

Appraiser Blog

Shell Refrains From Pursuing Stricter Emissions Targets



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A report published last week by Shell's chair said it would not set targets to reduce emissions from customers' use of its products in absolute terms.

End-user emissions (also called Scope 3) account for almost 95% of Shell's greenhouse gas emissions. In view of this, several investors asked Shell to set targets to reduce them in absolute terms in the medium term. Shell, however, stated that the Board found that this would be detrimental to shareholders' financial interests, as well as not contributing significantly to mitigating global warming.



Shell said these targets, if enforced, would hurt its sales of oil products and natural gas, forcing its customers to switch to competitors' products.

After Shell's new chief executive, Wael Sawan, signaled this month that the company was reviewing plans to gradually reduce oil output, the company rejected the tougher emission reduction targets. The activists of Follow This group have filed a resolution asking Shell to set 2030 emissions reduction goals consistent with the 2015 Paris climate accord. Shareholders will vote on this resolution on May 23.

Shell's board has yet to officially comment on the matter but has already recommended that investors vote against similar resolutions. In last year's vote, 20% of shareholders supported the resolution, while Shell's energy transition strategy was approved by 80% of them.

Shell Cuts Emissions Intensity

Shell has set ambitious targets to decrease its carbon footprint by cutting planet-warming gases in its line - based on fuel quality - by 2030 and, by 2050, achieve neutrality of these emissions. As of 2016, it has also committed to reducing emissions by 50% by its absolute operations by 2030 and has already recorded a 30% reduction.

While measuring emissions by intensity could technically allow for an increase in fossil fuel output and overall emissions, Shell has committed to offsetting these increases by incorporating renewable energy and biofuels into its product mix.

Despite these, Shell has faced legal challenges. In 2021, a Dutch court ordered the company to reduce its emissions by 45% by 2030, a decision that Shell has appealed. Additionally, a group of European institutional investors is supporting a London lawsuit targeting Shell's board over allegations of climate mismanagement. The outcome of this case could have significant implications on how companies approach emissions reduction.

In response to the lawsuit, Shell has maintained that its directors have acted in the best interests of the company and complied with their legal duties.

Scientists have emphasized the urgent need to reduce greenhouse gas emissions. To limit global warming to 1.5 Celsius (2.7 Fahrenheit) and avoid the most severe consequences, emissions must be reduced by 43% from 2019 levels by 2030.