

Less Value, More Emissions

**Analysis of Shell's 2024 Energy Transition Strategy,
fossil fuel growth strategy, and lobbying disclosures**

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Key Findings

- Shell's 2024 Energy Transition Strategy (ETS) lowers already weak climate ambition. It delays emissions reductions until after 2030, but gives little guidance on how post-2030 decarbonisation acceleration will be achieved.
- Shell's Net Carbon Intensity (NCI) targets are not Paris-aligned.
- Shell's LNG growth strategy is built on a bullish view of demand, high gas price assumptions and low investment hurdle rates when compared to peers. This increases risks of over-investment in supply, LNG price reductions, underperformance and impairments.
- A new REM policy now rewards LNG sales instead of low carbon products sales or building renewables.
- While working with customers to support their decarbonisation is central to the company's energy transition strategy narrative, Shell's lobbying activities seem to be promoting fossil fuels in emerging markets, and locking-in demand for fossil fuels.

ACCR recommendations for stewardship focus

1. The company aligns its capital expenditure with the goals of the Paris Agreement, immediately restricting all exploration capex and explains how any new investment in fossil fuels is consistent with a 1.5-degree scenario.
2. Commodity price assumptions and hurdle rates applied to investment decisions are appropriately considered in the context of rapidly declining demand.
3. Reporting of emissions is carried out on an equity basis and in line with the GHG protocol, recalculating the baseline when divestments occur.
4. Require that Shell provides a global account of its material lobbying activities and critically assess whether its LNG advocacy aligns with decarbonisation goals.

ACCR's intention is to vote against the 2024 ETS

Shell's 2024 Energy Transition Strategy (ETS)



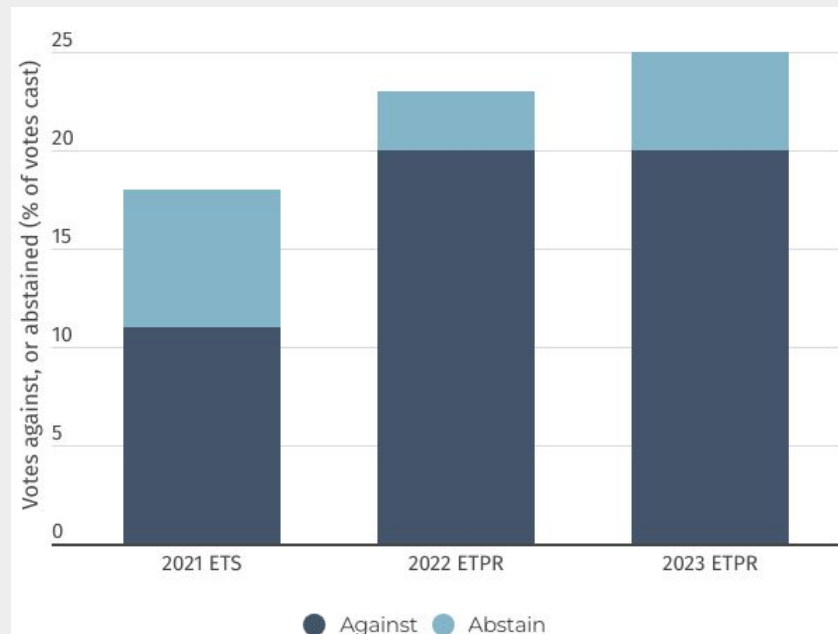
Shell's 2024 ETS should be considered in the context of its predecessors

Shell has suffered two of the lowest votes in support of its climate plan under the Say on Climate mechanism.¹

The level of support for each successive climate report since 2021 has decreased.

Shell will stop offering annual votes on the report after 2024, increasing the significance of the this year's vote.

Investor support for Shell's climate strategy has decreased by 7% since 2021



Note 1: [MSCI data](#) from 2023

Key points on Shell's 2024 ETS

- Shell has no credible plan for reducing absolute scope 3 emissions across the organisation.
 - A new target for reducing absolute scope 3 emissions only from oil products has been set, aiming for a 15-20% reduction by 2030.
 - Reductions in emissions from oil products will be offset by increases in emissions from gas and LNG sales.
- Shell has removed the most ambitious 2035 Net Carbon Intensity Target (NCI) of 45%, and weakened its 2030 target from 20% to 15-20% - significantly increasing the rate of decarbonisation required in the future.
- Shell is aiming for a 50% reduction in scope 1 and 2 emissions (on an operated basis).
- Shell treats divestments as emissions reductions - transferring, rather than reducing emissions

A Paris-aligned strategy requires no new fossil fuel projects

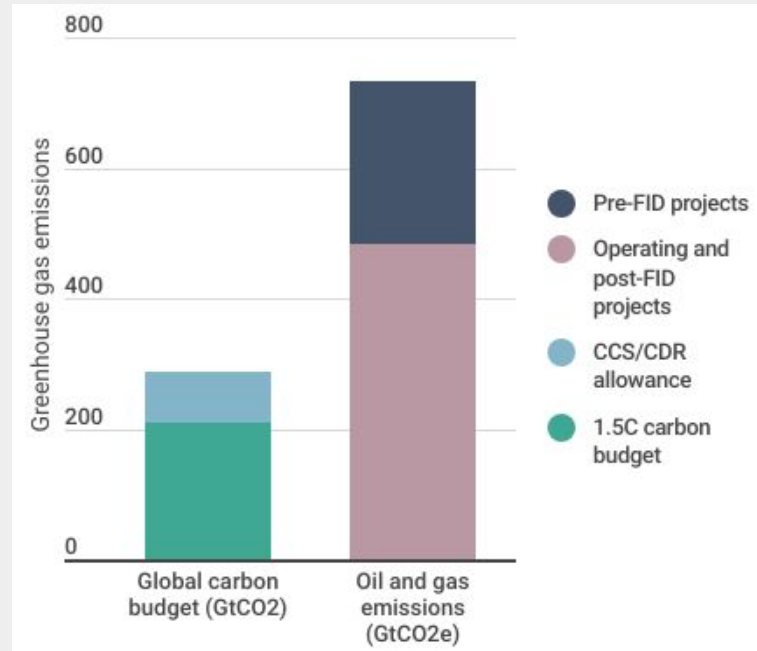
Operating and post-FID oil and gas projects are sufficient to consume two times the global carbon budget.¹

This means no company pursuing new fossil fuel developments can be Paris-aligned.

Shell is currently planning on developing projects equivalent to 5.3 GtCO₂e.²

Shell claims that its NCI targets are Paris-aligned based on IPCC scenarios. This IPCC research is, however, based on 2020 carbon budgets - half of which has since been consumed. (See Appendix)

Operating and sanctioned oil and gas facilities have sufficient reserves to consume twice the global carbon budget



Note 1: Global carbon budget based on Lamboll et al. (2023); Friedlingstein et al. (2023), adjusted for 2023 emissions. CCS/CDR allowance is 2023 NZE. Oil and gas emissions are derived from Rystad Energy data

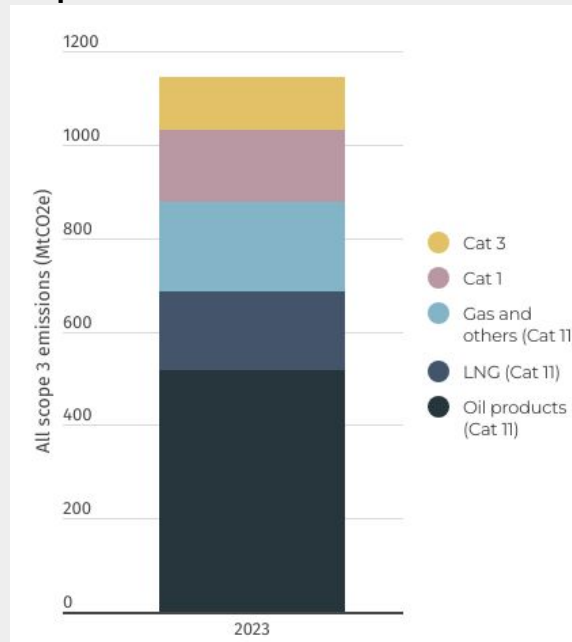
Note 2: Emissions based on discovered and undiscovered resources, Oil Change International, [Shell vs. the climate](#), p16

The new scope 3 target excludes most scope 3 emissions

Shell has announced a target to reduce scope 3 emissions from oil products by 15-20% by 2030, from a 2021 baseline.

The target covers less than 50% of Shell's scope 3 emissions.

The new scope 3 target excludes most scope 3 emissions ¹



Note 1: Cat 1 refers to scope 3 emissions from purchased goods and services; Cat 3 refers to scope 3 emissions related to upstream fuel purchases; Cat 11 refers to scope 3 emissions from customers using Shell's products.

Stepping back on NCI targets leaves hard work for the future

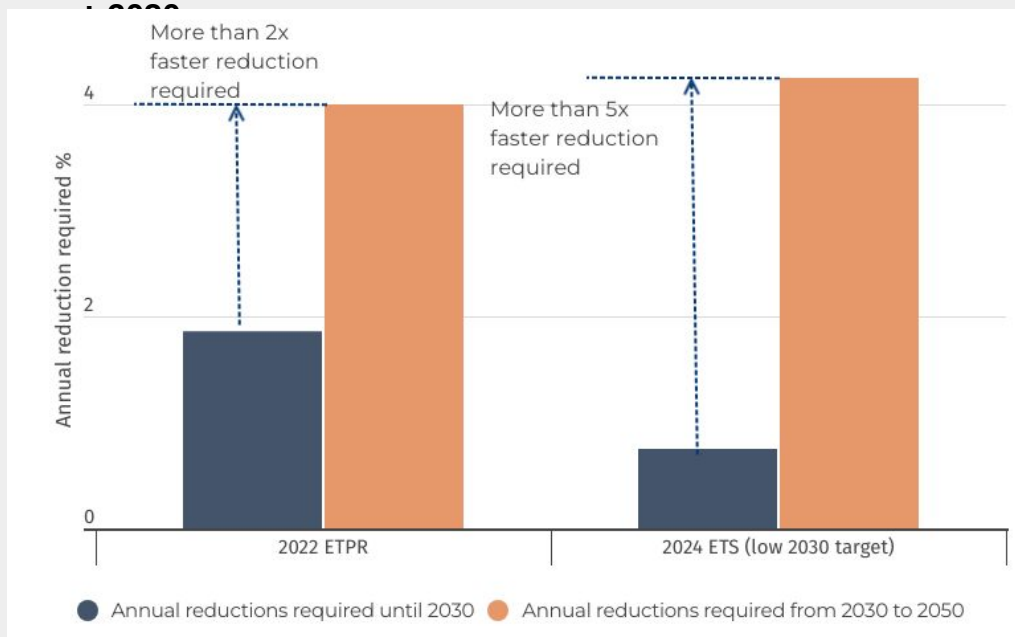
Shell has weakened its 2030 NCI target from 20% to 15-20% and removed the most ambitious 2035 NCI target of a 45% reduction.

The softened 2030 NCI target slows the reductions during the 2020s, despite this being the period when the most cost effective decarbonisation solutions are available.

There was already a significant step up in the rate of decarbonisation required. **This weakening means Shell will need to decarbonise up to five times faster between 2030 and 2050, compared to what it is targeting before 2030.**

But, the removal of the 2035 target leaves little guidance for how the company will decarbonise from 2030-2050 at this accelerated rate.

New 2030 target means faster reduction required



Using divestment to meet climate targets

Shell treats divestments as emissions reductions. But divestment is an ineffective climate strategy because it transfers rather than reduces emissions.

Treating divestment as a reduction is contrary to a global carbon accounting standard Shell claims to follow.²

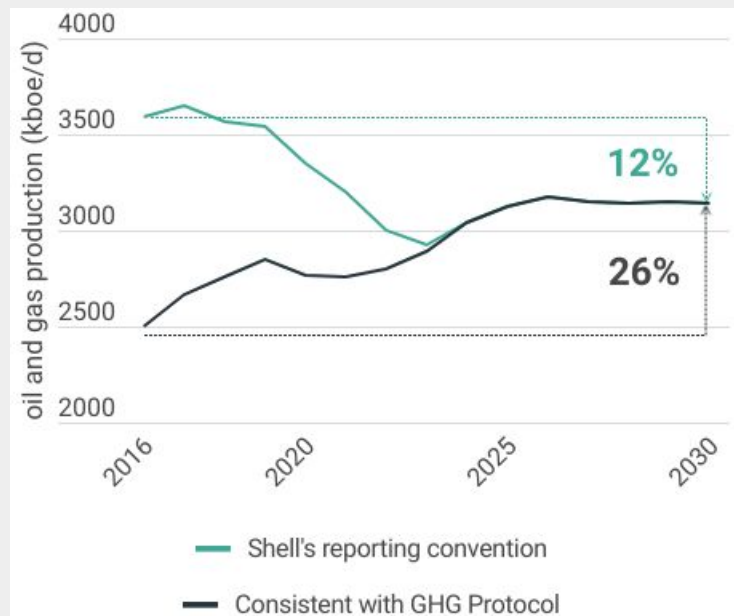
When correctly accounting for divestments, we found³ Shell's:

- **production will increase by 26% to 2030, rather than decrease by 12%**
- **NCI has likely increased, rather than decreased since 2016.**

Shell's Net Carbon Intensity (NCI) targets are not Paris-aligned, since they can be met whilst absolute emissions increase.

Shell says 'the biggest driver for reducing our net carbon intensity is increasing sales of and demand for low carbon energy'.¹ The divestment of European retail energy assets has limited the company's ability to meet its NCI targets.

Shell's production is forecast to increase by 26% by 2030 when properly accounting for divestments



Note 1: Carbon Brief, [Shell abandons 2035 emissions target and weakens 2030 goal](#), Mar 2024

Note 2: Shell claims to follow the GHG Protocol's Corporate Accounting and Reporting Standard, on pages 88 and 112 of its [2023 Annual Report and Accounts](#)

Note 3: ACCR, [Shell losing ground on climate](#), Dec 2023

Shell's fossil fuel Capital Expenditure

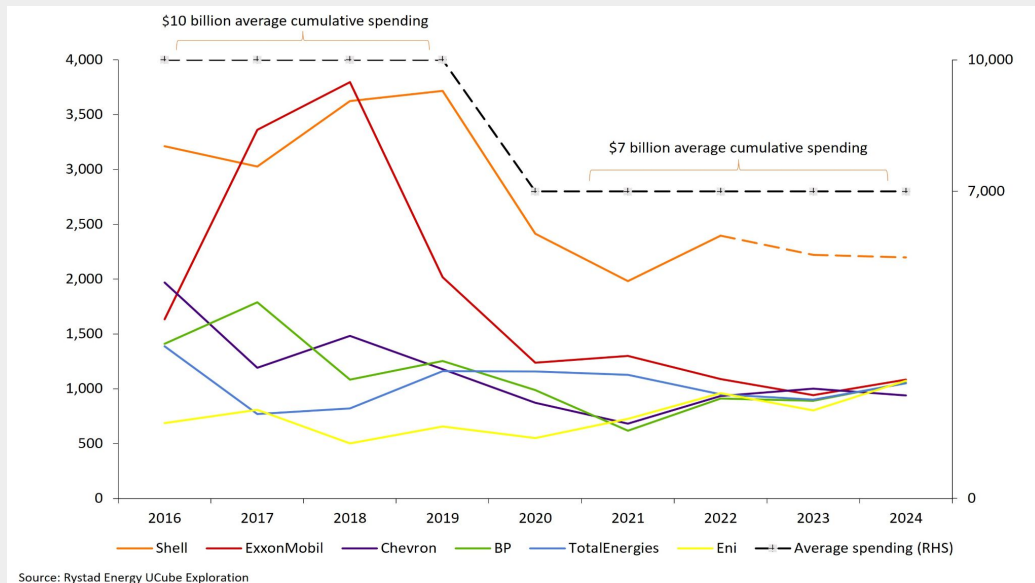
Exploration capital expenditure far exceeds peers

The IEA states that no exploration capex is required under the NZE or APS scenarios.

Exploration capex will lead to projects being developed in more than a decade's time, when they will not be compatible with decarbonisation pathways.

Shell's exploration capex is more than double the next closest peer and an irresponsible use of shareholder capital.

The current commitment to end frontier exploration capex by 2025 means very little, as it will continue to allow exploration in all countries where any oil and gas development has occurred.



Oil and gas price assumptions are higher than most peers

For Shell to have a Paris-aligned capital expenditure framework, commodity price assumptions must also be consistent with these scenarios.

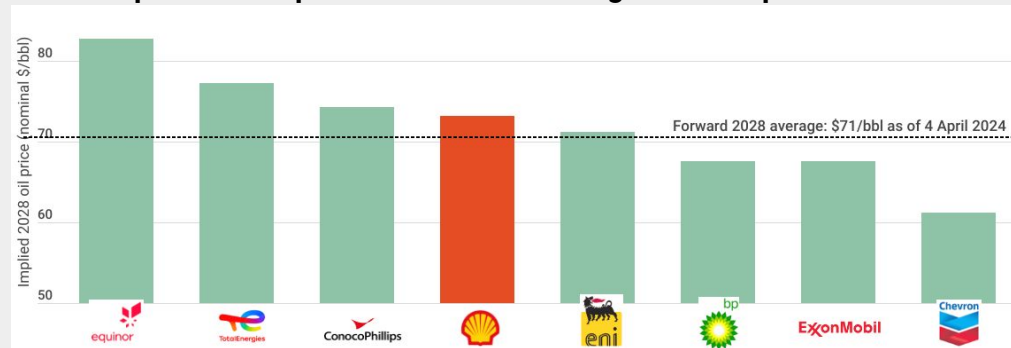
Shell has higher gas price assumptions than its peers.

Its price assumptions are:

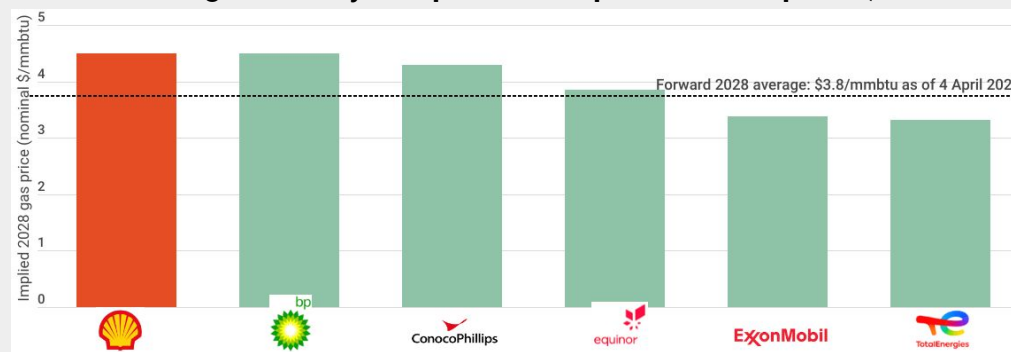
- 3% above the Brent forward price
- 19% above the Henry Hub forward price

The company expects demand for LNG to increase due to declining prices over time, a phenomenon which is yet to truly materialise and is at odds with its price assumptions.

Shell's oil price assumption is above the average of these peers



Shell has the highest Henry Hub price assumption of these peers (where disclosed)



Lower hurdle rate than peers

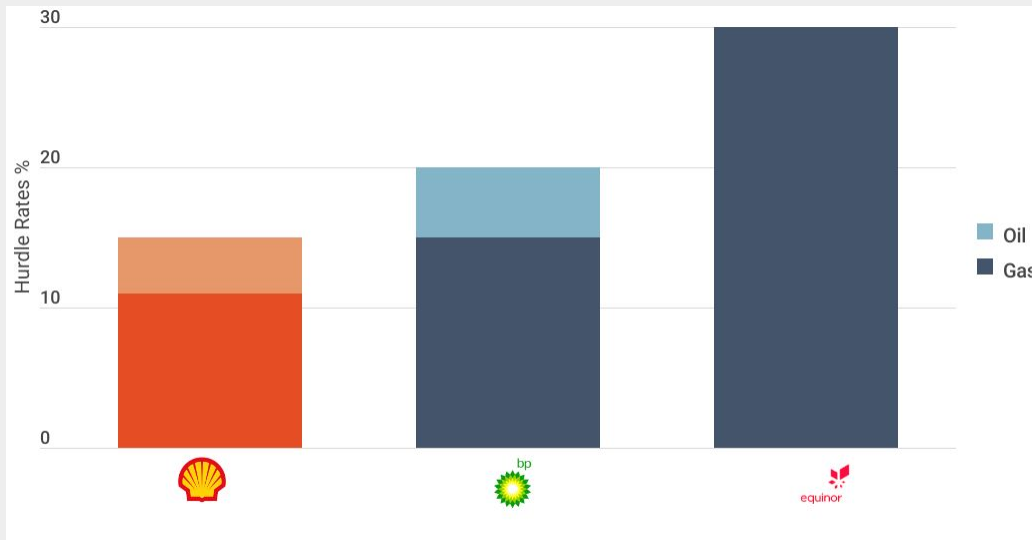
Rational economic behaviour would imply that as demand for fossil fuels declines, only the most economic and highest margin projects would be sanctioned.

Shell, however, is lowering the hurdle rates required for investment in fossil fuel projects.

Shell has higher revenue assumptions and lower hurdle rates, so is likely to sanction projects its peers would find unattractive.

This may decrease shareholder returns and increases impairment risk.

Of the peers that disclose a hurdle rate, Shell has the lowest

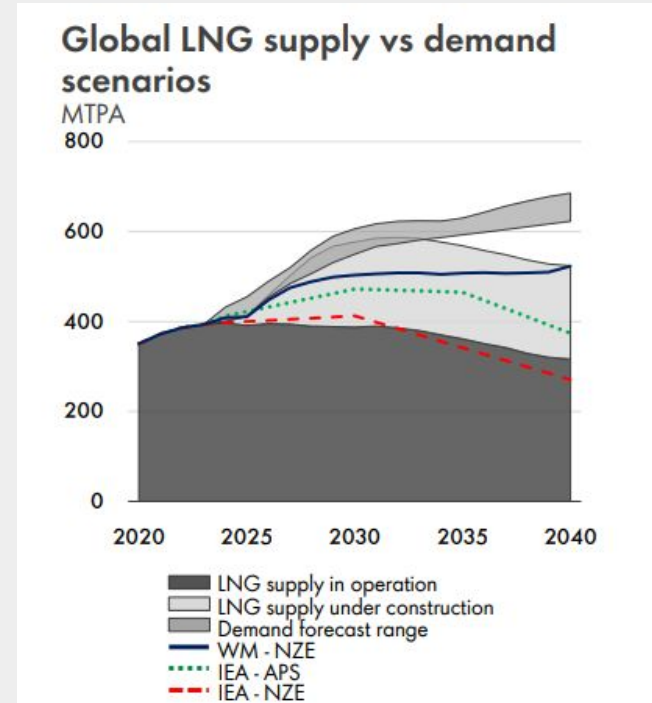


LNG Forecasts are not consistent with the Paris Goals

Whilst Shell's LNG forecasts have been reduced from the 2023 to the 2024 outlook, they are significantly above those from the IEA and Wood Mackenzie (NZE).

Shell is the largest independent LNG trader globally, and is highly exposed to risks of demand destruction throughout the value chain.

Overinvestment in LNG supply may leave the company exposed to price reductions. This is exacerbated by the fact that the company's purchased LNG contracts outweigh its sale contracts.¹



Gas likely to play a diminishing role in the power system

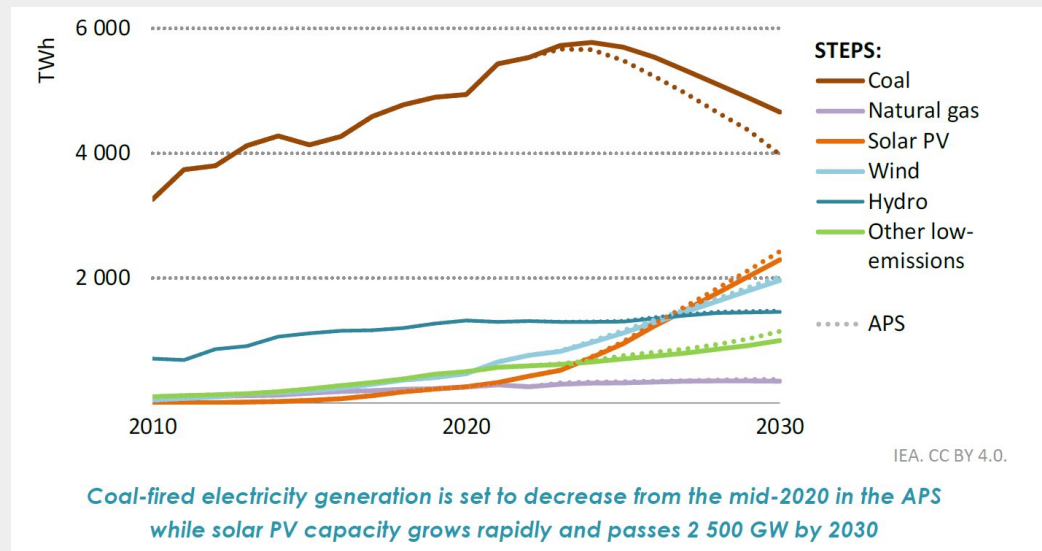
Economics are driving a shift from away from gas and coal and towards renewables, since:

- renewables are now half the cost of gas power on a new-build basis¹
- new build renewables are cheaper than running existing gas generators in markets representing over half the world's electricity consumption.¹

According to the IEA, Chinese coal generation is projected to be replaced with renewables, nuclear and energy efficiency, whilst gas generation flatlines.

LNG expansion does not equate to a reduction in absolute emissions as there is no guarantee it will displace coal.

Chinese coal generation is being replaced by renewables and energy efficiency



IEA, 2023 WEO

Shell view - 'We see gas having a continued role in displacing coal in power generation, which helps reduce air pollution and carbon emissions'²

Note 1: Bloomberg NEF, 2H 2023 LCOE Update

Note 2: Shell, Energy Transition Strategy Update 2024

Shell appears to overestimate role of gas in industrial transition

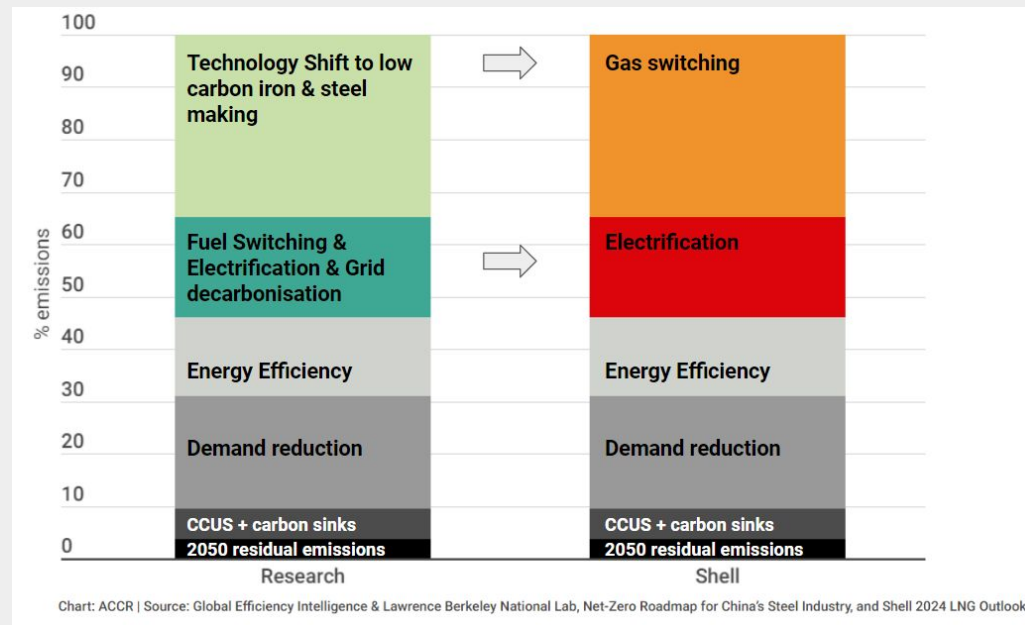
Shell's 2024 LNG Outlook sees gas-switching in industrial processes as a key demand driver.

- Shell overstates the role of gas in Chinese iron and steel decarbonisation in its representation of independent research (see right).
- Gas switching is not a long-term solution for steel unless combined with CCS, which remains unproven at scale and prohibitively expensive.¹

Think-tank IEEFA also notes the 2024 LNG Outlook:²

- “overlooks Chinese policies designed to limit gas dependence and mistakenly attributes energy efficiency gains and electrification to gas adoption”
- “underestimates barriers to demand growth in Asia.”

Shell overstates the role of gas in decarbonising Chinese steel making



Shell view - ‘Gas and LNG are important for sectors where electrification is challenging, such as high temperature industrial processes. They provide the necessary energy intensity and reliability that renewables cannot match, helping industries like cement and steel on their decarbonisation journeys’³

Note 1: Bloomberg NEF, Decarbonising Steel: Technologies and costs, 2021

Note 2: IEEFA, Shell's latest LNG outlook underestimates barriers to demand growth in Asia

Note 3: Shell, Energy Transition Strategy, 2024

Cheaper and cleaner options exist to ensure grid stability and energy security

It is critical to balance grids, including as the share of variable renewables increases.

The IEA identifies a range of technologies to help integrate variable renewables:¹

- storage, including pumped hydro and batteries
- transmission to provide geographic diversification of generation and loads
- demand side management to vary demand in line with variable renewable supply
- overbuilding renewable capacity
- conventional power plants, including gas generators.

With a broad range of options available - many of them being zero or low emission - the role of gas as a balancing fuel may be smaller than Shell implies.

Recent geopolitical events drove a severe, but short-term spike in LNG prices. This has caused medium and long term gas demand reductions, as countries reduce dependence on energy imports by promoting electrification, energy efficiency and domestic renewable supply.

Shell view - 'LNG provides both energy security and flexibility because it can be transported to places where it is needed most'²

Note 1: IEA, [Introduction to System Integration of Renewables](#)

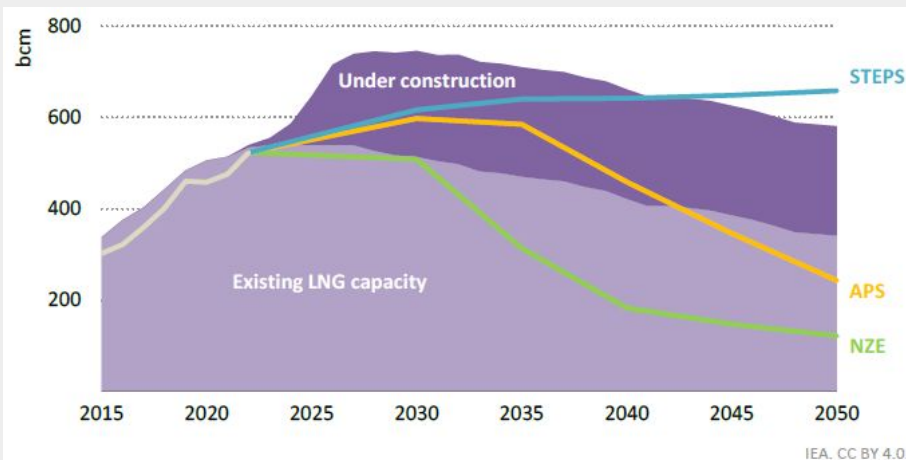
Note 2: Shell, Energy Transition Strategy, 2024

The IEA does not share Shell's bullish LNG outlook

Whilst there are drivers for LNG demand, these are understood by the IEA and factored into its scenarios.

In all of the IEA's scenarios, liquefaction capacity that is operating or under construction is sufficient to meet all of the world's LNG demand until 2040, and more than enough to meet demand required under the announced pledges scenario to 2050 and beyond.

Existing and under construction liquefaction capacity exceeds LNG demand until at least 2040¹



In the NZE Scenario, LNG projects currently under construction are not necessary. In the APS, trade peaks by 2030 and the capacity utilisation of plants would drop significantly.

IEA, Oil and Gas Industry in Net Zero Transitions

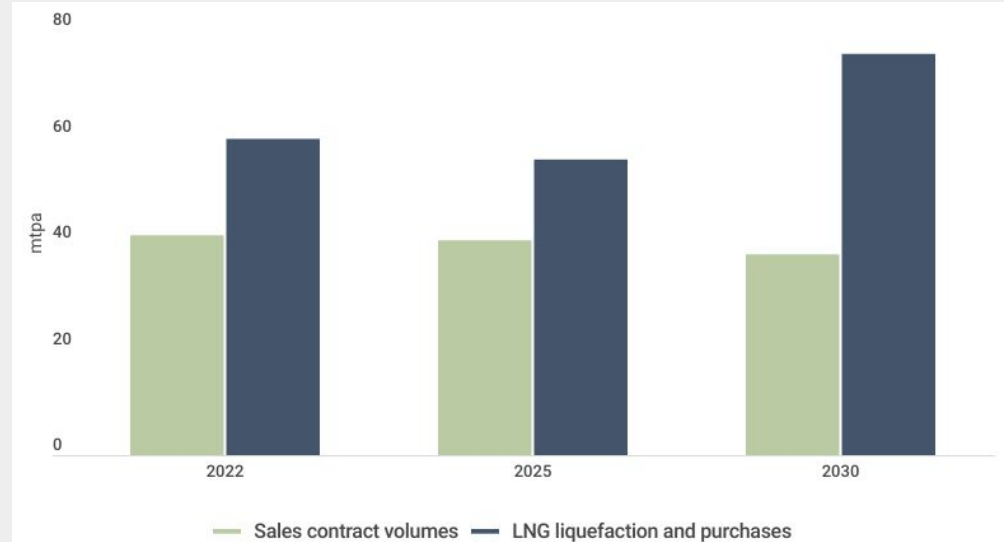
Shell's LNG book is betting on strong demand

Shell's long-term LNG liquefaction capacity and purchase contracts exceed its sales contracts.

This strategy is consistent with Shell's bullish demand forecast, but leaves it exposed to downside price risk should demand be softer than it expects.

This is a bold bet against the speed of the energy transition and all of the IEA's scenarios.

Shell is long LNG and going longer ¹



Note 1: LNG liquefaction and purchases: Shell guidance.
Sales contract volumes: Bloomberg Finance L.P.; Used with permission of Bloomberg Finance L.P

Remuneration policy - shifting towards LNG growth

The annual bonus now rewards LNG sales instead of low carbon products sales.

In the long-term incentive plan, the low carbon product components have become less specific.

This is consistent with Shell's new climate targets to shift resources from low carbon product investment to LNG business, taking advantage of the extra room provided by the lower NCI target.

KPI linked to climate	2023	2024
Bonus scorecard – energy transition (15% weight)	<ol style="list-style-type: none"> 1. Selling lower carbon products 2. Reducing emissions from own operations 3. Supporting customers to reduce their emissions 	<ol style="list-style-type: none"> 1. LNG volumes 2. Reducing emissions from own operations 3. Supporting customers to reduce their emissions
LTIP performance condition - energy transition (25% weight)	<ol style="list-style-type: none"> 1. NCI target 2. Strategic themes: <ul style="list-style-type: none"> • Reducing Scope 1 and 2 emissions • Building a renewable power business • Growing new lower-carbon energy offerings; and • Developing emission sinks and offsets 	<ol style="list-style-type: none"> 1. Reducing emissions from own operations 2. Supporting customers to reduce their emissions



Lobbying in emerging markets

Shell's fossil fuel ambitions are not reflected in lobbying disclosures

High ambitions

- **Supply:** emerging markets account for a greater share of expected fossil fuel production by Shell to 2050 than advanced economies.
- **Demand:** Shell sees most LNG demand growth potential in emerging markets – particularly China and S/SE Asia.

Lack of transparency on advocacy

- Shell has promoted increased investment in extraction and liquefaction projects, longer-term LNG contracts, and creating new LNG markets in emerging economies.
- Disclosures are not proportionate ambitions, despite Shell's commitment to transparency.

Over half of fossil fuel production by Shell is in emerging markets

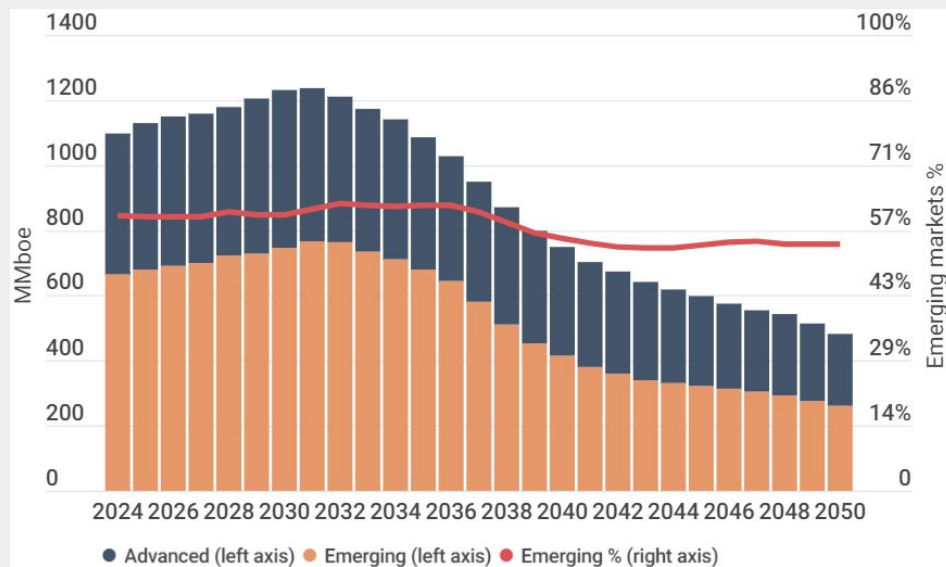


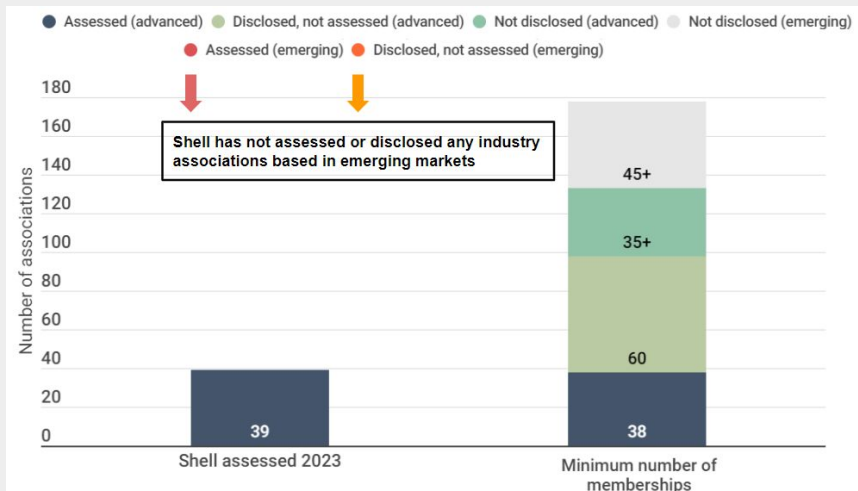
Chart: ACCR | Source: ACCR analysis of data from Rystad Energy UCube

Shell doesn't disclose a range of material lobbying in emerging markets

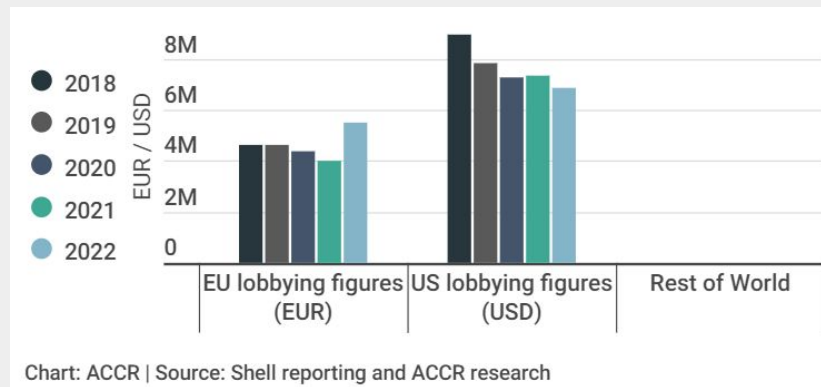
Shell's lobbying disclosures almost exclusively focus on advanced economies. ACCR found:

- **80** associations which conduct climate and energy lobbying, which Shell has not disclosed. **45** are in emerging markets, including many where Shell holds **leadership roles**.
- Numerous instances of **direct and industry association lobbying** with potential lock-in fossil fuels.

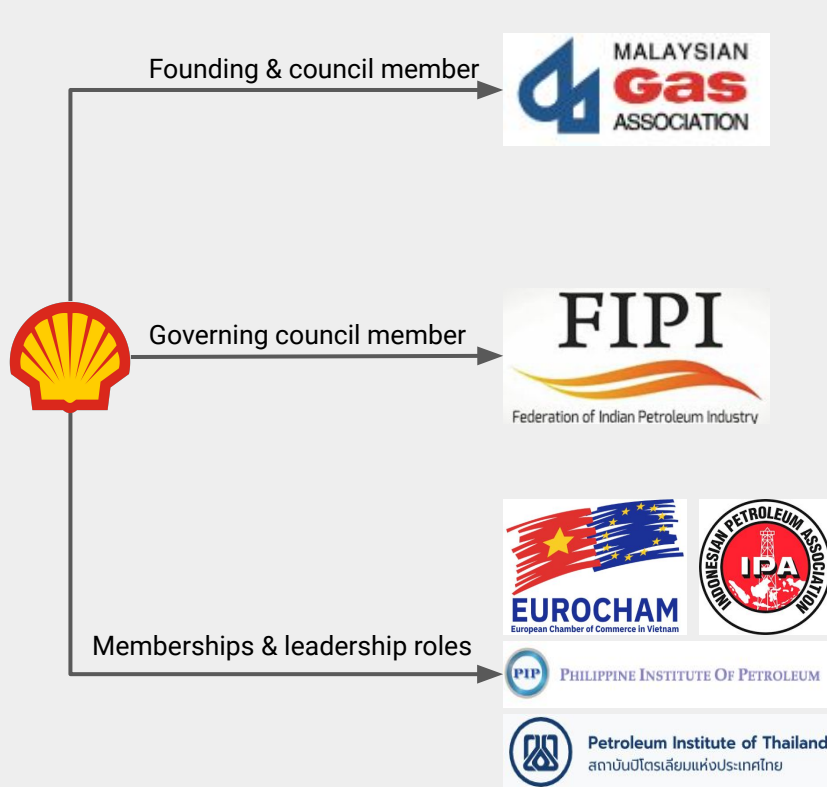
Shell doesn't disclose associations in emerging markets



Shell doesn't disclose lobbying spend outside the EU and US



Spotlight: select examples of Shell's demand-side lobbying in EMs



MGA overstates the climate credentials of gas:

- “Gas is...the cleanest source of energy for a pragmatic energy transition”
- “Natural gas is the cleanest-burning hydrocarbon, thus is good for the environment.”

FIPI and Shell advocate in India:

- to create markets for LNG as transport fuel
- for coal-to-gas switching, often focusing on air quality over emissions
- for GST tax breaks to incentivise gas consumption.

Shell's LNG Outlook sees strong demand growth across SE Asia, where it:

- is a member (and has leadership roles) at various influential industry associations that promote long-term demand for gas
- has significant access to policymakers – directly, through associations and potentially through SOE partners who are influential in energy policy.

Spotlight: select examples of Shell's supply-side lobbying and political access in EMs

Supply-side lobbying	<p>Shell and its associations are pursuing various advocacy efforts to boost investment in exploration and production – often focusing on economic benefits – in Nigeria, Tanzania, Kazakhstan, Trinidad and Tobago, Colombia, Brazil and more.</p> <p>Shell holds leadership roles at industry associations promoting gas in all these countries.</p>
Political access and influence	<p>Shell has high-level access to governments in emerging markets, but does not detail or review its engagements in lobbying reviews. For example:</p> <ul style="list-style-type: none">• Shell co-authored a 'sketch' of the UAE's energy transition in the lead up to COP28, together with the Ministry of Energy and Infrastructure.• Nigeria contracted a Shell executive to join its COP28 negotiations, apparently to support the country's 'decade of gas' policy platform.• Shell says its research on "how natural gas could evolve as a mainstream energy source in China", with the State Council's Development Research Center, "was a key input into China's 13th Five Year Plan".¹

1. Shell - 'Scenarios where you live'

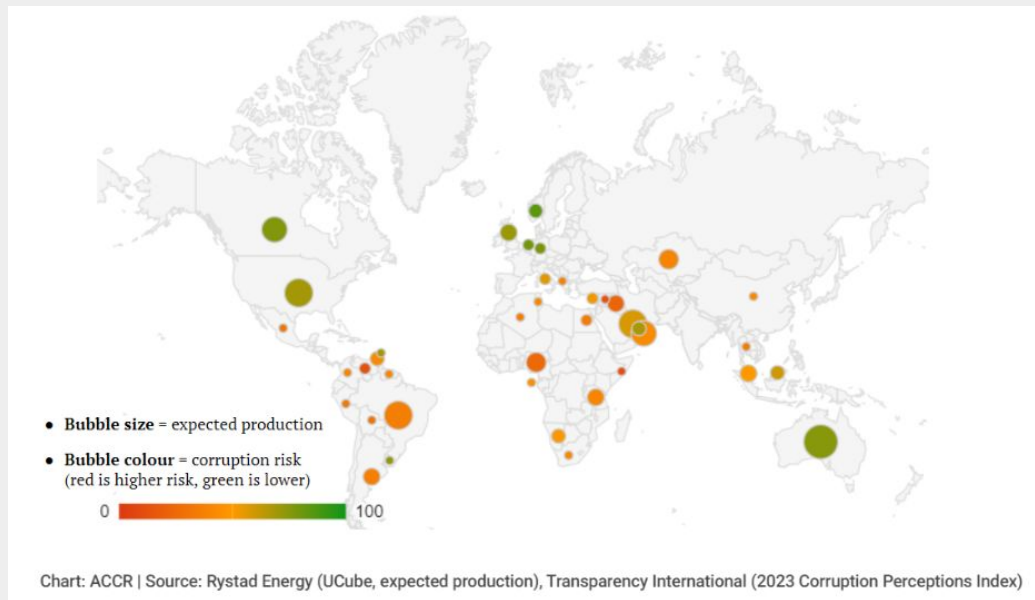
Shell's lobbying increases risk for investors and a Just Transition

Shell's lobbying may limit its ability to meet **decarbonisation** commitments and work with customers to reduce emissions in line with Paris.

Growing energy demand in emerging markets is a driver of **corruption** risk and:

- may weaken policy responses to climate change
- “may exacerbate the existing inequities in the impact of climate change between high and low-income countries” (*World Bank & UNODC*)

Corruption risk higher on avg. in emerging markets where Shell production expected



Thank you

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Appendix: Climate science and carbon budgets



IPCC assessment report and scenarios - an explainer

What is AR6 and what is the relationship between 'IPCC scenarios' and the IPCC?

6th Assessment Reports (AR6):

- reporting cycle in which the IPCC assesses the science related to climate change.
- while the AR6 WGIII report was published in April 2022, the literature publication deadline was [December 2020](#), leading to a significant time lag with the present day.

IPCC scenarios are [scenarios](#) that

- have been assessed from the literature, and
- vetted by the IPCC before they are included in the assessment report cycle
- were primarily developed *before and during 2020* to:
 - explore possible climate futures
 - explore pathways towards long-term climate goals
 - integrate knowledge between research communities
 - inform society

[Recommendation](#) for the 7th Assessment Reports (AR7): Inclusion of the most recent information and more focus on the near term

The remaining 1.5°C carbon budget in IPCC AR6 scenarios is twice what was available at the start of 2024

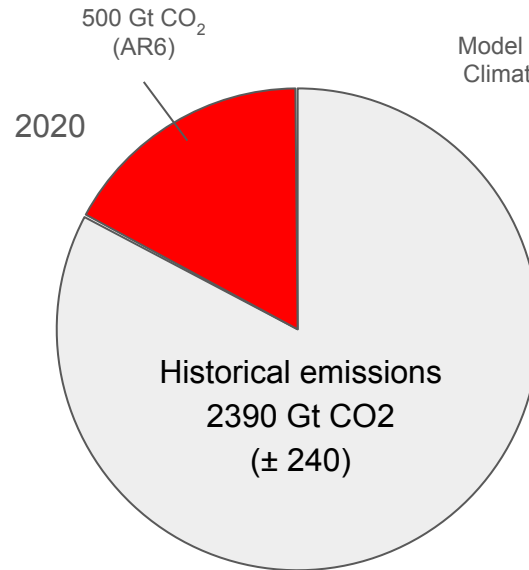
The IPCC AR6 scenarios are not applicable today because:

- they work from a 2019 baseline, and on the basis of scientific understanding at the time
- C1 (1.5°C) assumes global emissions decline from 2020. Global CO₂ emissions have not decreased since then - hitting another [record high](#) in 2023
- The science community is refining its understanding of the impact of non CO₂ gases

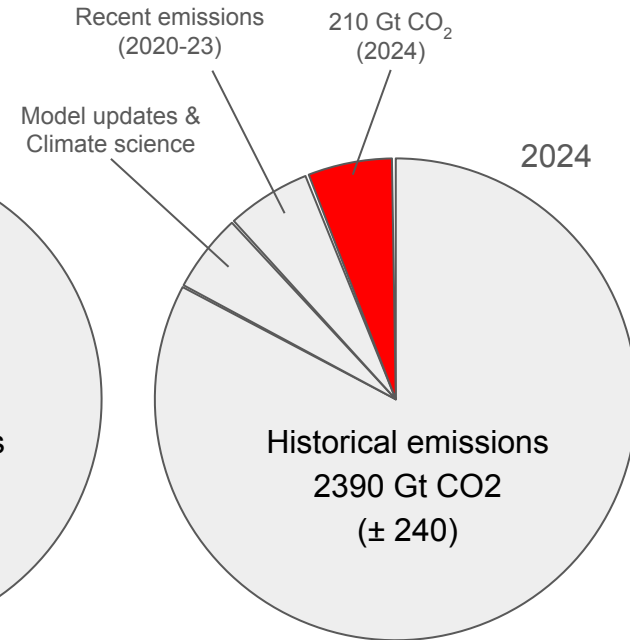
The most recent [assessment](#) of the remaining carbon budget is 247Gt CO₂ (~210 Gt CO₂ 2024 onward). **This is less than half the budget used in the AR6 scenarios.**

By using dated IPCC scenarios, Shell can compare itself to slower decarbonisation pathways than are consistent with current climate science.

1.5°C Remaining carbon budget (2020, AR6)



1.5°C Remaining carbon budget (2024)

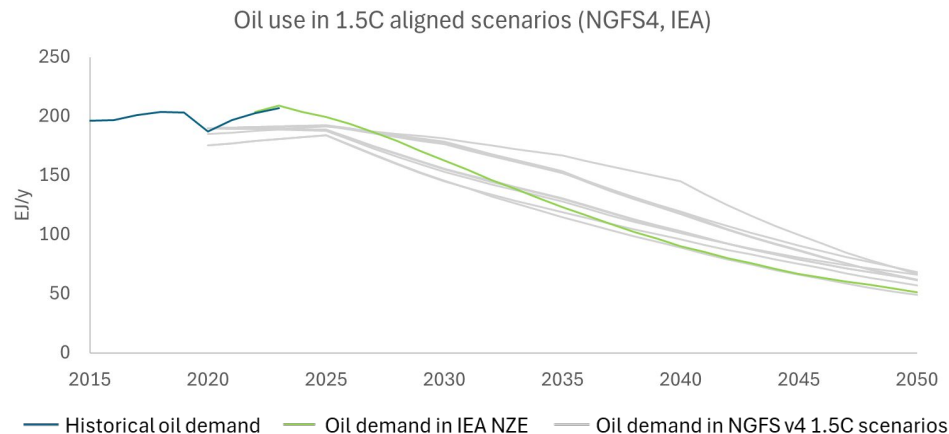
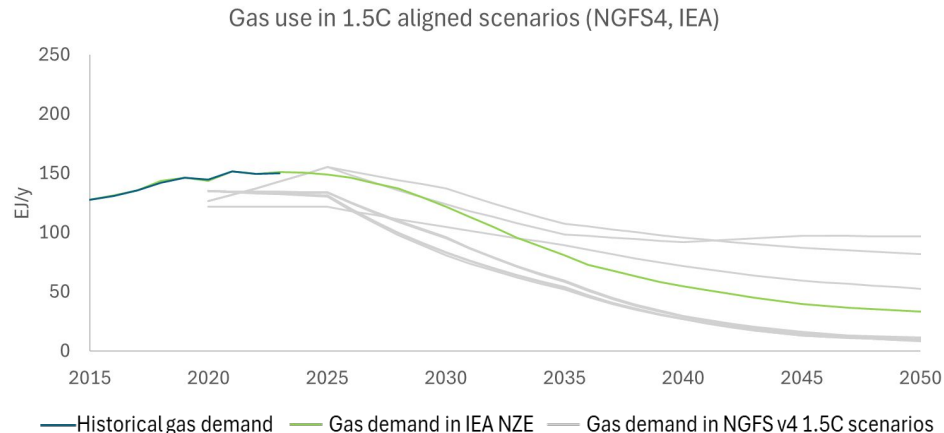


ACCR view on which 1.5°C scenarios are the most appropriate

ACCR thinks that the IEA's NZE scenario is the most relevant scenario to assess Paris-compliance since:

- it reflects the latest climate science and carbon budgets
- it incorporates geopolitical events, such as the Ukraine war that has reduced long term gas demand
- it addresses energy access and just transition principles, as well as climate objectives.

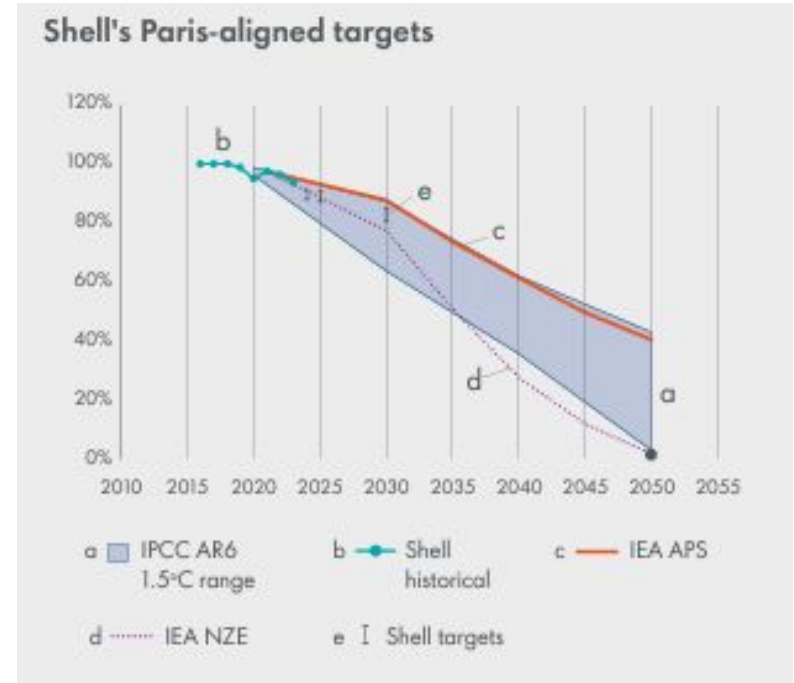
The NGFS (Central Banks and Supervisors Network for Greening the Financial System) has published a set of scenarios (phase 4 scenarios). These are updated AR6 scenarios - including 1.5°C scenarios none of which see oil or gas growth beyond 2025.



Shell uses the IPCC scenarios to claim that its NCI target is consistent with the Paris Agreement's goals

Shell should not be using IPCC AR6 scenarios to claim Paris-alignment in 2024, since these IPCC scenarios are based on information that is no longer relevant.

Whilst ACCR does not support the use of intensity targets, Shell's 2030 NCI target is still not consistent with the NZE scenario's 2030 emissions intensity.



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