[After years of promises on climate change, oil giants are backtracking]

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Highlight: Fossil ***fuel*** majors are choosing profits over plans to bring a clean future closer.

Body

This month, ***Shell*** made its move. The world's second-largest ***oil*** and ***gas*** company and largest LNG producer announced it was watering down its climate targets, its *chief executive Wael Sawan fretting to Reuters* that it was "perilous" for ***Shell*** to set 2035 emission reduction targets because, "there is too much uncertainty at the moment in the energy transition trajectory".

Voicing his confidence that fossils would remain integral to the global energy mix in the longer-term Sawan added that, "there is going to be a multidimensional energy system in the future, [and] ***oil*** and ***gas*** will continue to have an important role in stabilising that system for a long, long, long time to come".

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Jamila Toderas

"We are trying to focus our company, our organisation, and our shareholders on a waypoint that's much clearer ... which is 2030," Sawan said. He also announced a reduction in the company's 2030 targets.

In 2020, as ***oil*** prices plunged towards zero, BP was at the forefront of a push by the ***oil*** and ***gas*** majors to remake themselves as "diversified energy" companies and drive faster into a renewable future.

Its then chief executive Bernard Looney announced that the company would not only reach net zero by 2050, but that it would actively lobby for international carbon taxes.

But a lot has changed since then. Looney was moved on, fairly unceremoniously, by his board in September 2023.

More significantly, Vladimir Putin invaded Ukraine in February 2022, effectively knocking the second-largest fossil ***fuel*** exporter on earth out of the West's ***oil*** and ***gas*** market. By 2022 crude ***oil*** prices had surged to more than US$120 ($184) a barrel, and it remains healthily above $80 a barrel today.

In February last year, BP backtracked. During a quarterly earnings report BP announced that it had made a record profit of US$27.7 billion over the previous year, more than double its 2021 profit, and that it was reducing its goals to cut ***oil*** production.

In March last year, ExxonMobil abandoned its research to create low emissions ***fuel*** from algae. Since 2009 the company had spent US$350 million on the effort, which it had used extensively in marketing to burnish its green credentials.

"The dirty secret nobody talks about is how much all this is going to cost and who's willing to pay for it," *chief executive Darren Woods told Fortune last month of the world's quest to decarbonise*. "The people who are generating those emissions need to be aware of and pay the price for generating those emissions. That is ultimately how you solve the problem."

That might be the case, but climate observers were unimpressed, particularly because ExxonMobil was already infamous for doing *accurate cutting edge early research into climate change, only to downplay the science publicly*.

"It's like a drug lord blaming everyone but himself for drug problems," *Gernot Wagner, a climate economist at Columbia Business School, told The Guardian.*

Then, as though to clarify the fossil sector's position, or perhaps to take its gloves off, the chief executive of the biggest of them all, Saudi Aramco, spoke even more bluntly during a panel discussion at a global energy conference in Texas earlier this month.

"We should abandon the fantasy of phasing out ***oil*** and ***gas***," Amin Nasser said, to applause from the audience.

"A transition strategy reset is urgently needed, and my proposal is this: We should abandon the fantasy of phasing out ***oil*** and ***gas*** and instead invest in them adequately reflecting realistic demand assumptions."

Nasser spoke of "hard realities" and said that "in the real world, the current transition strategy is visibly failing on most fronts". He said alternative energy sources had failed to displace hydrocarbons at scale, noting that ***oil*** demand had increased by 100 million barrels of ***oil*** equivalent a day this century and would reach an all-time high this year.

The increasing energy needs of developing nations would see demand remain high, and grow until 2045, he said.

"We should phase in new energy sources and technologies when they are genuinely ready, economically competitive and with the right infrastructure," Nasser said.

"All this strengthens the view that peak ***oil*** and ***gas*** is unlikely for some time to come, let alone 2030," he said. "No one is betting the farm on that."

For governments and policy-makers the problem with Nasser's real world is it conflicts with the other one, which has just sweltered through its hottest year in history due to carbon dioxide emissions, 70 per cent of which come from the burning of fossil fuels.

In this real world, global leaders gathered in Dubai in December for climate talks and after two weeks of hard fought negotiations agreed to begin "transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner ... so as to achieve net zero by 2050 in keeping with the science".

The language was significant because fossil fuels have never before been explicitly referred to in a declaration of the UN climate talks, but talk of "transitioning away" fell far short of the language that around 130 of the 198 countries represented at the talks had called for. Those countries wanted fossil ***fuel*** companies and their invested to be put on notice with an agreement to "phase out" ***oil*** and ***gas***.

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"We have made an incremental advancement over business as usual when *what we really needed is an exponential step change* in our actions," said Anne Rasmussen from Samoa, the lead negotiator for the Alliance of

Small Islands States, to a standing ovation on the floor of the plenary session. "It is not enough for us to reference the science and then make agreements that ignore what the science is telling us we need to do."

The US climate envoy, John Kerry, who pushed hard to secure the compromise, was more upbeat. "For the very first time at a COP, fossil fuels have been on the table as a major part of our negotiations," he said. "And the decision that came out of this clearly embraces transitioning away from fossil fuels in energy systems, so as to achieve net zero by 2050."

Nasser's position also contradicts that of the International Energy Agency, an intergovernmental organisation that has traditionally been closely identified with the fossil ***fuel*** industry.

More recently in its analysis the IEA has been blunt about the need for the world to transition, and about its capacity to do so.

In its annual World Energy Outlook report last year the IEA predicted that fossil ***fuel*** demand would peak by 2030, before entering a plateau and slow decline.

"The transition to clean energy is happening worldwide, and it's unstoppable," IEA chief Fatih Birol said in a statement at the time. "Claims that ***oil*** and ***gas*** represent safe or secure choices for the world's energy and climate future look weaker than ever."

As the IEA's position on fossils has drifted from that of the industry, criticism of it has ramped up. In Dubai the OPEC Secretary General Haitham Al Ghais *accused Birol of "unjustly vilifying" the industry as being behind the climate crisis.*

But the IEA's analysis of the industry remains world leading, and its data suggest that whatever the fossil majors are saying about long-term demand, their shareholders might not hold the same confidence.

An IEA report on energy investment showed a significant decline in the amount of cash the industry was reinvesting in its production. Between 2008 and 2017 the figure hovered between 80 and 100 per cent, then it declines. Last year the sector ploughed just 50 per cent of its cash back into the business, with the rest being doled out to shareholders.

"Uncertainties over longer-term demand, worries about costs, and pressure from many investors and owners to focus on returns rather than production growth mean only large Middle Eastern national ***oil*** companies are spending much more in 2023 than they did in 2022, and they are the only subset of the industry spending more than pre-pandemic levels," *read the IEA's analysis*.

This is significant because the energy industry typically outlays vast amounts of capital exploiting a resource - say a new ***oil*** or ***gas*** field - and then uses the bulk of the return to develop the next one. Now it appears shareholders are demanding more of the cash is diverted to them rather than reinvested in future production.

"It looks like an industry that is enjoying a very profitable but ultimately terminal decline," says the energy analyst Tim Buckley, an advocate of renewables.

"We are still addicted to fossil fuels, we can't stop overnight, but we are stopping," he says.

It also brings us back to those climate talks in Dubai. When the deal was struck the COP28 president Sultan Ahmed al-Jaber, himself an ***oil*** executive, celebrated it as historic, but added that it would be judged on its implementation."We are what we do, not what we say," he told the crowded final session of the summit.

Graphic

Shell's chief executive Wael Sawan announced a less ambitious emission reduction target for 2030.

Anne Rasmussen, the lead negotiator for the Alliance of Small Islands States, says business will not save the planet.

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