

# Pumping and planting: Paris out of sight

Spotlight on Shell's climate ambition



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On 11 February 2021 Shell announced it would step up its climate ambition from 2017. In this overview, Friends of the Earth Netherlands provides a brief analysis of this ambition and Shell's current climate policy. The analysis addresses the key components of Shell's ambition, the renewed *Sky scenario*. It also provides a look ahead at Shell's upcoming sustainability report and Milieudefensie/Friends of the Earth Netherlands' climate case against the oil and gas giant.

### **Absolute versus relative reduction of CO2**

The global climate goals demand a speedy and absolute reduction of CO2 of 45% by 2030. In the climate case against Shell, Milieudefensie/Friends of the Earth Netherlands argues that the company should also commit to this reduction. Only then would Shell be taking sufficient action to prevent dangerous climate change. Shell's new climate ambition, as published on 11 February, comprises a relative reduction of CO2 with 6-8% in 2023 relative to 2016, 20% in 2030, 40% in 2035 and 100% in 2050 of its so-called *carbon footprint* or *emission intensity*. This ambition not only comprises the CO2 emission resulting from Shell's activities and the manufacturing of its products (the so-called scope 1 and 2), but also of the oil and gas sold by Shell (scope 3).

This ambition offers no guarantees for a genuine CO2 reduction. On the contrary, the company might even emit more CO2 up until 2050, but still reach its targets by realising enough renewable energy to offset the energy from fossils. The emission intensity is about the share of CO2 emissions per energy unit sold by Shell. By increasing the volume of these energy units with sustainable energy the intensity is lowered, but this says nothing about the absolute emission of CO2. We can see this happening already. The "[Groene woorden, fossiele daden](#)" survey shows that since the presentation of Shell's first climate ambition in 2017, the volume of CO2 emitted by Shell increased by 5.4% in absolute terms, even though its carbon footprint did decrease marginally. Even with the current ambition it is not at all clear whether Shell will in fact be reducing its CO2 emissions in the coming years.



### **The ambition for 2050**

For 2050, Shell has set a net-zero CO<sub>2</sub> emission ambition. This means that in 2050, Shell will no longer be able to reduce its carbon footprint by relying on more sustainable investments to realise a relative reduction of CO<sub>2</sub>. However, this ambition does not suffice to reach the climate objectives of the Paris Agreement: The road to net-zero CO<sub>2</sub> emissions is at least as important as the target as such. The IPCC's reduction trajectory is based on a carbon budget. This budget is exceeded if the interim targets are not reached. This means Shell will have to reduce its CO<sub>2</sub> emissions today and cannot wait until after 2030. With its current ambition, Shell can continue extracting and selling oil and gas for a long time and not start phasing out until several decades from now. In addition, the company strongly relies on CO<sub>2</sub> compensation: More on this later on.

### **Phasing out fossil fuels**

To reach the global climate ambitions, it is important that the production of fossil fuels is brought down to zero. If Shell would take the Paris Agreement as seriously as it professes in its public communication, a sharp reduction of its oil and gas activities must be initiated immediately.



## Oil

Shell's new 1.5°C scenario states that in 2050, oil and gas usage will remain at 93% and 85% of current levels respectively. This conflicts with every IPCC scenario. On 11 February 2021, Shell stated that 2019 witnessed the peak in the company's oil production. And that from now on, the production of oil would be decreasing by 1-2% annually. In their Production Gap Report, *United Nations Environmental Programme* researchers concluded that the world-wide production of oil would have to be reduced by 4% per annum to keep pace with the 1.5°C scenario.



## Increase in gas

In conjunction with decreasing its oil production, Shell aims to invest 4 billion dollars a year in increasing its market share in liquefied natural gas (LNG). By 2035, Shell hopes to have realised an LNG production capacity of some 7 million tonnes. Shell presents natural gas and LNG as a transition fuel that is cleaner than oil. This is misleading. Gas not only results in higher methane emissions, scientists from, inter alia, the IPCC show that there is no room for increased investments in fossil fuels, including in gas. To prevent a lock-in which will generate greenhouse gas emissions for decades to come, gas and LNG will also have to be phased out. Partly due to the increase in its gas activities, Shell's production of fossil fuels will remain at roughly the same level in the coming years.

## Investments in renewable energy

Shell announced its intention to annually invest 2-3 billion in renewable energy. This sits in stark contrast to Shell's total investments, some 19-22 billion. In the years to come, over 80% of Shell's capital expenditure will continue to go to fossil energy. Furthermore, to date, Shell has never reached its projected expenditure on renewables. On [22 February 2021](#) Shell reported that the planned investments of 6 billion dollars in renewable energy for the years 2018 - 2020 had not been realised. Shell only invested 3.2 billion dollars in its New Energies branch. By comparison, it invested 106 billion dollars in oil and gas.

## Compensation of CO2 emissions

Rather than reduce its CO2 emissions in absolute terms, Shell appears to primarily intend to compensate for its emissions by planting large volumes of woodlands and through negative emission technologies such as CO2 capture and storage.



## Carbon Capture and Storage (CCS)

For the realisation of its climate ambition, Shell relies heavily on technologies for the capturing and underground storage of CO<sub>2</sub>. The company reckons with 25 million tonnes of CCS capacity per annum by 2035. Currently, only 1 of Shell's CCS installations is in use and there are plans for 2 more. Once they're in use, these 3 will be able to capture 4.5 million tonnes of CO<sub>2</sub>. In order to realise the projected 25 million CCS capacity, more than 20 CCS installations have to be built with the same capacity as Shells only CCS installation that is already in use. In other words, for the future, Shell is betting heavily on CCS. Yet, conspicuously, Shell has announced next to no investments in CCS. It appears that, for the development of these CCS projects, Shell is counting on investments by others and funding from governments.

## Trees

By 2030, Shell intends to compensate for 120 mega tonnes of CO<sub>2</sub> per annum by planting trees. The IPCC's calculations arrive at a maximum potential of 500 - 3600 mega tonnes per year. Say the level is to be 500, this means that Shell wants to deploy more than a quarter of this global budget for its own CO<sub>2</sub>. Shell outlines a scenario in which a forest the size of Brazil is planted. According to Shell, this should yield round about 17 tonnes per year per hectare in CO<sub>2</sub> capture. Although in an ideal situation this might be possible in theory, reality shows otherwise. Climate scientists say the estimate of 17 tonnes CO<sub>2</sub> storage per hectare per year is unrealistic and the actual yield would be closer to 8.7 tonnes. Therefore, the surface area needed for this immense emission volume could easily add up to 2 or 3 times the size of Brazil. Shell intends to invest 100 million dollars on a yearly basis in *Nature Based Solutions*. This falls far short of what would be needed to realise their professed ambition.

## Sky 1.5 scenario

Prior to the presentation of its [new ambitions](#), on 9 February, Shell presented three new scenarios indicating what the world might look like based on different speeds in energy transition. For the first time, Shell also presented a 1.5 degrees scenario (Sky 1.5). However, the 1.5 degrees scenario was largely identical to the Sky scenario published in 2018 (except for a COVID-related dip around 2020). In Sky 1.5, global temperatures will rise by up to 1.7°C by the middle of the century, to experience some limited cooling to 1.5 degrees by 2100. Shell thinks this is feasible by assuming CO<sub>2</sub> will be removed from the atmosphere. However, the scale of this is unprecedented and unproved. Furthermore, Shell bases its scenario on a carbon budget of 747 giga tonnes of CO<sub>2</sub> in 2100. Which is much more than the 580 giga tonnes the IPCC relies on to maintain a 50% chance of limiting global warming to 1.5 degrees.

## The crisis year 2020

2020 was an exceptional year, with a heavy impact on the oil and gas sector as a whole. The oil crisis, that was reaching new depths at the start of 2020, was reinforced by the COVID-19 pandemic. Shell was also impacted by this. For the first time since WWII, the company reduced its dividends and its production of oil and gas was much lower than projected. Shell reported a loss of 21.7 billion dollars for the year 2020 and 9,000 jobs were lost as a result of the crisis. Shell's annual Sustainability Report, which will be published on 7 April, is certain to go into this.

The dip in the oil and gas production in 2020 is primarily attributable to the COVID crisis. Striking in Shell's future scenarios is that the company expects production to quickly bounce back to pre-COVID levels. This underscores that 2020 must be seen as an exceptional year rather than as a first step in a more sustainable direction.





## 26 May: Climate Case ruling

Milieudefensie/Friends of the Earth Netherlands and its co-claimants in the Climate Case against Shell are demanding a CO<sub>2</sub> reduction in absolute terms of 45% in 2030 (relative to 2019). The announcements of 11 February will not get Shell there by a long shot. The net reduction of Shell's carbon intensity by 45% in 2035 appears to suggest that Shell is taking our demand seriously. However, it is clear that this relative reduction has absolutely no bearing on the reduction in absolute CO<sub>2</sub> emission volumes in 2035. Also, this target lies five years further into the future than Milieudefensie/Friends of the Earth Netherlands demands. To reach the climate goals, a reduction in absolute levels is urgently needed. None of the new announcements currently point in this direction. The billions in investments in oil and gas are diametrically opposed to the demands of Milieudefensie/Friends of the Earth, the 6 organisations and over 17,000 co-claimants. On 26 May, the court will issue its ruling in this historic court case.

