouse gases such as methane. To limit warming to any level, CO<sub>2</sub> emissions must fall to zero, based on a balance between carbon sources and carbon sinks. As long as emissions continue, the temperature will keep rising.

**FIGURE 2: PROJECTED DECLINE OF OIL, GAS, AND COAL EMISSIONS THIS DECADE TO LIMIT WARMING TO 1.5°C (P1 PATHWAY)**

Sources: Carbon Brief analysis of data from IPCC SR15 and Global Carbon Project<sup>18</sup>

The IPCC's *Special Report on Global Warming of 1.5 Degrees* showed the critical importance of cutting carbon pollution this decade. To limit warming to 1.5°C with little to no overshoot of that threshold, we should cut global CO<sub>2</sub> emissions in half by 2030.<sup>16</sup>

We are beyond the point where we can phase out one fossil fuel at a time. And while an ambitious global coal phase-out is critical, oil and gas production and use—together the largest source of global CO<sub>2</sub> emissions—must also fall significantly within this decade. This is especially true if we are to avoid large-scale reliance on CO<sub>2</sub> removal technologies, which the IPCC calls “a major risk in the ability to limit warming to 1.5°C.”<sup>17</sup> Figure 2 shows the necessary decline in oil and gas emissions needed by 2030 in the illustrative pathway from the IPCC *Special Report* that avoids reliance on unproven CO<sub>2</sub> removal technologies.<sup>c</sup>

Consequently, if oil and gas companies were serious about making climate commitments consistent with the Paris Agreement, they would need to commit not just to cutting emissions in their own operations and ceasing new exploration for oil and gas, but actively planning for a Just Transition to phase out oil and gas

production—starting now. Only one oil major, BP, has explicitly committed to cut production by 2030.<sup>19</sup> The only fail-safe way for a company to reduce the total carbon pollution associated with its oil and gas is to actually reduce the amount of oil and gas it extracts.

### TEN BASELINES FOR OIL AND GAS COMPANY CLIMATE COMMITMENTS

This section outlines ten minimum criteria for ambition, integrity, and transition planning that must be met before an oil and gas company's climate commitment could be Paris-aligned.

These minimums are necessary but not sufficient conditions for alignment with the Paris Agreement.

In other words, even if a company's climate commitment met all ten criteria, that does not mean that it is consistent with limiting warming consistent with 1.5°C or well below 2°C. Further analysis would be needed on the precise reductions pledged, on the consistency with the Paris Agreement's principles of equity, differentiation, and sustainable development, and on the other elements of the Agreement.<sup>20</sup>

### AMBITION

#### 1) Stop exploration

Given that existing developed reserves already exceed our carbon budget for 1.5°C and 2°C, there is no justification for searching for even more oil and gas that can never be burned. This means that if an oil and gas company wants to align its operations with the Paris Agreement, then it must end exploration activities.

#### 2) Stop approving new extraction projects

The same rationale applies to new extraction projects. Projects already in operation contain enough oil and gas to push the world beyond our emissions budget for the Paris Agreement goal of limiting warming to 1.5°C. For an oil and gas company to align with the Paris Agreement, it must stop approving new projects that will add to the world's already excessive stock of developed reserves.

#### 3) Decline oil and gas production by 2030

The IPCC's 1.5°C report highlights the importance of action this decade, noting the need to halve emissions by 2030. Therefore, to be consistent with the Paris Agreement, an oil and gas company must commit to significant cuts in production by 2030.

c The IPCC's 2018 report included four illustrative 1.5°C pathways. The most precautionary (P1) avoids reliance on bioenergy with carbon capture and storage, a technology created within climate models that is untested at scale and faces significant feasibility constraints. The Carbon Brief analysis shown in Figure 2 indicates that to cut emissions in line with the IPCC's P1 illustrative pathway, relative to 2019 levels:

- CO<sub>2</sub> emissions from oil must fall by 44 percent by 2030;
- CO<sub>2</sub> emissions from gas must fall by 39 percent by 2030.

The oil and gas decline would need to be even faster if the extremely rapid coal phase-out assumed (nearly 80 percent by 2030) does not prove feasible.



## BIG OIL AND GAS REALITY

A DUTCH COURT HEARD TESTIMONY LAST YEAR IN A LAWSUIT AGAINST SHELL BROUGHT BY FOUR WIDOWS OF THE OGONI NINE, NIGERIAN ACTIVISTS RESISTING SHELL'S OIL EXPLOITATION WHO WERE EXECUTED BY THE NIGERIAN GOVERNMENT—WITH SHELL'S COMPLICITY—IN 1995.<sup>97</sup>

### 4) Set long-term phase-out plan aligned with 1.5°C

Ultimately, to meet any global carbon budget to limit warming, we need to zero out global fossil fuel emissions. That will require phasing out fossil fuel emissions, which in turn requires phasing out fossil fuel production. To be consistent with the Paris Agreement, therefore, an oil and gas company must commit to a long-term phase-out plan of fossil fuel production consistent with 1.5°C.

## INTEGRITY

### 5) Set absolute target covering all oil and gas extraction (full equity share)

It is critical that companies account for the full impact of the carbon they extract from the ground, not just pollution caused by their direct operations. The *Greenhouse Gas Protocol* for company emissions divides emissions into three categories:<sup>21</sup>

- ❶ Scope 1: Direct emissions, like emissions from the oil and gas extraction process
- ❷ Scope 2: Emissions from generating energy purchased by the company (for example, the emissions in the electricity generated to power a refinery)
- ❸ Scope 3: Supply chain emissions, notably including emissions from burning oil and gas produced by the company<sup>d</sup>

Scope 3 emissions account for about 85 percent of the industry's carbon pollution,<sup>e, 22</sup> so any materiality assessment for a major oil or gas company would show that Scope 3 emissions (particularly the emissions from burning the oil and/or gas sold) are significant and critical to address.

To comprehensively manage emissions, a company must account for all scopes.<sup>23</sup>

They must also do so on a full equity share basis, meaning that all of the oil and gas that their company has a financial stake in producing is accounted for.<sup>f, 24</sup>

### 6) Do not rely on carbon sequestration or offsets

There are proven alternatives to shift off of oil and gas, from electrifying transport and heat pumps to hydrogen produced with renewable energy. Carbon capture and sequestration (CCS), offsetting, and carbon dioxide removal (CDR) are not among them: They are unproven at the scale that would be required to achieve climate goals and do not guarantee reductions in carbon pollution.

For three decades, the fossil fuel industry has been pointing to the potential of CCS as an alternative to directly keeping oil, gas, and coal in the ground.<sup>25</sup> However, results have not materialized. Most of the few CCS pilot projects to date have proved costlier and less effective than hoped,<sup>26</sup> and proven technologies like

d In our analysis, we focus on the carbon pollution from the burning of oil and gas extracted and sold, as this is likely to be the overwhelming majority of big oil and companies' Scope 3 emissions. However, Scope 3 emissions do also include other supply chain emissions.

e For a specific example, Shell reports that Scope 3 accounts for 85 percent of its overall emissions. By comparison, the Science Based Targets Initiative (which does not currently accept targets from most fossil fuel producers) requires targets to include a Scope 3 target where Scope 3 emissions account for more than 40 percent of the company's total emissions.

f Calculating emissions on an equity share basis means including emissions from things that a company partially or fully owns, not just operates. Where multiple parties own equity in a project, emissions are allocated across them according to their equity in the project.



wind and solar are already cheaper in the power sector. From a public health and social justice perspective, CCS prolongs the other forms of pollution and damage caused by fossil fuel extraction and use.

CDR is a catch-all term for various approaches to reducing atmospheric concentrations of CO<sub>2</sub> by removing it from the air, also referred to as negative emissions. These approaches include direct air capture (DAC), bioenergy with carbon capture and storage (BECCS), and reforestation or afforestation. DAC and BECCS as yet primarily exist in climate models rather than the real world.<sup>9</sup>

Oil majors are increasingly citing forest projects and other “nature-based” offset schemes as a means to reach their climate targets while continuing to pump out oil and gas.<sup>28</sup> If such strategies fail, further climate destruction will be locked in, and there are many reasons for concern.

The IPCC warns, “CDR deployed at scale is unproven, and reliance on such technology is a major risk in the ability to limit warming to 1.5°C” owing to “multiple feasibility and sustainability concerns.”<sup>29</sup>

The large-scale deployment of CDR methods, particularly including BECCS and afforestation, is likely to have unacceptable social, human rights, and environmental consequences, including food shortages, land degradation, and loss of biodiversity.<sup>30</sup> It could also lead to land grabs for Indigenous territory and threaten traditional livelihoods. Offsetting a third of today’s fossil fuel emissions via BECCS would require land equivalent to up to half of the world’s total crop-growing area.<sup>31</sup> Meanwhile, the heat, droughts, fires, and diseases being supercharged by fossil fuel pollution are already compromising forests’ ability to sequester carbon and, some scientists warn, could negate it altogether.<sup>32</sup>

Delaying emissions reductions in the near-term will exacerbate the climate devastation already displacing communities and put a huge burden on future generations to remove excess CO<sub>2</sub>.<sup>33</sup> Further, scientists remain uncertain about the effectiveness of net negative emissions to reduce temperatures after they peak. In other words, relying on CDR to negate excess fossil fuel pollution and pull temperatures back from an overshoot of 1.5°C is a massive gamble.<sup>34</sup>

Consequently, to be credible, a company’s climate commitments should hinge on what they can directly achieve and verify: reductions in fossil fuel production and use. At minimum, where there is reliance on CCS, CDR, future net negative emissions, or ongoing offsetting, the extent should be explicitly stated so they can be tested for feasibility and social acceptability and compatibility with human rights.<sup>35</sup>

## 7) Be honest about fossil gas as high carbon

Our research shows that fossil gas is not low carbon or clean, as summarized in Box 1. This means that a company’s commitment or strategy that depends on growing fossil gas production, or mischaracterizes it as “low carbon,” is not Paris-aligned.

## 8) End lobbying and ads that obstruct climate solutions

Research shows that lobbyists acting on behalf of fossil fuel companies have continued to oppose Paris-aligned climate policy. InfluenceMap finds that, since Paris, the five largest publicly owned oil and gas companies have spent approximately USD 200 million each year on lobbying to control, delay, or block climate policy.<sup>37</sup>

### BOX 1: FOSSIL GAS IS NOT A BRIDGE FUEL<sup>36</sup>

**1. Gas breaks the carbon budget:** As shown in Figure 1, the economically recoverable oil, gas, and coal in the world’s currently-producing and under-construction extraction projects would take the world far beyond safe climate limits. Further development of untapped gas reserves is inconsistent with the climate goals in the Paris Agreement.

**2. Coal-to-gas switching doesn’t cut it:** Climate goals require the entire global energy sector to decarbonize by mid-century. This means that both coal and gas must be phased out. Replacing coal plants with new gas plants will not cut emissions by nearly enough, even if methane leakage is kept to a minimum.

**3. Low-cost renewables can displace coal and gas:** The dramatic and ongoing declines in cost for wind and solar disrupt the business model for gas in the power sector. Wind and solar will play an increasing role in replacing retiring fossil fuel capacity.

**4. Gas is not essential for grid reliability:** Wind and solar require balancing, but gas is not the only, nor the best, resource available for doing so. Battery storage is

quickly becoming competitive with gas plants designed for this purpose (known as “peakers”). Wind and solar plants coupled with battery storage are also becoming a competitive, “dispatchable” source of energy. Managing high levels of wind and solar on the grid requires optimizing a wide range of technologies and solutions, including battery storage, demand response, and transmission. There is no reason to favor gas as the primary solution.

**5. New gas infrastructure locks in carbon pollution:** Multibillion-dollar gas infrastructure built today is designed to operate for decades to come. Given the barriers to closing down infrastructure ahead of its expected economic lifespan, it is critical to stop building new infrastructure whose full lifetime emissions will not fit within Paris-aligned carbon budgets.

**6. Fossil gas has a human cost:** Fossil gas infrastructure and use has been associated with negative health impacts, and other serious harms to people and communities. Building new fossil gas infrastructure will stand in the way of a Just Transition for workers and communities.

<sup>9</sup> While some reforestation and afforestation is likely to play an important role in meeting climate targets, and can have other environmental and social benefits, significant concerns exist about reliance on reforestation to offset ongoing fossil carbon pollution. Some reforestation or forest protection projects have also raised significant human rights and Indigenous Peoples’ rights concerns.<sup>27</sup>



In some cases, oil and gas companies have publicly pledged to support climate policy, at the same time as furtively working to undermine the precise policies they claim to support. For example, even as BP claimed to be leading efforts to reduce methane pollution from oil and gas production, there is documentary evidence that the company lobbied intensively to cut US methane rules.<sup>38</sup>

In other cases, companies cloak lobbying efforts to defer or eliminate their responsibility for the climate crisis under the banner of climate action. For example, in 2018, ExxonMobil touted its support for a carbon-pricing proposal in the United States that included a less publicized provision to shield oil and gas companies from a rising tide of litigation holding them responsible for climate damages.<sup>39</sup>

Each of the European-based oil majors assessed in this report have initiated

processes to disclose and review their engagement in trade associations for alignment on climate policy, and have left one or more associations as a result. However, each company remains part of other associations, including the American Petroleum Institute and Business Europe, that are scored by InfluenceMap as some of the most negative influencers of climate policy.<sup>40</sup>

Any serious climate commitment must therefore contain or be coupled with an explicit commitment not to obscure or obstruct climate solutions either directly, or indirectly as members of various industry associations.

## TRANSITION PLANNING

### 9) Commit to explicit end date for oil and gas extraction

A critical first step to planning for a Just Transition is committing to make the transition. Without this commitment, it is difficult to commence a meaningful

tripartite or multipartite dialogue between workers, government, and businesses to develop Just Transition measures. Setting an explicit end date for extraction provides certainty and allows for long-term planning.

### 10) Commit plans and funding to support workers' transition into new sectors

The Paris Agreement explicitly recognizes the imperative of a Just Transition, securing decent work and quality jobs.<sup>41</sup> Oil and gas companies should explicitly commit to enter into tripartite or multipartite dialogue with workers, governments, and other stakeholders (such as Indigenous Peoples and affected communities) to develop robust Just Transition Plans, which should be accountable to trade unions and local stakeholders and guarantee safeguards to protect workers' livelihoods and help them transition to high-quality jobs in new sectors.<sup>42</sup>

## BOX 2: EQUITY AND CLIMATE JUSTICE IN THE PHASE-OUT OF FOSSIL FUEL EXTRACTION

Ensuring a just and sustainable energy transition is a critical obligation of governments as they plan to phase out fossil fuel production in order to limit global warming to 1.5°C. However, other stakeholders, including the companies discussed in this briefing, should also be challenged on principles of equity in their climate plans.

A recent study published in the journal *Climate Policy* by researchers Greg Muttitt of Oil Change International and Sivan Kartha of the Stockholm Environment Institute presents a framework for equitably curbing fossil fuel extraction, proposing five principles that should be applied in order to manage a just and rapid decline.<sup>43</sup>

- 1. Phase down global extraction at a pace consistent with 1.5°C.** Countries can do this through both economic and regulatory approaches, including extraction taxes and licensing moratoria.
- 2. Enable a just transition for workers and communities.** Key elements of this principle include sound investments in low-emission sectors, social protection for fossil-fuel workers, and local economic diversification.
- 3. Curb extraction consistent with environmental justice.** Ending fossil fuel extraction should be prioritized where

communities disproportionately experience the harms of extraction (such as pollution) and not the benefits.

- 4. Reduce extraction fastest where social costs of transition are least.** Wealthier, diversified economies—such as the US, Canada, UK, and Norway—should phase down production quickly, as they can better mitigate and absorb the adverse impacts on workers and communities.
- 5. Share transition costs fairly.** The largest burden should be borne by those with the “broadest shoulders,” or ability to pay. In practice, this means wealthy countries—who have already benefited the most from past extraction—should bear the most cost.

It's important to underline that major oil and gas companies have been a consistent obstacle to climate justice. These companies and their investors have consistently profited from fossil fuel extraction on the backs of human rights abuses, the violation of Indigenous Peoples' rights, and pollution of local communities, all while deliberately blocking climate solutions. In their paper, Muttitt and Kartha suggest that achieving an equitable transition “may require removing corporate protections in order to apply protections to the workers, communities and societies that do not currently enjoy them.”

## WHAT IS NOT INCLUDED

There are some criteria that we have considered but suggest should explicitly not factor into this analysis.

## INVESTMENT IN RENEWABLE ENERGY

Companies have two broad strategies to exit oil and gas: a managed decline of extraction, returning money to investors, and meeting transition obligations; or, a shift towards other sectors such as renewable energy while managing the decline of oil and gas. Both pathways require a phase-out of fossil fuel production.

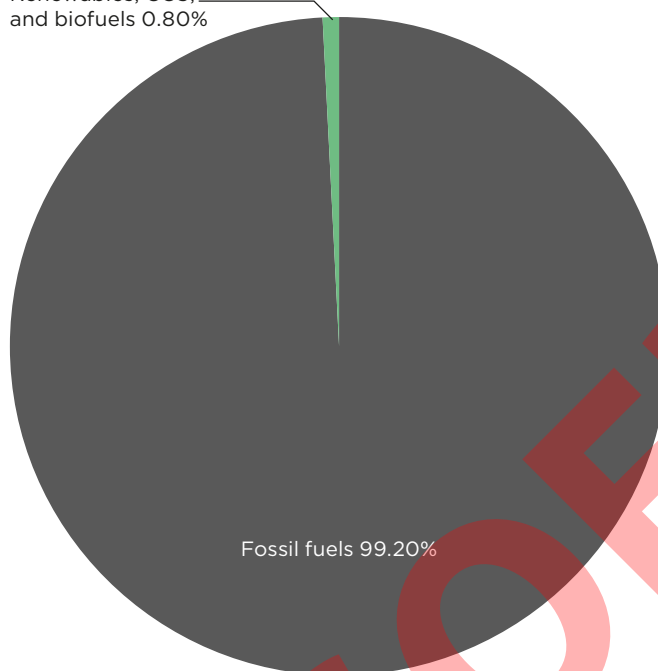
In other words, it is possible for a company to both increase its investment in renewable energy and increase its overall contribution to the climate crisis if the investment is not paired with a commensurate phase-out.

Additionally, there are many reasons why oil majors should not become the dominant players in renewable energy production. There are good arguments for increased community ownership and participation in renewable energy generation. We should not hand control over the shift towards renewable energy to companies that have been tied to rampant human rights violations and corruption for decades.<sup>44</sup>

Further to the fact that none of the majors have meaningful phase-out plans, the scale of oil and gas companies' capital expenditure in renewable energy remains so low that it is barely worth looking at yet. As shown in Figure 3,

FIGURE 3: BIG OIL AND GAS CAPITAL EXPENDITURE IN 2019

Renewables, CCS, and biofuels 0.80%



Fossil fuels 99.20%

Source: IEA data, adapted from graph by Simon Evans<sup>45</sup>

International Energy Agency (IEA) data reveal that 99.2 percent of oil and gas companies' capital expenditure still went towards fossil fuels in 2019.

## CARBON INTENSITY TARGETS

A carbon intensity target aims to cut carbon pollution only relative to productivity or output. Several oil and gas companies have set carbon intensity targets. However, aiming to increase oil and gas production even while reducing the emissions per barrel or cubic meter can still lead to increases in total emissions, further pushing the world beyond the carbon budget for

1.5°C or well below 2°C.<sup>46</sup> There may be scenarios where an intensity target is part of cutting an oil and gas company's carbon pollution on a pathway consistent with the Paris Agreement, but this would only apply when coupled with the criteria set out above: no new exploration, no new extraction, and a managed decline in production volume.

Ultimately, a target that allows for an oil and gas company to increase its emissions is not consistent with the Paris Agreement.

## BIG OIL AND GAS REALITY

AFTER MAKING MAJOR OIL DISCOVERIES OFF THE COAST OF GUYANA, EXXON MOBIL NEGOTIATED A LOPSIDED DEAL WITH THE GOVERNMENT THAT GUYANESE CITIZENS HAVE CALLED THE RESULT OF EITHER "GRAND CORRUPTION OR GRAND INCOMPETENCE." THEY ARE CHALLENGING THE PETROLEUM LICENSE AND ENVIRONMENTAL PERMITS IN COURT. MEANWHILE, AS OF AUGUST 2020, EXXON'S SUBSIDIARY ESSO HAD FLARED OVER 10 BILLION CUBIC FEET OF FOSSIL GAS FROM FAULTY EQUIPMENT, UNCONTROLLED POLLUTION THAT GUYANESE LAWYERS SAY IS ILLEGAL UNDER THE COUNTRY'S ENVIRONMENTAL LAWS.<sup>98</sup>

### BOX 3: HOW OIL MAJORS HIDE BEHIND IEA SCENARIOS

Several oil majors have cited the International Energy Agency's (IEA) Sustainable Development Scenario (SDS) in their pledges and plans. In particular:

- ❶ ExxonMobil cites the SDS to argue for further investment in oil and gas.<sup>47</sup>
- ❷ In arguing for CCS, Equinor claims: "The International Energy Agency states that we will need to store billions of tonnes of CO<sub>2</sub> every year if we are to reduce global warming."<sup>48</sup>
- ❸ In its 2019 climate report, Total defends its fossil gas expansion plans by saying, "According to the IEA's Sustainable Development Scenario, gas consumption will soar between now and 2040."<sup>49</sup>
- ❹ Chevron has cited the SDS to claim that it does not face a stranded assets risk.<sup>50</sup>

However, alignment with IEA scenarios does not amount to alignment with the Paris Agreement. The IEA's analysis is off track for 1.5°C. Whereas the IPCC found in 2018 that we need net-zero carbon emissions globally by 2050 to have a reasonable chance at limiting warming to 1.5°C, the 2019 SDS does not reach net zero from energy until 2070.<sup>51</sup>

In summary, our analysis has found that:

1. The IEA World Energy Outlook (WEO) default scenario leads to climate breakdown.
2. The WEO omits a credible 1.5°C pathway, failing to direct investment decisions to align with that limit.
3. The IEA suggests that risky, unproven technologies can compensate for the excess burning of fossil fuels.
4. The WEO continues to project large deployments of capital into the development of new fossil fuels.











# FAILURE ACROSS THE BOARD: HOW THE OIL MAJORS' CLIMATE PLANS MEASURE UP

## APPLYING THE FRAMEWORK

We have analyzed the climate pledges or sustainability plans of eight major oil and gas companies against these ten criteria. The results are set out in Table 1.

TABLE 1: ASSESSING THE OIL MAJORS' CLIMATE PLANS

	 <sup>52</sup>	 <sup>53</sup>	 <sup>54</sup>	 <sup>55</sup>	 <sup>56</sup>	 <sup>57</sup>	 <sup>58</sup>	 <sup>59</sup>
<b>Ambition</b>								
Stop exploration	Only in new countries <sup>h</sup>	No	No	No	No	No	No	No
Stop approving new extraction projects	No	No	No	No	No	No	No	No
Decline oil and gas production by 2030	<30% drop by 2030 <sup>i</sup>	No	Plateau by 2025, decline only for oil <sup>j</sup>	No	No	No	No	No
Set long-term production phase-out plan aligned with 1.5°C <sup>k</sup>	No	No	No	No	No	No	No	No
<b>Integrity</b>								
Set absolute target covering all oil and gas extraction (full equity share)	Absolute; major Scope 3 loophole <sup>l</sup>	No	Yes <sup>m</sup>	Scope 3; intensity target only	No	Scope 3; close to absolute <sup>n</sup>	Scope 3; intensity target only	Scope 3 "net zero" only in Europe

<sup>h</sup> In August 2020, BP announced that it would "not seek to explore in countries where it does not already have upstream activities."<sup>60</sup>

<sup>i</sup> BP does not count production from its stake in Rosneft in its stated 40 percent production cut. Rosneft accounted for more than 30 percent of the oil and gas BP invested in producing in 2019. Counting production from Rosneft, and assuming no change in Rosneft production, BP's current commitment only adds up to a 27 percent decline in carbon pollution from oil and gas to 2030, compared to 2019 levels. See Figure 9.

<sup>j</sup> Eni has not made a specific commitment to decline production by 2030, but has set a target of reducing absolute emissions by 30 percent by 2035.<sup>61</sup>

<sup>k</sup> We give the three companies that have set long-term targets clearly requiring absolute reductions in oil and gas production by 2050 the "highest" marks in this category: insufficient. But no company has yet developed a long-term phase-out plan that is specific and robust enough to qualify as partially or fully aligned with 1.5°C. Overall greenhouse gas emissions must fall by 7.6 percent annually each year of this decade. Any delay from rapidly cutting oil and gas production is incompatible with keeping warming within 1.5°C. Companies would need to publish specific targets for reducing their production at five-year intervals to enable an assessment of compatibility with a 1.5°C trajectory.<sup>62</sup>

<sup>l</sup> BP does not include its nearly 20 percent equity stake in Rosneft in its pledge to "be net zero on an absolute basis across the carbon in our upstream oil and gas production by 2050 or sooner." Yet, that stake in Rosneft accounted for 44 percent and 14 percent of BP's attributable upstream oil and gas production, respectively, as of 2019.<sup>63</sup>

<sup>m</sup> Eni states that its accounting of greenhouse gas emissions "includes both direct and indirect emissions deriving from the end use of our products, whether from our own production or purchased from third parties," and regardless of "whether they derive from equity or non-equity productions."<sup>64</sup>

<sup>n</sup> Repsol's targets are based on its "Carbon Intensity Indicator" up to its pledge to be net-zero by 2050. If accounting for all company emissions, net zero carbon intensity would equal net zero in absolute emissions. However, Repsol counts some "avoided emissions" from "low-carbon power generation" (including, in their definition, some fossil gas) as offsets against the company's Scope 1, 2, and 3 emissions. With this methodology, net zero carbon intensity would not necessarily reflect a full zeroing out of pollution from Repsol's production or overall business.<sup>65</sup>



	BP	Chevron	Eni	Equinor	ExxonMobil	Repsol	Shell	Total
<b>Integrity</b>								
Do not rely on carbon sequestration or offsets	No <sup>o</sup>	No	No	No	No	No	No	No
Be honest about fossil gas as high carbon	No	No	No	No	No	No	No	No
End lobbying and ads that obstruct climate solutions	No <sup>p</sup>	No <sup>q</sup>	No <sup>r</sup>	No <sup>s</sup>	No	No <sup>t</sup>	No <sup>u</sup>	No <sup>v</sup>
<b>Transition Planning</b>								
Commit to explicit end date for oil and gas extraction	No	No	No	No	No	No	No	No
Commit plans and funding to support workers' transition into new sectors <sup>w</sup>	No	No	No	No	No	No	No	No

#### COLOR CODE FOR RATING COMPANY COMMITMENTS AGAINST CRITERIA

Grossly insufficient	Insufficient	Partial alignment	Close to alignment	Fully aligned
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As this analysis shows, none of the oil and gas majors' commitments pass the baseline test to be considered serious climate plans. Only one company's commitment comes close to aligning with the Paris Agreement on even one criteria.

No major oil and gas company has yet made a commitment to stop developing new fossil fuel projects. Many continue to recycle the myth that fossil gas is a bridge fuel.

#### RECURRING THEMES GROWING PRODUCTION AND EMISSIONS BY 2030

Most of the oil majors are still on track to significantly increase their oil and gas production between now and 2030—the very decade when the IPCC suggests the world should halve carbon pollution. This is according to Rystad Energy projections based on the assets they currently hold and are planning to sanction. This trajectory will not meaningfully shift until these companies commit to not develop new projects in their development pipeline and/or phase out some of their

existing assets early. Industry capital expenditure into developing new oil and gas fields could still top USD 2.5 trillion in this decade, after taking into account the pandemic and recent oil price decline.<sup>75</sup>

Only one oil major, BP, has committed to cutting oil and gas extraction by 2030. Its stated commitment to cut production by 40 percent is significant, and has a potential to align with the fall in production required to align with the Paris Agreement. However, this commitment excludes BP's major share in Russian oil giant Rosneft, which accounted for

<sup>o</sup> Notably, BP has said they do not plan to rely on offsets for meeting their 2030 target to decline production, a welcome pledge. However, BP indicates it will rely on carbon capture, utilization, and storage as part of its plan to meet its 2030 emissions reduction targets. It also notes that offsets will "count towards our aims when our businesses use them to meet compliance needs, or provide their benefit to customers to help them meet their goals." To 2050, BP claims "natural climate solutions have an important role to play in enabling the world to get to net zero, and we intend to support them," suggesting it plans to rely on forestry and other types of "nature-based" offsets to achieve "net zero."<sup>66</sup>

<sup>p</sup> BP has pledged to stop "corporate reputation advertising" in addition to reviewing trade association engagement for alignment on climate. In February 2020, BP announced it will exit three U.S.-based trade associations, the American Fuel and Petrochemical Manufacturers, the Western States Petroleum Association, and the Western Energy Alliance, over "material differences regarding policy positions on carbon pricing."<sup>67</sup>

<sup>q</sup> Due to a resolution passed in May 2020 by a majority of Chevron shareholders, the company will have to prepare a report disclosing its climate-related lobbying activities. Chevron opposed the resolution.<sup>68</sup>

<sup>r</sup> Eni says it "evaluates its participation in business associations in light of their alignment" with its principles. In 2020 it decided to not renew its membership in the American Fuel and Petrochemical Manufacturers over climate misalignment.<sup>69</sup>

<sup>s</sup> Equinor published its first review of the climate alignment of industry associations and activities in March 2020 and left the Independent Petroleum Association of America over "material misalignment" on climate.<sup>70</sup>

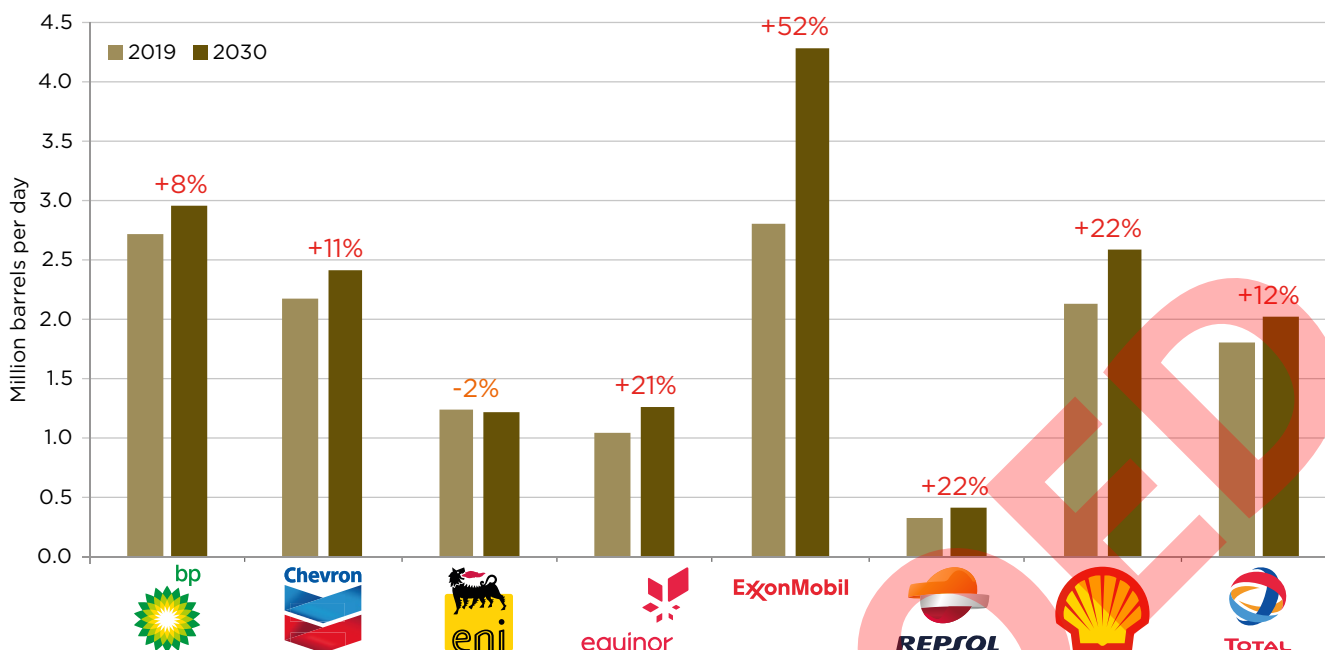
<sup>t</sup> Repsol says it will work so that trade associations and initiatives it engages with align with Paris-based targets, but did not find any of its engagement "misaligned" in its 2020 review.<sup>71</sup>

<sup>u</sup> Shell began publishing an Industry Associations Climate Review in 2019 to assess climate alignment, deciding to leave the American Fuel and Petrochemical Manufacturers at that time.<sup>72</sup>

<sup>v</sup> Total committed to "track and review its membership in trade associations" for climate alignment and in November 2019 announced it will leave the American Fuel and Petrochemical Manufacturers.<sup>73</sup>

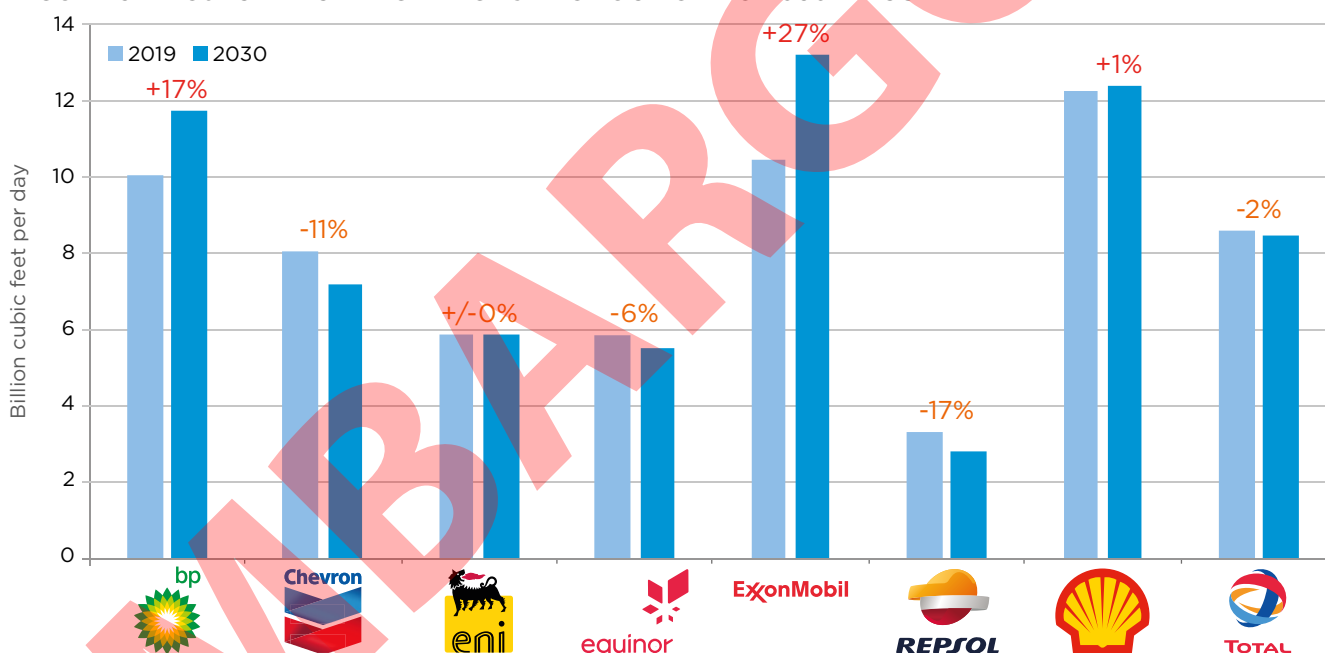
<sup>w</sup> A couple of companies have begun incorporating messages around a Just Transition in their communications, but without providing clarity on what they mean by this over the long term and in relation to their employees. For example, Eni's 2019 sustainability report includes a section that seeks "to describe its contribution to a Just Transition, an energy transition that allows to protect the environment and give access to energy for all, but at the same time is socially fair." BP's 2019 sustainability report includes a brief paragraph entitled "Supporting a Just Transition." Shell's web page on "Climate change and energy transitions" states that, "Shell endeavours to work with society in its move towards a low-carbon world while supporting workers and communities in a manner that is just, fair and inclusive." However, none of the companies have made clear, specific, long-term commitments to support a Just Transition for their workers, or even clearly define what "Just Transition" means to their companies.<sup>74</sup>

FIGURE 4: PROJECTED CHANGE IN OIL PRODUCTION TO 2030 BY COMPANY



Source: Rystad Energy UCube, based on company assets and projected investments as of August 2020.

FIGURE 5: PROJECTED CHANGE IN GAS PRODUCTION TO 2030 BY COMPANY



Source: Rystad Energy UCube, based on company assets and projected investments as of August 2020.

#### BOX 4: WHAT ABOUT BP?

Figures 4 and 5 do not yet reflect BP's stated commitment to cut oil and gas production by 2030 for two primary reasons:

1. This data accounts for the production associated with BP's stake in Rosneft; and

2. BP has not yet implemented decisions about which projects it will not develop or will shut in early in order to meet recent commitments. These projections reflect the trajectory of BP's current assets and planned investments.

around 30 percent of the carbon pollution associated with its extraction investments in 2019.

Consequently, this target falls short of the ambition required to limit global warming to 1.5°C, but is notable as the first from

a big oil and gas company to recognize that significant reductions in oil and gas production must occur within this decade.

Based on current assets and projected investments, data from Rystad Energy show only one oil major (Eni) is currently

on track to decline oil production in this decade (Figure 4).

Between now and 2030, it is largely the same story for gas: an overall increase in extraction. This is shown in Figure 5.

Ironically, several oil majors cite the bridge fuel myth and claim that part of their transition plan is a shift to fossil gas, while current projections indicate they are on track for a larger relative increase in oil production—19 percent for oil versus 3 percent for gas across all eight companies.

Cumulatively, these companies' projected 2030 production would lead to a 13 percent increase in carbon pollution, compared to their 2019 production levels.<sup>76</sup>

As companies develop and implement strategies to achieve their recent climate commitments, it is possible that these trajectories will shift. However, they are unlikely to shift meaningfully without explicit commitments to stop investing in new oil and gas extraction.

Although some companies' plans are less inadequate than others, none of them are compatible with emissions goals that prevent climate breakdown. Eni and Repsol, for example, may be on track to cut their Scope 3 emissions from produced oil and gas by one percent in this decade. That, however, is a far cry from cutting carbon pollution at rates that would be consistent with limiting warming to 1.5°C.

An alternative pathway is possible. Figure 6 shows what the oil and gas production trajectory would look like if oil and gas companies stopped both investing in new fields and putting new reserves into production (the blue line).

Despite industry narratives, oil and gas supply would not crash overnight. Instead, it would go into structural decline. The rate of decline from existing fields—just over 4 percent annually on average—would closely match the pace of oil and gas phase-out in the IPCC's P1 low overshoot pathway, shown in the green line.

To fully align with this pathway and avoid gambling on unproven CDR technologies, some existing production would need to be phased out early.

### DODGING RESPONSIBILITY FOR DOWNSTREAM EMISSIONS

Very few oil majors have grappled with their Scope 3 emissions. Only four have set targets covering even part of their supply chain carbon pollution. In several cases, the Scope 3 targets set are carbon intensity targets only.

Where oil majors have set absolute Scope 3 targets, almost all apply only to a portion of their Scope 3 emissions. For example, as discussed above, BP's Scope 3 target excludes production from Rosneft. It also does not include the emissions from burning the oil and gas they sell but do not produce.

Total has set an absolute Scope 3 target for European operations, but only an intensity target for the products it sells outside Europe. Any Scope 3 emissions from things other than products sold being burned are not included in either of these targets. In June 2020, Total CEO Patrick Pouyanné told *Le Monde*: "Above all, if Total were to commit to Scope 3 on

a global scale, it would mean we would stop producing oil."<sup>78</sup>

### CUTTING CORNERS IN "NET-ZERO" PLEDGES

These loopholes extend to companies' long-term "net-zero" pledges. Total, Shell, BP, Repsol, and Equinor have all claimed to have some form of "net-zero" commitment.

The Paris Agreement recognizes the need to reach net-zero emissions in the second half of this century.<sup>79</sup> Further, the IPCC's *Special Report on Global Warming of 1.5 Degrees* shows CO<sub>2</sub> emissions need to reach net zero (that is, for anthropogenic CO<sub>2</sub> sources and sinks to balance out) by 2050 in 1.5°C-consistent pathways.<sup>80</sup>

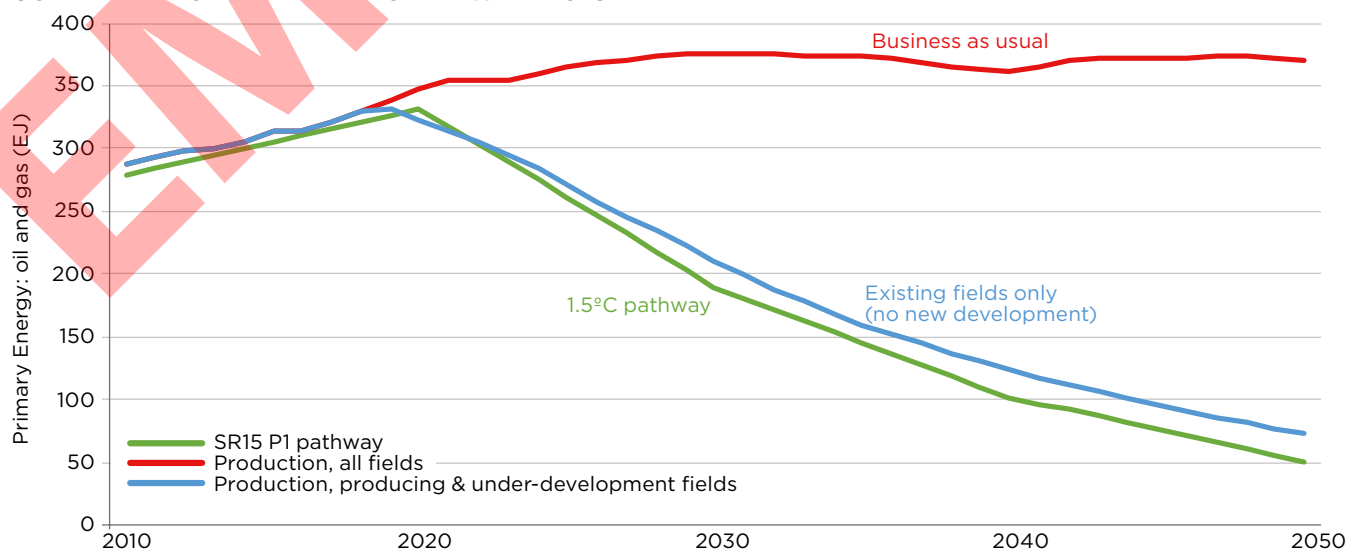
However, there is no universally accepted standard for private sector "net-zero" pledges. This has allowed oil majors to develop a complex, creative array of different partial "net-zero" pledges while planning to continue oil and gas production indefinitely. We illustrate some of these tactics in the sections that follow.

#### Total's net-zero pledge does not cover its total emissions

Total has announced two net-zero targets:

- 1 Net-zero worldwide operations emissions (Scope 1 and Scope 2) by 2050
- 2 Net-zero emissions across Scopes 1, 2, and 3 in the European Union, Norway, and the United Kingdom

**FIGURE 6: GLOBAL OIL AND GAS EXTRACTION WITH AND WITHOUT NEW DEVELOPMENT, COMPARED TO DEMAND ALIGNED WITH 1.5°C**



Source: IPCC SR15; Rystad Energy UCube<sup>77</sup>

FIGURE 7: TOTAL'S EUROPE "NET-ZERO" PLEDGE VS. A 1.5°C TRAJECTORY

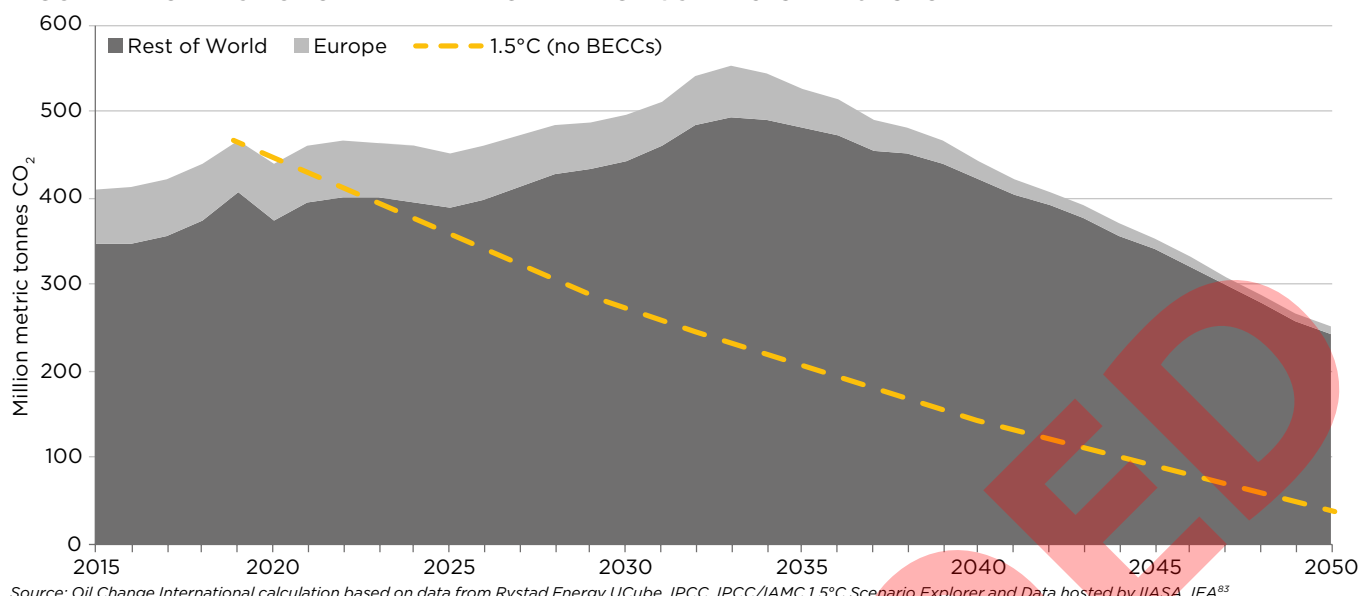
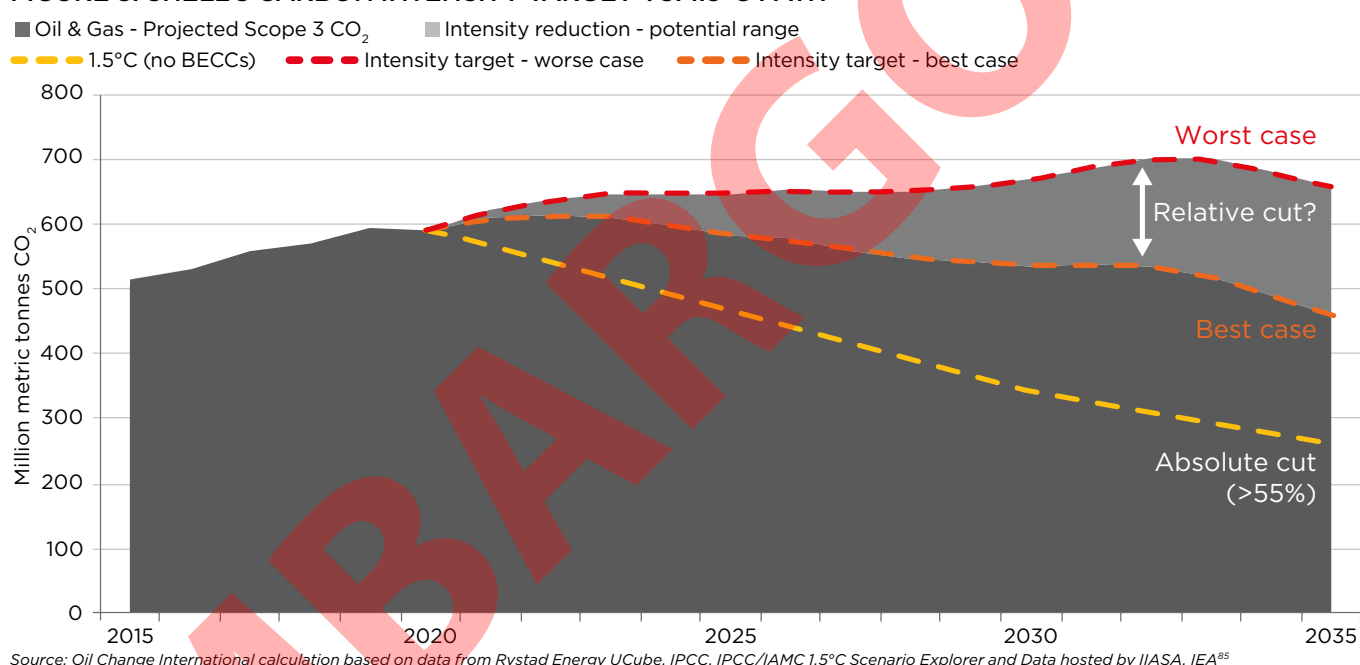


FIGURE 8: SHELL'S CARBON INTENSITY TARGET VS. 1.5°C PATH



Only 13 percent of Total's 2019 production and related Scope 3 emissions originated in Europe, where it pledged to reduce all three Scopes to net zero.<sup>81</sup>

Though Total says it will set a net-zero target that includes all three Scopes only "where governments in a given region commit to take policies and regulations aiming at Net Zero," it also operates in other jurisdictions where national or subnational governments have set net-zero targets, including California, Costa Rica, Uruguay, Fiji, New Zealand, and Singapore.<sup>82</sup> It is not clear that Total will set targets covering all of their associated carbon pollution in those jurisdictions, even though they meet the company's stated criteria.

Figure 7 shows the gulf between Total's pledge, if it were to zero out only its European production (shown in gray), and a trajectory for limiting warming to 1.5°C (the yellow line). The company's production elsewhere could keep expanding, along with its pollution.

#### Shell's "net-zero" target covers less than 15 percent of its total emissions

Shell has set a "net-zero" target covering its Scope 1 and Scope 2 emissions. The company itself admits that this target "covers less than 15% of the greenhouse gases associated with our energy products."<sup>84</sup>

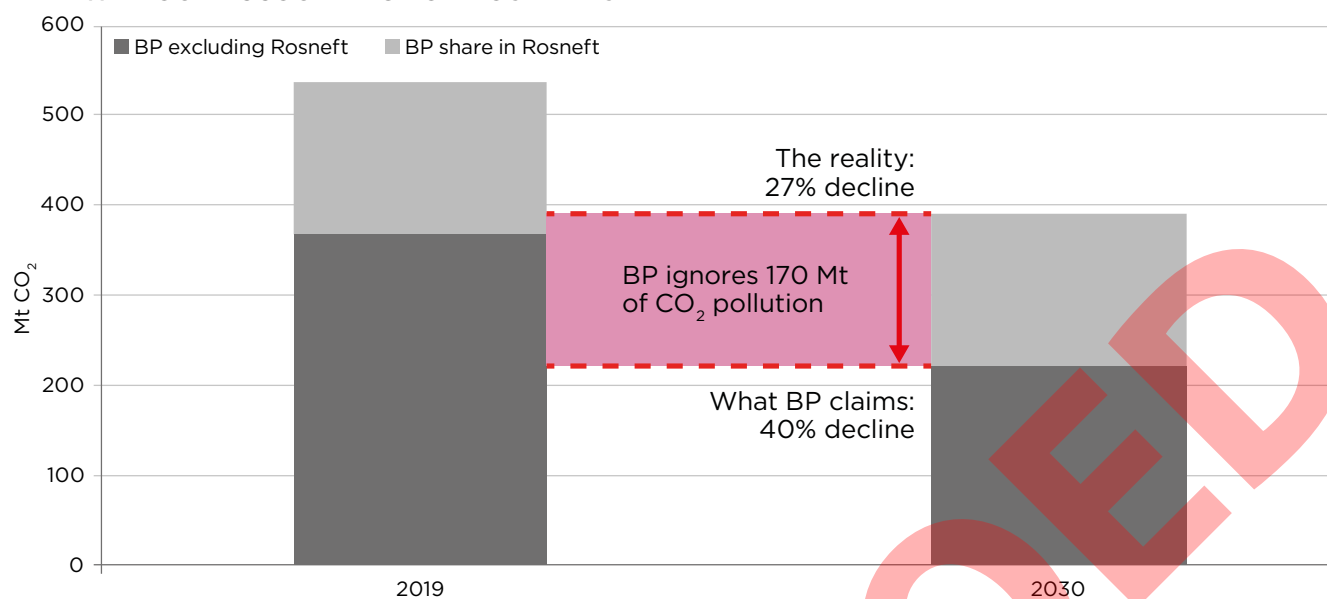
For its Scope 3 emissions, Shell has set only a "Net Carbon Footprint" target—a

carbon intensity target. While the company claims to support the Paris Agreement goal of limiting warming to 1.5°C, its intensity target does not align with that, as shown in Figure 8, which considers Shell's 2035 target.

Shell has pledged to reduce the "Net Carbon Footprint" of its energy products by 30 percent by 2035. If the company applied that goal to the carbon projected to come from its extracted oil and gas in 2035, the result would align with the orange line shown in Figure 8—but that is a best-case scenario.

It is clear in Shell's strategies that the company plans to add renewable



**FIGURE 9: PROJECTED REDUCTION IN CO<sub>2</sub> FROM BP OIL AND GAS TO 2030, WITH AND WITHOUT ACCOUNTING FOR ROSNEFT SHARE**

Source: Oil Change International calculation using data from BP and IPCC<sup>97</sup>

energy and tree planting to its portfolio, rather than significantly reducing its oil and gas production directly. Those strategies would lower the company's own intensity metric, but would not guarantee reductions in what matters for the climate: total carbon pollution. In a worst-case scenario (the top red line), Shell could achieve its "intensity" target for 2035 while extracting more carbon than it did in 2019.

#### BP's "net-zero" pledge excludes part of its Scope 3 emissions

It is important to acknowledge that, as of August 2020, BP became the first oil major to recognize that significant reductions in oil and gas production must occur within this decade. It says it will cut oil and gas extraction by 40 percent by 2030, while excluding the production related to its nearly 20 percent stake in Russia-based oil company Rosneft. This share in Rosneft accounted for 44 of the oil and 14 percent of the fossil gas that BP invested in extracting in 2019.<sup>86</sup>

If the oil and gas associated with BP's investment in Rosneft remains the same while BP cuts the rest of its oil and gas production by 40 percent by 2030, BP would achieve a 27 percent reduction in associated carbon pollution—not 40 percent (see Figure 9). That falls short of the global pace of oil and gas decline under the precautionary 1.5°C pathway shown in Figure 6.

## BIG OIL AND GAS REALITY

*CURRENT AND FORMER SHELL AND ENI EXECUTIVES ARE ON TRIAL IN ITALY IN ONE OF THE BIGGEST CORPORATE CORRUPTION CASES IN HISTORY. IN 2011, THE COMPANIES ALLEGEDLY PAID BRIBES AND KICKBACKS AS PART OF A USD 1.3 BILLION SCHEME TO SECURE RIGHTS TO A NIGERIAN OIL FIELD.<sup>99</sup>*

BP's 2050 goal is misleading for the same reason. In precise terms, its stated 2050 goal is to get to net zero Scope 1 and Scope 2 emissions, and to reach "net zero across the carbon in its upstream oil and gas production."<sup>88</sup> But BP again excludes its stake in Rosneft from the definition of its "upstream oil and gas production." Ultimately, what matters for the climate is not how BP accounts for different slices of oil and gas extraction in its accounting books, but rather how much total carbon enters the atmosphere through BP's investments.

#### Equinor: Net-zero operations, near zero in Norway?

Equinor has set a target of "carbon neutral global emissions" by 2030. This equates to a net-zero Scope 1 and 2 emissions target only for Equinor-operated production (not Equinor-owned production operated by third parties). Additionally, the company has set a "near zero" target for operations in Norway by 2050. However, Equinor also aims to increase its operated

production by 300 percent by 2030 and cut its carbon intensity per barrel by 50 percent—almost certainly increasing the company's total emissions.<sup>89</sup>

#### RELYING HEAVILY ON CARBON SEQUESTRATION

All the oil majors considered in this analysis appear to rely heavily on carbon capture and storage technologies that remain uneconomic or unproven at scale. In most cases, there is no transparency as to the scale of this reliance, or the intended methodologies. Only one company studied, Eni, has at least partially disclosed the degree to which it intends to rely on negative emissions, in this case from forestry projects.

#### LOBBYING AGAINST CLIMATE ACTION

Several of the companies studied have committed to "reviewing" their engagement in lobbying activities and/or industry groups that oppose climate policy. However, it is not clear that these reviews will be rigorous or lead to meaningful changes.

## BIG OIL AND GAS REALITY

AN INVESTIGATION PUBLISHED IN AUGUST 2020 BY UNEARTHED FOUND THAT BP'S VENTURE CAPITAL DIVISION HAS USED MONEY FROM A "LOW CARBON TRANSITION" FUND TO INVEST IN THINGS LIKE USING ARTIFICIAL INTELLIGENCE TO DRILL FOR MORE OIL. OF TRACKABLE INVESTMENTS, BP INVESTED USD 95 MILLION INTO COMPANIES THAT HELP FIND, EXTRACT OR USE FOSSIL FUELS, COMPARED TO PUTTING USD 31.3 MILLION INTO COMPANIES SEEKING TO REDUCE FOSSIL FUEL USE.<sup>100</sup>

For example, in its review process, Repsol rated the Canadian Association of Petroleum Producers as "aligned" with the Paris Agreement, even though that association is notorious for opposing

climate action in Canada to boost tar sands development.<sup>90</sup>

In 2020, oil and gas industry lobbying has intensified in response to the

COVID-19 crisis, with G20 countries alone committing USD 169 billion to fossil fuels in COVID-19 recovery packages thus far.<sup>91,92</sup>

### BOX 5: QUESTIONS TO ASK OIL AND GAS COMPANIES

If you are evaluating oil and gas climate pledges, here are a few critical questions to ask:

- ➊ What proportion of your current fossil fuel production is covered by your commitment, accounting for all extraction in which you have a financial stake?
- ➋ What volume of oil and gas do you expect to produce in 2025? In 2030? Are you actually committing to begin winding it down this decade?
- ➌ What projects in your current development pipeline will you commit to terminating in order to meet these goals?
- ➍ The IPCC's P1 pathway, which does not rely on unproven negative emissions technologies in the energy sector, sees oil and gas use declining by about 40 percent overall by 2030, compared to 2019 levels. Will you commit to declining your own production at a commensurate or faster pace?
- ➎ How much money are you projecting to invest in carbon capture and storage, negative emissions technologies, or other fuels that still pollute, such as biomass, versus renewable technologies like wind and solar?
- ➏ Have you estimated how much carbon your company will have to capture through these technologies by 2050 to meet your target if you continue to extract fossil fuels?
- ➐ By what year will your company cease extracting oil and gas?
- ➑ Have you developed a Just Transition plan in dialogue with workers, affected communities, and governments to transition workers to high quality jobs in other sectors?

# CONCLUSION: OIL AND GAS COMPANIES WILL NOT MANAGE THEIR OWN DECLINE

When you're in a hole, the first step is to stop digging. If companies want to show they are serious about addressing their carbon pollution, they will put an immediate stop to developing new oil and gas projects. The industry has already invested in producing more fossil fuels than we can afford to burn.

No major oil and gas company has yet released a climate pledge or sustainability plan that meets the bare minimum criteria for alignment with the Paris Agreement. Only one company has committed to cutting oil and gas production over the next decade, and even that pledge excludes around a third of the oil and gas it invests in extracting.

What's more, it is not clear that these companies are taking realistic steps to achieve even their insufficient targets. One day after announcing its net-zero commitment earlier this year, Shell gave the go-ahead to develop a USD 6.4 billion fossil gas project in Queensland, Australia.<sup>93</sup>

The next decade is critical. We are past the point where incremental steps and half measures are meaningful.

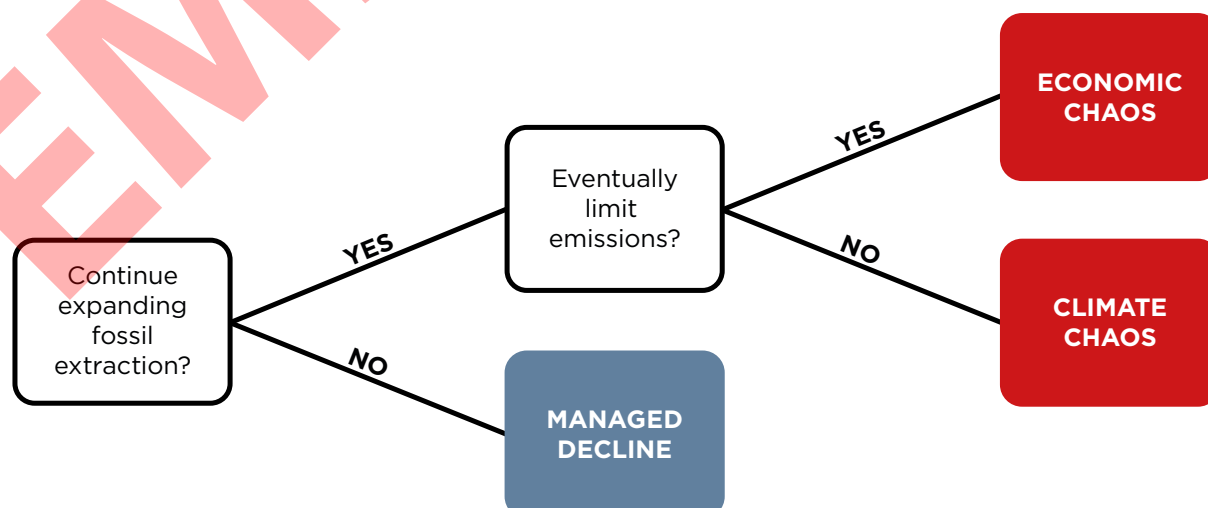
As this analysis shows, even those companies leading the pack are far off course from matching the Paris Agreement's ambition. The oil majors are responding to mounting and critical public pressure that is rightfully stripping away their social license. But, as this discussion paper has shown, their responses to public pressure are dominated by empty rhetoric and obfuscation.

The oil and gas industry should take responsibility to rapidly phase out its extraction-based business model and repair the climate damages it has caused. However, governments, investors, and communities should not assume the industry most responsible for causing the climate crisis will do its fair share to solve it. Governments in particular must step in to manage the decline in fossil fuels, by phasing out fossil fuel production and implementing Just Transition measures.

The financial sector also has an important role to play. It can and must show leadership by ending all financing for the expansion of fossil fuel production and related infrastructure. Furthermore, the financial sector must ensure 1.5°C-alignment of all financing.<sup>94</sup> Leading financial institutions can set critical precedents for their peers, but strong regulatory action will also be required to ensure necessary ambition across the sector.

Governments must step in to manage the decline in fossil fuel production and secure a Just Transition. Ultimately, as shown in Figure 10, the other alternative is climate and/or economic chaos. Without bold and precedent-setting government interventions to mandate a just and equitable wind down of fossil fuel production, the industry will continue to prioritize profits over people.

FIGURE 10: LOGIC TREE OF FOSSIL FUEL SUPPLY VS. EMISSIONS RESTRICTIONS



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