Hello readers,

It’s the start of summer (in the northern hemisphere) which means it’s AGM season for the oil and gas industry, including the now regular shareholder fights over their climate (in)action. This month saw shareholders back Shell’s weakened climate strategy, and confirm Exxon’s board despite its efforts to sue shareholders that challenged its (lack of) meaningful climate targets. While a new peer-reviewed scientific paper has shown the need for ‘no new fossil fuels’ to become the norm, the majors and their shareholders are still a world away from this - failing on almost every metric, according to a new analysis out this month.

The hydrogen hype has now “fizzled out”, with the UK abandoning plans for home heating trials and the yawning gap between planned production and government targets becoming ever clearer. We may now have passed the hype cycle’s “peak of inflated expectations” and sunk into the “trough of disillusionment”. The question now is where will the “plateau of productivity” may be, and what is a more realistic future for the fuel. All this and more in this month’s newsletter.

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
Oil and gas in the transition

The no new fossil fuels norm

The idea of “no new oil and gas” has been a crucial part of analysis of what needs to happen to avoid the worst impacts of climate change since Oil Change International’s landmark *The Sky’s Limit* report in 2016. Many studies have since confirmed these findings, including the International Energy Agency in 2021, and now it is peer-reviewed science, thanks to a paper published this month in Science. The paper shows that existing fossil fuel reserves meet demand and that preventing new projects is better than closing existing projects. It also argues that establishing the norm of “no new” fossil fuels would be more effective than broader narratives on “fossil fuel phase out” in achieving the goals of the Paris Agreement.

Australia’s gas future

Australia’s Labor government released its Future Gas Strategy this month, a policy described as a “regressive echo of the past”. The strategy commits Australia to expanding new sources of gas supply and remaining a major LNG exporter to Asia, while also seeking to keep domestic gas prices low - and reducing emissions on the way to achieving net zero by 2050. The government plans on making the carbon maths work by ignoring the emissions from the use of gas exported, and relying heavily on carbon capture and storage to deal with emissions from extraction and processing. This strategy runs directly counter to the mounting scientific research showing that any expansion of gas extraction or LNG infrastructure would push the world past the 1.5C target, while running significant risks of becoming stranded assets as gas demand is likely to rapidly decline in the decades ahead.

Trump’s billion dollar “deal”

The prospects of a second Trump presidency - and what this could mean for the global oil and gas markets - are bearing into view, with the Republican consistently polling ahead of incumbent Joe Biden. An exclusive in the Washington Post reported that Trump offered oil and gas company executives a “deal”. He proposed they give USD 1 billion to his campaign, and in return he would immediately reverse dozens of President Biden’s environmental rules and policies and stop new ones from being enacted. Trump also reportedly has the International Energy Agency (IEA) in his sights, with key advisers said to be intent on shifting the IEA’s focus to maximising fossil fuel output.
and away from concerns about climate change. To achieve this, Trump could seek to replace Fatih Birol as the head of the IEA, though this would require support from others as the post is elected by the IEA's 30 member nations. Should the US be unable to change the body's leadership or policy direction, it could cut its funding which provides around a quarter of IEA finances.

**Criminal case against TotalEnergies**

TotalEnergies directors and shareholders face allegations of criminal wrongdoing, including involuntary manslaughter, in a ground-breaking legal strategy against the company. The case has been brought by individuals who lost relatives during extreme weather events, and builds on the latest attribution science that connects disasters to the burning of fossil fuels. Parisian prosecutors have three months to decide whether to launch an investigation into the case. Either way, fossil fuel companies are likely to see more and more cases like this as the impacts of climate change intensify and the science connecting these impacts to the actions of fossil fuel companies strengthens.

**Decarbonisation strategies**

Oil Change International published their regular review of the climate strategies of the largest European and American investor-owned oil and gas companies, finding that all are failing on almost every metric. Across the eight companies and ten metrics, the only one not rated grossly insufficient or insufficient was Eni’s target to reduce its greenhouse gas emissions, which was found to be partially aligned. David Tong, the co-author of the report, stated, “There is no evidence that big oil and gas companies are acting seriously to be part of the energy transition.”

**Exxon’s war of words with its investors**

This year’s AGM has been an especially heated one for ExxonMobil, as pressure mounted over its aggressive legal strategy against investors who tried to bring a climate resolution to its shareholder meeting. In advance of the meeting, the US pension giant Calpers and Norway’s oil fund both stated that they would vote against the company over its “reckless” legal action to “silence” shareholders, and the long-term impact this would have on shareholder rights. In response, CEO Darren Woods accused Calpers of organising a revolt that could “stifle and punish” the oil major, and claimed that the shareholder motion was intended to “financially hurt” the company. In the end, the company won out with over 90% of shareholders backing the board and directors, though Calpers acknowledges that it had never intended to unseat the board, but to raise the seriousness of its concerns over the
company’s actions. Exxon is continuing the legal case against Arjuna Capital, even after it withdrew its proposed shareholder motion.

**Investors back Shell’s weakened climate strategy**

Around 78% of shareholders backed Shell’s revised climate strategy, under which emissions would fall more slowly than it had previously committed to. The fifth of investors that opposed the plan, and that supported a motion to strengthen its climate targets, remains consistent with shareholder voting over the last two years.

**Japan’s USD 1 billion for Woodside**

Despite a major defeat over its climate strategy at its AGM in April, this month Woodside secured a USD 1 billion loan from the Japan Bank for International Cooperation (JBIC) for its controversial Scarborough LNG project off Western Australia. JBIC is run by the Japanese government, and is pivotal in Japan’s role as the world’s largest provider of international public finance for gas. The move comes after Japanese energy giant JERA took a 15% stake in the project earlier this year, and runs counter to Japan’s commitment as part of the G7 to end international public finance for fossil fuels.

**Climate resolution blocked at Equinor’s AGM**

The Norwegian government blocked a proposal from independent shareholders for Equinor to specify how plans for any new oil and gas developments are consistent with the Paris Agreement goals. The resolution called on Equinor to revise its capital spending plans to align with keeping global heating within 1.5°C, and criticised its current plans for relying on overly optimistic price assumptions, which do not reflect the impact of falling demand as the world transitions off fossil fuels.

**New CEO at Petrobras**

The chief executive of Brazilian national oil company Petrobras, Jean Paul Prates, was ousted by the government this month following a dispute over the company’s strategy and its payments of dividends to investors. Magda Chambriard, who is viewed as being more closely aligned with President Luiz Inácio Lula da Silva, has been appointed the new CEO. She is expected to prioritise investments over shareholder returns, and could play a pivotal role in favour of the company’s controversial proposal to drill for oil in the mouth of the Amazon River.

**Saudi Aramco financing nation’s transition**

Saudi Arabia’s efforts to diversify away from oil and gas continue, with a planned sale of USD 12 billion worth of shares in Saudi Aramco. The proceeds of the sale won’t change Aramco’s investment plans, but will instead see the proceeds go to the country’s sovereign wealth fund, charged with diversifying the country’s economy away from reliance on oil and gas.
Fossil fuel companies are likely to see more criminal cases as the science connecting the impacts of climate change to their emissions strengthens.

Clean energy investments

Shell is continuing its pivot away from renewables, with Bloomberg reporting the company is planning on cutting staff from its offshore wind business, which it had invested heavily in, prior to Wael Sawan becoming CEO last year. This month Equinor received final approval from authorities in New York for its 810-MW Empire Wind 1 project, which is now due to start generating in 2026.

Hydrogen

We may now have passed peak hydrogen hype, with a growing recognition that rather than being a wonder-fuel that will decarbonise everything, it’s likely to be scarce, expensive and limited to the hardest sectors to decarbonise. The UK has cancelled its plan for its largest trial of hydrogen home heating, with the Chair of the UK’s Net Zero Review describing it as “game over for hydrogen for domestic heating”. BNEF also published a reality check on the supply of hydrogen, finding that less than a third of announced supply projects are likely to be built this decade and that governments are likely to miss their 2030 hydrogen targets by almost two-thirds. The Financial Times has a great in-depth piece on “how the hydrogen hype fizzled out”.

While enthusiasm has waned, projects are slowly making their way into reality. Seven projects are due to receive EUR 720 million in the first funding from the European Hydrogen Bank. All the projects will produce green, renewable, hydrogen - aiming to produce 1.58 million tonnes of renewable hydrogen over ten years. The UAE’s state-owned oil company ADNOC claimed to have completed the world’s first commercial shipment of ammonia produced from blue hydrogen, made from natural gas using carbon capture and storage (CCS). The ammonia was produced in Abu Dhabi and shipped to Japan for use in power generation.
Carbon Capture and Storage

More controversy for the oil industry’s carbon capture and storage (CCS) efforts this month. The Financial Times reports that the Canadian government allowed Shell’s Quest CCS project to register double the amount of carbon credits compared to the amount of carbon actually captured. As a result, Shell registered 5.7 million tonnes worth of carbon credits for which no equivalent carbon reduction ever took place. In response to the report, Shell stated that realising the potential of CCS “requires creating market incentives”.

In the US, Oxy’s entire corporate strategy relies on the massive deployment of CCS, and in particular direct air capture (DAC) to achieve its goal to be a net-zero oil and gas producer. Carbon Market Watch published an in-depth analysis of the company’s plans and found that its vision of producing “net-zero oil” is an “oxymoron and a logical fallacy”. Its plans to use DAC to produce sustainable e-fuels would release more carbon than it captures and runs significant risks of double counting any emissions reductions through the sale of carbon credits. In summary it found Oxy’s strategy to be a “costly fig leaf for business as usual”.

Oil and gas at COP

As oil and gas producer Azerbaijan gears up to host the UN COP climate summit this November, 26 leading US Democrats have written to the White House with concerns that this year’s summit risks being “co-opted” by the fossil fuel industry. The signatories said they were “deeply concerned by the appointment of Mukhtar Babayev”, the minister of ecology in Azerbaijan, and previously an executive at the state-owned oil and gas company Socar, as the president-designate of the UN COP29 summit. We can expect to see more pressure on Babayev, and on the presence of fossil fuel companies at the talks as we get closer to the summit.

Finance is set to dominate this year’s COP summit, and Azerbaijan is reported to be working on a proposal for a “North-South Financial Mechanism” to fund the energy transition in low-income countries. The mechanism would see USD 0.20 levied on every barrel of oil produced, raising around USD 6 billion a year. Oil-producing countries would be shareholders in the fund, and would
then benefit from the profits generated from its investments. The proposal to fund the energy transition from oil revenues is likely to be welcomed, but USD 6 billion falls a long way short of the trillions developing countries are looking for. And allowing fossil-fuel producers to reap the rewards of these investments may well be a step too far for countries facing irreversible losses due to the climate crisis.

From Zero Carbon Analytics

Petrochemicals often escape the spotlight when it comes to oil and gas use and emissions, paling in comparison to other sectors like power or transport. We’ve put together a primer on the petrochemical industry, which accounts for 6% of global energy-related emissions - similar to iron and steel. Global oil demand would already have peaked if it wasn’t for expansion in petrochemical capacity, and that demand is set to double by 2050 under a business as usual trajectory. Excluding fertiliser, 63% of petrochemical output is plastics - and our briefing looks at why recycling alone can’t solve the world’s plastic problem.