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Is Shell Guilty of Climate 'Double Think'?

Robert Kropp | Jul. 10 2014

Shell station in Jacksonville, Fla., by Rob Wilson via Shutterstock

Much has been made of the impact of the Carbon Tracker Initiative's 2011 report on stranded assets on the fossil fuel divestment movement that has spread throughout college campuses in the US. The movement has more recently spread to other organizations, such as the Unitarian Universalist Association; and in response to growing investor demand, even mainstream investment firms such as BlackRock are now offering fossil fuel free investment options.

UUA's divestment resolution provides for retaining "investments in fossil fuel companies with which it is engaged in shareholder actions seeking environmental justice." And engagement by sustainable investment organizations has thus far remained a priority for many. In March, engagement by As You Sow and the wealth management firm Arjuna Capital resulted in ExxonMobil becoming the first oil and gas company to report on stranded assets.

In its response, Exxon denied that global society possesses the will to keep temperatures from increasing by more than two degrees Celsius, and therefore none of the fossil fuel reserves currently counted as assets will be left unburned. "Exxon to World: Drop Dead," Oil Change International stated in response.

In May, Royal Dutch Shell responded to shareowner concerns on the issue, and adopted the same position as Exxon: "there is a high degree of confidence that global warming will exceed 2°C by the end of the 21st century," the company stated.

Along with Energy Transition Advisors, Carbon Tracker has produced a report concluding that "Shell's approach is based on dismissing potentially weaker demand for its oil due to tougher climate policies, technological advances and slower economic growth."

In its report, the think tanks argue, Shell has chosen to highlight the conventional reserves on its books, although "its growing unconventional and deepwater portfolio...will be more capital intensive, have longer lead times and extended payback periods." Shell's report also focuses on relatively short-term reserves, although "adding existing discoveries extends that period to 25 years, and possibly longer."

In addition to joining Exxon in denying that global temperatures will not exceed 2°C, Shell also "dismisses the likelihood of political action on climate change, ignoring the growing list of national and regional emissions measures being legislated and the growing calls and potential for greater energy efficiency worldwide." The next international climate change conference is scheduled for December, 2015, but in acknowledgment of the urgency of the issue, UN Secretary-General Ban Ki-moon has organized a summit of world leaders at the organization's New York headquarters in September.

"Over the next 10 years, we estimate that Shell could invest some $77 billion in high-risk, high-cost projects," the report states. “If Shell invests the proceeds from its producing assets into resources such as these, it will be at a progressively greater risk to changes in demand caused by measures to cut pollution.”

“With this combative stance, Shell has missed an opportunity to explain to its shareholders how its capital expenditure plans are resilient to the impending energy transition,” Anthony Hobley, CEO of Carbon Tracker, stated. “Acknowledging the seriousness of the climate challenge whilst at the same time asserting no effective action will be taken until the end of the century is as classic a case of Orwellian double think as you are likely to find.”

Rather than dismissing low-carbon outcomes as unlikely, the report concludes, Shell's long-term energy outlooks ought to more seriously consider the implications of a 2°C climate scenario.

http://www.greenbiz.com/blog/2014/07/10/carbon-tracker-responds-shell-stranded-assets