

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

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# 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

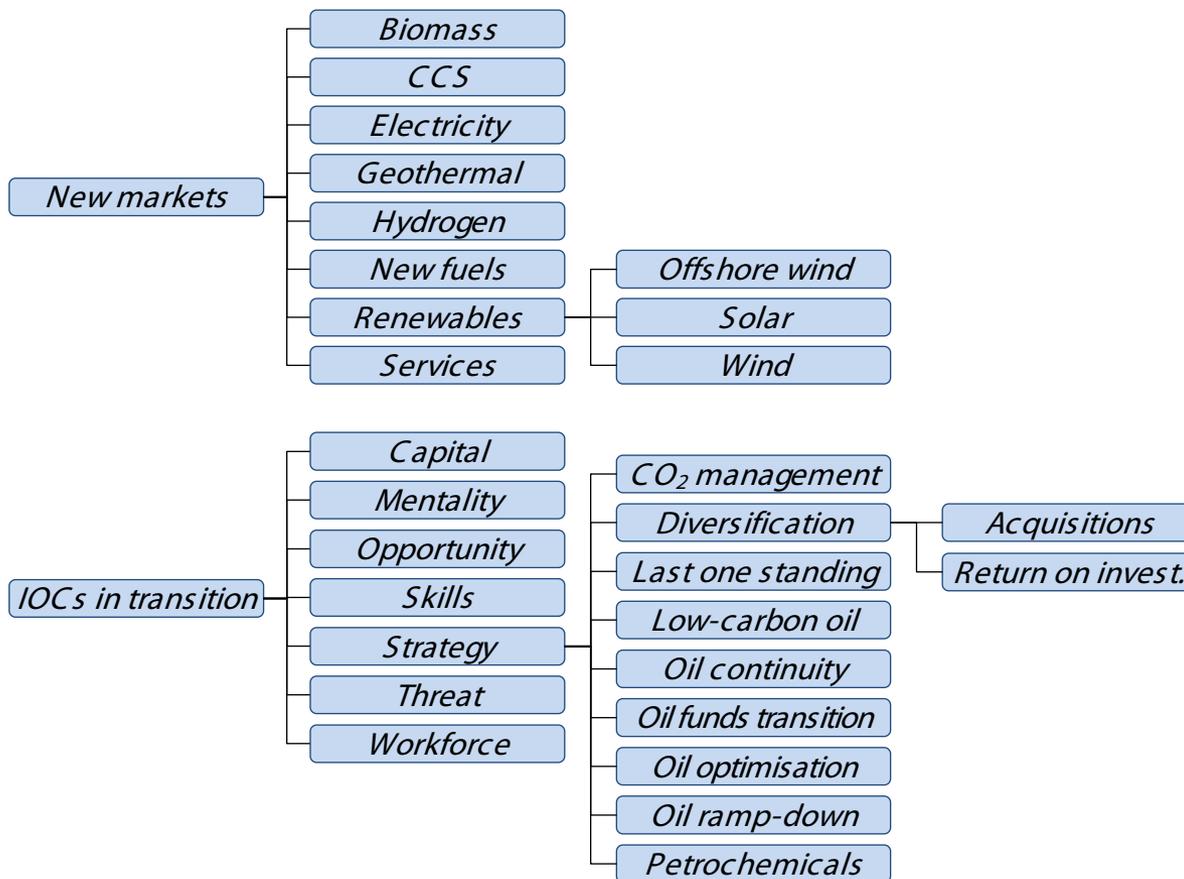
## Shell Explores Selling Stake in Renewable Power Unit

## 2. Methods

# Method: semi-structured interviews with oil industry professionals

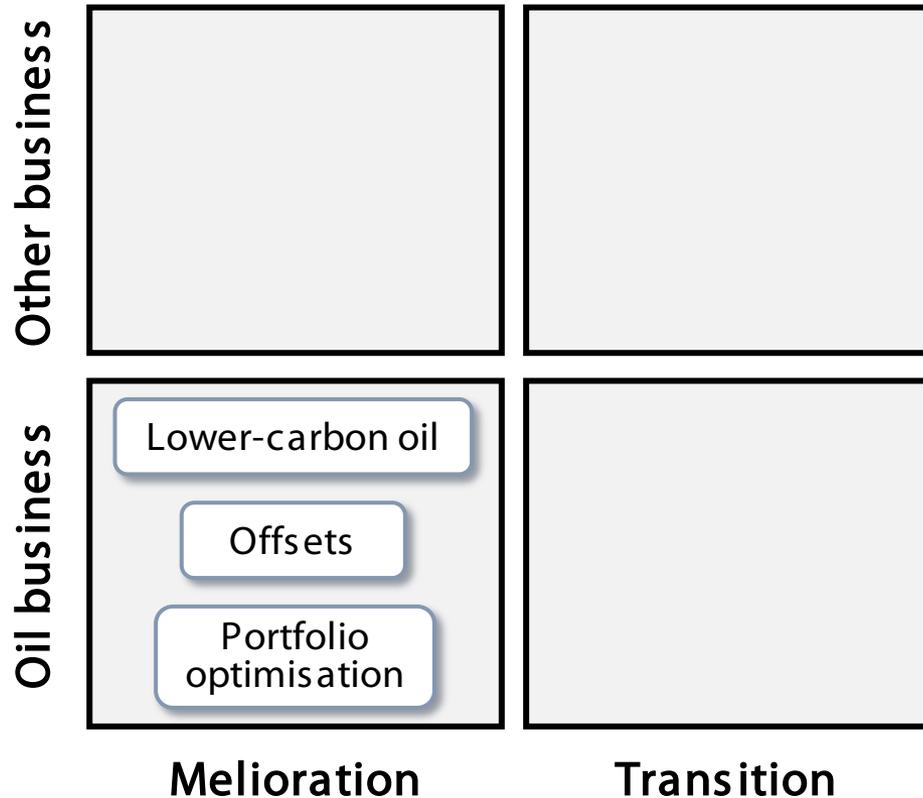
- 12 professionals who work or have previously worked in the oil industry AND have professional experience of climate change topics
- In-depth interviews with a group not usually accessible for research
- Interview data combined and contrasted with findings from literature

# 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

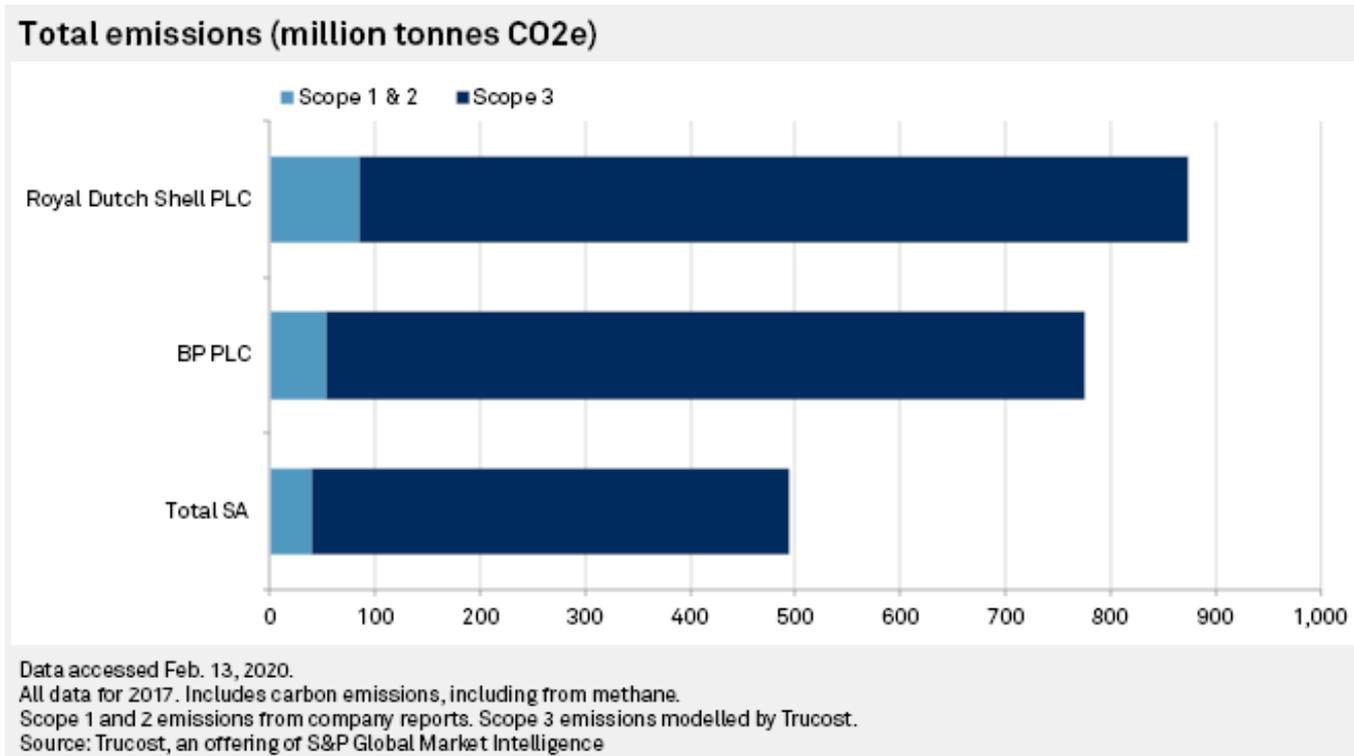
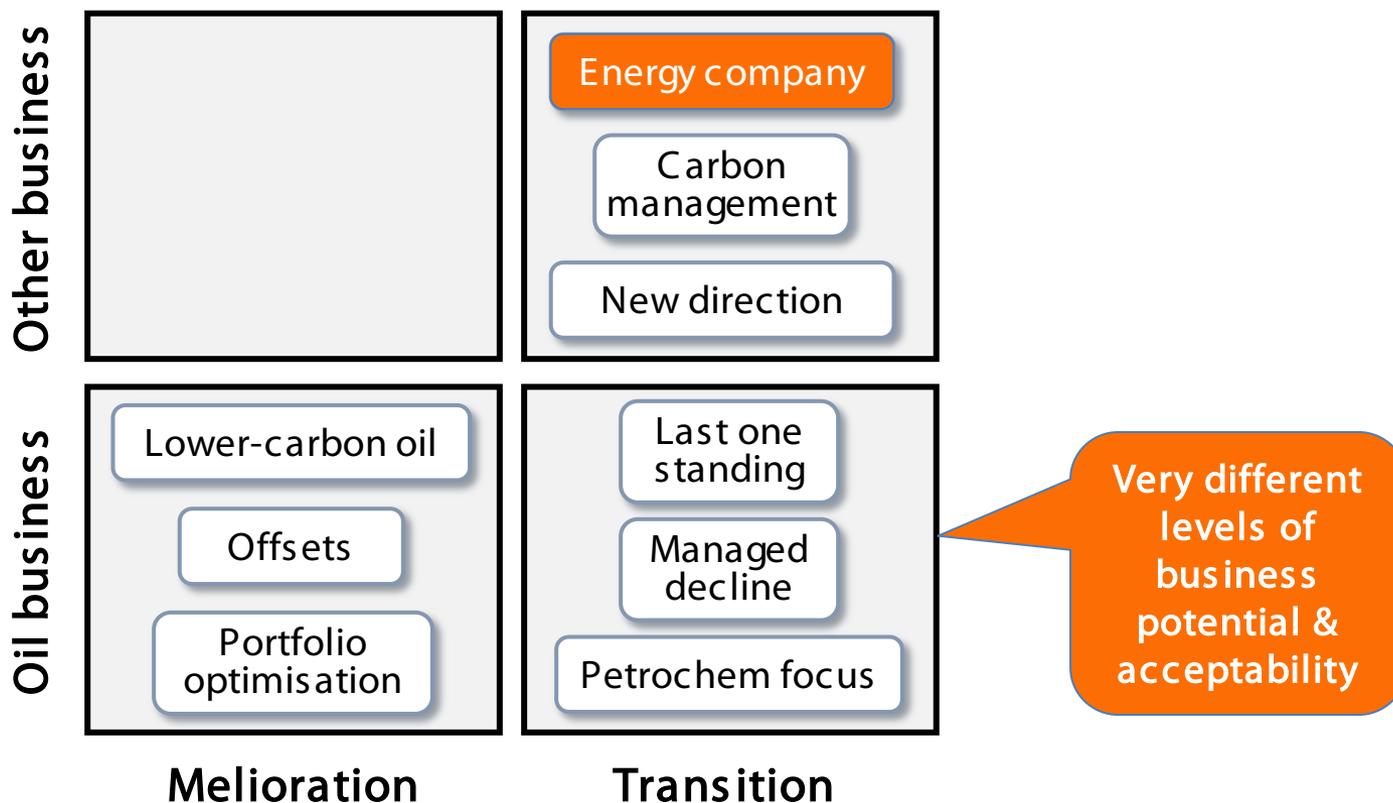


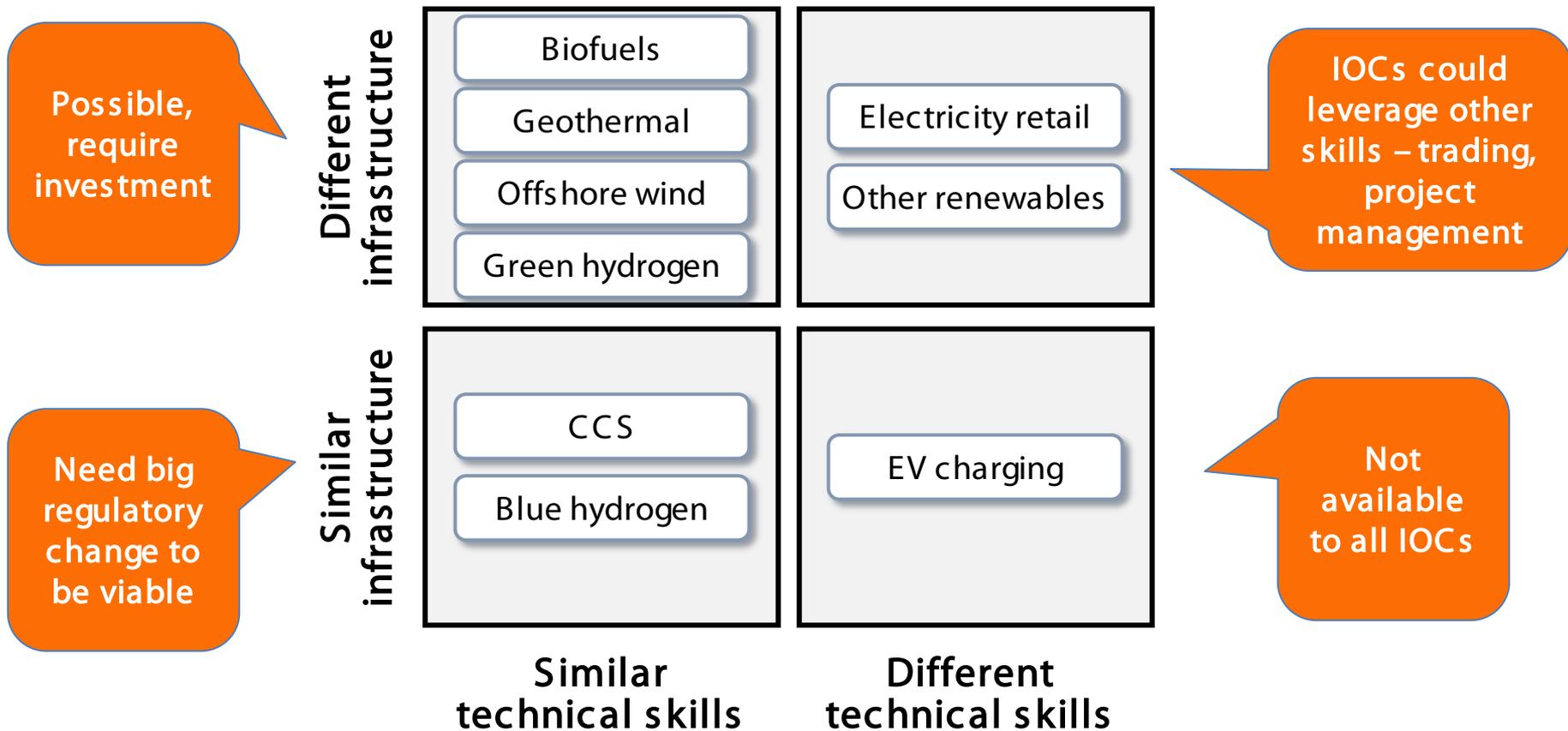
Image source: S&P Global Market Intelligence (2020)

# 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?

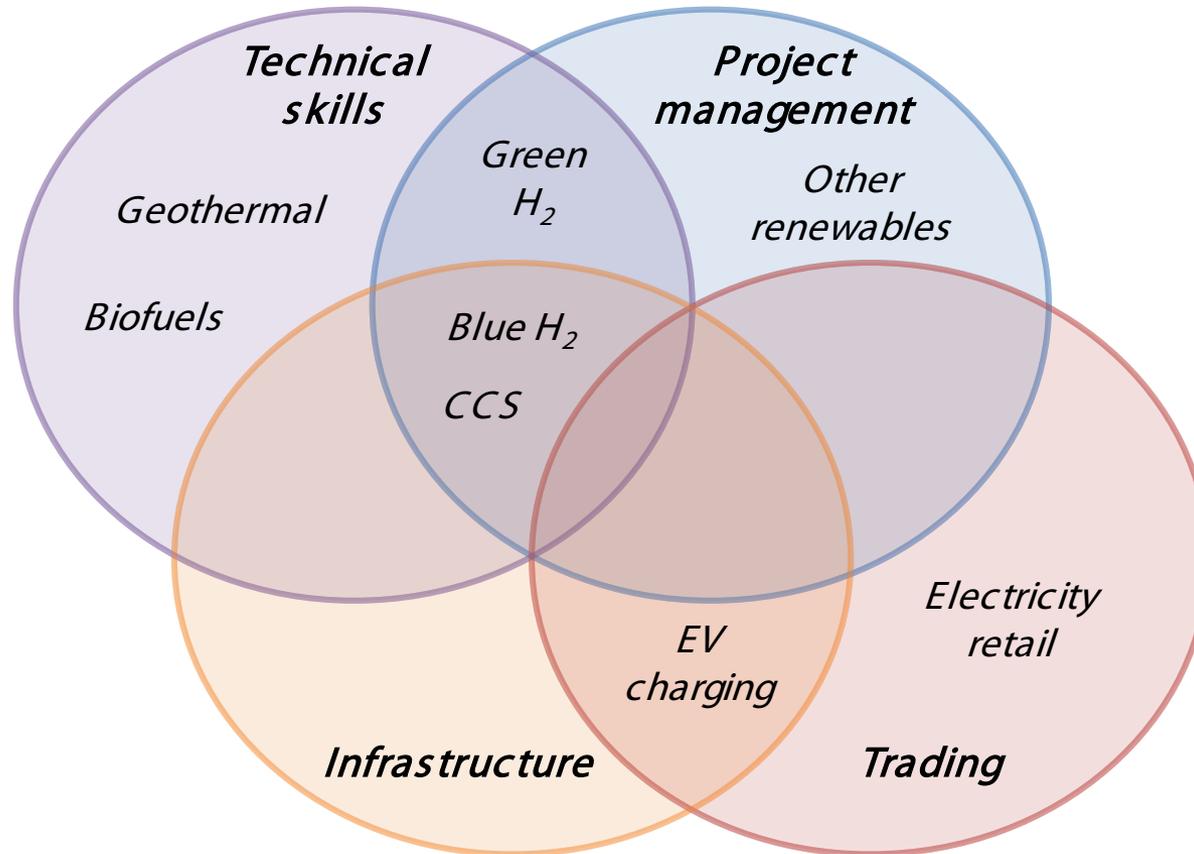
# Conclusions

- 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!**

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# Project management and trading skills can also help IOCs in diversifying



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

