



# **‘Green’ transformation of the Global Oil and Gas Majors**

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# Oil&Gas Majors are out of the top companies by market capitalization today...

## 10 largest global companies by market capitalization, bln USD

May <b>2011</b>		Position	May <b>2021</b>	
Company	Capitalization		Company	Capitalization
<b>Exxon Mobil</b>	417,166.7	1	Apple	2 172,72
PetroChina	326,199.2	2	Microsoft	1 902,03
Apple Inc.	321,072.1	3	<b>Saudi Aramco</b>	<b>1 900,24</b>
ICBC	251,078.1	4	Amazon.com	1 658,97
Petrobras	247,417.6	5	Alphabet	1 578,37
BHP Billiton	247,079.5	6	Facebook	906,51
China Construction Bank	232,608.6	7	Tencent	741,15
<b>Royal Dutch Shell</b>	226,128.7	8	Berkshire Hathaway	666,91
<b>Chevron Corporation</b>	215,780.6	9	Tesla	647,49
Microsoft	213,336.4	10	Alibaba Group	608,21

- Internet giants replaced Oil&Gas majors on the top
- Oil&Gas Majors need new pathways of their strategic development to be interested for the investors
- **‘To be green’ now is not only trendy but also necessary for their survival**

# Oil&Gas Majors today: between a rock and a hard place...

## Energy Transition agenda

For oil and gas majors low-carbon development is a topic with **a double meaning**. They themselves designate it as a dual challenge:

- **meeting global energy needs**
- **reducing greenhouse gas emissions.**

In fact, this double challenge is somewhat different:

- on the one hand, companies need to make sure that they do not lose ground in their key hydrocarbon markets under any scenario of Energy Transition.
- on the other hand, they must convince investors and the public of their commitment to the development of low-carbon energy technologies.

Consumers  
State  
Investors  
Lenders

Requirements for  
climate,  
environmental  
and social  
responsibility of  
business



Majors

Potential  
technological  
and producing  
leadership in the  
low-carbon  
energy

## Monetization of hydrocarbon reserves

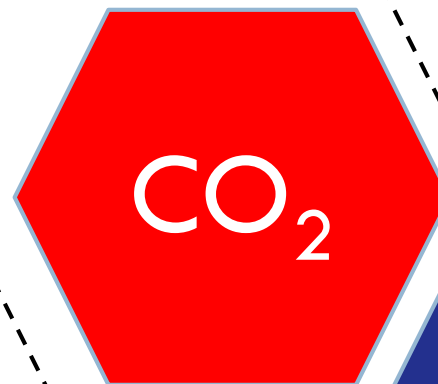
The logic of the oil and gas markets development requires majors to seek accelerated monetization of hydrocarbon reserves.

In favor of such business strategy is:

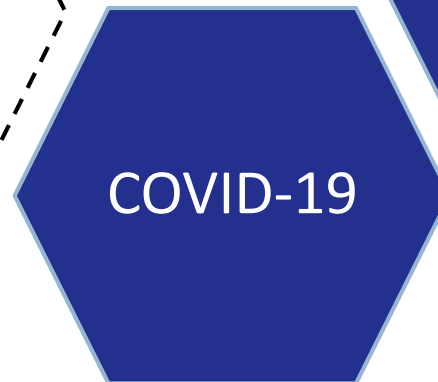
- rapid current growth in oil and gas demand;
- growing competition for markets from national companies and private US companies;
- expectations of reaching the crude oil demand peak in the 2030s;
- great uncertainty about the further development of the world energy sector.

# COVID-19 speed up the global oil sector transformation to be more 'green' and friendly for new climate requirements

**How fast will decarbonization go?  
How much will it change the oil market?**



- Peak Oil in 2019?
- Energy transition in the Oil&Gas will go faster than in other sectors
- Carbon Taxes, Plastic Ban, etc.
- Millennials&Gen Z



***Will the Vienna Alliance be sustainable?***

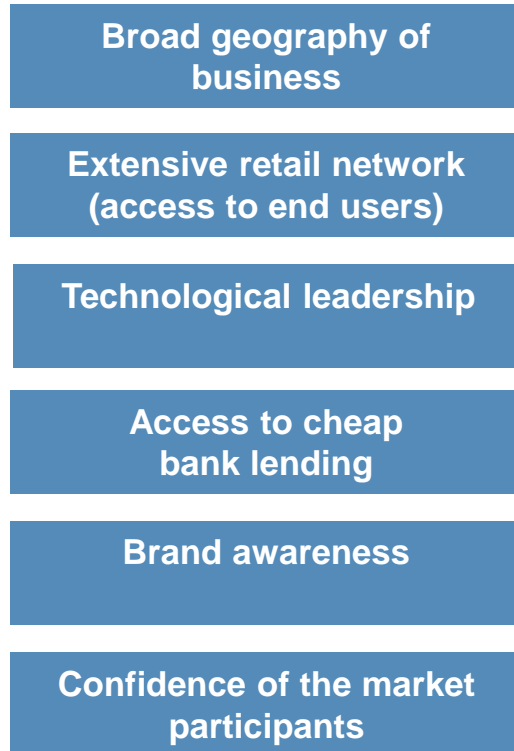
- Short-term benefits from cooperation versus Long-term loss of market share
- Free rider problem (inside and outside the Alliance)
- Sanctions and political instability

***When will the COVID-19 crisis end?***

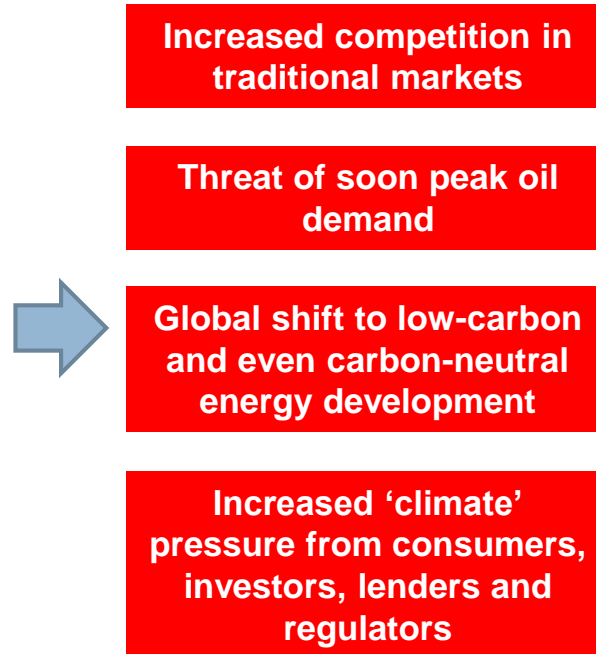
- Vaccination timeline
- New COVID waves and Lockdowns
- The change in oil consumption patterns
- The oil sector fell more than GDP. Additional investment outflow to other sectors

# Oil & Gas Majors have wide range of opportunities to make their business more friendly to the new low-carbon expectations

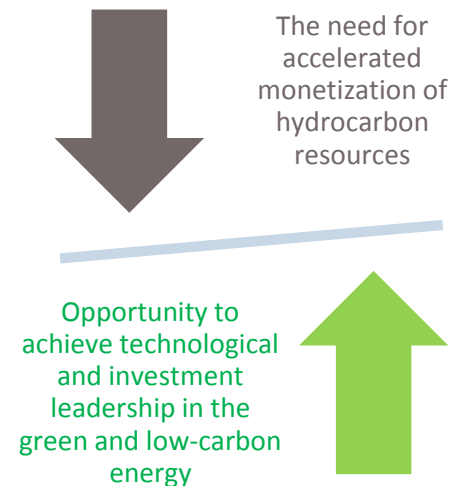
## Majors' competitive advantages



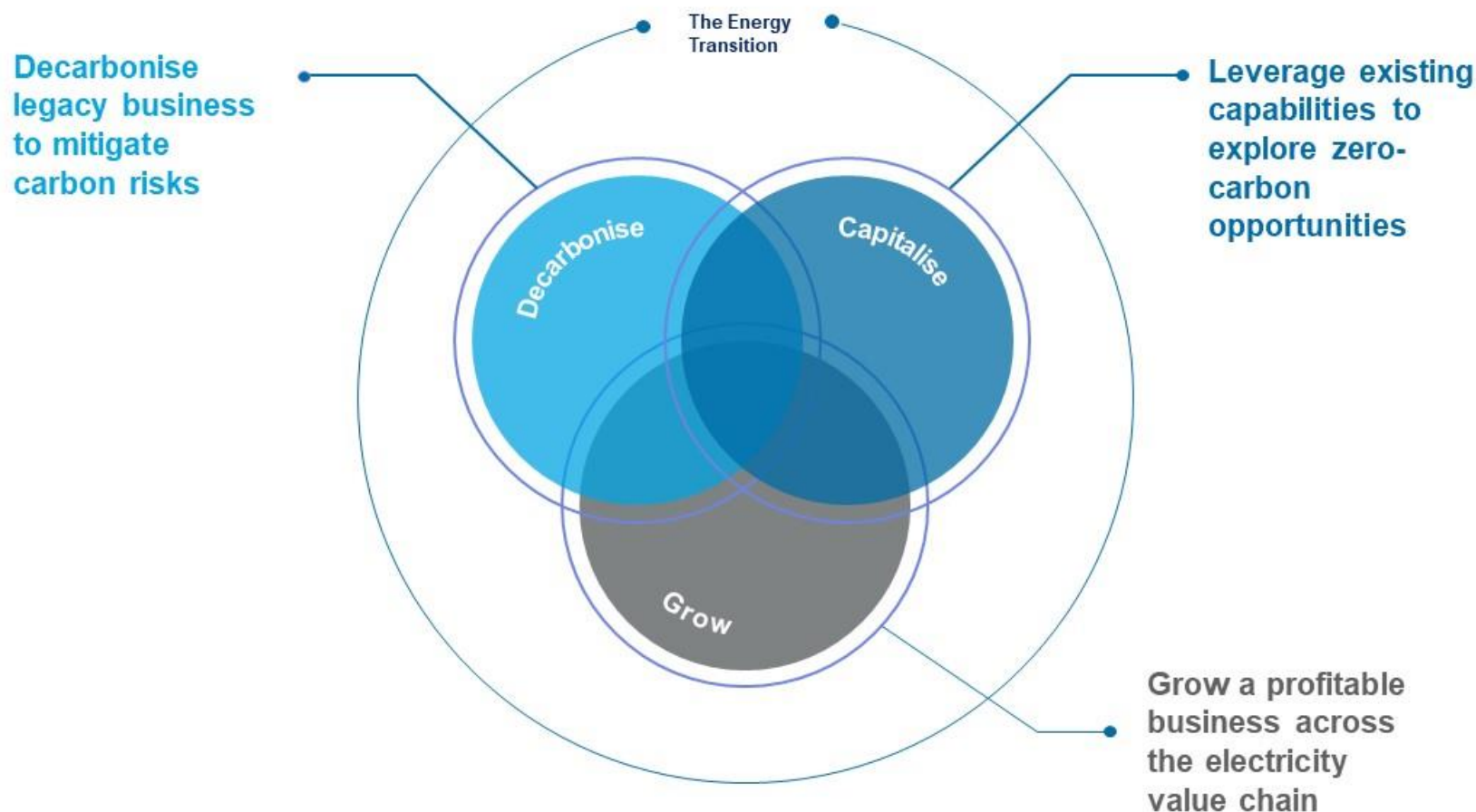
## Main challenges



## Possible pathways



# 'Greener' Oil&Gas still remains core business for Oil&Gas Majors



- Shift portfolio to the bottom of supply cost curve
- Increase investment in natural gas and carbon-neutral technologies
- Climate Initiatives and Climate alliances with investors

# Oil & Gas Majors' Climate initiatives and Climate alliances with investors



OIL AND GAS CLIMATE INITIATIVE

## 12 Oil&Gas Majors

- Support the Paris Agreement and its aims
- Seek to reduce further the methane and CO2 intensity of oil & gas business operations
- Seek to be a catalyst for reducing emissions in the global oil&gas industry and the wider economy



## 39 Oil&Gas Majors

- Implement a strong **governance** framework which clearly articulates the board's accountability and oversight of climate change
- Take action to **reduce greenhouse gas emissions** across the value chain
- Provide enhanced **corporate disclosure** in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



## 65 Oil&Gas Majors

- ensuring that companies are using robust and realistic Paris-aligned scenario modelling approaches and demonstrating to investors the difference between what the company needs to do to align with well below 2°C climate goals, and what they are currently doing.

# Oil & Gas Majors' climate targets

## European Majors

	BP	Total	Shell	Eni	Equinor	Repsol
RES Installed capacity, GWt	2025: <b>20</b> 2030: <b>50</b>	2025: <b>25</b> 2030: <b>35</b>	-	2025: <b>5</b> 2030: <b>15</b>	2026: <b>4-6</b> 2035: <b>14-16</b>	2020: <b>1,1</b> 2025: <b>5,2</b> 2030: <b>12,7</b>
Reduce production carbon intensity, %	by <b>50%</b> to 2050	by <b>60%</b> to 2050	by <b>65%</b> to 2050	by <b>55%</b> to 2050	by <b>50%</b> to 2050	by <b>40%</b> to 2040
Low-carbon investments (% from total annual investments)	2025: <b>\$3-4 bln (26,7%)</b> 2030: <b>\$5 bln (33,3%)</b>	2025: <b>more \$2 bln (15%)</b> 2030: <b>more \$3 bln (20%)</b>	2025: <b>up to \$3 bln (10%)</b>	2023: <b>€2,08 bln (26%)</b>	2023: <b>up to \$3 bln (25%)</b>	2025: <b>€1,4 bln (39%)</b>

## US Majors

### ExxonMobil

- To reduce the carbon intensity in the production sector by **15-20%** up to 2025
- To reduce methane emissions by **40-50%** up to 2025
- To reduce the volume of APG flare in the Company's projects around the world by **35-45%** up to 2025

### ConocoPhillips

- To become a carbon neutral company up to 2050
- To stop APG flare up to 2025

### Occidental Petroleum

- To become a carbon neutral company up to 2050



# Oil & Gas Majors' 'green' strategic pathways

