



ShareAction» GREENPEACE



To: investors engaging Shell on climate strategy

**By email**

26th February 2021

**Re: Shell's net zero emissions strategy**

Dear Madam/Sir,

We the undersigned organisations who work on climate change, shareholder accountability, and corporate reporting, are writing to set out our assessment of Shell's February 2021 strategy update, and our expectations for climate-committed investors from now through Shell's 2021 Annual General Meeting.

To reach the goal of the Paris Climate Agreement, the Intergovernmental Panel on Climate Change (IPCC) special report *Global Warming of 1.5°C (2018)* suggests that global absolute net energy-related emissions should be reduced by 25–45% by 2030, compared to 2018 levels. In addition, the IPCC's P1 trajectory, which takes a precautionary approach to negative emission technologies, shows that the use of oil and gas needs to drop by 44% and 39% respectively by 2030 to keep warming limited to 1.5°C. <sup>i</sup>

Shell's February 11th 2021 strategy falls far short of what is required to do this. Shell's emission reduction targets are intensity-based rather than absolute and, despite the need to wind down oil and gas production, the company plans to continue to invest billions of dollars in upstream oil and gas. Shell actually plans to increase its gas production significantly, to reach over half of its business by 2030<sup>ii</sup>. Petrochemicals are excluded from Shell's targets altogether despite their significant climate impact (Shell sells 17 million tonnes of petrochemicals annually).<sup>iii, iv</sup>

To justify such high levels of fossil fuel production while claiming to limit global temperature rises to 1.5, Shell is betting on an improbable scale-up of carbon capture and storage and of offsets (an additional 25 million tonnes a year of CCS capacity by 2035 and 'nature-based solutions' to offset emissions of around 120 million tonnes a year by 2030).<sup>v</sup>

In short, Shell's strategy undermines the world's chances to limit global warming to 1.5C. We believe that it is the duty of investors that have made a strong public climate commitment to engage with Shell and refrain from endorsing their plans until the company produces a strategy that is aligned with Paris and ensures a safer future for us all.

Many Shell investors are members of the Climate Action 100+ (CA100+) initiative. This is about to launch its new benchmarks assessing whether its target companies have set medium-term targets or goals consistent with a global reduction in emissions of 45 per cent by 2030 relative to 2010 levels.<sup>vi</sup> This exercise, which includes Shell, has these specific elements, among others:

1. **Targets and goals:** If clear short-, medium- and long-term GHG reduction targets or goals covering all material scope 1, 2, and 3 GHG emissions are in place and aligned to a 1.5°C global warming trajectory.
2. **Decarbonisation strategy:** Whether the company has a robust decarbonisation strategy to deliver these GHG reduction targets, goals, and ambitions;
3. **Capital alignment:** Whether an assessment has been carried out of the extent to which a company's capital investment in carbon-intensive assets or business lines are consistent with the goals of the Paris Agreement.<sup>vii</sup>
4. **Offsetting or carbon credits:** "the use of offsetting or carbon credits should be avoided and limited, if at all applied" by target companies.<sup>viii</sup>

If the benchmarks are to meet their aims of being comprehensive analysis of businesses' net zero business strategies and their targets to support delivery, the benchmarks should fail Shell on all these points:

1. Shell's carbon intensity targets do not guarantee any absolute emission reductions. Shell is using "net carbon intensity" targets to justify additional Shell investment in fossil fuels which will in turn result in additional emissions and climate harm. Reducing emissions per energy unit could even lead to an increase in total emissions if fossil fuel production and sales are increased.
2. Shell's expected declines in annual oil production out to 2030 are not in line with the IPCC P1 pathway. Shell has no firm commitments to decrease oil and gas production and sales by 2030 in line with that pathway, which is key to any decarbonisation strategy and to meeting climate targets.
3. Shell's capital expenditure announcements consist of \$2-3 billion in Renewables and Energy Solutions, as compared to around \$8 billion in Upstream, \$4 billion for Integrated Gas, and \$4-5 billion in Chemicals and Products.<sup>ix</sup>
4. Shell relies on unrealistic contributions from carbon capture and storage and nature-based solutions. For example, the IPCC estimates the maximum sustainable CO<sub>2</sub> removal in 2050 by new forests is somewhere

between 500 and 3,600 Mt per year. At the more cautious end of this range, Shell could be claiming a quarter of the potential.<sup>x,xi</sup>

It is therefore unfortunate that CA100+ lead investors have gone out ahead of the CA100+ benchmark release and provided instant public praise for a plan that is clearly insufficient.

We believe that investors who are serious about using their power to transform high-emitting companies should publicly say that they believe Shell's current strategy is so inconsistent with the Paris Goals and with the announced CA100+ benchmarks, that they will vote against Shell's plan as outlined on 11th February.

Shell proposes to update its Energy Transition Plan only every three years, meaning that investors may not have another chance to vote on the substance of Shell's plan until 2024.

In addition to engaging with Shell on its use of offsets and CCS and its lack of Paris-aligned production cuts, investors should support the resolution filed at Shell by Follow This, ACCR and thousands of citizen investors, which calls for Shell to:

- Set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short-, medium-, and long-term greenhouse gas (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3).
- Report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis<sup>xii</sup>

We look forward to your response and are keen to discuss this with you at any time.



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Chief Executive  
ShareAction



**Mark van Baal**

Founder-Director  
Follow This



**Lucie Pinson**

Executive Director  
Reclaim Finance

**John Sauven**

Executive Director  
Greenpeace UK

**Dan Gocher**

Director of Climate & Environment  
Australasian Centre for Corporate  
Responsibility

**Elizabeth Bast**

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Oil Change International

Cc Oliver Grayer, IIGCC  
Andrew Logan, Ceres

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<sup>i</sup> <https://www.ipcc.ch/sr15/>

<sup>ii</sup> [https://www.shell.com/energy-and-innovation/the-energy-future/shells-ambition-to-be-a-net-zero-emissions-energy-business/\\_jcr\\_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf](https://www.shell.com/energy-and-innovation/the-energy-future/shells-ambition-to-be-a-net-zero-emissions-energy-business/_jcr_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf)

<sup>iii</sup> [https://www.shell.com/energy-and-innovation/the-energy-future/shells-ambition-to-be-a-net-zero-emissions-energy-business/\\_jcr\\_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf](https://www.shell.com/energy-and-innovation/the-energy-future/shells-ambition-to-be-a-net-zero-emissions-energy-business/_jcr_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf)

<sup>iv</sup> <https://www.shell.com/business-customers/chemicals.html>

<sup>v</sup> [https://www.shell.com/energy-and-innovation/the-energy-future/our-climate-target/\\_jcr\\_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf](https://www.shell.com/energy-and-innovation/the-energy-future/our-climate-target/_jcr_content/par/relatedtopics.stream/1612987226583/4115c96421e7441230e91f1487f44ac2c8e923ab/our-climate-target.pdf)

<sup>vi</sup> Climate Action 100+ Calls For Net-Zero Business Strategies and Sets Out Benchmark Of Largest Corporate Emitters, 14th September 2020. Available at: <https://www.climateaction100.org/news/climate-action-100-calls-for-net-zero-business-strategies-sets-out-benchmark-of-largest-corporate-emitters/>

<sup>vii</sup> Climate Action 100+ Net-Zero Company Benchmark. Available at: <https://www.climateaction100.org/wp-content/uploads/2020/12/Net-Zero-Benchmark-Indicators-12.15.20.pdf>

<sup>viii</sup> Climate Action 100+ Net-Zero Company Benchmark. Available at: <https://www.climateaction100.org/wp-content/uploads/2020/12/Net-Zero-Benchmark-Indicators-12.15.20.pdf>

<sup>ix</sup> <https://www.shell.com/media/news-and-media-releases/2021/shell-accelerates-drive-for-net-zero-emissions-with-customer-first-strategy.html>

<sup>x</sup> You need to know about the Shell game, Ketan Joshi, 19th February 2021. Available at: <https://medium.com/lobbywatch/you-need-to-know-about-the-shell-game-ad1c0be32fa3>

<sup>xi</sup> <https://www.greenpeace.org.uk/wp-content/uploads/2021/01/Net-Expectations-Greenpeace-CDR-Briefing-updated2.pdf>

<sup>xii</sup> <https://follow-this.org/follow-this-climate-targets-resolutions-in-2021/>