Analysis of Equinor's 2021 climate plan

Climate Ambitions of Equinor 2021: Investor's Overview

Global warming must be limited to 1.5°C to avoid the worst consequences of climate change. That means that net global greenhouse gas (GHG) emissions should be zero in 2050.[1] This does not only impose a responsibility on corporations but also provides energy companies with a unique opportunity to lead and thrive in the energy transition. Equinor has endorsed the goal of becoming net zero by 2050, which is a laudable step. However, its current climate policy is insufficient to achieve this ambition.[2] Therefore, shareholders ask Equinor to adopt short and medium-term targets for its GHG emissions on all scopes (scope 1, 2 and 3)[3].

How does Equinor currently score on the energy transition?

Equinor is still predominantly an oil and gas company. The share of renewable energy constitutes less than 1% of all its energy production.[4] Equinor's absolute GHG emissions are still rising,[5] and the company has been responsible for 0.5% of all GHG emissions since 1988.[6] To reach net zero in 2050, Equinor should reduce its annual emissions of 263.5 million tonnes of CO_2 equivalent to zero in the coming three decades.[7] This task requires more than ambitions alone. Comprehensive and concrete policy measures are vital.

What policies and interim targets does Equinor have in place to reach net zero by 2050?

Equinor has adopted both short- and long-term targets for GHG emissions originating from the production phase (scope 1 and 2). It pledges to stop routine flaring and reduce the emission intensity of the production phase in the short term. Equinor will also gradually reduce the absolute emissions of the production phase in the medium- and long-term, reaching zero in 2050. This target is partly reached by using carbon capture and storage technologies, and offsetting mechanisms.[8]

For the emissions of Equinor's products (scope 3), there is no interim reduction target in place. Its policy is solely based on a marginal increase in renewable energy. In 2026, Equinor plans to increase its share of renewable energy to 4-6 GW, equating to around

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[1] IPCC Special Report on Global Warming of 1.5°C, p 13. Accessible at ipcc.ch/sr15/.
[2] Net Zero Company Benchmark of Climate Action 100+. Accessible at climateaction100.org/company/equinor/.
[3] Scopes of GHG emissions are defined at ghgprotocol.org and constitute a globally recognised metric to count emissions. Scope 1 and 2 include all emissions that are directly and indirectly emitted during the production of a product. Scope 3 emissions are emissions that are used when the product is used. For fossil fuel companies, 15% of emissions typically comes from scope 1 and 2. The majority comes from the burning of fossil fuels by end users.
[4] Equinor 2020 Sustainability Report, p 16. Accessible at equinor.com/en/sustainability/our-approach/sustainability-reports.html.
[5] Equinor 2020 Sustainability Report, p 9.
[6] CDP Carbon Majors Report 2017, p 14. Accessible at cdp.net/en/reports/downloads/2327.
[7] Equinor 2020 Sustainability Report, p 9.
[8] Equinor 2020 Annual report and Form 20-F, p. 20. Accessible at equinor.com/en/investors/annual-reports.html

4% of its energy production.[9] This share will further increase to 12-16 GW in 2035,[10] which is economically necessary since renewable energy demand will grow by 60% in the coming decade.[11] From an environmental perspective, this is still not enough to reach net zero, especially since Equinor's oil and gas portfolio is still set to grow 3% annually.[12]

Why are these policy measures not enough to reach zero in 2050?

Equinor's ambitions are not reflected in its current and planned oil and gas projects. In 2020, it approved four new projects and intends to continue maturing its 'attractive portfolio of exploration assets'.[13] The company has also stated that the Norwegian Continental Shelf oil and gas fields, which currently make up 60% of its fossil fuel production, may attain historically high production levels in 2025. The other 40% of Equinor's fossil fuel production is sourced from its international projects for which the company continues its exploration activities and offshore drilling in numerous countries.[14] According to its Climate Roadmap, Equinor aims to grow its operated international production by 300% and reduce its emission intensity by 50% by 2030. In practice, this would amount to a 150% increase in absolute GHG emissions in this period.[15]

The insufficiency of Equinor's green strategies and policies is also reflected in its financial policy. Although Equinor has set out a decarbonisation strategy, this is limited and does not include, for example, disclosure of its 'green revenue' from low carbon products and services nor a commitment to increase the overall share of green revenues.[16] Neither has Equinor committed to aligning its investments with their sustainability target of reaching net zero. It is estimated that over $1.3 billion of Equinor's 2019 capital expenditure on upstream fossil fuel extraction and production,[17] as well as 85% of its future capital expenditure, conflicts with the IEA's 'Beyond Two Degrees' scenario.[18] The energy sector is characterised by long-term investments. To reach net zero in 2050, Equinor should align its investments with its ambitions today.

Why vote in favour of adopting Paris-aligned short-, medium- and long-term targets?

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[9] Equinor 2020 Sustainability Report, p 16.
[10] Equinor 2020 Sustainability Report, p 16.
[11] Outlook for energy demand in: World Energy Outlook 2020 of International Energy Agency. Accessible at iea.org/reports/world-energy-outlook-2020/outlook-for-energy-demand.
[12] Equinor 2020 Sustainability Report, p 16.
[13] Equinor 2020 Q4 Financial Statement, p 8. Accessible at https://www.equinor.com/content/dam/statoil/documents/quarterly-reports/2020/q4-2020/equinor-q4-2020-financial-statements-and-review.pdf
[14] Equinor Annual Report 2020, p 39.
[15] ClientEarth 2021 Review of Equinor. Accessible at https://www.clientearth.org/the-greenwashing-files/equinor/
[16] Net Zero Company Benchmark of Climate Action 100+.
[17] Net Zero Company Benchmark of Climate Action 100+.
[18] International Energy Agency's 'Beyond Two Degrees' Scenario is accessible at: https://www.iea.org/reports/energy-technology-perspectives-2017

Net zero is an ambitious target that can only be achieved by ambitious actions. Equinor's current operations and policies do not reflect a shift from business-as-usual practices. The only way to reach the long-term target is to set science-based interim targets that keep the company on the right trajectory.[19] As recognised by the company: 'Continuing to deliver on the short and mid-term ambitions will be key to achieving net zero emissions.'[20]

If shareholders support the ambition of CEO Anders Opedal to reach net zero by 2050, shareholders should endorse Paris-aligned interim targets. This ensures a sustainable and profitable future for Equinor.

[19] Foundations for Science-Based Net Zero Target Setting in the Corporate Sector p 10. Accessible at sciencebasedtargets.or/resources/legacy/2020/09/foundations-for-net-zero-full-paper.pdf.
[20] Equinor 2020 Sustainability Report, p 18.