
Net-zero commitments in oil and gas

April roundup

Hi everyone,

This month I've been doing a bit of digging into the exceptional financial performance of the oil and gas majors. The long and the short of it is, prices have shot up so high they've more than compensated for ditching Russian assets.

This will serve as the foundation of next month's newsletter, when I'll be looking at the annual general meetings of the majors, most of which happen in the month of May.

On the clean energy front, I'm happy to report that there've been some stellar acquisitions! I was starting to wonder when the next one would be. Read on for more details.

There've also been developments in offshore wind, solar and some news on the EV front. Conspicuous by its absence, however, was hydrogen – there were no interesting announcements to unpack for you. There'll no doubt be more next month, so stay tuned!

As always, feel free to share this newsletter with colleagues. It's great to see how subscription has grown via word of mouth. If you're receiving the newsletter for the first time and would like to subscribe, just click on the link below.

Cheers,
Micky

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Stat of the month:

USD 41 billion

The combined net income of Shell, BP, TotalEnergies, ExxonMobil and Chevron in the first quarter of 2022, according to Bloomberg data.



Profits vs the impact of leaving Russia

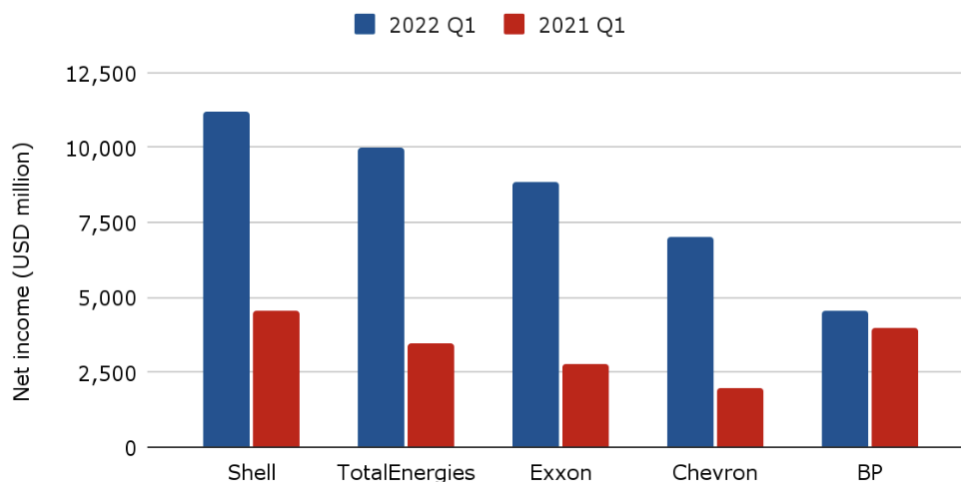
High commodity prices offset blow from exiting Russia. Shell [increased](#) the estimated cost of writing off its Russian assets from USD 3.4 billion to up to USD 5 billion. [A potential sale](#) of its stake in the Sakhalin-2 LNG project to Chinese national oil companies might limit this financial damage though. Similarly, TotalEnergies will take a [USD 4.1 billion](#) hit from one of its main assets in Russia – it took two months, but at least the French major now seems serious about leaving the country.

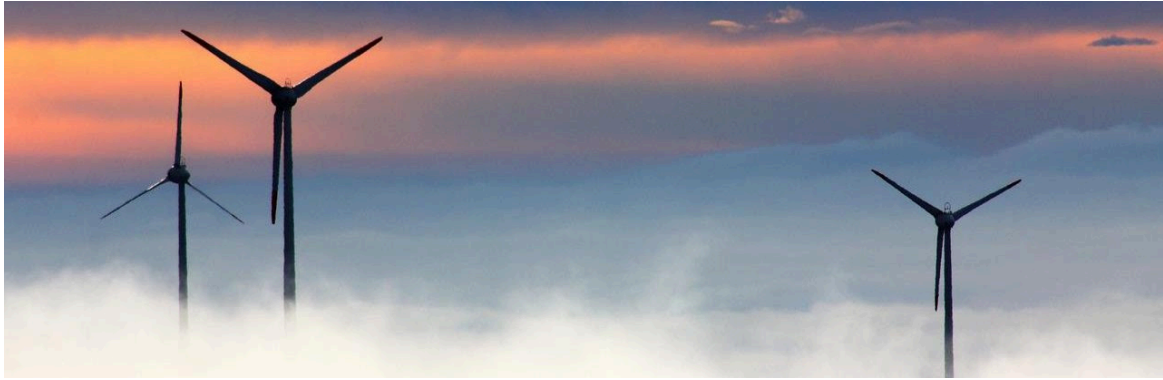
Under normal market conditions, these write downs would be painful. But we're not living in normal times. In 2022, the average price of Brent crude has been USD 100 per barrel, while the European benchmark gas price has been EUR 100 per MWh. These compare to a five year average of USD 64 per barrel and EUR 28 per MWh. In other words, energy commodity prices are currently extravagantly high.

And these elevated prices have given oil majors plenty of financial room for manoeuvre. The largest oil and gas companies – Shell, BP, TotalEnergies, ExxonMobil and Chevron – beat even recent forecasts of [USD 34 billion](#) in profits, compiled by Bloomberg. Their combined net income actually exceeded USD 41 billion. This is approximately a 150% increase from the first quarter of 2021 (see chart below). This surge in profits will more than compensate for the financial hit these companies will take from exiting the Russian market. BP, whose profits have barely moved, is a notable outlier. This is largely due to the company's [significant exposure](#) to Russia. As such, leaving that market has impacted BP's bottom line more than its counterparts.

Oil majors' net-income Q1 2022 and Q1 2021

Source: Bloomberg





Clean energy investments

Blockbuster acquisitions return. Shell [has emerged](#) as the winning bidder to buy Sprng Energy from the private equity group Actis. It will pay USD 1.6 billion for Sprng's 10.4 GW renewable energy portfolio, of which 2.1 GW is operational. Meanwhile, TotalEnergies has [purchased](#) Texas-based Core Solar, a solar and storage developer with a 4 GW portfolio distributed across Texas, Kentucky, Ohio and Pennsylvania. In one swoop, the French major's US renewables portfolio [has shot past](#) 10 GW. Now, it might just turn its attention to [opportunities](#) in the US's onshore wind sector, the second largest in the world after China.

Offshore wind

TotalEnergies signals big moves ahead. The Polish government will auction off 11 seabed areas that can host up to 10 GW of offshore wind in an upcoming tender. In preparation, TotalEnergies [has joined forces](#) with KGHM, a mining company owned by the Polish state, to bid for one or more projects. The French major has also unveiled its own plans for Brazil. It aims to develop [9 GW](#) of offshore wind, spread evenly across three projects. This follows Shell's announcement last month that it's pursuing 17 GW of offshore wind in the Latin American country.

The majors are also making concrete progress on projects they've already won. Both [Shell](#) and [TotalEnergies](#) have signed their "option to lease" agreements for the 5 GW and 2 GW developments they secured during the recent ScotWind auction. This means that they formally agree to take on the projects and marks one of the first official steps in developing them.

Partnering with other industrial players is the name of the game in offshore wind and Repsol has chosen an industry titan. Together with market-leading Ørsted, the Spanish major will look [to develop](#) floating offshore wind projects - projects in deep water that are anchored to the seabed - in Spain. Earlier In December 2021, the Spanish government [approved plans](#) to build up to 3 GW of floating offshore wind projects by 2030.

In South Korea, Equinor [has partnered](#) with the French contractor Technip Energies to design the platforms for its 800 MW Firefly floating wind project. The Norwegian oil company aims to have the project operational by 2027. This is a big step because, unlike bottom-fixed projects, where [monopiles](#) are the foundations of choice (particularly in shallow waters), the floating wind sector has yet to consolidate around particular platform designs. Essentially, Equinor is making a bet that Technip Energies' platform will be scalable.



"BP is turbocharging the rollout of EV chargers, with plans to add up to 8,000 through its partnership with VW"

Image: Pcmrules, Wikimedia Commons

Solar

BP expands its Oceanic operations. The company [unveiled plans](#) for a 400 MW solar-plus-storage project in Goulburn, New South Wales (NSW). The project, called the Gundry Solar Farm, is one of five solar projects with a combined capacity of 2 GW that BP wants to develop in NSW by around 2025. It will require approximately AUD 540 million (USD 380 million) to build. As states like NSW aggressively target more renewable energy capacity, BP is leveraging its operational experience in the country to build out its capacity further. Through its subsidiary Lighthouse BP, the company [has also agreed](#) to partner with Contact Energy, a utility in New Zealand, to develop a series of projects by 2026. Though these won't be at the same scale as in Australia, there is a greater push for renewables in New Zealand as the government [lays out](#) a more ambitious net-zero plan.

In South and East Asia, TotalEnergies [is betting](#) on an expanding onsite solar market. Along with Japan's Eneos Holdings, the French major will develop 2 GW of onsite solar for commercial and industrial (C&I) clients in Asia over the next five years in Japan, India, Thailand, Vietnam, Indonesia, the Philippines, Cambodia, Singapore and Malaysia. Working with C&I tends to mitigate some grid connection issues and means it's easier to build and finish projects. TotalEnergies' move also indicates that the trend to clean industrial electricity consumption is spreading throughout the region.

Electric vehicles

BP turbocharges the rollout of fast electric vehicle chargers. The British oil major [has joined forces](#) with Volkswagen to roll out fast electric vehicle (EV) charging stations in Europe. Within two years, the pair aim to install 4,000 charging points in Germany and the UK. This could increase to 8,000 a year later. BP has roughly 9,000 charging points globally, according to BloombergNEF.

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In order to help gauge how oil and gas companies are positioning themselves in the energy transition, this newsletter specifically focuses on how they are moving into renewables and clean energy. To offer up-to-date analysis, it uses insight from media sources and subscription-based databases, like Bloomberg and Rystad Energy.

Feel free to forward this newsletter on to colleagues!

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