

Strategy and diversification options for oil and gas majors in the sustainable energy transition

Krista Halttunen, Iain Staffell, Raphael Slade

18th IAEE European Conference, Milan

26 July 2022

Oil companies need to change – but how?



Source: Getty Images



Source: World Economic Forum

Agenda

- 1** Introduction
- 2** Methods
- 3** High-level strategy options
- 4** Diversification options
- 5** Discussion and conclusions

1. Introduction

Climate change starting to feature more in oil company strategy discussions



Strengthening our presence in renewable energies

FINANCIAL TIMES 11 April 2023

BP buys stake in UK carbon capture project

Bloomberg 13 July 2023

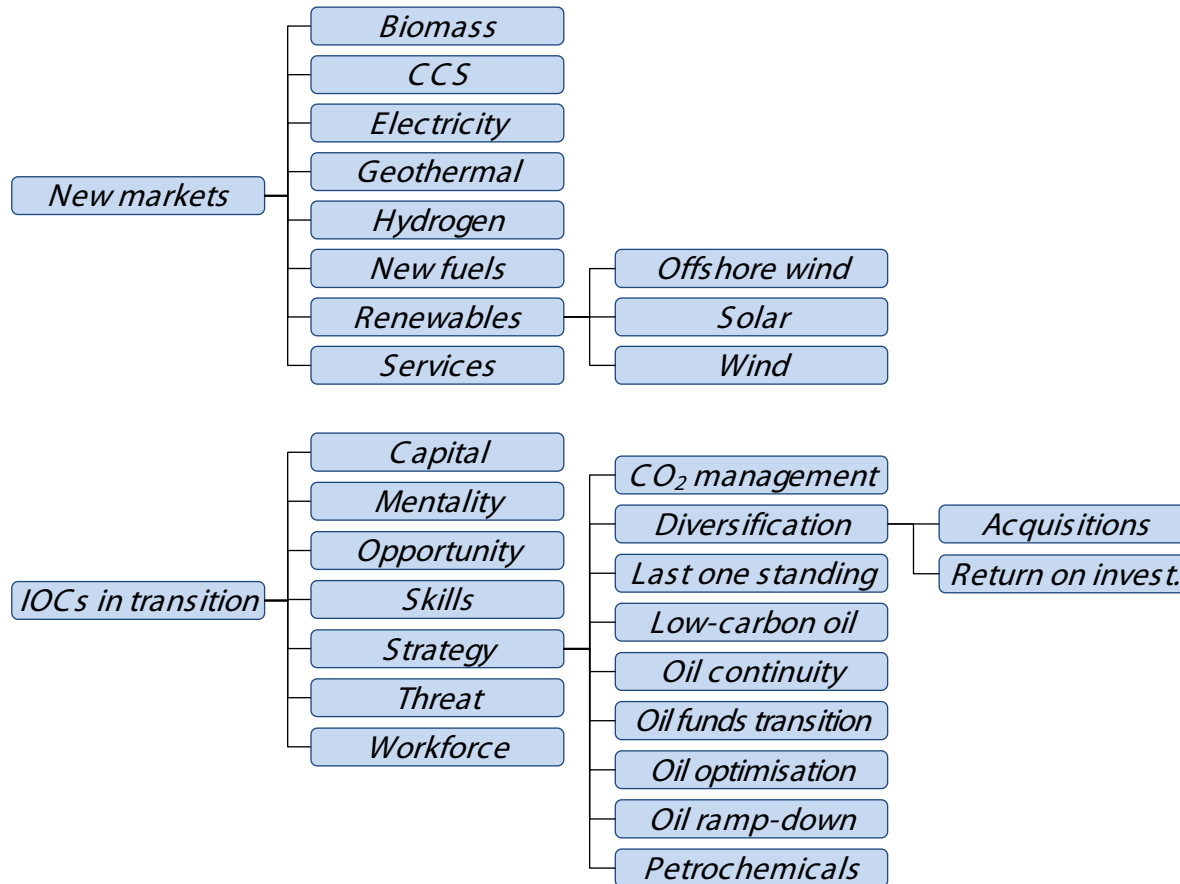
Shell Explores Selling Stake in Renewable Power Unit

2. Methods

Method: semi-structured interviews with oil industry professionals

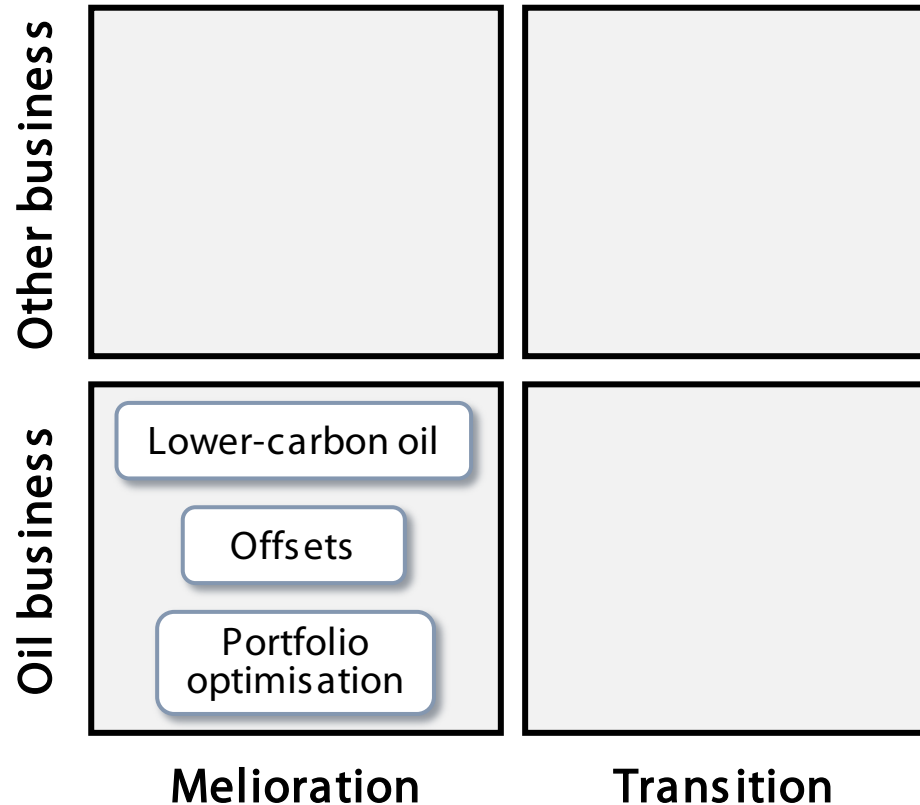
- 12 professionals who work or have previously worked in the oil industry AND have professional experience of climate change topics
- In-depth interviews with a group not usually accessible for research
- Interview data combined and contrasted with findings from literature

Data analysed for strategy-related themes



3. High-level strategy options

High-level strategies range from small improvements to full business model change



Relatively small emissions impact

IOC emissions mostly from the use of sold products, so transition strategy must cover Scope 3

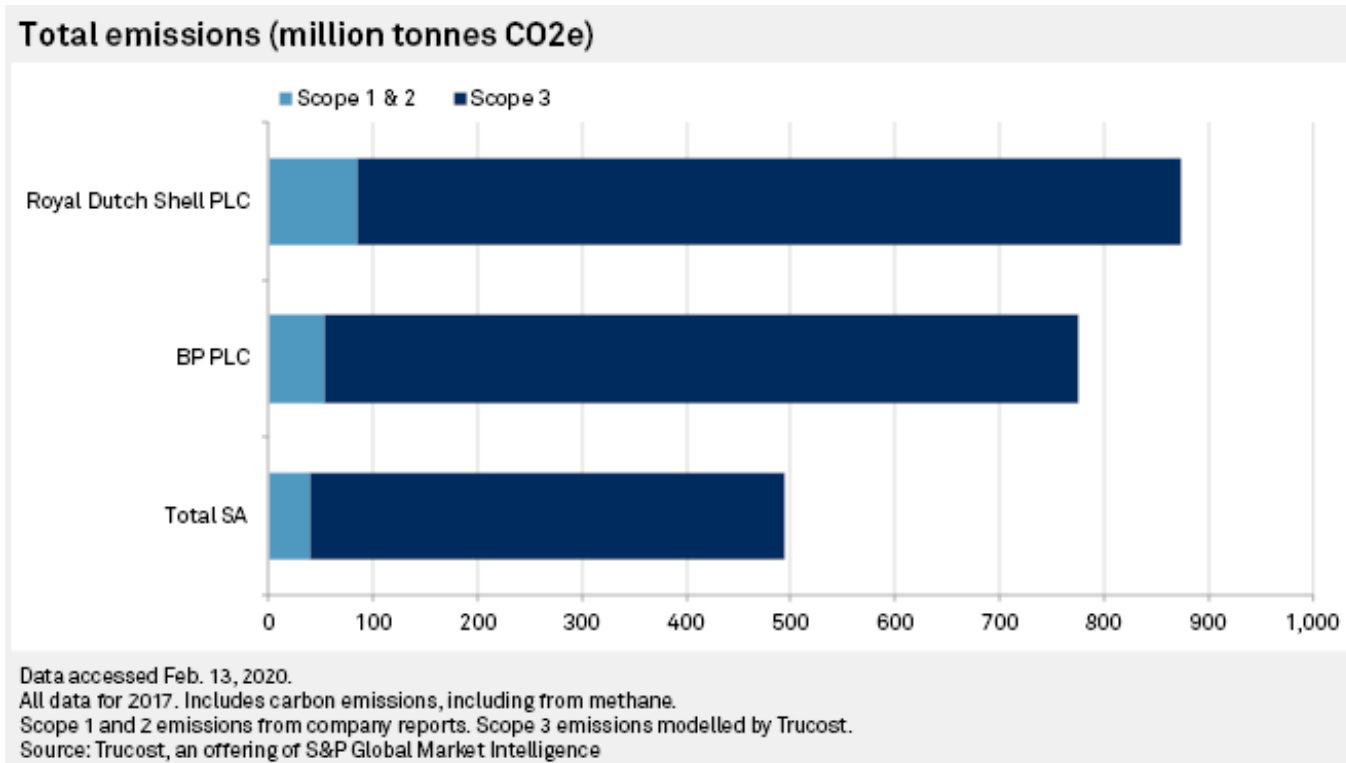
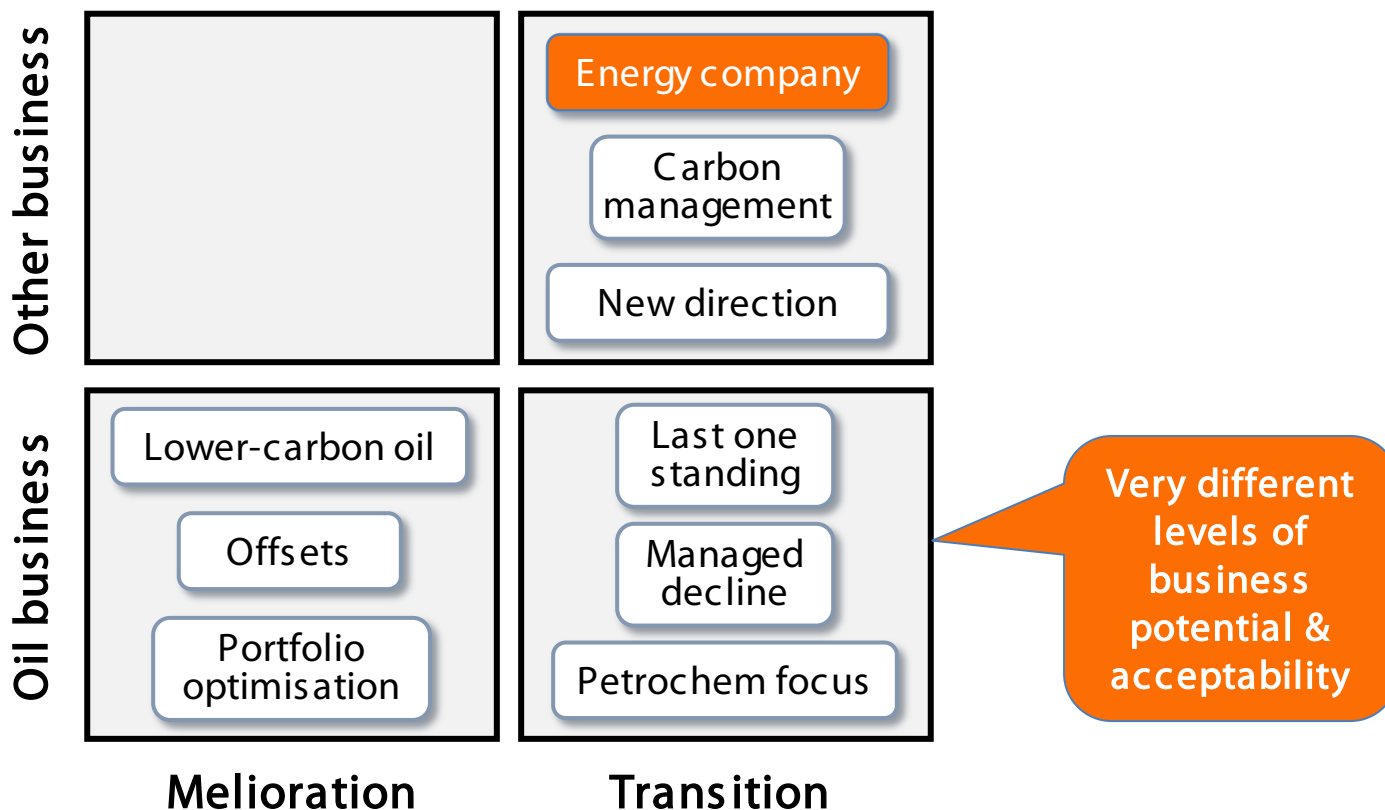


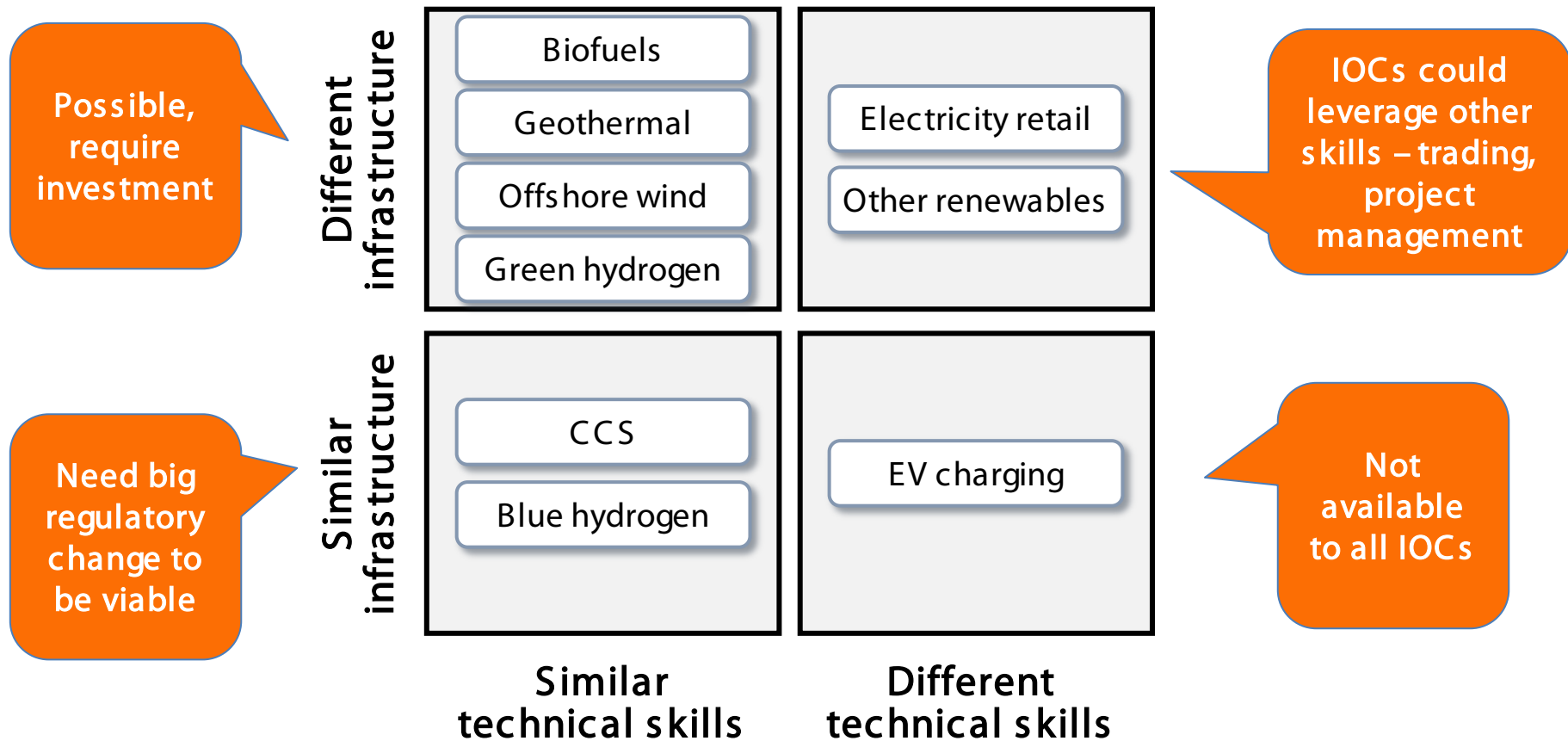
Image source: S&P Global Market Intelligence (2020)

High-level strategies range from small improvements to full business model change



4. Diversification options

Energy diversification options: good fit for IOCs' technical skills and infrastructure?



5. Discussion and conclusions

Research gives rise to open questions around transition feasibility

- Is it possible to completely change a large company?
- Can any of the suggested strategies lead to investment returns that are acceptable to executives and shareholders used to superprofits?
- Does it make sense to expect companies that are largely responsible for climate change to play an active role in the energy transition?

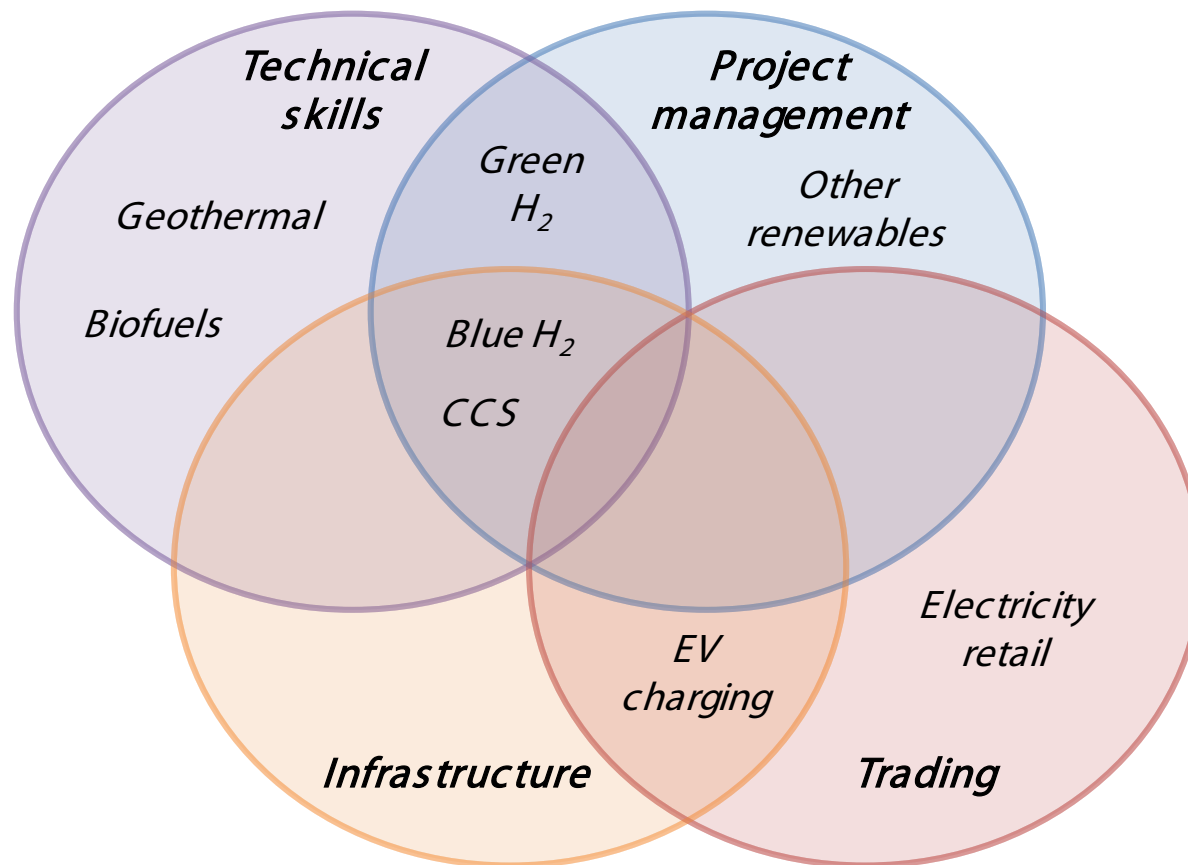
Conclusions

- In theory, international oil companies have a range of very different corporate strategy options in the energy transition – but only some strategies lead to emission reductions aligned with a sustainability transition
- The diversification options best suited to companies' existing skills and assets would require significant policy change and investment to be viable on a large scale
- Curbing emissions is more urgent than ever, but oil companies do not seem to be on a path to show they can carry out a managed transition using any of these strategies

Thank you!

kmh111@ic.ac.uk
[@kristahalt](#)

Project management and trading skills can also help IOCs in diversifying



What will happen to IOCs if a large-scale sustainability transition takes place?

