EOS Case Studies / BP
Bruce Duguid
18 October 2018
EnvironmentEOS

BP is one of the world's six oil and gas 'supermajors', operating in 72 countries. It is a vertically integrated business operating across exploration and production; refining; distribution and marketing; petrochemicals; power generation; and trading. It is also active in the area of renewable energy in particular biofuels production, wind farms and a new solar joint venture, as well as early stage investments in advanced mobility; bio-products; energy storage; and carbon capture and storage.

Background

As one of the world's top 20 largest emitting companies[1], BP's ability to limit its greenhouse gas emissions is important for achieving the goals of the 2015 Paris Agreement on climate change, and for its competitiveness in the transition to a low-carbon environment. However, by 2017 BP still had not published any greenhouse gas (GHG) reduction targets.

Our engagement

The work towards setting a GHG reduction target was initiated by a 2015 shareholder resolution, supported by us, which called for enhanced reporting on the company's management of climate change risks, including GHG emissions. In early 2017, the company presented a new strategy to investors which identified the potential for growth while being flexible enough to respond to changing fuel demand scenarios and potentially lower oil prices. It also highlighted the importance of new business models, including some low-carbon opportunities. We welcomed the strategy, but noted that it was vague on GHG targets and commitments.

In April 2017, we urged the company to set and publish a company-wide GHG emissions reduction target. We subsequently met the company seven times, discussing this matter with its CEO, CFO, head of strategic planning, chief economist and head of technology. As the lead coordinating investor of Climate Action 100+ for BP, we also wrote to its chair to introduce the collaborative engagement initiative, which represents investors with nearly $30 trillion of assets, and aims to improve the management and disclosure of climate change-related actions.

Changes at the company

In April 2018, the company published its new strategy, *Advancing the Energy Transition*, which describes its plan for the transition to the low-carbon economy. It also set three targets for reducing the company's direct emissions, namely (i) 3.5 million tonnes carbon dioxide or equivalent of sustainable GHG emissions reductions by 2025; (ii) zero net growth in operational emissions up to 2025, with a commitment to offset any increase above 2015 levels that is not covered by its sustainable reductions activity; and (iii) targeting methane leak-intensity of 0.2% and holding this below 0.3%. This is significantly below estimates of the industry average of 2% and a level the company has assured us is stretching. The targets are also important for the oil and gas industry as a whole, showing a strong and clear path for limiting emissions under a company's direct control, regardless of business growth.

We continue to engage with the company on climate change, including on how the company can take greater responsibility for the emissions from end-customer use of its products, and seek clarity on the scale of capital allocation to low-carbon investments.

1. [1] Based on scope 1, 2 and 3 carbon and carbon equivalent emissions data, as compiled and modelled by CDP