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Shell, to Cut Carbon Output, Will Be Less of an Oil Company

By: Clifford Kraus, November 28,2017

Bowing to pressure from shareholders and the Paris international climate accord, Royal Dutch Shell pledged on Tuesday to increase its investment in renewable fuels and to cut its carbon emissions in half by 2050.

Shell and other big oil companies have moved only sporadically over the last decade toward greater production of wind and solar energy. Now there are signs of a commitment to take climate change more seriously.

In comments to investors, Ben van Beurden, Shell’s chief executive, said that from 2018 to 2020, the company’s new-energies division would spend up to $2 billion a year on renewable energy sources like wind, solar and hydrogen power and on electric-car charging stations.

While that sum is a large increase from Shell’s previous commitment, it is well below 10 percent of the oil giant’s total investment dollars. Still, Mr. van Beurden stressed that the pledge was just a start and that the company supported the goal of the Paris accord, which is to keep global temperatures from rising more than 2 degrees Celsius (3.6 degrees Fahrenheit) above preindustrial levels.

“We will do this in step with society’s drive to align with the Paris goals,” Mr. Van Beurden added, “and we will do it by reducing the net carbon footprint of the full range of Shell emissions, from our operations and from the consumption from our products.”

Shell, Europe’s largest oil company, said it aimed to reduce its greenhouse-gas emissions by 20 percent by 2035 and by half by 2050. The growing global dependence on natural gas, as a replacement for coal, should help Shell meet its goals since it has made a big investment in producing and trading gas.

Environmentalists gave the Shell pledge generally positive reviews.

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Since the adoption of the 2015 Paris accord, in which most of the countries in the world agreed to set goals to reduce their greenhouse-gas emissions, international oil companies have begun to make more public pledges to reduce their carbon releases.

Several European oil companies have acknowledged that they would have to leave some carbon resources in the ground. Statoil, the Norwegian oil company, has begun a major shift toward investing in wind power. This month, Shell and seven other oil companies pledged to reduce emissions of methane, a potent greenhouse gas, from leaky pipes and wells.

Shell is working with BMW, Daimler, Ford and Volkswagen to install fast-charging stations on Europe’s highways to make electric cars capable of longer trips. Shell has projected that the expansion of the global electric-car fleet over the next decade will significantly slash gasoline demand.

Perhaps Shell’s most ambitious project is its Quest carbon capture and storage project in Canada, which recovers carbon dioxide emissions from a major oil-sands project and then compresses it into a liquid for storage underground. The project is one of only a few in the world.

While some energy experts say carbon capture could be a useful tool to control climate change, skeptics say the technology is too expensive to be deployed broadly enough to make a real difference.

Generally, European oil companies have moved faster on climate efforts than their American counterparts, partly because there is a broader political consensus on the problem on the Continent. Norway, though a major oil producer, is considering removing oil investments from the holdings of its sovereign wealth fund.

Mr. van Beurden said the company would measure the accomplishments of the carbon-reduction effort in reports every five years. “This is a challenge for the whole planet,” he said.

Shell’s carbon pledge followed a shareholder resolution, backed by the company, that called on Shell to embrace targets to improve its performance to control climate change.

Mark van Baal, founder of Follow This, a group of environmentally minded Shell shareholders that has the support of the Church of England and an assortment of Dutch institutional investors, praised the initiative as “an ambitious decision to take leadership in achieving the goals of the Paris climate agreement.”
In the meantime, Shell appears to be making increasing profits from oil and gas. With oil prices and cash flow gradually rising again, Shell announced on Tuesday that it was reviving its all-cash dividend, discarding a program that gave shareholders an option of receiving dividends in shares of stock, which had been depressed in recent years.