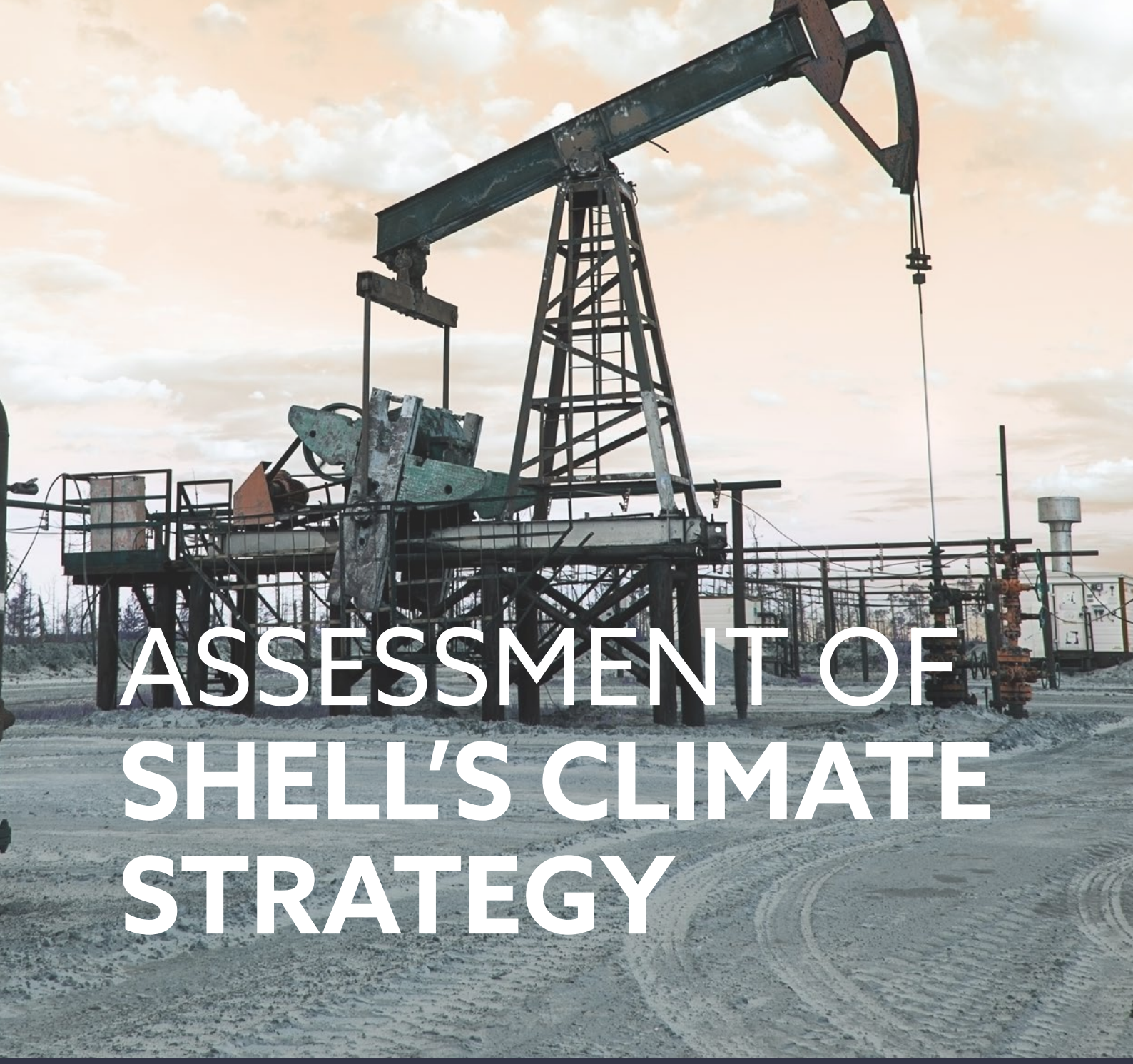

ASSESSMENT OF **SHELL'S CLIMATE STRATEGY**

RECLAIM Finance

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CREDITS

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INTRODUCTION

While a growing number of financial institutions are disengaging from the oil and gas sector, deeming it incapable of transformation, others believe that oil and gas companies are essential to the energy transition and that their support is indispensable to the massive development of renewable energies. While Shell's investment strategy already heavily relied on hydrocarbons, especially on integrated gas and LNG, the company backtracked on key climate commitments, including on its oil and gas production and investments in renewable energy.

To assess Shell's climate strategy and provide our analysis, Reclaim Finance relied on the International Energy Agency's (IEA) Net Zero Emissions by 2050 Scenario (NZE).[1] The NZE is based on a 1.5°C trajectory and includes:

- A drop in oil and gas production of 21.4% and 13.1% respectively by 2030, compared with 2023 levels.
- A halt to the development of new oil and gas production projects and liquefied natural gas (LNG) terminals.
- A 3-fold increase in installed renewables capacity by 2030, which requires doubling current investment levels in renewable power, grids and battery storage to US$2.5 trillion by 2030.

Shell ranks as the 10th biggest oil and gas producer and the 10th biggest oil and gas upstream developer worldwide. The company is the 9th largest LNG export terminal developer.[2]

As one of the top European integrated oil and gas companies and one of the largest greenhouse gas (GHG) emitters globally, Shell is among the few companies in the world whose climate transition (or lack thereof) in the coming years will have a determining impact on our collective ability to limit global temperature rise to 1.5°C. In 2020, the company pledged to achieve carbon neutrality across its entire operations on an absolute basis by 2050 or sooner.[3]

KEY FINDINGS

1. SHELL'S INVESTMENT STRATEGY PRIORITIZES THE OIL AND GAS SECTOR AND REDISTRIBUTION TO SHAREHOLDERS, TO THE DETRIMENT OF CLIMATE SOLUTIONS

- Shell invested in oil and gas rather than in renewable energy:[4] For every dollar invested in 2024 in its "Renewables and energy solutions" business – including renewable energy, hydrogen, Carbon Capture and Storage (CCS) and Nature-Based Solutions – Shell invested 7.2 dollars in oil and gas.
- Shell remunerates shareholders rather than investing in renewable energy: For every dollar invested in 2024 in its "Renewables and energy solutions" business, Shell distributed 9.0 dollars to its shareholders through dividends and share buybacks.
- Shell plans to allocate only 9% of its future capital expenditure to "Renewables and energy solutions" from 2025 to 2030.

2. SHELL'S ENERGY STRATEGY WILL CONTINUE TO RELY ON THE DEVELOPMENT OF NEW FOSSIL FUEL PROJECTS

- With oil and gas from its currently producing fields and already committed short-term expansion plans, the company's production in 2030 will be 22% higher than the level required to align with the NZE. In terms of short-term expansion, Shell ranks as the 10th biggest oil and gas upstream developer.
- Yet, Shell will have to develop additional discoveries or acquire fields beyond those already under expansion to meet its 2030 oil and gas production target. In 2023, the company backtracked on its goal to reduce oil production by 2030. In 2024, Shell announced a new target of 1% annual increase in oil and gas output. Existing operating fields and short-term expansion plans will not be enough to achieve its new target. This annual growth will rely on gas expansion, as Shell plans to maintain oil production at current levels over the period. With the company's current expansion strategy, its 2030 fossil fuels production will be 23% higher than the NZE.
- LNG is core to Shell's fossil expansion strategy, with new export and import terminals planned. The British-Dutch major is the world's 9th largest LNG terminal developer, and its 2030 total net liquefaction capacity will overshoot by 39% the level required by the NZE.

3. SHELL'S DIVERSIFICATION STRATEGY REMAINS MARGINAL AND PARTLY RELIES ON GAS AND UNSUSTAINABLE ENERGIES

- In 2030, Shell will produce 48 times more oil and gas than renewable power. The company will account for 2.5% of the worldwide oil and gas production in the NZE.
- On the basis of its currently installed and under development renewable capacities, Shell will have 7.4 gigawatts (GW) of installed renewable power capacities in 2030. The company will account for less than 0.1% of the worldwide renewable power production in the NZE.
- A central part of Shell's power generation strategy relies on gas power. Shell is planning 3 new gas power units, with an additional gross capacity of 752 MW.

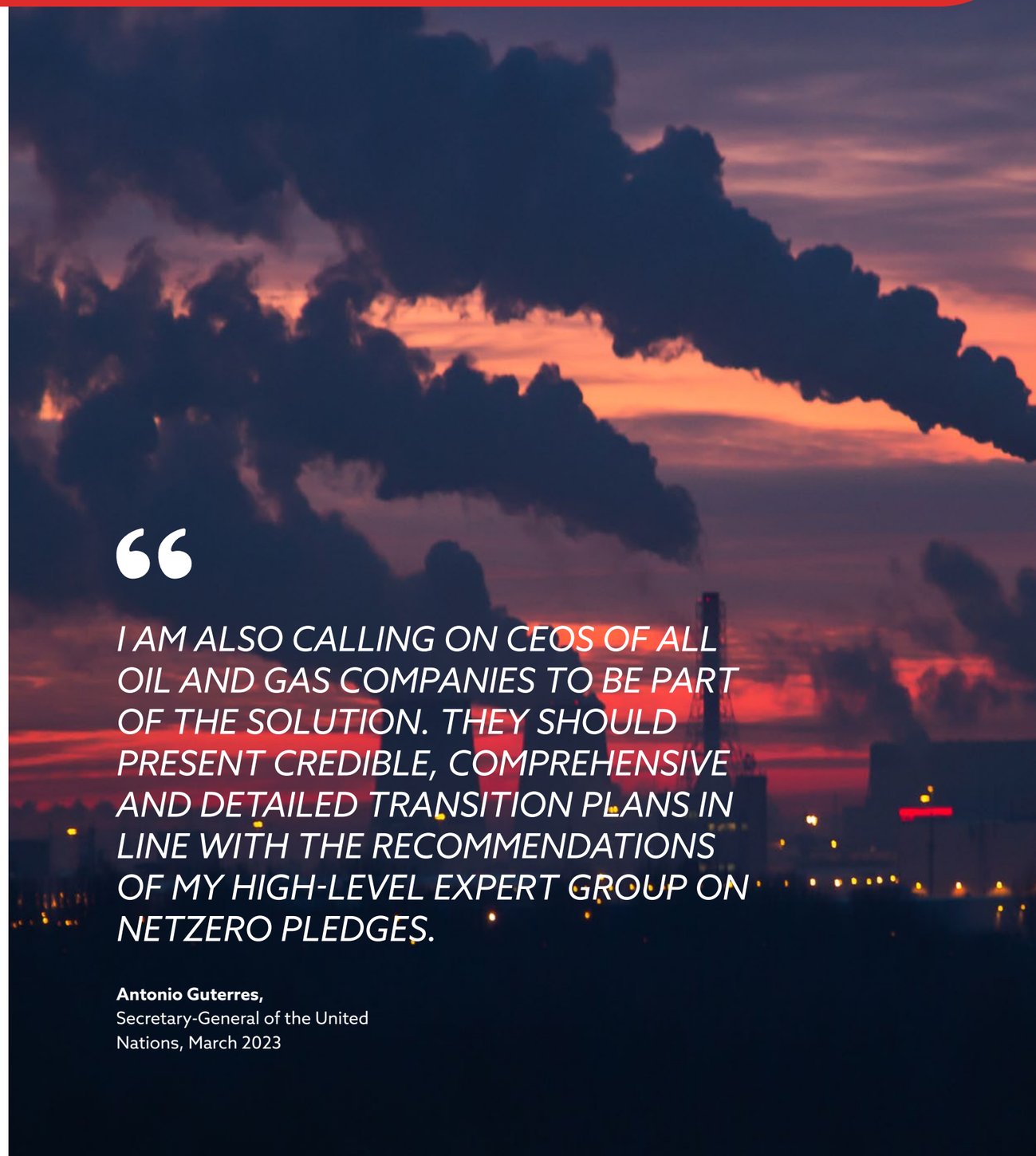
01

CURRENT ENERGY PRODUCTION

Shell accounts for 2.1% of global oil and gas production.[5] In 2024, the major extracted 1,035 million barrels of oil equivalent (mmboe) of oil and gas, 53% of its oil and gas extraction being oil.[6] Beyond exploration and production, Shell is also active in other energy segments such as oil and gas transportation, oil refining, solar and wind generation, bioenergy, and gas power generation and retail.

The company's power production is composed of gas power and renewable energy – wind, solar and battery storage. In 2024, Shell's installed renewable capacities reached 3.4 GW.[7] With its current energy mix, in 2024, Shell produced 92 times more energy from oil and gas than from renewables.

Shell is also active in bioenergy despite the negative impacts on climate, biodiversity, and human rights but does not communicate current production levels.



"I AM ALSO CALLING ON CEOS OF ALL OIL AND GAS COMPANIES TO BE PART OF THE SOLUTION. THEY SHOULD PRESENT CREDIBLE, COMPREHENSIVE AND DETAILED TRANSITION PLANS IN LINE WITH THE RECOMMENDATIONS OF MY HIGH-LEVEL EXPERT GROUP ON NETZERO PLEDGES.

Antonio Guterres,
Secretary-General of the United Nations, March 2023

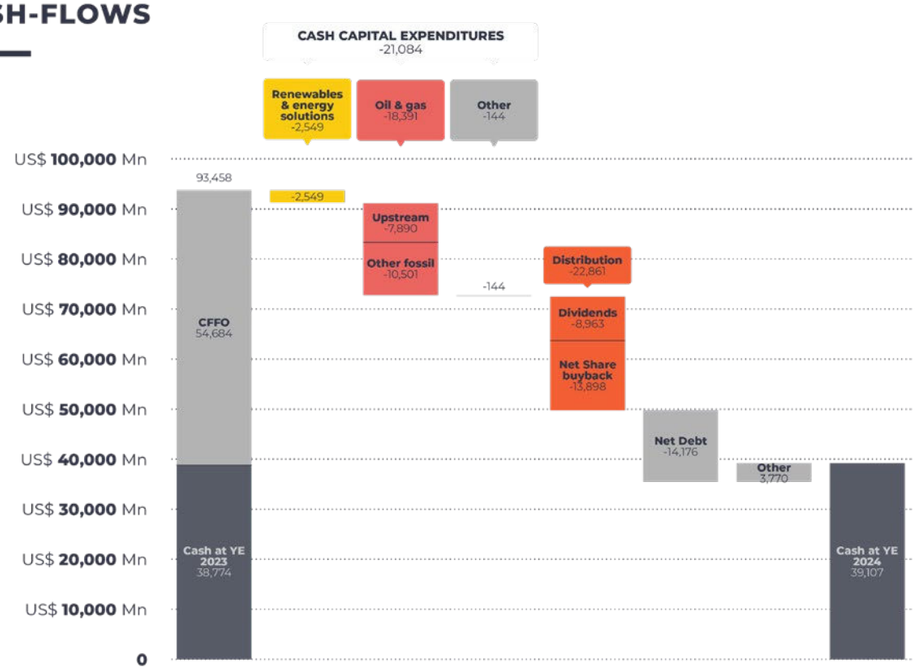
02

CASH-FLOW ALLOCATION

The future energy mix and GHG emissions of a company are determined by its current energy mix and its investment strategy.

From 2022 to 2024, Shell invested US$2,418 million per year in oil and gas exploration, making it the 6th largest investor in this area over those three years.[8] The investments reveal the importance of oil and gas expansion in the company's long-term strategy, which includes the search for new fields that once discovered could come into production in decades.

BREAKDOWN OF SHELL'S 2024 CASH-FLOWS

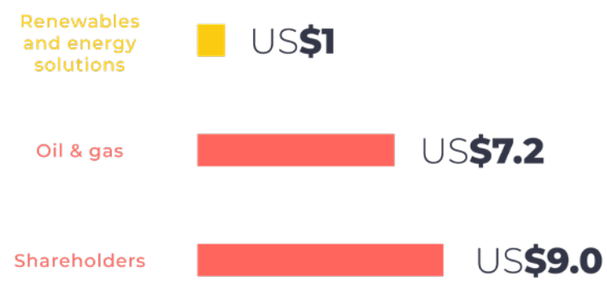


Source: Shell, Annual report and accounts 2024, page 244, 2025

Information in Shell's 2024 annual report[9] shows how the cash and cash flows generated from its operational activities were spent in 2024:

1. Shell invested US$2.5 billion in its R&ES business, which includes "renewable power generation, the marketing and trading and optimization of power and pipeline gas, carbon, hydrogen, CCS and Nature Based Solutions (NBS)".[10]
2. Shell invested US$18.4 billion in oil and gas, including US$7.9 billion in oil and gas exploration and production, and US$10.5 billion in other oil and gas activities, including refining and petrochemical activities. **In total, for every dollar invested in R&ES, more than US$7.2 were invested in oil and gas.**
3. Shell provided its shareholders with US$22.9 billion through dividend payments (US$9.0 billion) and share buybacks (US$13.9 billion). **In total, for every dollar invested in R&ES, US$9.0 were distributed to shareholders.**

SHELL'S 2024 LOW CARBON CASH-FLOW RATIOS

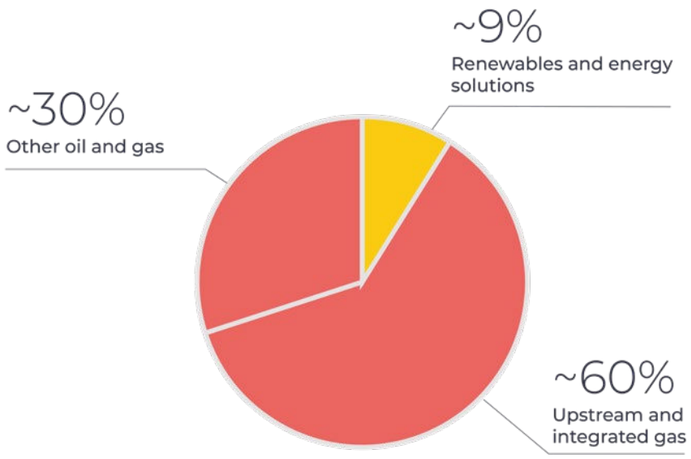


Source: Shell, Annual report and accounts 2024, page 244, 2025

Shell's cash CAPEX plan remains fossil-fuel driven. From 2025 to 2030, the major plans to allocate approximately 60% of its CAPEX to its "upstream and integrated gas" segment, and another 30% to other oil and gas-related operations.[11] Only 9% is earmarked for its "renewable and energy solutions" business. This is a significant rollback from Shell's previous CAPEX plan, which projected allocating 19% of the CAPEX to "renewables and energy solutions" for 2025.[12]

Total annual energy investment needs to increase by 67% by 2030 according to the NZE, which includes a shift from fossil fuels to clean alternatives. Investments in clean energy supply, end-use and efficiency are multiplied by 2.3 times between 2022 and 2030 in the NZE, with 10 dollars spent in these areas for each dollar spent on fossil fuels, 6 dollars should be spent on sustainable power supply.[13] In its 2023 report, the IEA established that oil and gas companies must allocate more than 50% of their capital expenditure (CAPEX) in clean energy by 2030.[14]

SHELL'S CASH CAPEX PLAN TO 2030



Source: Shell, Capital Markets Update 2025, page 14, 2025

"ACHIEVING THE GOAL OF TRIPLING INSTALLED RENEWABLES CAPACITY BY 2030, AS IN THIS [NZE] SCENARIO, REQUIRES DOUBLING CURRENT INVESTMENT LEVELS IN RENEWABLE POWER, GRIDS AND BATTERY STORAGE.

International energy agency,
World Energy Outlook 2024

03

FOSSIL FUEL STRATEGY

A. UPSTREAM EXPANSION PLANS

The IEA published the NZE in May 2021[15] to provide a pathway to meet global energy needs while maintaining a 50% chance of keeping global temperature increases below 1.5°C. It was used as the reference scenario in the IEA's World Energy Outlook (WEO) 2021 and was updated in 2022, 2023[16] and 2024.[17] The NZE projects a halt to the development of any new oil and gas fields for which a Final Investment Decision (FID) was not approved by January 1st, 2022.

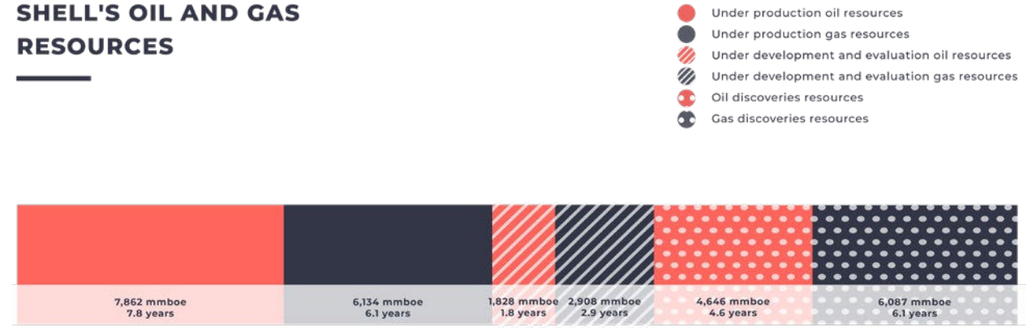
The Intergovernmental Panel on Climate Change (IPCC) also highlights the risks associated with the development of any new fossil fuel projects. This concurs with a large and growing body of scientific evidence showing the need to immediately end fossil fuel development, and a growing consensus on this in net-zero policy discussions.

According to the 2024 Global Oil and Gas Exit List (GOGEL), Shell is the 10th top global oil and gas upstream developer. The company accounts for 2.5% of global short-term expansion plans, with 72.9% of its expansion plans not obtaining a FID before 2022 – therefore overshooting the NZE.

These projects would give Shell significant additional resources even though it already has enough to extract oil and gas for several years. As of February 2025:

- Shell has 13,996 mmboe of resources under production, including 7,862 mmbbl of oil and 6,134 mmboe of gas. This represents the equivalent of 13.9 years of production at 2023 levels.
- Shell has 4,736 mmboe of resources under development or field evaluation, including 1,828 mmbbl of oil and 2,908 mmboe of gas. This represents 4.7 years of production at 2023 levels.
- Shell owns 10,733 mmboe of oil and fossil gas discoveries, including 4,681 mmbbl of oil and 6,087 mmboe of gas. This represents 10.6 years of production at 2023 levels. This is a 28% increase compared with 2024 resources, and a confirmation of Shell's increased focus on gas.

SHELL'S OIL AND GAS RESOURCES



Source: Rystad Energy, accessed in February 2025

B. UPSTREAM PRODUCTION

Oil and gas production should decrease by 21.4% and 13.1%, respectively, between 2023 and 2030 according to the NZE.[18] In this scenario, the rate of oil and gas production declines due to a combination of the natural depletion of existing oil and gas fields and the absence of new fields to fill the gap, despite the reliance on negative emissions. Oil and gas production would need to decline much faster without this reliance. Negative emissions include the deployment of technologies unproven at scale, such as CCUS. Other prominent 1.5°C scenarios with no or low overshoot also show oil and gas production declining by 2030. These include the One Earth Climate Model (OECM),[19] the net zero climate scenarios from the Network for Greening the Financial System (NGFS),[20] and the IPCC's 1.5°C with no or low overshoot scenarios filtered to limit to reasonable volumes the reliance on negative emissions (e.g. CCUS, nature-based solutions (NBS), etc.).[21]

The following chart compares Shell's planned oil and gas production level by 2030 with:

- Shell's production by 2030 if it aligns with the NZE (i.e. Shell's production level from its producing fields and its fields currently under development with a FID obtained before 2022).
- Shell's production by 2030 if it carries out its already committed short-term expansion plans (i.e. Shell's production from its fields currently under production, under development and under field evaluation).

Source: Rystad Energy on oil and gas production and expansion, accessed in February 2025
Shell, Capital Market Day, page 11, 2025 for company's production target

In 2030, with oil and gas from currently producing fields, fields under development and under evaluation, **Shell's already committed production level will be 22% above NZE alignment.**

While Shell previously intended to reduce its oil production by 1-2% per year by 2030, the company announced in its June 2023 Capital Market Day that it met its reduction target due to divestments.[22] Shell now aims to maintain its oil production at current levels and to increase oil and gas production by 1% per year to 2030, driven by gas extraction growth.[23] At the end of this period, gas will represent 55% of the company's fossil extraction in 2030 while it represented 47% of its production in 2024.

With its new targets, Shell's production will be above 3,000 thousand barrels per day in 2030 - which is 6.2% higher than its 2024 production. That target can only be achieved with developments beyond its current already committed short-term expansion plans. In other words, to reach its production target, Shell will have to develop part of its discoveries and/or acquire new fields. As such, **Shell's 2030 production target for oil and gas will be 23% above the NZE alignment.**

With its reported production target, Shell's 2030 oil and gas extraction will represent 98% of its energy production mix and 2.5% of the global oil and gas production in 2030, according to production level of the NZE.

Shell is shifting its focus towards gas, as this hydrocarbon will be the driver of the company's target to increase its fossil fuel production by 1% annually through 2030. While gas represents 44% of Shell's resources from producing fields, it makes up 61% of its resources from fields under development, and 57% of its resources from discovered assets.[24] Furthermore, along with its 2030 gas production target and retained resources, Shell intends to increase its LNG business.

C. LNG TERMINAL NET CAPACITIES

Under the NZE, future gas demand is met with all existing LNG terminals. No new LNG terminal plans are necessary to meet demand. With its current plans, none of Shell's LNG expansion plans are aligned with the NZE.[25]

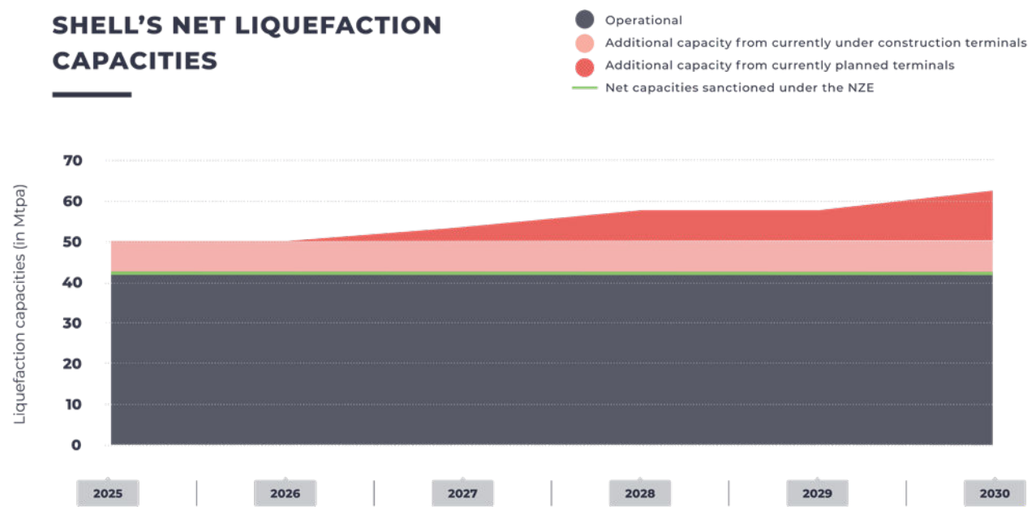
Shell presents liquefied natural gas as a pillar of its strategy and aims to grow its "leading LNG business", making it the "No. #1 listed LNG supplier".[26] Shell's gas-oriented strategy relies on new midstream infrastructure that will be commissioned in the coming years. Indeed, Shell owns existing LNG export terminals, and both constructs and plans to construct new LNG export terminals in the coming decade.

- Shell is already a shareholder of existing export terminals such as Queensland Curtis LNG in Australia, Idku in Egypt, and Atlantic LNG in Trinidad and Tobago. Shell's operational export terminals net liquefaction capacity reaches 42.1 Mtpa.[27]
- Shell is constructing new liquefaction capacities with Nigeria LNG, LNG Canada and North Field. These would add net liquefaction capacities of 11.1 Mtpa to its portfolio.[28]
- Shell plans to construct additional liquefaction capacities with the Tanzania LNG project. This would add net liquefaction capacities of 5.3 Mtpa to its portfolio.[29]

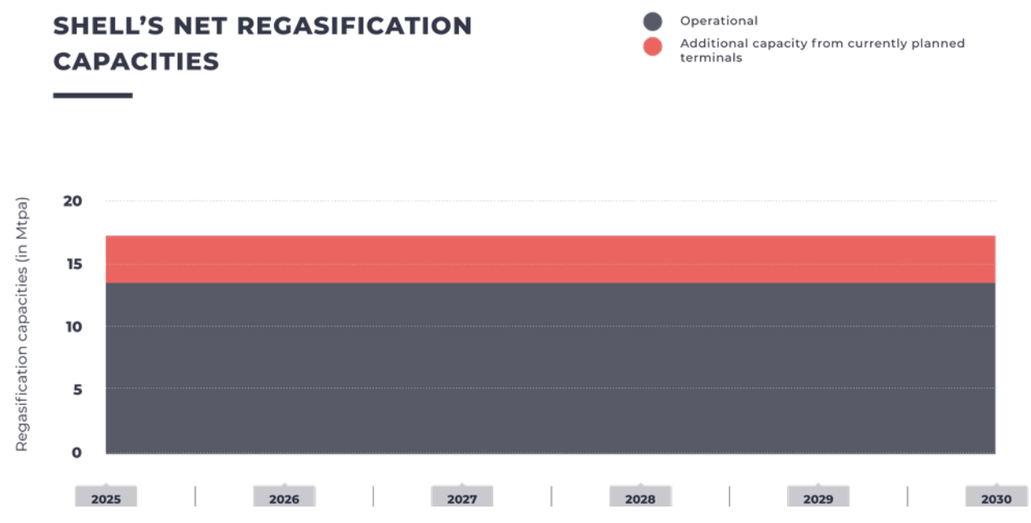
With its current LNG plans, Shell's 2030 total net liquefaction capacity will increase from 42.1 Mtpa to 58.4 Mtpa. This exceeds the NZE scenario by 38.7%.

Shell also owns existing LNG import terminals and plans to construct new LNG import terminals in the coming decade.

- Shell is already the main shareholder of the existing import terminals Hazira LNG in India, Dragon LNG and Gibraltar LNG in the United Kingdom and is a shareholder of Qidong in China. These import terminals' net regasification capacity reaches 13.7 Mtpa.[30]
- Shell plans to construct new regasification capacities with Tabangao FSRU in the Philippines and Manzanillo LNG in Dominican Republic. These would add net regasification capacities of 3.9 Mtpa to its portfolio.[31]



Source: Enerdata LNG database accessed in January 2024 for operational terminals and Global Oil and Gas Exit List 2024 for under construction and planned by 2030 terminal projects



Source: Enerdata LNG database accessed in January 2024 for operational terminals and Global Oil and Gas Exit List 2024 for under construction and planned terminals

04

DIVERSIFICATION STRATEGY

A. UNSUSTAINABLE DIVERSIFICATION

Gas power

Gas power currently plays a central part of Shell's electricity generation strategy, with 6.4 GW operational gross capacity.[32] As gas combustion is one of the main sources of carbon dioxide and methane emissions, it cannot be considered as a solution for the transition, and should be urgently replaced by a sustainable energy source, especially given that by 2035, advanced economies should achieve a carbon neutral power sector, according to the NZE.[33] Despite Shell having no targets on gas power capacities, it has neither committed to stop developing gas plants nor committed to closing its gas plants. The company plans to develop three new gas power units with an additional gross capacity of 752 MW. This will represent a 12% increase compared with the current gross gas power capacity from its operating units.[34]

Other unsustainable solutions

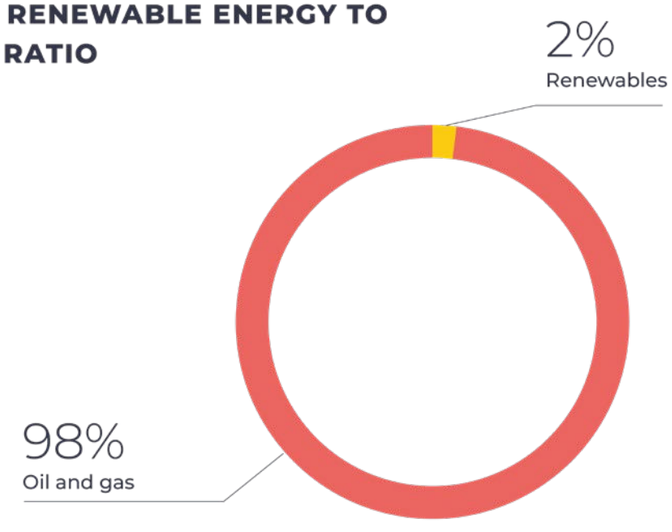
The NZE projects strong growth in bioenergy production, with biofuel supply multiplied by 12 and with biomethane and biogas multiplied by 6 by 2030. The NZE also projects strong growth in hydrogen production, from 97 megatonnes (Mt) in 2023 to more than 200 Mt by 2035, led by "low-carbon hydrogen" capacity addition. Of this, one-third is produced from fossil fuels – therefore unsustainable – and two-thirds from water-based electrolysis.[35] To meet the NZE scenario's production targets, electrolytic hydrogen production capacity should reach 720 GW to 850 GW by 2030.[36] **Although Shell is currently active in the biofuel and biogas sectors and is involved in the development of additional biofuel, especially sustainable aviation fuel (SAF), and biomethane production means, the company does not communicate production targets for these energy sources.**

B. SUSTAINABLE ENERGY

The NZE projects strong growth in renewable energy production, that will be multiplied by 2.4 between 2023 and 2030, led by increased solar and wind capacity.

Shell does not communicate a target for the development of its renewable capacities. However, Shell is currently developing 4.0 GW of additional renewable capacity, which will be added to the 3.4 GW of already installed renewable capacity. Assuming that these projects will be carried out, that Shell does not develop additional capacities that would enter in production by 2030, and that Shell will not buy or sell renewable capacities, **the company will still be producing 48.2 times more energy with its oil and gas production than with its renewable capacities in 2030.** Under this same assumption, **Shell will represent less than 0.1% of global renewable energy production in 2030,** according to NZE production levels.

SHELL'S 2030 RENEWABLE ENERGY TO OIL AND GAS RATIO



Shell, Energy transition Strategy, 2024

05

EMISSIONS TARGETS

In 2023, Shell significantly reduced its decarbonization target for the net carbon intensity of its products, from -20% in 2030 compared to 2016 levels previously planned to -15%/-20% in 2030 now.[37] These were measured in intensity terms on scopes 1, 2 and 3 and Scope 3 alone, and in absolute terms on scopes 1 and 2. In 2024, Shell's CO2e emissions were 1,142 MtCO2e, including 1,085 MtCO2e of scope 3 emissions.[38] Scope 3 emissions are by far the largest, representing 95% of the company's emissions. However, while scope 3 represents the most significant part of the company's GHG emissions, Shell's 2030 scope 3 mitigation targets are less ambitious (between -15% and -20% with a 2021 baseline) than its scopes 1 and 2 targets (-50% with a 2016 baseline).

FIND OUT MORE:

- Methodology
- Glossary
- Factsheets on bioenergy, hydropower, hydrogen, CCUS in power, energy storage

Shell's pledged mitigation targets

Base year	Target year	Reduction target	Emission scope	Emission type
2016	2025	-9%/-13%	1 & 2 & 3	Intensity
2016	2030	-50%	1 & 2	Absolute
2016	2030	-15%/-20%	1 & 2 & 3	Intensity

Source: Shell, Annual ESG update, page 27, 2024

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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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