

State-owned fossil fuel firms planning \$1.9tn investments

Oil projects over the next decade would destroy hopes of meeting Paris climate goals, thinktank warns



'One last party': the report says the oil industry will be investing trillions before the transition away from fossil fuels. Photograph: Andy Buchanan/AFP/Getty Images

Fiona Harvey *Environment correspondent*

Tue 9 Feb 2021 06.01 GMT

The world's state-owned fossil fuel companies are poised to invest about \$1.9tn (£1.4tn) in the next decade in projects that would destroy any prospect of meeting the **Paris agreement climate goals**.

A large proportion of these investments are likely to become **stranded assets**, with at least \$400bn unlikely to be profitable if the world sticks to its promises to hold global heating to less than 2C (3.6F) above pre-industrial levels, according to a report from the Natural Resource Governance Institute thinktank.

Oil prices collapsed last year to about \$40 during the Covid-19 pandemic and lockdowns but have since recovered some ground to about \$60 a barrel, and many fossil fuel companies are expecting a return to business as usual this year or next, and are planning for future expansion.

David Manley, the lead author of the report and a senior economic analyst at the thinktank, said: “A lot of the oil industry wants one last party, and they are going to invest trillions. We are worried about how long that party will continue. If the energy transition [away from fossil fuels and into clean energy] is to be fast enough to meet the Paris agreement, the party needs to be over very quickly.”

In the report, entitled **Risky Bet: National Oil Companies in the Energy Transition**, the authors made the dilemma clear: “Either the world does what’s necessary to limit global warming, or national oil companies can profit from these investments. Both are not possible.”

National oil companies (NOCs) produce about two-thirds of the world’s oil and gas and own about 90% of reserves. They are **rarely scrutinised**, however, as their state ownership means they can operate secretively, without publishing much detail on their finances or operations, as publicly listed oil companies such as Exxon, BP and Shell must.

While some publicly listed oil companies, including **BP** and **Shell**, have bowed to shareholder pressure and vowed to **reduce their greenhouse gas emissions** and divert at least some investment into green technologies, the power of the NOCs is such that they could easily outweigh the emissions-cutting efforts of other major players with their own investments. Manley said: “We can see some of these NOCs cancelling out the progress made by some of the big oil companies.”

NOCs are generally accountable only to their national governments, and often only a handful of top officials within those governments are responsible for decisions on hundreds of billions of pounds in investment. Such officials tend to be responsible for generating revenues from their state-owned fossil fuel assets, but carry little or no responsibility for climate change targets.

“They are still holding on to visions of being world-class operators and strutting the global stage with these companies,” said Manley. “We are worried that they are not seeing the need to reassess their long-term strategies.”

Many of the countries with NOCs are highly dependent on oil and gas revenues. They should be helped to overcome this dependence, according to Manley.

“These countries are often quite poor, and it’s not their fault – it is not as easy as saying to BP and Shell they should shut down,” said Manley.

China, India and Russia are expected to be responsible for the biggest chunk of investment from NOCs. China has signed up to a long-term goal of **net zero emissions by 2060**, and India has laid out a **strong investment plan for renewable energy**. Russia is signed up to the Paris agreement, but has not taken a strong stance in favour of climate action at international talks and has **worked behind the scenes to scupper some** progress at previous talks.

In November governments will meet for **vital UN climate talks known as Cop26**. That will provide an opportunity to shine a light on the activities of NOCs and try to persuade the governments that own them to put in place long-term plans to move out of fossil fuels. Manley said: “The first job is to get NOCs on the agenda at Cop26. They have not been focused on before, and we need to raise awareness.”