

EPRINC Workshop on Oil Outlook in a post-COVID Environment Big Oil's Response to Climate Change

Some Early Perspectives

Ashutosh Shastri
Fellow, EPRINC

July 07th 2020

BIG OIL RESPONSE TO ENERGY TRANSITION: SUMMARY OF KEY FINDINGS

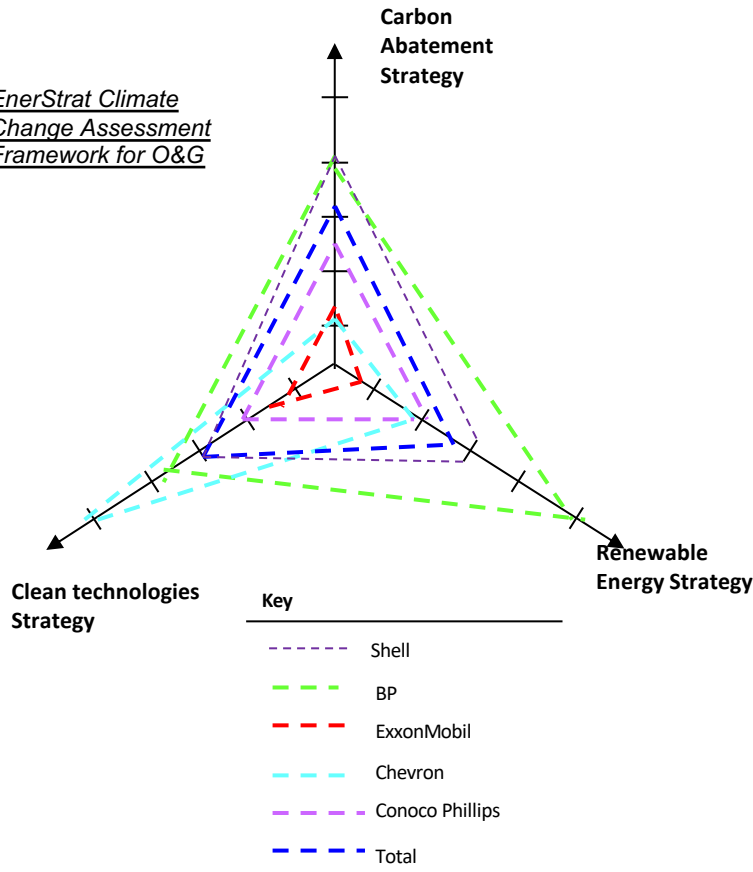
Asset Management

- European Oil Majors, with a record of early moves since the early 2000s, are repositioning their businesses as “energy companies” as opposed to oil companies
- National Oil majors with significant international footprint (e.g Equinor, ENI) have also announced bold moves and business plans to play in the low carbon transition.
- Asset Managers (with significant pressure from the ESG thematic investment community) have highlighted the opportunity costs of ignoring the Environmental/Climate implications though this is evident largely in the European Asset management industry.
- US majors (presumably, as there is as yet little evidence of ESG pressure) appear to be not as responsive; *instead “focusing on their core business”?*
- The key aspect of our findings is that within ESG thematic asset management community, the emphasis is on “E” as opposed to “G”
- FIDs of new O&G projects may be subject to more ESG scrutiny going forward, asset managers may find reassurance on the “G” dimensions to take a slightly benign view on the “E” dimension of the ESG thematic investment in O&G.

GLOBAL ENERGY TRANSITION: HOW IS BIG OIL RESPONDING?

High-level Findings 2019 Study

*EnerStrat Climate
Change Assessment
Framework for O&G*



Key messages:

- Transition to low carbon economy will open up opportunities for oil majors to transform from Oil to Energy companies
- Carbon Management/Decarbonisation will remain the primary focus (as recent BP announcements have shown) while the focus on Renewable Energy or Clean Technologies would remain a matter of choice to manage the transition.
- Changes in the external oil price environment is now unlikely to disrupt this transition process—investors therefore will expect oil companies to pursue more robust portfolio strategies.

THANK YOU