

NORWEGIAN COMPANY REMAINS ‘DRIVEN BY OIL AND GAS’ AFTER RECORD PROFITS

MAY 2023

SUMMARY

The case for keeping oil, fossil gas, and coal in the ground and transitioning to clean, renewable energy is now stronger and more urgent than ever. Peer-reviewed research by Oil Change International (OCI) and partners reveals that existing oil and gas fields and coal mines globally already contain more fossil fuels than the world can extract and burn under the Paris Agreement.¹ These fields have billions of dollars invested in their infrastructure and leave no room for new expansion. The International Energy Agency (IEA) found in 2021 that approving new oil and gas fields for construction is incompatible with the 1.5°C degrees Celsius (°C) global warming limit, given already developed fields hold enough reserves to fulfill demand as oil and gas use is phased out.² The Intergovernmental Panel on Climate Change’s (IPCC) Sixth Assessment Report on the climate crisis affirms that the world has already built too much fossil fuel infrastructure³ and underlines that, “Global fossil fuel use [...] must decline substantially by 2030 to limit warming to 1.5°C.”⁴

More specifically, a range of 1.5°C-aligned scenarios published by the IPCC and IEA show oil and gas production and use declining by around 3 percent per year, on average, in the 2020s.⁵ In the IEA’s scenario, that pace accelerates to 7 percent per year in the 2030s.⁶ A more

rapid phase-out could reduce the risks of passing irreversible climate tipping points, as well as of relying on expensive, risky, and unjust fossil fuel-perpetuating technologies like carbon capture and storage and engineered carbon removal.^{7a}

Against this background, companies like Equinor, a partially state-owned, partially privatised Norwegian oil and gas company,^{8b} are attempting to portray their business models as part of the energy transition, yet continue to prioritise oil and gas investments that fuel more climate chaos.

Equinor plans to *increase* its oil and gas production by 3 percent in 2023, to “continue to grow production” towards 2026, and for its 2030 production “to be on par with today,” in the words of CEO Anders Opedal.⁹ Furthermore, **Equinor could rank as the world’s eighth-worst oil and gas expander in 2023** in terms of approving new conventional extraction projects.^c These plans are in stark contrast to the findings of the IPCC that immediate and rapid action to phase out fossil fuels is necessary to hold global warming to 1.5°C.¹⁰

In February 2023, Equinor announced record profits of USD 28.7 billion – more than triple its 2021 profits.¹¹ While claiming it aims to be “a leading company in the energy transition,” Equinor’s profits

announcement made no mention of the over 254 million tonnes (Mt) of climate pollution that Equinor reported from the production and end use of oil and gas it extracted in 2022.¹² By comparison, that is a level of greenhouse gas pollution five times greater than the emissions of Equinor’s home country, Norway.¹³ Because Equinor’s own emissions reporting omits emissions resulting from a large portion of its oil and gas sales, the total climate pollution caused by Equinor’s business activities in 2022 was even greater.¹⁴

Equinor has thus far not used its record 2022 profits, gained on the back of war-driven market volatility,¹⁵ to accelerate its transition off of oil and gas. In keeping with a capital expenditure (capex) program described by its CEO as “driven by oil and gas,”¹⁶ Equinor directed 28 times more capex into its exploration and production segments than its renewable energy segment in 2022.¹⁷ Equinor also rewarded corporate (e.g., non-state) shareholders with an estimated 13 times more in dividends and share buy-backs than it spent on renewable capex in 2022.^{18d}

In line with our 2022 *Big Oil Reality Check* assessment,¹⁹ Equinor’s climate pledges and plans remain **grossly insufficient** in comparison to what is needed for alignment with the Paris Agreement.

a Most of the assessed IPCC scenarios and the IEA’s Net Zero Emissions (NZE) scenario include some level of overshoot of the 1.5°C limit, which could be minimized or avoided by a faster phase out of fossil fuels. The feasibility of CCS deployment is cited by the IEA as one of the largest uncertainties in its NZE scenario. In the IPCC AR6 illustrative mitigation pathway (IMP) that avoids reliance on CCS or carbon-dioxide removal in the energy sector, the Low Demand IMP, oil and gas decline by an annual average rate of 7 percent per year between 2020 and 2050.

b The Norwegian state holds 67% of shares in Equinor whilst private shareholders own the remaining 33% of the company.

c Oil Change International analysis of data from the Rystad Energy UCube (April 2023). This ranking is based on total oil and gas reserves within non-shale upstream extraction assets that have received, or are projected to receive, a final investment decision (FID) in 2023. We exclude shale reserves from this comparison because of limitations of data comparability (shale drilling FIDs occur on a well-by-well rather than field or project level).

d Equinor reported paying USD 5.38 billion in total dividends, so we assume 33% of this (USD 1.78 billion) was paid to private shareholders, consistent with Equinor’s proportion of non-state ownership. Equinor specified that its open market (e.g., non-state apportioned) share buy-backs in 2022 totaled USD 1.98 billion.

EQUINOR'S PROMISES AND PLEDGES ARE GROSSLY INSUFFICIENT


Since 2020, Oil Change International has evaluated big oil and gas company's

climate pledges against ten minimum baseline criteria for assessing whether the company's climate pledges and plans come even close to aligning with the Paris Agreement.²⁰ A detailed explanation of

our rating criteria is available in Table 2 of our May 2022 report.²¹ Against these criteria, Equinor's climate pledges and plans remain grossly insufficient,²² as shown in Table 1:

Table 1: Applying the *Big Oil Reality Check* criteria to assess Equinor's climate plans

Ambition					Integrity				People-centered transitions	
Stop exploration	Stop approving new extraction projects	Decline oil and gas production		Set explicit end date for oil and gas extraction and long-term production phase-out plan, aligned with 1.5°C	Set absolute target(s) to reduce all its emissions, including value chain emissions	Do not rely on carbon sequestration or offsets	Be honest about fossil gas as high carbon	End lobbying and ads that obstruct climate solutions	Commit plans and funding to support workers' transitions into new sectors	Uphold human rights and Indigenous Peoples' rights, including to Free, Prior, and Informed Consent
		Starting now?	By 2030?							
No	No	No	No	No	Partially intensity-only, omits large portion of Equinor's oil and gas business	No	No	No	No	Policy lacks meaningful safeguards

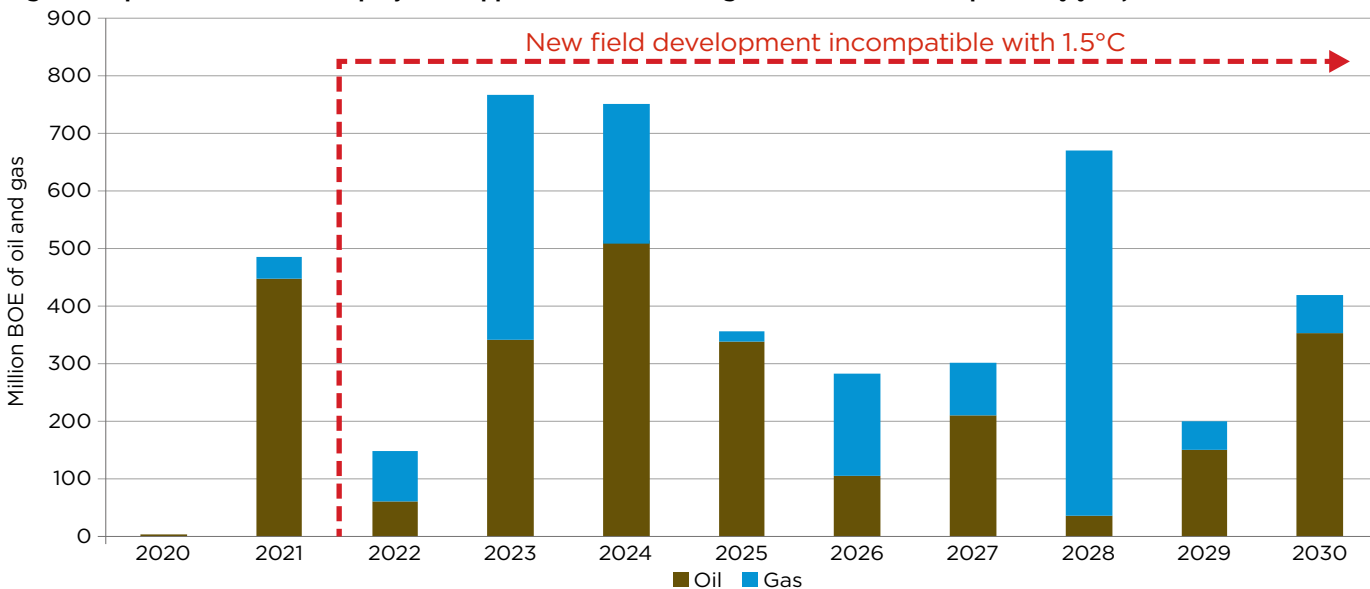


COLOR CODE FOR RATING COMPANY COMMITMENTS AGAINST CRITERIA

Grossly insufficient	Insufficient	Partially aligned	Close to being aligned	Fully aligned
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Figure 1: Equinor’s historical and projected approval of new oil and gas reserves for development by year, 2020 to 2030



Source: Oil Change International analysis of data from the Rystad Energy UCube (April 2023)

EQUINOR CONTINUES TO INVEST IN NEW OIL AND GAS EXTRACTION

Equinor continues to put forward new exploration and new production for approval, sanctioning 13 new extraction projects globally and acquiring 26 new exploration and production licences in Norway in 2022.²³ Though its 2021 *Sustainability Report* included a breakout box by IEA executive director Dr. Fatih Birol about the IEA’s 1.5°C-aligned scenario,²⁴ Equinor has no plans to reform its business model to align with that scenario by ending new exploration or new production beyond existing fields, even while indicating that a 1.5°C-aligned pathway could mean billions in lost value for the company.²⁵ Equinor’s 2022 *Annual Report* argued that the IEA developed that scenario before the fossil-fueled energy crisis, without acknowledging that it was updated in October 2022’s *World Energy Outlook*, and that the IEA sees fossil gas now declining faster as a result.²⁶

In its February 2023 presentation to investors, Equinor included a “not exhaustive” list of 15 “key projects” in its upstream oil and gas portfolio that it has not yet approved for development but expects to bring into production within the next ten years.²⁷ These include the controversial Rosebank field in the UK and Bay du Nord project in Canada, both

of which are being fiercely opposed by communities.²⁸ In the face of widespread public opposition and high costs, Equinor announced in November 2022 that it would delay an investment decision on the Wisting field in the Norwegian Arctic, a risky project that would be the northernmost oil field in the world.²⁹ Even as the company did this, however, Equinor pledged to “further develop the Barents Sea” – promising, in effect, to continue pushing for more and more Arctic oil and gas.³⁰

Rystad Energy data show that Equinor is still on pace to approve new extraction projects containing close to 800 million barrels of oil equivalent (BOE) of reserves in 2023 (Figure 1), the largest being the Pão de Açúcar project (BM-C-33) in Brazil.³¹ If Equinor proceeds with these plans, the company could rank eighth globally – and third among European-headquartered companies, behind Eni and TotalEnergies – in conventional (e.g., non-shale) oil and gas reserves approved for development in 2023. Looking forward, Equinor is on pace to approve an annual average of nearly 500 million BOE of new oil and gas reserves for development per year between 2023 and 2030 – equivalent to approving one field the size of Wisting per year.³² All of these projects are incompatible with holding global warming below the critical 1.5°C limit.³³

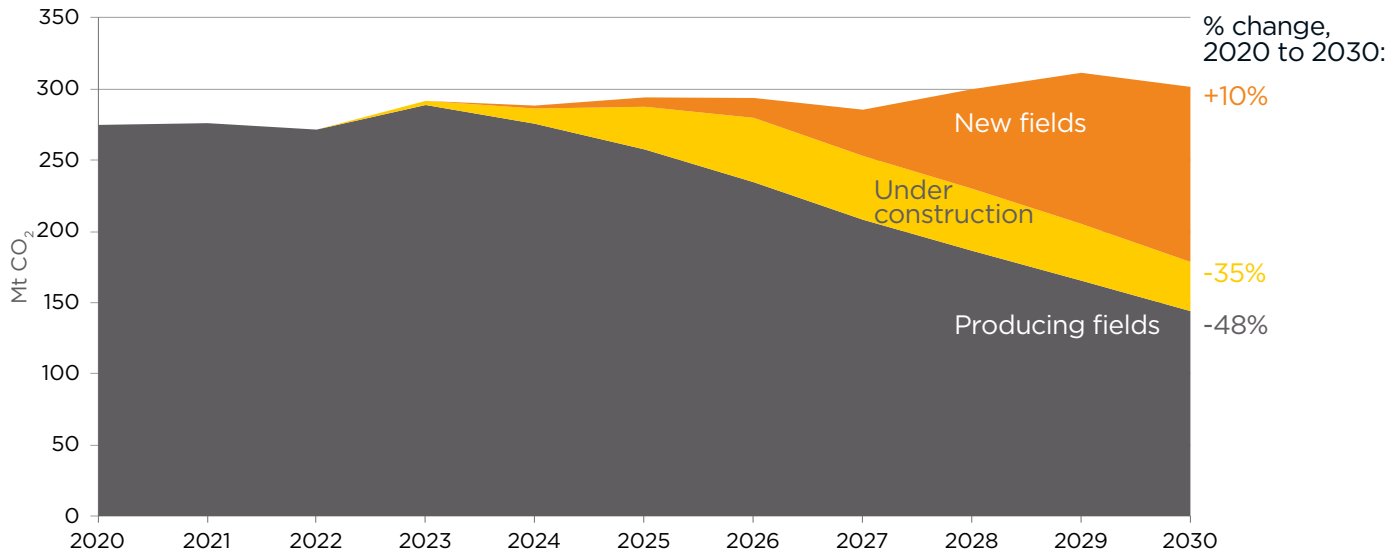
Instead of setting a Paris-aligned oil and gas production phase-out plan, Equinor expressly aims to continue earning revenue from producing oil and gas in the Norwegian continental shelf “for decades.”³⁴ Equinor stated in 2023 that, after growing production in the near term,³⁵ it “expects to maintain the same level of oil and gas production until 2030,” and that this plan “may result in increased emissions from use of sold products.”³⁶

The threat of Equinor’s oil and gas-related emissions rising to 2030 is confirmed by our analysis in Figure 2. Figure 2 shows the impact of continued exploration for and development of new oil and gas reserves on the projected annual carbon pollution from burning Equinor’s upstream oil and gas production. If Equinor were to stop constructing or approving new oil and gas fields this year, the pollution caused by burning its oil and gas production is projected to fall by 48 percent by 2030, compared to 2020 levels. This would align Equinor’s upstream production with a 1.5°C-aligned pathway.⁸ However, if Equinor continues to develop new fields, the end-use pollution caused by its production could increase by 10 percent by 2030, a trajectory wholly incompatible with a livable climate.

Equinor’s own reporting indicates the company directed 86 percent of its

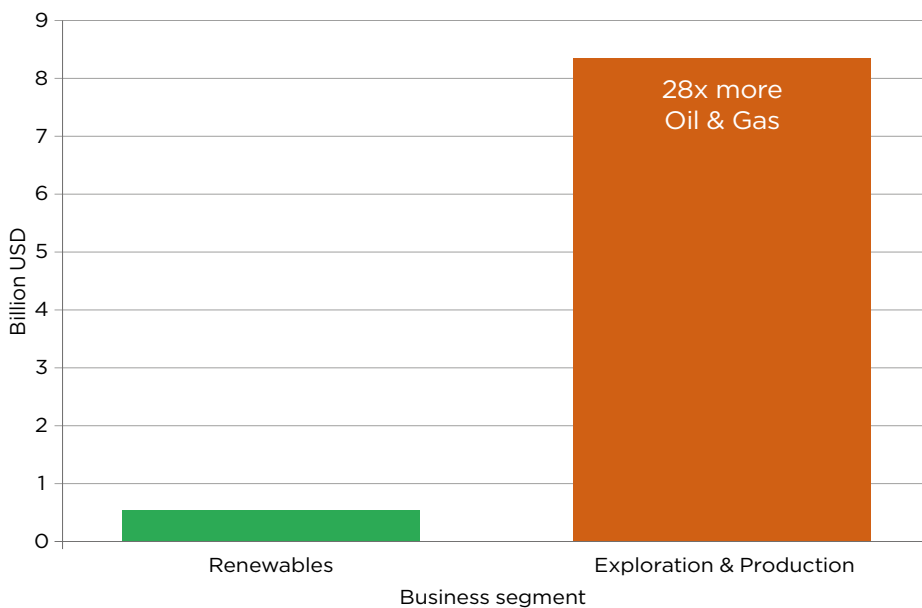
^e This rate of decline in oil and gas is consistent with the IPCC’s 1.5°C illustrative mitigation pathway that avoids use of carbon capture and storage (CCS) and carbon-dioxide removal in the energy sector, in which oil and gas use falls by 47 percent between 2020 and 2030, and 7 percent per year on average through to 2050.

Figure 2: Projected annual carbon (CO₂) pollution from burning Equinor's upstream oil and gas production, 2020 to 2030, from producing, under construction, and new fields^f



Source: Oil Change International analysis of data from the Rystad Energy UCube (April 2023)⁹

Figure 3: Equinor spent 28 times more capex on oil and gas production than renewable energy in 2022



Source: Oil Change International analysis of Equinor's 2022 Annual Report⁴⁴

gross capital expenditures of USD 9.6 billion towards oil and gas and only 14 percent towards “renewables and low carbon solutions” in 2022.³⁷ In reality, the proportion of capex invested in fossil fuels was even higher, given Equinor's so-called ‘low carbon’ capex includes

fossil fuel-perpetuating and still polluting technologies such as carbon capture and storage (CCS) and fossil gas-based hydrogen production.³⁸ Equinor's reported capex for its renewable energy segment, including wind, solar, and energy storage technologies, was only USD 0.3 billion

in 2022, compared to USD 8.3 billion of capex for its oil and gas exploration and production segments.³⁹

Thus, for every dollar of renewable energy capex in 2022, Equinor directed 28 more dollars into oil and gas extraction. Contradicting its aim to be “a leading company in the energy transition,”⁴⁰ Equinor furthermore used its record profits to reward corporate investors rather than accelerate renewable energy investment in 2022 – spending an estimated 13 times more on dividends and share buy-backs for corporate shareholders than on capex into renewable energy.^{41,h}

Looking forward, Equinor plans to increase the proportion of its capex directed towards renewable energy and ‘low carbon’ solutions – but to do so by increasing its overall capex, not reducing investment into its oil and gas business. CEO Anders Opedal told investors in February 2023 that, “We will continue to develop our profitable oil and gas portfolio” and invest in oil and gas at “the same rate.”⁴² In fact, when asked by an analyst if Equinor will “leave profitable barrels [of oil and gas] behind” in the energy transition, Opedal responded bluntly, “No. [...] We plan to develop the oil.”⁴³

^f Emissions represent end-use carbon emissions (Scope 3) from burning the oil and gas Equinor is projected to produce. These estimates are smaller than expected company-wide emissions, given they do not include all Scope 1 and 2 emissions from Equinor's operations or Equinor's total Scope 3 emissions from fossil fuel and other product sales.

^g We calculate the CO₂ emissions that would result from burning Eni's oil and gas production by applying CO₂ emissions factors to the volumes of production projected by Rystad Energy's modeling. We apply CO₂ emissions factors of 0.421 tCO₂/bbl of oil and condensate, 0.235 tCO₂/bbl of natural gas liquids, and 54.7 tCO₂/Mmcf of gas to the oil and gas volumes. These emissions factors are derived from the IPCC: IPCC, *IPCC Guidelines for National Greenhouse Gas Inventories*, Volume 2 (Energy), Chapter 1 (Introduction), 2006, Table 1.3, <https://www.ipcc-nggip.iges.or.jp/public/2006gl/index.html>.

^h Equinor reported paying USD 5.38 billion in total dividends, so we assume 33% of this (USD 1.78 billion) was paid to non-state shareholders, consistent with Equinor's proportion of non-state ownership. Equinor specified that its open market (e.g., non-state apportioned) share buy-backs executed in 2022 totaled USD 1.98 billion. Together, this adds up to USD 3.8 billion in dividends and buy-backs paid to non-government shareholders.

EQUINOR'S CLIMATE TARGETS ARE INCOMPLETE AND INSUFFICIENT

Equinor has set a complex array of targets for net and absolute emissions reduction and for net carbon intensity, none of which fully cover all scopes of the company's pollution.⁴⁵ Importantly, Equinor has no absolute target for reducing scope 3 emissions prior to 2050. Equinor's 2030 target for reducing net emissions by 50 percent covers only scope 1 and 2 emissions, which represented just 4 percent of Equinor's reported greenhouse gas emissions in 2022.⁴⁶ Furthermore, Equinor's 2050 "net zero" emissions target omits a large portion of the company's scope 3 emissions: it covers end-use pollution from the oil and gas Equinor extracts but not the company's full volume of oil and gas sales,⁴⁷ which were twice as large as total production in 2022.⁴⁸ Equinor even qualifies that its inclusion of emissions from sold products in its "net zero" target "should in no way be construed as an acceptance by Equinor of responsibility for the emissions."⁴⁹

To achieve these inadequate and incomplete targets, Equinor plans to rely on CCS, claiming that "CCS and hydrogen are important enablers to deliver on the goals of the Paris Agreement."⁵⁰ The plan describes so-called "blue hydrogen" produced from fossil gas as a "low carbon solution" and promotes the "bridge" fuel myth.⁵¹

Unsurprisingly, Equinor remains a member of several industry associations that continue to lobby against climate solutions.⁵² A 2022 report by InfluenceMap found that Equinor was one of the companies lobbying most intensely to lock in a future for fossil gas within EU Green Deal policies.⁵³

EQUINOR HAS NOT ADEQUATELY PLANNED FOR A PEOPLE-CENTERED TRANSITION

While Equinor announced that it planned to publish a Just Transition plan in 2022,⁵⁴ as of April 2023 the company website

included only a vague description of the company's "approach" rather than a detailed plan or concrete commitments.⁵⁵ Though Equinor has a human rights policy, it contains no meaningful safeguards and no direct reference to Indigenous Peoples' rights to free, prior, and informed consent.⁵⁶ Indeed, Norwegian climate activists, including Indigenous Sami, have challenged Equinor's Arctic drilling plans in the European Court of Human Rights.⁵⁷ Equinor is also one of the international oil and gas companies invested in the Vaca Muerta fracking mega-project in Argentina, which has sparked local opposition over air and water contamination and earthquakes, worker strikes, and legal action by the Indigenous Mapuche peoples seeking to defend their traditional lands from drilling.⁵⁸

QUESTIONS TO ASK OIL AND GAS COMPANIES

In conclusion, Equinor's current climate plan is grossly insufficient compared to the rapid, deep cuts in oil and gas production and sales that need to happen within this decade – the next seven years – to align with the Paris limits. No oil and gas company can credibly claim to be aligned with the 1.5°C limit without taking immediate action to phase out fossil fuels. When evaluating oil and gas climate pledges, here are some critical questions that financiers and policymakers must ask:

- ❖ Does your emissions reduction commitment include all of the pollution related to your fossil fuel production and sales? If not, what proportion of the total is covered?
- ❖ What volume of oil and gas do you expect to produce in 2025? In 2030? Are you actually committing to begin winding it down this decade? Will you reduce your production by at least 3 percent per annum between now and 2030?
- ❖ Will you terminate all the projects in your current development pipeline that have not already received a final

investment decision, to align with the IEA's 1.5°C scenario? If not, what projects in your current development pipeline will you commit to terminating in order to meet these goals?

- ❖ How much money are you projecting to invest in carbon capture and storage, carbon offsets, negative emissions technologies, or other fuels that still pollute, such as biomass, versus renewable technologies like wind and solar?
- ❖ How much carbon will your company have to capture or "offset" through these technologies by 2050 to meet your target if you continue to extract fossil fuels?
- ❖ By what year will your company cease extracting oil and gas?

METHODOLOGY NOTE

We use the Rystad Energy UCube database for historical and projected data on oil and gas companies' production and reserves, except where data is sourced directly from company reports. Forward-looking projections reflect companies' current asset base and are sensitive to Rystad's base Brent oil price case as of April 2023. This base price case sees oil prices steadily falling in the 2020s (from USD 90 per barrel (bbl) in 2023 to below USD 40/bbl by 2030), averaging around USD 50/bbl in the 2030s, and then flattening at USD 67/bbl to 2050 (real \$2023). Production and reserves estimates taken from the Rystad UCube may differ from companies' own financial reporting. This is because our estimates include production that companies burn in their own operations, production associated with companies' minority ownership shares in other companies, and production that may be owed to governments in the form of royalties or production sharing agreements rather than directly sold by the company. We consider these gross production volumes as the most accurate basis for estimating the carbon pollution associated with a company's oil and gas extraction.

ENDNOTES

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- 47 "Net-GHG Emissions and Net Carbon Intensity Methodology," November 2, 2020, pp. 1-2, <https://cdn.sanity.io/files/h61q9gi9/global/ff2f20312eeb30c2b6a3ebc8bfe0ed93de622f5df.pdf?net-ghg-emissions-net-carbon-intensity-Methodology-november-2020.pdf>.
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Oil Change International is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the ongoing transition to clean energy.

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