

## Dutch investor statement on oil and gas: “Prove your commitment to Paris”

October 20<sup>th</sup> 2022, The Netherlands – Earlier this year, we, a group of like-minded Dutch investors, published a [statement](#) outlining the objectives that oil and gas companies should pursue to be aligned with the Paris Agreement objectives. Since that time, energy prices have increased substantially and energy security has become a critical issue. Although we believe the current energy crisis emphasises the need to diversify away from fossil fuels, we acknowledge that the path to net zero is complicated and requires a nuanced, pragmatic, yet still ambitious approach that involves both the supply- and demand-side of energy.

Although there has been commendable progress in the past few years, no oil and gas company has fully convinced us of their Paris alignment yet.<sup>1</sup> Therefore, **we call on oil and gas companies to prove to their investors and the wider public that their strategies will contribute to a global decline in emissions by 2030 in line with a 1.5°C warming pathway.**<sup>2</sup> We have three recommendations to do so: Boost the availability of low-carbon solutions, explain how natural gas acts as a transition fuel, and do not use the high oil prices as a reason to increase oil investments.

### 1) Boost low-carbon solutions

Increased customer appetite and support from policymakers provide an opportunity to accelerate customer transition to low-carbon solutions. We stand by the need for ambitious scope 3 emissions reduction targets but acknowledge that these can only be achieved in tandem with the decarbonization of customers’ businesses. Simply divesting assets and cutting production have not been proven to lead to meaningful real-world emissions reductions when fossil fuel demand is high.

Instead, **we urge companies to boost the availability of low-carbon solutions and set production targets aligned with the projected low-carbon energy mix in a 1.5°C warming pathway** (e.g., IEA’s Net-Zero Emissions (NZE) by 2050 scenario). Coupled with comprehensive customer engagement strategies, these actions will help shift demand away from fossil fuels.

### 2) Explain how natural gas acts as a transition fuel

Natural gas will play an important role as a transition fuel to replace coal and in solving intermittency issues with wind and solar power. However, it is still a fossil fuel and not a long-term solution. If an oil and gas company continues to invest in natural gas production capacity, it **needs to substantiate how this fits within a Paris aligned pathway**. Central to this is that it meets near-term demand and facilitates a transition to low-carbon alternatives. Such an explanation should show that the continued use of natural gas supports a global decline in emissions by 2030 aligned with Paris.

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<sup>1</sup> This is according to benchmarks such as the Transition Pathway Initiative.

<sup>2</sup> Although there are multiple low-overshoot pathways to 1.5°C, all include a reduced use of fossil fuels by 2030. Source: IPCC (2022). Climate change 2022: Mitigation of climate change. Available at: [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_SPM.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf)

### 3) Do not use the high oil prices to increase oil production

Oil demand and supply must strongly decrease to hold the increase in the global average temperature to 1.5°C above pre-industrial levels. For example, the IEA's NZE scenario points to a reduction in oil supply from 30% of the energy mix in 2020 to just 8% by 2050.<sup>3</sup> New oil fields run the risk of becoming stranded assets since projects have an average time from access to the first production of 5-7 years.<sup>4</sup> **We urge companies to implement targets aligned with the Paris Agreement and against using current high oil prices as a reason to ramp up oil investments.** Furthermore, if oil investments are made, companies should disclose the expected cost and emissions per barrel.

To conclude, we are not yet convinced of any oil and gas company's Paris alignment. However, following our suggestions and using their own respective strategies, we are confident that it is within the capabilities of oil and gas companies to prove to us that they are actively contributing to limiting global warming to 1.5°C.

#### *Beyond oil and gas companies*

Although this statement provides recommendations for oil and gas companies, we recognise that the responsibility of the energy transition does not rest solely on their shoulders. There is little chance of success without the concerted efforts of fossil fuel-consuming companies, policymakers (as urged in the latest [statement](#) by the Investor Agenda), individuals, and the financial community. **Therefore, we call on all stakeholders to take responsibility, work together to fight climate change, and prove their commitment to Paris.**



#### The Dutch Climate Coalition

The Dutch Climate Coalition (DCC) is a group of like-minded Dutch investors that support the objectives of the investor collaboration network of the Institutional Investors Group on Climate Change (IIGCC) and the Climate Action 100+ (CA100+) engagement initiative. These objectives include corporate commitments to reducing greenhouse gas emissions across the value chain consistent with the Paris Goals, a strong governance framework with oversight of climate change risk and enhanced corporate disclosure in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We initially formed this group to encourage the oil and gas value chain with the greatest level of ambition and urgency possible to implement transitions aligned with a 1.5°C warming pathway. In 2023 our focus will extend to companies that are significant consumers of fossil fuels.

<sup>3</sup> IEA (2021). Net zero by 2050 – A roadmap for the global energy sector. Available at: [https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

<sup>4</sup> Wachtmeister, H. & Höök, M. (2020). Investment and production dynamics of conventional oil and unconventional tight oil: Implications for oil markets and climate strategies. Available at: <https://www.sciencedirect.com/science/article/pii/S2666278720300106>