

## Shell and Eni lead European oil majors' race to net zero emissions

- *New research from the influential Transition Pathway Initiative assesses the recent climate change announcements from six European oil & gas majors*
- *Shell and Eni now have the most ambitious emissions-reduction plans*
- *But claims to be aligned with 'net-zero' or 1.5°C are overstated, according to TPI's analysis*

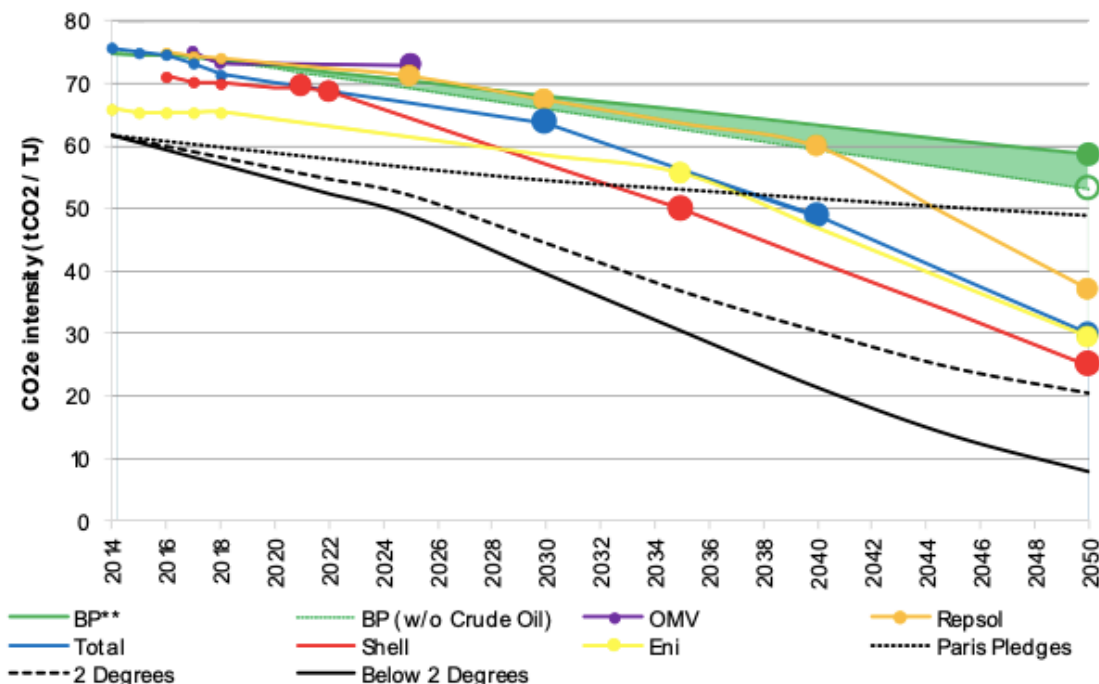
(12 May 2020, London) The climate ambitions of European integrated oil and gas majors have strengthened markedly in the last six months, with Total, Shell, BP, Repsol and Eni all having made commitments to significantly reduce the carbon intensity of the energy they supply.

New analysis from the **Transition Pathway Initiative** (TPI) – an investor initiative backed by over \$19 trillion of global capital - shows that four oil and gas majors - Shell, Eni, Total, Repsol - are now aligned with the emissions reductions pledged by the signatories to the Paris Agreement. BP and OMV are now the only European companies who fail to align with the Paris pledges.

However, despite these commitments, none of the companies are aligned yet with 'net zero' or 1.5°C pathways.

TPI calculates that the average European oil and gas company would need to cut its emissions intensity by over 70% between 2018 and 2050 to align with a 2°C climate scenario by 2050, while a genuine net zero strategy would require a 100% cut in absolute emissions. Even the most ambitious new targets fall far short of this.

### Carbon Performance in European Integrated oil and gas



**Adam Matthews**, Co-Chair of TPI, and Director of Ethics and Engagement for the Church of England Pensions Board, said:

*"The European integrated oil and gas sector is changing rapidly. Three years ago, no company had set targets to reduce the carbon intensity of the energy they supply. Today all six oil and gas majors assessed by TPI have set such targets and we have seen significant progress in the past months, with companies engaging with the concept of net zero, adopting longer-term perspectives and setting more ambitious goals to accelerate the low-carbon transition."*

*“TPI’s analysis underlines that these commitments are not all equal in ambition or in scope and deeper decarbonisation is needed to align with a 1.5°C or even a 2°C scenario. Shell and Eni are leaders and Shell have introduced a new concept of not selling energy to customers that are not also aligned to net zero pathways in key sectors such as aviation, shipping and freight. This warrants further analysis to quantify the emissions reductions of such an approach.”*

*“Investor engagement, through initiatives such as CA100+, will be critical in ensuring current momentum toward net zero is sustained. Based on TPI’s analysis investors can now determine a net zero standard for the oil and gas sector that includes absolute emissions and emissions intensity targets covering all downstream, Scope 3 emissions. Critically, these targets must apply to all energy products sold, including those acquired from third parties.”*

Highlights from TPI’s research include:

## **Shell**

Shell’s goal to cut its emissions intensity by 65% by 2050 is the most ambitious in the sector and the closest to alignment with a 2°C scenario. But TPI says that “Shell’s claim that it will be aligned with a 1.5°C climate scenario is not consistent with our analysis.”

Shell’s announcement that it will work with the supply chain in hard-to-decarbonise sectors such as aviation and heavy duty freight transport is innovative, but further details will be needed to understand how the benefits of this approach can be quantified.

## **Eni**

Eni is the only company to have set an absolute target, aiming to reduce emissions (including Scope 3) by 80% by 2050. Its ambition to reduce emissions intensity by 55% across all energy products is particularly strong, given its carbon intensity is already only 65.3 tCO<sub>2</sub>/TJ, 10% lower than its peers. Eni also discloses the expected contribution of carbon capture and storage plus offsets (40 MtCO<sub>2</sub>e per year), making theirs the most comprehensive strategic response.

## **Total**

Total has increased the ambition of their 2040 emissions intensity reduction target and added a new 2050 target of 60%. However, this alone would not deliver Total’s ambition to “achieve net zero across all its production and energy products used by its customers in Europe by 2050”.

TPI says that “Most of the initiatives needed to deliver on this ambition will take place outside of the company... Total has not provided additional disclosure at this stage on how it intends to reach its ambition.”

Total has cut intensity from 75.6 tCO<sub>2</sub>e/TJ in 2014 to 71.4 tCO<sub>2</sub>e/TJ in 2018 through a combination of expansion of LNG and gas, disclosure of biofuels, falling operational intensity plus increased electricity sales. However TPI calculates that its absolute emissions rose 8% over the same period.

## **BP**

BP has set a target to cut the emissions intensity of sold products, including Scope 3, by 50% by 2050. This is a substantial shift as the company’s previous targets only extended to 2025 and excluded Scope 3 emissions.

However its plans to reduce the carbon intensity of marketing sales by 50% by 2050 exclude both Trading/Supply and Crude Oil sales. Together these product categories account for 11mTJ or 59% of energy assessed by TPI and over 800 MtCO<sub>2</sub>e emissions annually. As such, BP’s targets are less ambitious than those from Shell, Total and Eni. They fail to align with the Paris pledges and are far from alignment with 2°C or net zero.

TPI notes that BP, OMV, Repsol, Shell and Total have all indicated they intend to further update investors on their climate ambitions during 2020. To ensure further progress within the sector and to establish an oil and gas standard that enables it to meet net zero it will be essential for these companies to:

- Provide standardised and comparable disclosures
- Strengthen emissions reduction commitments
- Broaden the scope of commitments to include all energy products

- Provide greater clarity on the contribution carbon capture and storage (CCS) and/or offsets make to overall corporate goals
- Set both intensity *and* absolute emissions targets
- Provide better disclosure on the contribution low carbon energy sources will make to overall corporate goals
- Align short term targets and executive remuneration with long term climate commitments
- Establish a sectoral decarbonisation plan

Outside Europe oil and gas companies need to:

- Set Scope 3 emissions targets
- Strengthen their governance and management of climate change

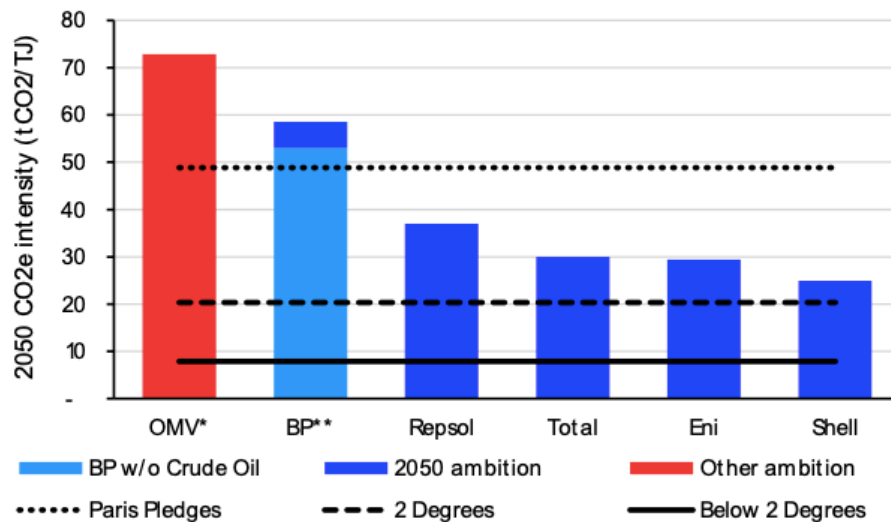
### Notes to editors

- *Carbon Performance of European Integrated Oil and Gas Companies: Briefing Paper* will be published online at <https://www.transitionpathwayinitiative.org/tpi/publications>
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- Figures available for republishing:

### **Recent ambition changes in European Integrated Oil and Gas**

|          |            |  |
|----------|------------|--|
| BP       | 12-Feb-20  | - Net zero across BP's operations on an absolute basis by 2050 or sooner<br>- Net zero on carbon in BP's oil and gas production on an absolute basis by 2050 or sooner<br>- 50% cut in the carbon intensity of products BP sells by 2050 or sooner |
| Eni      | 28-Feb-20  | - obtain by 2050 an 80% reduction in net scope 1, 2 and 3 emissions [...] and a<br>- 55% reduction in emission intensity compared to 2018  |
| OMV      | Unchanged* |  |
| Repsol** | 02-Dec-19  | - Net zero by 2050<br>- Intermediate ambitions: 10% reduction by 2025, 20% by 2030, 40% by 2050<br>- 65% cut in Net Carbon Footprint by 2050 or sooner   |
| Shell    | 17-Apr-20  | - Net zero in operational emissions for controlled upstream operations by 2050<br>- Pivot towards serving business and sectors that by 2050 are also net zero  |
| Total    | 05-May-20  | - Net zero for Scope 1 & 2 globally and Scope 1-3 in Europe by 2050<br>- 15% reduction in intensity by 2030 (unchanged), 35% by 2040 (previously 25-35%)<br>- 60% or more reduction in carbon intensity by 2050                                    |

#### Benchmarking 2050\* emissions intensity by company (%)



\* For OMV which currently has a target year of 2025, we assume emissions intensity remains constant from the target year to 2050. \*\* We estimate BP's ambition translates to an intensity of 58.6tCO<sub>2e</sub>/TJ by 2050. Excluding Crude Oil sales from our assessment would reduce this to 53.0tCO<sub>2e</sub>/TJ

#### About the Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. Established in January 2017, TPI investors now collectively represent nearly US\$19 trillion of Assets Under Management and Advice.

On an annual basis, TPI assesses how companies are preparing for the transition to a low-carbon economy in terms of their:

- *Management Quality* – all companies are assessed on the quality of their governance/management of greenhouse gas emissions and of risks and opportunities related to the low-carbon transition.
- *Carbon Performance* – in selected sectors, TPI quantitatively benchmarks companies' carbon emissions against the international targets made as part of the 2015 UN Paris Agreement.

TPI publishes the results of its analysis through an open access online tool hosted by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics (LSE):  
<http://www.transitionpathwayinitiative.org>.

Investors are encouraged to use the data, indicators and online tool to inform their investment research, decision making, engagement with companies, proxy voting and dialogue with fund managers and policy makers, bearing in mind the Disclaimer that can be found on page 2. Further details of how investors can use TPI assessments can be found on our website at <https://www.transitionpathwayinitiative.org/tpi/investors>.