Shell unveils green strategy after oil output peak

February 11 2021, by Roland Jackson

Shell could end up spending more than half of its green energy budget on marketing

Energy giant Royal Dutch Shell declared Thursday that its oil output is locked in decline after peaking in 2019 as it outlined green plans to switch away from fossil fuels.

Shell said in a statement that it will invest up to $6.0 billion (4.9 billion euros) per year in green energy projects developing and promoting biofuels, electric car charging and renewables.

More than half the amount could end up being spent on marketing, Shell said.

In addition, Shell plans to still invest $8 billion annually on new oil and gas exploration.

The London-listed company nevertheless said that it anticipates a "gradual reduction" in oil output of 1.0-2.0 percent each year, including divestments.

Total carbon emissions for the company peaked in 2018, it added.

The global oil sector, nursing vast losses due to the Covid-19 pandemic, is accelerating plans to switch into greener energy and slash carbon emissions in the face of with intensifying climate change fears.

"Our accelerated strategy will drive down carbon emissions and will deliver value for our shareholders, our customers and wider society," Shell chief executive Ben van Beurden said in Thursday's statement.

"We must give our customers the products and services they want and need—products that have the lowest environmental impact.

"At the same time, we will... make the transition to be a net-zero emissions business in step with society" by 2050, van Beurden added.

Shell is matching a commitment by rival BP as the Anglo-Dutch group's update sparked more accusations of corporate "green washing" from environmental campaigners.

"Shell... brazenly says it will dodge oil production cuts and will simply let output dwindle," noted Mel Evans, head of Greenpeace UK's oil campaign.

"Without commitments to reduce absolute emissions by making actual oil production cuts, this new strategy cannot succeed nor can it be taken seriously."

The sector's transition demands big investments at a time when oil majors are looking to make sizeable savings and axe thousands of jobs.

Thursday's update came one week after Shell posted huge annual losses as the coronavirus pandemic slashed energy demand and prices in 2020.

After lockdowns began to spread towards the end of last year's first quarter, oil prices dropped off a cliff, even briefly turning negative.

Prices have rebounded sharply however to 13-month highs, levels last seen just before the pandemic took hold.

Profits evaporate

Shell dived into a net loss of $21.7 billion (18.1 billion euros) last year as factories shut and planes were grounded.

The loss compared with a net profit of $15.8 billion in 2019.

Shell is axing up to 9,000 jobs in a cost-cutting drive to combat the turmoil, which is mirrored elsewhere in the sector.

British rival BP, which is cutting around 10,000 positions, reported a 2020 net loss of $20.3 billion.

US giant Exxon Mobil suffered an annual loss of $22.4 billion.

French peer Total on Tuesday said it was changing its name to TotalEnergies to reflect a move away from fossil fuels, alongside news it had posted a $7.2-billion net loss last year.

Gigantic sector-wide losses have meanwhile sparked concern over plunging tax revenues for countries across the world leading to a major shortfall in budgets.

Oil and gas producing nations face up to nine trillion dollars in lost income as the world accelerates the transition to renewables, according to research published Thursday by the Carbon Tracker industry watchdog.