
The energy transition in oil and gas

March roundup

Hi readers,

Saudi Aramco's CEO Amin Nasser said this month that the energy transition was "visibly failing" and the world "should abandon the fantasy of phasing out oil and gas". If that's the case, why is Saudi Arabia using more of Aramco's money to finance its transition off oil and gas, rather than pump more? All of that and more in this month's round up of the biggest developments in the oil and gas industry through the energy transition.

As always, please share the newsletter with your colleagues and contacts who can subscribe [here](#). It's always great to hear from you, so do send any feedback or suggestions.

Thanks,
Murray

New to the newsletter? [Subscribe here!](#)

Stat of the month:

USD 1 billion

The estimated value of methane gas released into the atmosphere from the US oil and gas industry, according to a new study from Stanford University.



Oil and gas in the transition

March saw the biggest annual gathering of oil and gas industry executives at the CERAWEEK conference in Houston, Texas. This prompted some arguably ill-judged comments, including [ExxonMobil's CEO Darren Woods blaming the public](#) for being unwilling to pay to reduce emissions after his company made USD 36 billion in profit last year. Saudi Aramco's CEO also said the world "[should abandon the fantasy of phasing out oil and gas](#)", just four months after the global agreement to transition away from fossil fuels at COP28.

A survey of energy and natural resource executives ahead of the event found that they are now expecting a slower transition - with [60% expecting the world to reach net zero by 2060 or later](#). Unsurprisingly, oil and gas executives were most likely to expect a slower transition of those surveyed.

At the conference, US Energy Secretary Jennifer Granholm was asked about the US pause on new LNG approvals, to which she replied: "[I predict that as we sit here next year ... this will be well in the rearview mirror](#)." This reinforces the view held by some that the LNG pause is more about Biden's electability ahead of this November's Presidential elections than it is a substantial change in energy policy. Meanwhile, [16 US states have taken the Biden administration to court](#), arguing that the pause on issuing LNG permits has no legal basis.



Methane emissions from the US oil and gas industry may be as much as three times higher than official estimates.

Elsewhere, [Asian demand for LNG, seen as the key growth market for the fuel, has not bounced back despite a significant drop in price](#). In March, spot prices were down by 41% on the same time last year, but imports in Asia were only up by 4%. This calls into question whether Asian demand will be as significant as many analysts have predicted. [Japan is now facing an oversupply of LNG](#), as the country's largest utilities have contracted more gas than the country will need. Japanese companies now face trying to re-export those contracted LNG supplies to other buyers in the region.

This oversupply may become a feature of the global LNG market, according [to an analysis by Ira Joseph](#) at the Center on Global Energy Policy at Columbia University. He points out that a huge amount of new LNG supply is coming to the market in the next few years, but so far there aren't many buyers for it. Lots of LNG is being contracted by 'portfolio' companies that aim to trade the fuel, but they aren't finding buyers yet either. There's a good chance that demand might never materialise, according to the analysis.

Demand dynamics aside, exploration continues. [The US approved the most new oil and gas fields in the last two years](#), with Guyana and the UAE coming a close second and third, according to new

analysis by Global Energy Monitor. On a company level, the [National Iranian Oil Company approved the most new projects](#), followed by TotalEnergies and ExxonMobil. Eight of the top 15 companies developing new oil and gas projects had net-zero targets.

In the US, the oil industry's huge methane emission problem was also in the spotlight. In the largest study of its kind, aerial measurements found that [methane emissions from the US oil and gas industry may be as much as three times higher than official estimates](#). This news followed the International Energy Agency's finding that [methane emissions from the global energy sector reached a record high in 2023](#). In an effort to address the problem, the Biden administration [finalised new rules for tackling methane emissions from oil and gas wells](#) - aiming to save the industry USD 1.8 million worth of lost gas. This is just a small fraction of the [USD 1 billion](#) estimated to be lost - highlighting the challenge in accurately measuring methane emissions.

Efforts to reduce trade-related emissions continue to develop. The global shipping industry, which accounts for 3% of global emissions, is facing [growing pressure to introduce a carbon fee](#), with the number of countries supporting the proposal doubling over the past year to 47. Negotiations on how to address the sector's emissions are divided between introducing a carbon fee or a fuel emissions intensity standard. There [are also fierce debates over what the estimated USD 80 billion in revenue from a proposed carbon fee should be spent on](#) - some have suggested it could contribute to a loss and damage fund, while many governments are keen to keep the money to finance emissions reductions in their shipping sectors.

Garnering support for green initiatives is even more difficult amid lobbying by the oil and gas industry. [Research published in March showed that the industry has been lobbying against government support for heat pumps and EVs for more than 50 years](#) in the US and Europe. Imagine where we could be now if the US government had thrown its weight behind those technologies in the 1960s and 70s.



Decarbonisation strategies

[Shell announced it was watering down its climate targets](#) set only three years ago. It now aims to reduce the carbon intensity of its products by 15% by 2030, rather than its previous 20% goal. The oil major also completely dropped its goal of a 45% reduction by 2035. The difference in pace of reductions between the original and new targets is huge. In a staggering example of stating the obvious, Shell's CEO Wael Sawan said that these new, much less ambitious goals made it "[more, not less, likely](#)" that the company would achieve its targets. This now leaves Shell with [a gaping 20 year gap](#) between its 2030 target and its 2050 net-zero ambition, with no guidance on how it intends to navigate that transition. Carbon Brief digs into the details on Shell's new targets [here](#).

The phrase ‘don’t listen to what they say, watch what they do’ has rarely been more appropriate than in Saudi Arabia’s approach to the energy transition. While publicly stating that [the energy transition is failing](#), the Kingdom [increased Aramco’s dividend by 30% this year even as its profits fell](#) by a quarter. If Aramco was truly confident about the future of oil and gas demand, it would be investing its returns in increasing production. Instead, the company cancelled its planned oil expansion and is sending more money back to the national government to fund the country’s transition off a reliance on oil. [Saudi Arabia also shifted an increasing share of its ownership of Aramco to its sovereign wealth fund](#) - tasked with diversifying the country’s economy - so in future a greater share of its dividends go directly to financing those non-oil investments.

[Shares in Petrobras, the Brazilian state-controlled oil giant, tumbled in March](#) after it withheld an extraordinary dividend. The company is implementing President Lula’s long-term vision, reducing payouts to investors to instead expand its wind, solar and biofuels operations to reduce the risks it faces from the energy transition.



Hydrogen

[Chevron has announced it’s building its first solar to green hydrogen project](#) in California to support a hydrogen refuelling network in the state. While it’s a nice surprise to see a US oil major investing in green hydrogen, the facility will produce just two tonnes of hydrogen per day - enough to fuel around 350 cars. By contrast, [BP is reportedly ‘well placed’ to become majority owner of the Asian Renewable Energy Hub in Western Australia](#), which would produce nearly 5,000 tonnes of green hydrogen per day.

The consultancy Rystad Energy took a deeper look at the growing interest in natural - or ‘white’ - hydrogen that occurs within the earth’s crust. It found that [40 companies are now searching for reserves of the resource](#), up from 10 just four years ago, hoping to secure access to a low-carbon fuel that is predicted to be cheaper than hydrogen from renewables or natural gas. [The potential volume that exists in the earth’s crust is enormous](#), but so far there are no operational white hydrogen projects, apart from a small well dug by accident in Mali. The next few years will show whether this is another new energy hype, or a real energy source of the future.



Carbon capture and storage

The [UK government is reportedly in intense negotiations with the developers of the first set of carbon capture and storage \(CCS\) projects](#) it wants to get up and running. These projects would account for about one third of the carbon dioxide the UK government wants to capture every year by 2030, and final investment decisions for the first projects are expected in September. Despite progress in the talks, [the UK government's strategy is based on outdated assumptions](#) - with deployment costs more than doubling since 2020 and demand set to be lower than expected - according to a new report by Carbon Tracker.

In the US, [TotalEnergies will buy Talos Low Carbon Solutions for USD 148 million](#), taking ownership of the company's carbon transportation and storage facilities in the industrial Port Arthur region of Texas. In Asia, [Shell and ExxonMobil have been selected by Singapore's government](#) to develop a major cross-border CCS project in the country. This could include exporting carbon to neighbouring Indonesia, which it recently signed a CCS cooperation deal with.



From Zero Carbon Analytics

It's been a busy month here at Zero Carbon Analytics:

- Our [analysis of the EU's oil and gas supply](#) found that there is no need for the development of new oil and gas projects, including by close neighbour Norway, to meet long-term future demand.
- We took a [deep dive into CCS](#), showing how it started off as a technology to enhance oil extraction before being rebranded as a climate solution, and exploring

how the technology continues to be used by the oil and gas industry to support increased production.

- Ahead of [Azerbaijan hosting COP29 later this year, we've put together a short assessment of its climate and energy policies](#) - including how its renewable ambitions are designed to facilitate greater gas exports.
- One sticky question when working on fossil fuels is [how a fully decarbonised grid could work](#) - we've dug into how a mix of technological change, demand response and alternative power sources can make it possible.

2024 is a record year for elections, so we are launching a new media monitor to track global election news in the context of a changing climate. Our new monthly newsletter will highlight important stories from English-language media and feature coverage from key election regions, showing how climate issues are influencing election conversations worldwide. [Subscribe here](#).

New to the newsletter? [Subscribe here!](#)

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 BloombergNEF.

Feel free to forward this newsletter on to colleagues!

Mailing address

Fora - 201 Borough High Street, London, SE1 1JA