# TOTALENERGIES AND FINANCIAL MARKETS

## Financial institutions committed to decades of pollution

RECLAIM Finance

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## Financial institutions committed to decades of pollution

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**Publication date:**
September 2024

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# INTRODUCTION

Ahead of TotalEnergies' 2024 Investor Day, Reclaim Finance examined the oil and gas major's financing strategy, particularly how it relies on financial markets. Bonds issued on financial markets were found to represent more than two-thirds of TotalEnergies' external financing in recent years.[1] This briefing is an analysis of the company's latest bonds in and warns about their changing profile – in particular their unusually long maturities extending until 2064. It also highlights the consequences of this kind of financing for both the climate and people, and exposes the risky game played by financial institutions engaged in supporting TotalEnergies over multiple decades.

# 1. DEBT RAISED UNTIL... 2064

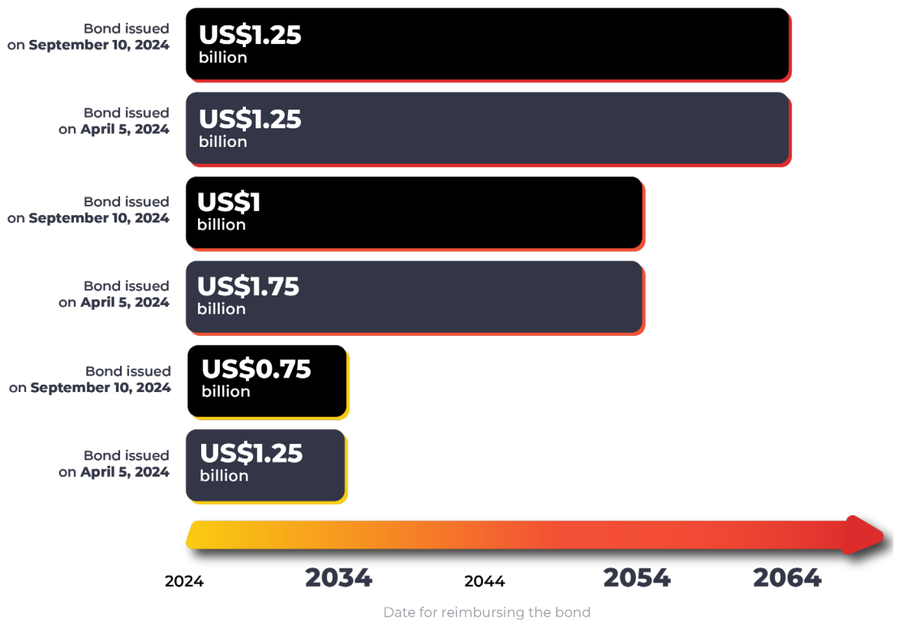
## a. TotalEnergies successfully issues bonds with abnormally long maturities

On September 10, 2024, TotalEnergies raised US$3 billion on the bond market through three separate bond issuances. Earlier in the year, on April 5, 2024, TotalEnergies raised US$4.25 billion on the bond market. The atypical – yet shared – feature is the maturity of the new bonds, which for both issuances extends until 2034, 2054, and even 2064.[2] This means that the money raised by TotalEnergies in 2024 through bonds – over US$7 billion – will only be fully repaid to investors decades later.

These two recent bond issuances illustrate the crucial role that bonds play in TotalEnergies' overall financing strategy.[3]

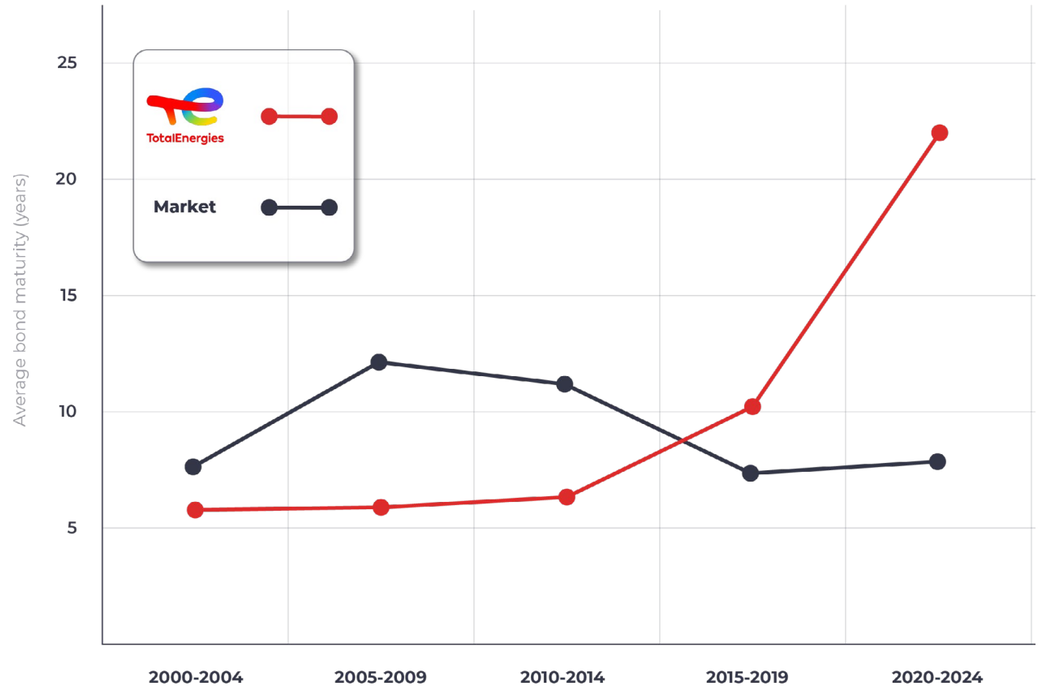
TotalEnergies' issuance of new bonds also illustrates that the company has been able to secure increasingly longer maturities for its debt. A study by AFII,[4] based on Bloomberg data, shows that the average maturity[5] of bonds issued by TotalEnergies between 2020 and 2024 was 22 years compared to 6 years for those issued between 2000 and 2004, with continuous growth between these periods. In contrast, the average maturity of bonds has remained stable for the general market during the same periods. This trend can also be observed for other oil and gas majors, such as Shell and BP, which are issuing bonds with increasingly longer maturities and diverging from market trends.[6]

**Lifespan of the bonds issued by TotalEnergies in 2024**




*Source: Bloomberg*

**Average bond maturity (years)**




*Source: Josephine Richardson, AFII, Buyers of long-dated oil bonds beware, 2024*

## b. A general trend for oil and gas majors

There are several reasons why TotalEnergies and its peers prefer using bonds to raise capital rather than relying solely on bank loans or new shares.

- Bonds are an easily accessible and practical source of financing for the companies that issue them.
  - While increasingly banks are excluding direct financing for new oil and gas projects,[7] very few have entirely stopped supporting the oil and gas companies developing these projects – for instance through the bond issuance process.[8] Indeed, these types of financial services offer an advantage to banks, when compared to project financing – unlike loans, they do not appear on their balance sheets. As such, the door remains open for TotalEnergies and other companies in the oil and gas sector to enter and benefit from this significant loophole in the sectoral policies of banks.
  - From an investor's perspective, purchasing bonds does not grant ownership rights in a company, meaning as bondholders they have no say in a company's activities. In fact, bond investors have a very limited window to influence a company's climate strategy: the moment of decision to invest in a bond is when the investor holds power over the issuing company. Some asset managers are beginning to use the power in this limited window,[9] refusing

to invest in bonds issued by companies developing new oil and gas projects and drawing a red line on fossil fuel expansion. This type of policy makes sense because, after issuance, an investor no longer has influence while the issuer can use the raised funds as it sees fit.

- The corporate bond market reached US$34 trillion in 2023.[10] It allows companies like TotalEnergies to access a large number of investors in a single transaction and secure additional financing beyond that which banks alone could provide.[11] For energy companies with oil and gas projects costing tens of billions of dollars, this diversification is essential.

- The life cycles of oil and gas projects generally span several decades.[12] It is therefore more relevant for energy companies to have long-term debt maturities, which is a characteristic of bonds that can be issued over very long periods. In contrast, bank loans or revolving credit facilities are generally signed off for only a few years at a time and must be renewed more frequently, meaning they could become more expensive for a company if market conditions deteriorate.

- Bonds have the advantage of allowing companies to not "dilute" their capital, unlike issuing new shares, for example – this would mean existing shareholders automatically hold a smaller percentage of the company's capital.

Several signs suggest that bond issuances by oil and gas majors will increase in the coming months and years.[13] Firstly, it seems that several of these companies now have a share buyback objective rather than a strategy to reduce their debt.[14] For example, during the first half of 2024, TotalEnergies increased its long-term financial debt (over one year) by US$4 billion while simultaneously buying back shares for US$4 billion.[15] Secondly, most European majors will have to repay significant amounts in the coming months and may seek to repay them by issuing new bonds. In the case of TotalEnergies, its short-term financial debt (to be repaid in less than a year) as of June 30, 2024, was US$11.3 billion, and its long-term debt (to be repaid in more than a year) was US$42.5 billion.[16]

# 2. TOTALENERGIES: THE SOLE WINNER

## a. Advantageous bonds to be used freely

Issuing bonds to raise capital has advantages for TotalEnergies, with 70% of its external financing between 2016 and 2023 coming from the bond market.[17]

Firstly, unlike dedicated financing, the finance raised via bonds can be used without restrictions, which means it can be easily used for existing oil and gas projects or for developing new projects. Bonds are generally intended to finance the "general needs of the company", offering complete freedom in how the funds are used. As such, the amounts raised should be considered as being used according to the investment plans of the company and its intended activities.

Secondly, the conditions offered to TotalEnergies by the financial market for its bond issuances are also advantageous. The success of TotalEnergies' latest bond issuances, given their profile, reflects the oil and gas major's easy access to long-term debt (40 years) or the right to issue increasingly risky financial instruments (see the section below on "hybrid" bonds).

### TotalEnergies' hybrid debt

In addition to issuing bonds with increasingly long maturities, TotalEnergies is also one of the European oil and gas majors that have increasingly turned to so-called "hybrid" bonds.

Hybrid bonds are subordinated instruments, meaning a type of debt that ranks below other debts in terms of claims on a company's assets or income.[18] In practical terms, in the event of liquidation or bankruptcy of the company, investors holding hybrid bonds are repaid after the investors holding standard bonds. These bonds generally have very long or perpetual maturities, although they are typically redeemable after a given period (known as "calls", which are early redemption options embedded in the bond). One of the main advantages for issuers of hybrid bonds is that they can be accounted for as equity, which helps reduce transaction costs.

BP, Eni, Repsol, and TotalEnergies have all issued hybrid bonds in recent years. In particular, 100% of TotalEnergies' bond issuances in 2021 and 2022 were hybrid.[19]

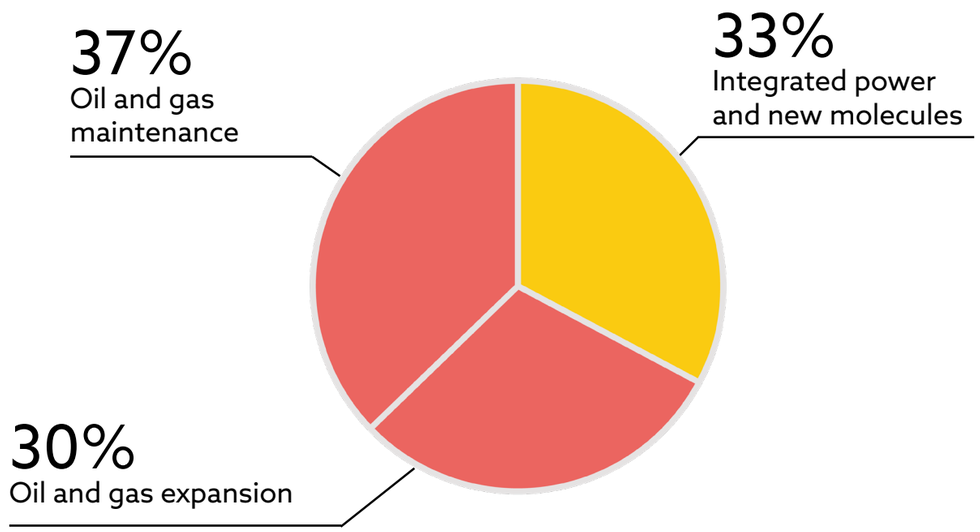
In contrast to bond issuers, like TotalEnergies, hybrid bonds are riskier for the investors purchasing them, especially in the event of the issuing company's bankruptcy. Additionally, if market conditions become less favorable, issuing companies may choose not to exercise the "calls" included in their hybrid bonds (the right to buy them back from investors) and to let the bonds run forever.

## b. A drastic impact on the climate and people

As previously explained, bonds offer issuing companies complete freedom in the use of funds.[20] While TotalEnergies currently has a net-zero emissions target by 2050, its climate plan is far from credible. Most of TotalEnergies' capital expenditure (CAPEX) is directed toward fossil fuels. The company plans to allocate more than 67% of its investments by 2030 to its oil and gas activities,[21] and 30% of its investments by 2028 will be directed towards the development of new fossil fuel projects. These plans, far from the projections of the International Energy Agency's (IEA) Net Zero by 2050 (NZE) scenario,[22] involve projects that are devastating for the climate and have consequences that will be felt for decades to come.

TotalEnergies is the sixth-largest developer globally of oil and gas fields in the short term, and the leading developer among private oil and gas companies.[23] It also has short-term expansion plans in the largest number of countries, with projects in 53 countries. Until now, several of these countries - such as Mozambique, Namibia, Uganda, Papua New Guinea, and Suriname – have produced little or no oil and gas.[24] The projects that TotalEnergies is advancing risk locking these countries into dependence on fossil fuels. The EACOP project in Uganda[25] and the Papua LNG project in Papua New Guinea are among those facing strong opposition from local populations.[26]

**TotalEnergies' investment plan by 2028[27]**

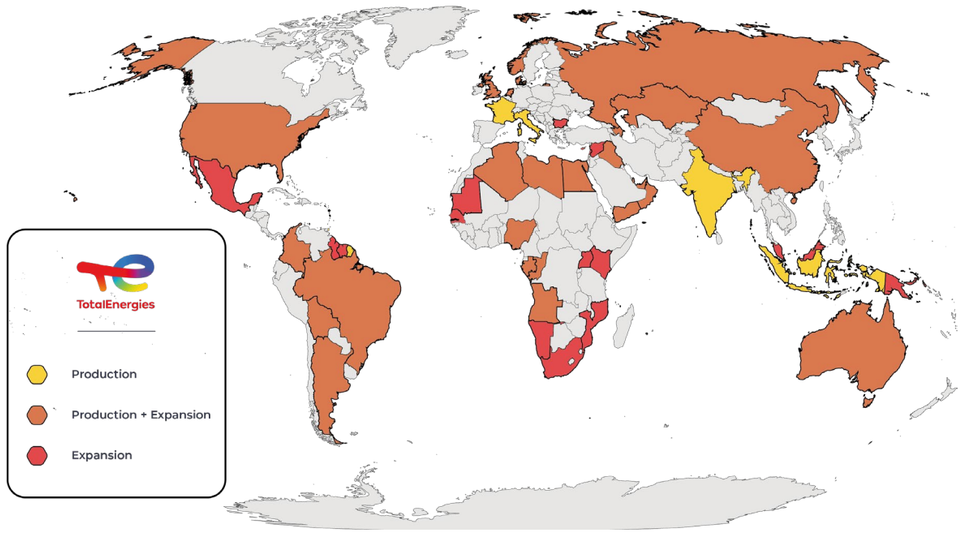


*"The populations of Papua New Guinea are already being severely affected by climate change due to rising sea levels and extreme weather events. The Papua LNG project developed by TotalEnergies would expose us to even greater climatic, environmental and social risks. Financial actors should not give their approval to such a project and should not finance TotalEnergies if they continue developing other oil and gas projects!"*
Peter Bosip, Representative of Papua New Guinea NGO CELCOR

### Projects for the decades ahead

Over the next 40 years, which is the lifespan of the bonds issued by TotalEnergies in 2024, the company plans to launch new projects that would allow the extraction of 14 billion barrels of oil and gas. This is in addition to the 10 billion barrels that will be extracted from TotalEnergies' existing fields.[28] These new projects would emit 5 billion tonnes of carbon dioxide equivalent (CO2e) into the atmosphere over 40 years,[29] or 13 times France's greenhouse gas emissions in 2023.[30]

**Presence and projects of TotalEnergies' oil and gas fields and LNG terminals by 2064[31]**




Many of the new projects are still in the very early stages of development and may not begin production for several decades, by which time the world should long have moved beyond fossil fuel growth.[32] The Orca field in Mozambique, which will supply the Mozambique LNG terminal, is expected to begin production only from 2050. However, it will contribute to emitting 210 million tonnes of CO2e between 2050 and 2064, the date when the bonds issued by TotalEnergies in 2024 will finally reach maturity and require repayment.[33]

Bonds are likely to be significant to the development of these projects, leading to disastrous impacts on the climate. This is especially true given that recent examples of companies' financing strategies for oil and gas fields and infrastructure reveal a high dependency on equity capital rather than project financing from banks. For example, two projects launched by TotalEnergies in recent years – the ultra-deep-water offshore oil production project Kaombo in Angola[34] and the Fenix gas field in Argentina[35] – were financed exclusively through equity capital from project shareholders.[36]

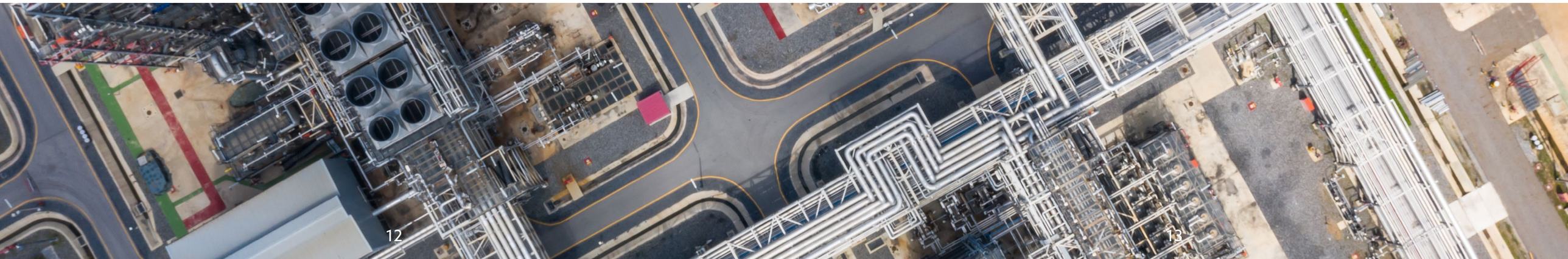
In the more recent case of the EACOP pipeline project, the project has so far been financed by equity capital from its shareholders[37] – including TotalEnergies, shareholders have contributed at least US$2 billion in this way.[38] As of mid-September 2024, the US$3 billion still needed to finance the project, and which is expected to be obtained through project-specific loans, had not yet been raised.[39] For the Papua LNG project, financing difficulties – particularly linked to the refusal of eight banks to participate – have contributed to repeated delays of the Final Investment Decision (FID), which is currently expected at the end of 2025 or early 2026.[40]

The growing reluctance of major international banks to finance oil and gas projects partly explains why companies like TotalEnergies are turning to indirect financing methods. Bonds are one of these methods, which simultaneously allow banks to claim they are respecting their climate commitments.[41] According to the 'Banking on Climate Chaos' report, 51% of the financing provided by major banks to the oil and gas sector over the past three years has come from bonds.[42]

## c. Financial institutions are almost certainly losing

These bonds, essential for enabling TotalEnergies' fossil expansion activities, would not come to fruition without the support of numerous financial institutions. Banks are key to supporting the company in its issuance of bonds, while investors provide fresh capital. By financing TotalEnergies over increasingly long periods and without any conditions on how funds are used, these financial institutions allow the company to pursue its climate-destructive strategy.[43]

Indeed, the Intergovernmental Panel on Climate Change (IPCC) considers it essential to prevent new fossil fuel projects to avoid the worst effects of climate change.[44] The IEA states that it is possible to meet the world's energy needs and limit global warming to



1.5°C without resorting to these projects.[45] Fossil fuel expansion is therefore directly responsible for worsening the systemic risks associated with climate change.

For financial institutions, the direct financial risk is accompanied by other risks. The required shift towards taking climate risk into account will increase the cost of fossil fuel infrastructure and impact the supply and demand of fossil energy. This new context will turn many new oil fields, liquefied natural gas (LNG) terminals and pipelines into stranded assets, becoming a burden for the companies and investors behind their development. Furthermore, regulations adopted to enable the transition to renewable energies will also affect fossil fuel companies, their assets, and, therefore, their investors.

It is a risky gamble for investors in TotalEnergies' bond issuances to rely on the company's ability to repay over the very long term. Conversely, if investors are choosing to support TotalEnergies in the long term with full knowledge of the situation, it suggests they are betting on the failure of climate action and the regulations that would follow, all while publicly affirming their commitment to it. If investors are serious about their climate commitments, they must logically adjust their support to TotalEnergies on the condition that it adopts a strategy aligned with a 1.5°C scenario, with little or no overshoot and limited reliance on negative emissions technologies.[49]

## Banks most involved in TotalEnergies' bond issuances

| Banque | Number of active TotalEnergies bonds participated in[46] | Has stopped facilitating bond issuances for companies developing new oil and gas projects |
|---|---|---|
| Citibank | 22 | × |
| Société Générale | 18 | × |
| Deutsche Bank | 16 | × |
| Barclays | 15 | × |
| Crédit Agricole | 15 | Partially since 2024[47] |
| JP Morgan | 14 | × |
| HSBC | 13 | × |
| BNP Paribas | 11 | Partially since 2024[48] |

## Banks involved in TotalEnergies' bond issuances in 2024[50]

| Issuance Dates | Amount | Banks | Countries |
|---|---|---|---|
| April 5, 2024 | US$4.25 billion | Bank of America | USA |
| | | BPCE / Natixis | France |
| | | Deutsche Bank | Germany |
| | | Morgan Stanley | USA |
| | | MUFG Securities | Japan |
| | | SMBC | Japan |
| | | Standard Chartered | United Kingdom |
| September 10, 2024 | US$3 billion | Citibank | USA |
| | | HSBC | United Kingdom |
| | | JP Morgan | USA |
| | | Mizuho | Japan |
| | | Santander | Spain |
| | | Société Générale | France |

## Investors most involved in TotalEnergies' bond issuances in 2024[51]

| Investor | Country | Has stopped investing in bonds from companies developing new oil and gas projects |
|---|---|---|
| **Most involved US investors** | | |
| Vanguard | USA | × |
| Wellington Management | USA | × |
| BlackRock | USA | × |
| **Most involved European investors** | | |
| Allianz (including PIMCO) | Germany | × |
| Deutsche Bank (including DWS) | Germany | × |
| BPCE-Natixis (including Natixis IM) | France | × |
| Aegon | Netherlands | × |
| Crédit Agricole (including Amundi) | France | × |
| BNP Paribas (including BNP Paribas AM) | France | × |
| Robeco | Netherlands | × |

The investors most involved in TotalEnergies' active bonds are BlackRock, Vanguard, Government Pension Fund Global (GPFG), UBS, Carmignac Gestion, State Farm, Invesco, Crédit Agricole (including Amundi), Schroders and New York Life Insurance.[52]

## TotalEnergies' bonds arriving at maturity in 2024[53]

| Maturity date | Issue date | Amount | Banks that participated in the issuance |
|---|---|---|---|
| 4 october 2024 | 4 october 2017 | 0.5 billion euros | Banco Santander, Barclays, Deutsche Bank, BPCE-Natixis, SFMC-SMBC, Société Générale |
| 16 december 2024 | 14 september 2017 | 0.25 billion british pounds | Royal Bank of Canada (RBC) |

# 3. A NECESSARY AWAKENING FOR FINANCIAL INSTITUTIONS AND THEIR COMMITMENTS

Banks and investors must urgently commit to stop participating in the issuance and purchase of new bonds from TotalEnergies, as well as to stop all support for companies developing new oil and gas projects.

In May 2024, French banks BNP Paribas and Crédit Agricole announced that they would no longer participate in conventional bond issuances for companies in the oil and gas sector.[54] These announcements, though still imperfect, represent a significant step forward in the fight against climate change and should be adopted by all financial institutions.

However, banks must go further by extending this rule to all financial services and to all companies developing new oil and gas transportation infrastructure, particularly LNG.

Banking groups must also adopt equivalent measures for their asset management subsidiaries. BNP Paribas and Crédit Agricole cannot claim to be fully committed to fighting climate change as banks while their asset management subsidiaries (BNP Paribas AM and Amundi) continue to invest in the bonds that they reject.[55]

# References


1. Between 2016 and 2023, 69.8% of TotalEnergies' financing came from bonds, according to data from Banking On Climate Chaos, 2024
2. During each of these two bond issuances, one of the tranches issued was valued at US$1.25 billion, maturing in 2064. Source: Bloomberg
3. Although TotalEnergies also uses bank loans - the most recent dating back to May 2022 when 12 banks granted a new US$8 billion loan to the company - these loans are typically for very short durations. This revolving credit facility, for example, was granted for one year.
4. J. Richardson, AFII, Buyers of long-dated oil bonds beware, 2024
5. The date on which the bond matures and must be repaid by the issuing company.
6. J. Richardson, AFII, Buyers of long-dated oil bonds beware, 2024
7. See Reclaim Finance, Oil and Gas Policy Tracker, for a detailed analysis.
8. BNP Paribas and Crédit Agricole are among the few banks that have announced they will no longer support the issuance of conventional bonds for companies involved in oil and gas extraction. Although imperfect, these announcements are significant as they target financing at the company level (and not at the project-specific level). Reclaim Finance, BNP Paribas and Crédit Agricole say no to bonds for the oil and gas sector, 2024
9. This is the case for Ofi Invest, Tikehau Capital, and Mirova, which exclude from their bond management all companies developing new oil and gas fields, aligning with the Net Zero by 2050 (NZE) scenario by the International Energy Agency (IEA) to limit warming to 1.5°C.
10. OECD, Global Debt Report 2024, 2024
11. Banks have lending limits based on their capital reserves and regulatory constraints. Even large banks may hesitate to provide massive loans, particularly to a single company, due to concentration risk.
12. Planète Energies, The Life Cycle of Oil and Gas Fields, 2015
13. Research conducted by Bloomberg Intelligence, Paul Vickers: European 2Q24 Primary Market Monitor - Energy, 2024
14. For example, BlackRock fund manager Alastair Bishop stated in May 2024 that European oil companies are now "more thoughtful" about how they use their cash flows. BlackRock emphasized that "A large part of the cash flow will flow back to shareholders through share buybacks. Companies are buying their own shares at low valuations, which is very accretive to earnings per share." The Market, European Super Majors Are More Attractive than Their U.S. Rivals, 2024
15. Over the last two years, TotalEnergies has repurchased US$2 billion in shares each quarter. TotalEnergies, Financial Statements, Q2 2024
16. *Ibid*.
17. Between 2016 and 2023, 69.8% of TotalEnergies' financing came from bonds, according to data from the Banking On Climate Chaos report, 2024.
18. Hybrid bonds generally have a lower credit rating compared to conventional (or senior) bonds.
19. J. Richardson, AFII, Buyers of long-dated oil bonds beware, 2024
20. This is the case for most bonds issued by companies in the energy sector, including Sustainability-Linked bonds, but not for "use of proceeds" bonds like green bonds, where the funds are allocated to specific projects.
21. Over the next five years, TotalEnergies plans to allocate 33% of its investments to its low-carbon division, which includes electricity (produced from renewable energies but also from gas) and "new molecules" such as hydrogen. TotalEnergies, Sustainability & Climate Progress Report 2024, page 21, 2024
22. In the IEA's Net Zero by 2050 (NZE) scenario, oil and gas companies would allocate more than 50% of their investment expenditures (CAPEX) to clean energy by 2030. International Energy Agency, The Oil and Gas Industry in Net Zero Transitions, page 144, 2023
23. Urgewald, Global Oil and Gas Exit List, 2023
24. Based on data from Rystad Energy, extracted in September 2024.
25. Stop EACOP, Why Stop EACOP?
26. Defund TotalEnergies, Papua LNG, A Liquefied Natural Gas Project in Papua New Guinea, 2024
27. TotalEnergies, Sustainability and Climate Workshop, page 9, 2024
28. Calculation based on data from Rystad Energy using TotalEnergies' portfolio assets as of the end of August 2024, including minority interests held by the company.
29. Emission estimates were made using emission factors for oil and gas from the Production Gap Report and BP's 2020 Statistical Review of World Energy.
30. Ministère de la Transition Ecologique et de la Cohésion des Territoires, La France réduit encore ses émissions de CO2 en 2023, 2024
31. According to data from Enerdata in January 2024, the Global Oil and Gas Exit List 2023, and data extracted from Rystad Energy in September 2024. Greenhouse gas emissions are estimated based on the KING methodology. For more information on the projects in each country, see the Defund TotalEnergies website.
32. See the IEA's NZE scenario, World Energy Outlook, 2023
33. The Orca field resources are estimated using data from Rystad Energy, extracted in September 2024. Greenhouse gas emissions are estimated based on the KING methodology.
34. TotalEnergies, Kaombo: An Innovative Ultra-Deep-Water Offshore Project in Angola
35. TotalEnergies, Argentina: Launch of the Fenix Offshore Gas Project, 2022
36. According to data from IJGlobal, extracted in September 2024.
37. The project's shareholders are TotalEnergies, China National Offshore Corporation (CNOOC), Uganda National Oil Company (UNOC), and Tanzanian Petroleum Development Corporation (TPDC).
38. Independent, EACOP Final Investment Decision expected in September, 2024
39. The East African, Eacop partners race against time to close $3bn financing deal with China lenders, 2024
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41. Le Monde, How European banks help oil and gas giants acquire billions, 2023
42. Banking on Climate Chaos, 2024
43. Reclaim Finance, TotalEnergies: Is it really diversifying its energy production?,2023
44. IISD, Lighting the Path: What IPCC energy pathways tell us about Paris-aligned policies and investments, 2024
45. See the IEA's NZE scenario, World Energy Outlook, 2023
46. The role of banks can be as follows: bookrunner, lead manager, agent, trustee, arranger, underwriter. Information as of September 13, 2024.
47. Reclaim Finance, BNP Paribas and Crédit Agricole Say No to Bonds for the Oil and Gas Sector, 2024
48. *Ibid*.
49. *Ibid*.
50. None of these banks have committed to stop facilitating bond issuances for companies developing new oil and gas projects.
51. According to data from Bloomberg, extracted in September 2024, for bonds issued by TotalEnergies in April 2024. The information obtained from the Bloomberg terminal does not provide access to all investments made.
52. Urgewald, Investing in Climate Chaos, 2024
53. None of these banks have committed to stop facilitating bond issuances for companies developing new oil and gas projects.
54. Reclaim Finance, BNP Paribas and Crédit Agricole Say No to Bonds for the Oil and Gas Sector, 2024
55. Reclaim Finance, Who Are the Investors Funding TotalEnergies?, 2024


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# TOTALENERGIES AND FINANCIAL MARKETS

## Financial institutions committed to decades of pollution

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of financial players, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

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