

Methodist Church dumps Shell over 'inadequate' climate plans

Investor discord over oil major's decarbonisation strategy ahead of crucial shareholder vote



Shell has pledged to put its climate strategy to a regular shareholder vote © Bloomberg

Attracta Mooney and Anjli Raval APRIL 30 2021



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Shell, which declined to comment on the church's decision, has asked investors to vote on its energy transition strategy at its annual meeting on May 18, although the result is non-binding. It has pledged to put its climate strategy to a regular shareholder vote, the first among its peers to do so.

The company's plan to become a net zero emissions company involves decarbonising existing fossil fuel businesses but continuing to invest in them, while "over time" ploughing more funds into gas, chemicals, cleaner technology and selling power.

Palmer argued that the company's capital expenditure plans, dividend policy and "uninspiring emissions reduction targets" were not aligned with the objectives of the Paris agreement, which aims to limit global warming to well below 2C above pre-industrial levels.

Greta Thunberg: 'treat the climate crisis like a real crisis'

Several other shareholders have also been critical of the group's climate moves. Sarasin, a UK asset manager, said it would vote against Shell's energy strategy, arguing it was "impossible to know whether the transition plan is credible or economically feasible".

The Local Authority Pension Fund Forum, which represents local authority retirement schemes in the UK, said it did not support Shell's strategy. Billionaire hedge fund manager Chris Hohn, who popularised the idea of giving shareholders a regular vote on companies' climate policies, has urged shareholders to vote against Shell's plans.

One top-20 shareholder also argued the plan did not go far enough, saying: "We will have to make a decision over whether we vote against because it isn't 100 per cent aligned with Paris, or back them because they have momentum."

Dutch shareholder group Follow This has filed a resolution against the company arguing that its goal to reduce its net emissions intensity — a measure of carbon per megajoule of energy sold — by 20 per cent by 2030 will not deliver enough absolute reductions to comply with the Paris climate agreement.

Mark van Baal, Follow This founder, this month said that "moreover, Shell doesn't plan to shift investments substantially away from fossil fuels to renewables, and plans to increase natural gas production".

But other shareholders have shown support for the company's plan, including Adam Matthews of the Church of England Pensions Board, who leads conversations between the Climate Action 100+ investor group and Shell.

Glass Lewis, the influential adviser to investors, also called on shareholders to vote in favour of the strategy. "We believe that the company lays out a robust plan to achieve its net zero ambition and that its disclosure concerning this plan is comprehensible and thorough," the proxy adviser said.

European oil companies face a dilemma over how to divert cash towards cleaner forms of energy when they are not as lucrative as traditional businesses that fund shareholder dividends.

Some of Shell's European peers including BP and France's Total are focusing on increasing renewable power generation.

Shell will instead prioritise doubling the electricity it sells by 2030 through more customer-focused businesses. It is also putting an emphasis on hydrogen and biofuels, while its corporate strategy relies heavily on carbon capture and storage and offsets.

"Across society there will be different perspectives on what Shell's doing and if we're moving fast enough, if we're ambitious enough," Jessica Uhl, chief financial officer, said on Thursday. "I personally believe it is one of the most ambitious plans out there for a company and certainly for our sector."

Many religious groups are grappling with whether to divest from oil companies. The Methodist Church has sold out of several other oil and gas companies including BP in recent years but continued to invest in Shell until this month "in the hope that [it] would see more progress" on climate change. It also sold about £2m of Equinor bonds this year.