# The energy transition in oil and gas

# April roundup

Hello readers,

The discovery of a staggering 10 billion barrels of oil off the coast of Namibia is one of the biggest developments in the oil and gas world this month, sparking comparisons with ExxonMobil's discoveries off Guyana nearly a decade ago. Whether there will still be a market for Namibia's oil by the 2030s remains to be seen.

Accountability is the other big topic in this month's news. Shell is back in The Hague, claiming that the court ruling requiring it to cut its emissions in line with the Paris Agreement goals obstructs the role it wants to play in the energy transition. Make of that what you will. Woodside, the Australian oil and gas company, received what was described as a "globally unprecedented" rejection of its climate strategy at its AGM this month. And in the US, a three-year investigation by Congressional committees culminated in the release of a report documenting deception in oil companies' public communications on climate change. All that and more in this month's roundup.

As a reminder of what's at stake:

- 2024 is set to match or beat 2023 as the hottest year on record with temperatures for the first three months 1.6°C above pre-industrial levels.
- Globally, incomes are already set to be 19% lower by 2049 as a result of climate change - a figure that could rise to 60% by 2100 if emissions don't fall.

Yet G20 countries and multilateral banks are still providing the fossil fuel industry with USD 47 billion a year in public finance.

Please share this newsletter with your colleagues and contacts who can subscribe here. It's always great to hear from you, so do email me any feedback or suggestions.

Thanks,
Murray

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Stat of the month:

58.4%

Percentage of Woodside's shareholders that voted against its climate transition action plan.

The Climate Reality Project, Unsplash

## Oil and gas in the transition

Galp, the Portuguese oil and gas company, claims to have discovered at least 10 billion barrels of oil off the coast of Namibia. This comes close to the estimated 11 billion barrels ExxonMobil discovered off Guyana, which has transformed the country into a major producer and has been pivotal to ExxonMobil's strategy since 2015.

The investment bank Citi described the find as "totally transformational" for Galp, whose share price rose by more than 30% in the week of the news. Galp will likely need other companies to be able to produce this much oil, either through partnerships on the field or by selling its stake. TotalEnergies and Shell are both potential partners and are also drilling test wells in the region.

Discussions are now reportedly ongoing for Namibia to join OPEC+, ahead of it aiming to start oil production in 2030. While the size of the find is clearly enormous, there will be big questions about how economically viable this oil will be by the 2030s when oil demand is set to be in decline.

In the US, President Joe Biden has restricted future oil and gas licensing on 13 million acres of a federal petroleum reserve in Alaska. The new rules, described as a "massive win" by environmentalists, were first proposed as part of the administration's decision to approve the highly controversial Willow oil project in the state last year.

The Netherlands has agreed to finally close its Groningen gas field, which was once one of Europe's main sources of the fuel. The field had stopped production in October last year following ongoing controversy over the seismic impact of the gas extraction, however it remained available for future production until the government decision this month. Shell and ExxonMobil, which jointly operated the field, have requested compensation from the Dutch government for the ending of gas production at Groningen.

The EU energy regulator ACER has found that Europe's demand for LNG is set to peak this year as gas demand falls in the face of rising renewable generation. Its first analysis of the European LNG market finds that if the region meets the gas demand reduction targets set out in its REPowerEU strategy, then existing contracts for LNG supply will greatly exceed demand. By 2027 the EU could have an LNG surplus of 30 billion cubic metres (bcm), rising to 41 bcm by 2030. This clearly demonstrates that additional supply is not needed to meet future European demand.

A huge tranche of internal oil company documents has just been released by the US Congress, with some pretty eye-catching, though not wholly surprising statements. A spokesperson for Exxon said accusations that the company was working against science or against policies meant to stop climate change, “were both true at one time or another”. BP has publicly stated its support for the Paris goals, but internally said that it would be “too far to state or imply support for net zero by 2050” because achieving this aim would require policies that put existing assets at risk. The committee’s report, which is well worth a read, calls the company’s actions “denial, disinformation and doublespeak”.

Nothing Ahead, Pexels

## Decarbonisation strategies

The ten largest European and North American oil and gas companies' climate plans are not good enough for investors to be able to assess the risks involved, according to analysis by leading investor group Climate Action 100. As a group, the companies met just 19% of the criteria in the Net Zero Standard used to assess their plans, with European companies performing better than their North American peers. According to the project’s lead researcher, “most are failing to set out even a basic transition strategy”.

Woodside, Australia’s largest independent oil and gas company, saw its climate strategy rejected by nearly 60% of shareholders at its AGM. The company’s plan has been criticised for relying excessively on offsets, rather than reducing its own emissions, and for not being aligned with the Paris agreement goals. The company is also investing USD 12 billion in Scarborough LNG as part of the country’s largest oil and gas development. The vote isn’t binding, though the company Chair stated that “the board will reflect closely on the result”, while remaining defiant about its climate credentials stating, “the world’s going to be a heck of a lot better off if it moves from coal-fired power to gas-fired power as soon as it can”.

Equinor and Shell are also both resisting investor pressure over their climate plans, with both companies calling on shareholders to reject proposals to set more rigorous climate strategies.

Shell was back in The Hague this month, appealing the Dutch court’s 2021 ruling that the company had to reduce its emissions by 45% by 2030. The company argued that the ruling had no legal basis, and that it “obstructs the role that Shell can and wants to play in the energy transition”. If the company doesn’t include cutting its emissions in line with limiting warming to 1.5°C as part of its role, then I’d argue that it’s no bad thing for that to be obstructed.

Shell claimed in court that it "lobbies for, not against, the energy transition", a claim that's at odds with Influence Map's assessment of the company, scoring it as having a "mixed" engagement with Paris-aligned policy and its role in lobbying for new fossil fuel projects. A verdict on the case is expected in the second half of this year.

Ludvig Hedenborg, Pexels

The oil & gas industry is pivoting away from renewables and power and instead focusing its decarbonisation efforts on "clean molecules"

## Clean energy investments

The oil and gas industry is pivoting away from renewables and power and instead focusing its decarbonisation efforts on what BloombergNEF refers to as "clean molecules". This refers to technologies such as carbon capture and storage, hydrogen and "renewable fuels" - all closer to traditional core hydrocarbon business models, and many of which may stand in the way of accelerating the transition away from fossil fuels.

While the sector as a whole is moving away from clean energy, Equinor announced two new projects in the field this month. The company has approved proposals for battery storage facilities in Texas with a combined capacity of 110 MW, and has received government approval to double the capacity of two UK offshore wind projects.

Alexey_Rezvykh, Shutterstock

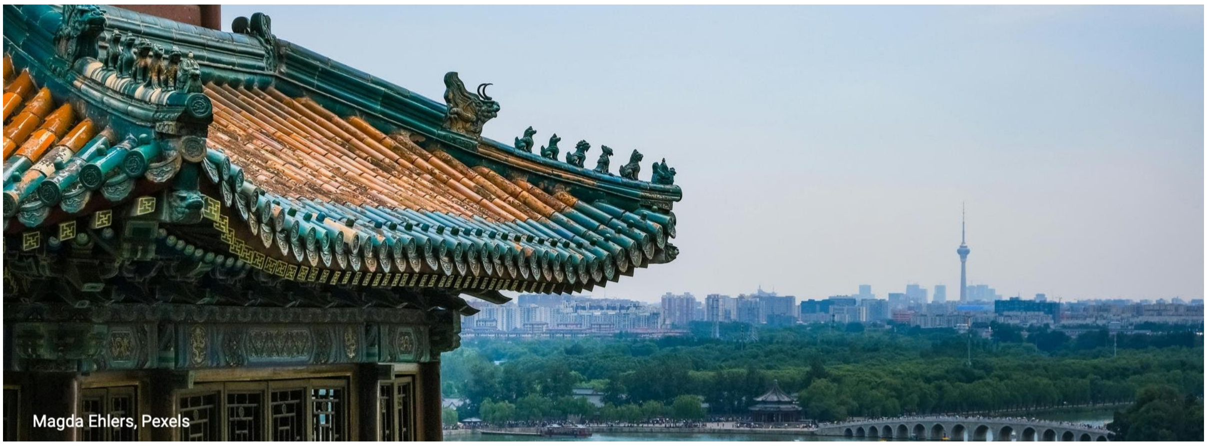
## Hydrogen

Shell and Engie have quietly abandoned their plans for a project to produce and ship liquified green hydrogen from Portugal to the Netherlands. The decision to cancel the project was made last year, while its application for EU funding was in progress, yet reportedly remained on Engie's website in

2024 as one its flagship projects. Shell and Engie cited economic viability, absence of infrastructure and market immaturity in their decision to withdraw from the project. The move raises further doubts about the potential commercial viability of shipping liquified hydrogen.

# Carbon capture and storage

ExxonMobil has been criticised for promoting a proposed carbon capture and storage project as part of its plans to reduce emissions. The investigation by OpenDemocracy found that despite being promoted in a marketing campaign, the company had not made an investment decision on the project, does not have a government licence and has failed to secure public funding. ExxonMobil's lead manager for the UK admitted the company would need a "magic wand" to achieve its proposed start up date for the project.


Magda Ehlers, Pexels

# From Zero Carbon Analytics

Asia is forecast to be the future when it comes to demand for gas, predicted to replace and surpass declining European demand. We've taken a deeper look into forecasts for the region and found that renewables are already cheaper than gas power in many countries, China is proposing a cap on future LNG imports while mature markets like Japan and South Korea have already passed peak gas demand.

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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 BloombergNEF.

Feel free to forward this newsletter on to colleagues!