FFI
Fossil Fuel Divestment and Climate Action
Executive Summary

I. UNIVERSE PROFILE

FFI evaluated 30 Developed Market Oil & Gas Companies from its Carbon Underground Oil & Gas 100 list (O&G100). The O&G100 represents the largest 100 oil & gas companies ranked by the potential emissions embedded in proven reserves. The 30 companies selected represent approximately 30% of potential emissions and 73% of free float market capitalization[1] of the O&G100. The low percentage of potential emissions from the O&G100 is due to a large concentration of the total reserves belonging to Chinese and Russian majority state-owned oil companies.

The universe included several categories of companies:

- 6 "Super Majors" who are the largest integrated oil & gas companies in the world include BP, Chevron, ENI, ExxonMobil, Royal Dutch Shell and Total;
- 16 Integrated oil & gas companies whose businesses span the activities of exploration, production, refinement and distribution (including Hess, Husky Energy, Occidental, and Statoil) ;
- 13 Independent oil and gas companies whose activities span only the exploration and production (E&P) such as Anadarko Petroleum, Cimarex Energy, and ConocoPhillips; and
- 1 energy services company (Engie)

The 30 companies operate in developed markets and are based in the US, Europe, Canada and Asia:

- United States: 14
- UK/Europe: 8
- Canada: 6
- Asia & Oceana: 2

As of 12/31/17, all 30 companies could be categorized as large cap, having individual market capitalizations that exceeded $10 billion. The market capitalization breakdown is below:

- Average: $ 64.2 billion
- Median: $ 26.6 billion
- High: $354.6 billion
- Low: $11.3 billion

[1] Public float or free float represents the portion of shares of a corporation that are in the hands of public investors as opposed to locked-in stock held by promoters, company officers, controlling-interest investors, or government.

II. SUMMARY FINDINGS:

- **European Integrated Oil & Gas companies (a group that includes BP, ENI, OMV, Repsol, Royal Dutch Shell, Statoil, and Total) generally received the highest total scores and the highest scores across the 6 categories.**

- **US Integrated Oil & Gas companies, including super majors such as Chevron and ExxonMobil received overall lower scores compared to their European counterparts across most categories.**

- **Independent US companies (upstream businesses focused on E&P) tended to score the poorest**.

- **Larger companies (by market cap) scored better than smaller companies and provided more disclosure and commentary on climate change.**

- **Super Majors (Exxon, Chevron, BP, Total, Royal Dutch Shell and ENI) on average scored better than the others. However, there was a significant range between the highest and lowest in this grouping, with European majors scoring higher than their US counterparts across categories.**

Criteria 1: What is the company's position on climate science?

None of the oil and gas companies we evaluated denied the existence of climate change and none made statements that were in direct opposition to the scientific consensus that human activity through the burning of fossil fuels is a primary contributor to climate change. However, approximately two-thirds of the companies received a score of "poor" or worse, including all 14 US-based companies. These companies either misrepresented climate science on one or more platforms, thereby hindering the free flow of scientific information on this issue, downplayed the need to reduce emissions, or did not provide a position on climate science. Most of the statements characterized as misrepresentation suggested that the scientific community is not in agreement or that more work needs to be done to create a consensus. European companies were most consistent in their support of climate science and the need to reduce greenhouse gas emissions, with climate change being a prominent part of their overall messaging on public platforms. Larger companies, including the Oil Super Majors, on average scored better than smaller companies. Companies producing the strongest statements in support of climate science, including the need for swift and deep reductions to get to zero net emissions were Shell, Statoil and Total.

Criteria 2: What measures is the company taking to reduce its carbon footprint?

None of the companies in the universe established company-wide science-based Greenhouse Gas (GHG) emissions targets and none provided significant details regarding their R&D budget for low-carbon technologies. In terms of actual GHG intensity reductions, most companies reduced their overall GHG intensity over the last two years. Five US companies did not report GHG emissions in 2015 so the evaluation of actual GHG intensity reductions could not be completed. European companies scored higher than their US counterparts across most sub-categories, demonstrating a higher propensity to discuss their R&D in low-carbon technologies and their internal price on carbon used in making investment decisions. Larger companies scored better than smaller companies. Companies scoring the highest for Criteria 2 include ENI, Engie, Repsol, Royal Dutch Shell and Statoil. Companies scoring lowest for Criteria 2 include Cimarex, Concho Resources, Continental Resources and Encana.

Criteria 3: Is Climate Science integral to the governance and oversight of the Company?

Companies varied significantly in their approach to integrating climate science into their governance and oversight processes. European companies provided more extensive disclosures on climate risk and were more likely to delegate climate-related governance to specialized committees of the board than their US counterparts. Some European companies also looked at regulations and market forces that promoted renewable energy as being opportunities for the company's low-carbon technology investments. US companies generally provided fewer disclosures and looked at climate change regulations and market forces as being solely a risk and not a business opportunity. None of the companies in the universe supported climate change-related shareholder resolutions. The difference in scores between larger and smaller companies in criterion 3 was not as great as in criteria 1 and 2. While larger companies provided more transparency on risks and demonstrated clearer board accountability, smaller companies were less likely to face (and oppose) climate-related shareholder resolutions. Best scoring companies were ENI, Engie, Repsol and Total. Lowest scoring were Apache, Continental Resources, Devon, and Marathon Oil.

Criteria 4: What are the company's affiliations with third parties that spread disinformation on climate science?

The four trade associations identified by Barnard to assess oil and gas company affiliations with include American Legislative Exchange Council (ALEC), American Petroleum Institute (API), National Association of Manufacturers (NAM) and Western States Petroleum Association (WSPA). While these trade associations are based in the US, they count as members several non-US companies with significant US operations. For those companies with no significant US operations, we gave the category a zero weight in the final score. The oil majors and larger companies scored lower in this category compared to smaller companies as most of the Oil Super Majors have membership and leadership positions in these associations or groups. Information on membership was not readily available from ALEC or WSPA, so third-party sources were used to assess company affiliation with these groups.

Criteria 5: Does the company publicly support the need for climate policy and regulations?

Most companies did not publicly support the need for climate policies and regulations or the Paris Climate Agreement. For those that did publicly support policies and regulations, such as a revenue-neutral carbon tax or emissions-trading schemes, few provided public support for specific legislation. Larger companies and European companies were more likely than smaller US companies to support climate policies and regulations. This is in part due to the lack of specific pending US federal regulations or legislation around climate change.

Most of the companies acknowledged or referenced the Paris Agreement in their public platforms, but fewer than half of the companies evaluated expressed support for policies supporting the Accord. Those that did support the Agreement often did so with broad general statements and often stopped short of endorsing its goal of keeping global temperature increase well below 2 degrees Celsius (and striving to limit the increase to 1.5° C). In fact, many voiced support of the current Nationally Determined Contributions NDCs[2], which are broadly acknowledged to be insufficient to meet the temperature targets.

Criteria 6: Has the company been publicly transparent about its position, actions, and affiliations with regard to climate science and climate change?

Large companies and Super Majors are more inclined to be transparent about their positions, actions and affiliations regarding climate change and climate science. Approximately two-thirds of the companies maintained a webpage dedicated to climate change and similarly, two-thirds produced either a sustainability report or corporate responsibility report with a section dedicated to climate change. All but five companies (Continental Resources, Cimarex, Concho Resources, Marathon Oil and Apache) provided responses to the CDP[3]. The Oil Majors in particular provided superior transparency and were the only companies to produce a 2°C analysis. Few companies provided any disclosure regarding their affiliations with trade associations. Overall, Chevron, BP, Statoil and Royal Dutch Shell scored the highest. Lowest scores were Cimarex, Concho and Continental.

[2] A Nationally Defined Contribution, or NDC, are plans that signatories of the Paris Agreement plan to follow to do their part to meet the temperature targets outlined in the Agreement.

[3] The CDP, formerly known as the Carbon Disclosure Project, is an organization that measures the environmental impacts of actions taken by cities, states, and companies. CDP maintains the largest database in the world of self reported environmental data.