CLIMATE ACCOUNTABILITY INSTITUTE

Press Release –

Can oil majors be trusted to decarbonize to net zero by 2050?

Oil reserves, capital expenditure trends, & perverse incentives undermine the climate commitments of oil majors

Comparing BP's self-imposed targets to those of ExxonMobil reinforces their social license to operate because it validates their leadership in the energy transition. This buys these companies more time to extract oil and gas.

Richard Heede of Climate Accountability Institute and Dario Kenner of University of Sussex are pleased to announce our peer-reviewed paper "***White Knights, or Horsemen of the Apocalypse? Prospects for Big Oil to align emissions with a 1.5°C pathway***." As leading companies such as BP, Chevron, Exxon Mobil, and Shell respond to the climate crisis with efforts to burnish their social license to operate with investment in low-carbon energy technologies and operational emission reductions, we undertook an analysis of the industry-wide disruption and the barriers and counter-incentives that are likely to prevent these oil and gas majors from decarbonizing their supply chains at the rate and scale required by the "well-below 2°C" of the Paris Agreement, much less the more restrictive 1.5°C target.

Key findings

- These companies cannot be relied upon to decarbonize at the speed and scale needed to align their emissions with a 1.5°C pathway because the senior executives and directors have annual compensation packages worth millions of dollars. They are unlikely to do this because it could put the company out of business and jeopardize their personal wealth.
- Our original dataset brings together compensation, number of shares owned, and share of company scope 1 and product-related emissions (scope 3) of top company executives & directors at BP, Chevron, ExxonMobil and Shell. For 2018 this is:

	Share of company emissions, tonnes CO_2	Shares owned	Compensation $million
J. Watson, Chevron, CEO	604,784	2,612,194	$1.24
M. Wirth, Chevron, Exec VP	256,008	1,105,753	$20.64
P. Yarrington, Chevron, Director	211,784	914,741	$7.16
J. Johnson, Chevron, Exec VP	198,829	858,784	$10.93
J. Geagea, Chevron, Exec VP	172,850	746,579	$7.85
P. Breber, Chevron, Exec VP	132,202	571,008	$8.03
B. Dudley, BP, CEO	101,127	3,718,284	$14.67
A. Swiger, ExxonMobil, PFO	68,170	497,951	$12.07
B. Gilvary, BP, CFO	55,589	2,043,899	$10.18
N. Duffin, ExxonMobil, Pres.	37,038	270,548	$7.79
E. Hernandez, Chevron, Director	20,807	89,871	$0.41
B. van Beurden, Shell, CEO	18,721	281,524	$23.07
H. Lund, BP, Chairman	16,318	600,000	$0.22
N. Chapman, ExxonMobil, Sr. VP	13,086	95,588	$9.60
D. Woods, ExxonMobil, CEO	11,252	80,291	$18.78

- Since their own scientists discovered their products were contributing to climate change in the 1970s and 1980s these Carbon Majors have been trying to maintain demand for oil and gas and slow down the transition to low-carbon energies.
- BP's and Shell's promises to reach net zero emissions are not a break with the past. Instead, this is another tactic – which sits alongside many others such as lobbying and forays into solar and wind – to manage how much they are disrupted and ensure their own survival.
- Despite superficial differences between BP, Chevron, ExxonMobil, and Shell they share the common goal of avoiding the next level of disruption because this could permanently threaten their existence. They do not want to lose control of their own destinies.

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Implications for policy makers

- These companies claim leadership based on their potential to deploy significant capital and technological and engineering expertise but are unlikely to decarbonize in line with 1.5°C science. It is the responsibility of policy makers to accelerate the low-carbon transition.
- These companies' low-carbon investments and recent net zero announcements are an attempt to retain trust (their social license to operate). As soon as the wider public, especially young people, realize these companies are continuing to block the low-carbon transition and the jobs that come with it they will further lose trust and credibility.
- This could lead to greater pressure on governments to step in and take control of the transition to create clean energy jobs at a time when economic recovery from Covid-19 is a priority in many countries, e.g., remove subsidies for fossil fuels and redirect to renewable energies.
- As the credibility of these companies is likely to erode, governments and international bodies should expect the Carbon Major companies to increase their current lobbying for tax incentives and government RD&D on carbon removal and sequestration technology (CCS).

Implications for investors

- As trust in the Carbon Majors declines, governments could feel greater pressure to step in to speed up the low-carbon transition. This could accelerate the stranding of fossil fuel assets.
- Investors are under pressure to decarbonize but many are currently in a safe place reacting to comparisons of the European and US oil and gas majors, e.g., differences in emissions pledges and the percentage of their capital allocated to renewable energy.
- An original dataset quantifies the greenhouse gas emissions associated with the largest asset managers, which could be used to calculate their portfolio emissions. Greater scrutiny of portfolio emissions could increase pressure for environmentally friendly investment decisions.

Oil and gas companies need to revise executive and board compensation packages to align with the requirements of rapid decarbonization of supply chains, demonstrate full capital expenditure commitments to the low-carbon energy transition, including carbon capture and sequestration, if required, and update the board and executive climate knowledge base now required to alleviate the climate crisis.

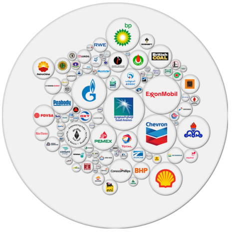
The paper, published in *Energy Research and Social Science*, can be accessed here:

The article is accompanied by an original dataset (access here) ranking these four companies' executive and director compensation, dividends, and their personal share of company emissions in 2016-2018.

Jonathan Watts of *The Guardian*: Oil firm bosses' pay 'incentivises them to undermine climate action'

Respectfully,

Richard Heede & Dario Kenner



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Richard Heede leads Climate Accountability Institute's "Carbon Majors" project that quantifies and attributes historical and current operational and product-related CO_2 emissions to 108 largest oil, gas, and coal producers. CAI was founded in 2011 to provide the scientific basis for holding fossil fuel companies accountable for climate changes and climate damages and to thereby leverage climate stewardship by fossil fuel and cement producers. CAI gratefully acknowledges financial support from Rockefeller Brothers Fund and Chilean Forests Preservation Fund.

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