

# Shell 2024 AGM: Shell reduces low-carbon momentum



## Shell reduces low-carbon momentum

### Low carbon rebase

At its AGM on May 21, Shell will hold a Say on Climate vote on its 2024 Energy Transition Strategy. In the last 3 years following its first say on climate, Shell has performed well in its low-carbon offering, trailing only TotalEnergies in low-carbon investment (FY23 23% vs peers 20%) and building a strong pipeline in renewables. Shell's new transition strategy is better connected to its corporate strategy, but delivers a narrower focus on low-carbon, driven by more conservative capital allocation, scaling back its FY30 Net Carbon Intensity (NCI) target and removing its FY35 target. It is a translation of how Shell's corporate strategy (Jun-23) impacts its low-carbon portfolio and emissions outlook. Shell and BP now have similar emissions reduction targets but divergent strategies for transition, apparent through BP's more ambitious low-carbon guidance for earnings, capital expenditure and volumes.

### FY30 portfolio mix, ~14% low carbon

In its new plan Shell has addressed a critical gap, providing its FY30 energy sales portfolio (see [our view on Shell](#)). There were no surprises, with bioenergy and power reaching ~14% by FY30 from ~9% today, relative to ~23% under IEA NZE. This mix will be insufficient to deliver its revised FY30 NCI target. Even if Shell's electricity sales are 100% renewable by FY30, we estimate ~25% of NCI reductions will require offsets, equating to >60 Mt of offsets in FY30, equivalent to a mature forest up to 3x the size of Denmark. Shell's FY30 portfolio mix drivers: **1) Decline in oil products** through divestment of refineries, retail sites (500 sites p.a. FY24-25) and converting refineries to biofuels/chemical parks, a strategy already underway. This is expected to lead to a 15-20% reduction in scope 3 from oil sales (FY21-FY30). **2) Maintaining oil production** at ~1.4 Mboe/d to FY30. **3) Increasing LNG sales**, ~86 Mt pa by FY30 (Shell currently sells 67 Mtpa, highest of European majors). **4) An FY30 EV charging target of 200k and growth in business power sales focused on select markets.**

### Our view

Investors look for companies with clear paths for executing transition strategies and sufficient ambition for decarbonisation, diversifying offerings as oil demand changes. Shell's new plan succeeds in being more linked to business strategy but falls short of ambition for real emissions reduction. **To close this gap, it needs to** 1) Increase capital expenditure in low-carbon from FY26, moving towards 50% by FY30, 2) Increase its focus on transitioning customers from oil to low-carbon, quantifying the use of divestments. 3) Set boundaries on the use of offsets, recognising their limitations and providing a breakdown of its offset portfolio. In FY23, >1/3<sup>rd</sup> of Shell's reduction in net emissions came from offsets.

**Table: Shell and BP transition performance (FY23) and outlook (FY30)**

	Progress to date (FY23)		Outlook (FY30)	
	Shell	BP	Shell	BP
Scope 1 and 2 on FY19	-29%	-41%	-48%	-50%
Net carbon intensity on FY19	-5%	-3%	-14%-19%	-15%-20%
% low-carbon* capex	23%	18%	~19% (FY25)	50% (FY25), 50% (FY30)
Renewables (capacity/pipeline, GW)	2.5 / 46.8	2.7 / 65.4	N/A	10 (50 to FID)
Low-carbon* EBITDA (US\$bn)	N/A	1.0	5-6.5	10-12

Source: Company data, Accela Research estimates | \*Low-carbon: Shell = Low-carbon Energy Solutions, BP = Transition Growth Engines

# 1. Transition plan assessment

The [IIGCC net-zero standard for oil and gas](#) can help investors align company transition plans with net-zero. Below, we look at Shell's 2024 climate plan against select IIGCC criteria. The below is a guide but not a comprehensive assessment against the IIGCC criteria.

**Table: Shell 2024 Energy Transition Strategy assessment**

Company Climate Plan 2024	Assessment	Accela observations against select IIGCC criteria *
<b>1. Emissions targets (short and medium-term)</b>		
<p><b>Scope 1 and 2, operational (FY16 base)</b> FY30: -50%. Progress FY23: -31%</p> <p><b>Net carbon intensity (NCI) (scope 1,2 3, FY16 base):</b> FY25: -9 to 13%, FY30: -15-20%, FY50: -100%. Progress FY23: -6.3%</p> <p><b>Ambition: Scope 3 (oil sales, FY21 base):</b> -15-20% by FY30. Progress FY23: -9%</p>		<p><u>Alignment:</u> Scope 1 and 2 target is aligned with the IPCC (2022) interquartile range for 1.5°C (-40-50% rel. to FY19). All scope 3 emissions are indirectly covered by its NCI target [3.2].</p> <p><u>Gap:</u> NCI target is not aligned with the IEA NZE scenario ex. coal (-29% intensity FY22-FY30, Shell ~17%) [3.3]. Shell's NCI target has not been converted into a corresponding reduction in absolute emissions [3.4]. Neutralising measures make up ~50% of emission reduction in its NCI between FY22 and FY23, and 1/3 of the emission reduction to date [2iib]. Shell does not have a scope 3 target, but a scope 3 "ambition" to reduce oil sales emissions (45% of Scope 3).</p>
<b>2. Decarbonisation strategy (scope 1,2 and 3)</b>		
<p><b>Scope 1 and 2</b></p> <ul style="list-style-type: none"> <li>Portfolio changes and efficiency improvements</li> <li>Energy and chemicals park transformation</li> <li>Renewable power</li> <li>Carbon capture and Storage (CCS) and offsets</li> <li>Divestments</li> </ul> <p><b>Net carbon intensity</b></p> <ul style="list-style-type: none"> <li>Reduced oil sales (scope 3)</li> <li>Power sales, biofuels, hydrogen</li> <li>CCS and offsets</li> <li>Divestments</li> </ul>		<p><u>Alignment:</u> Shell describes how it plans to meet its 2030 scope 1 and 2 target, NCI target and reductions in scope 3 (oil sales only) [5.1]. Its transition strategy specifies the role of climate solutions. For its Renewable &amp; Energy Solutions business, it discloses revenue and production [5.2a]. It is a member of OGMP 2.0 and is on track to receive a gold standard [5.iv.a].</p> <p><u>Gap:</u> The company has not set a specific target to increase revenue or production from climate solutions. [5.2b] The contribution of individual decarbonisation levers is not quantified [5.1b]. Shell discloses the number of offsets it uses from each certification body, but does not disclose the type of offsets [5.1c] and the expected contribution of offsets to medium-term targets [5.vi.k]. It has not disclosed an offset strategy which includes cost, accounting approach, type, mix, storage and provider [5.vi.n]</p>
Oil production to be stable to FY30 (~1.4mboe/d) No guidance on gas		<u>Gap:</u> Shell has provided guidance for medium-term oil production [5.v.d]. There is no guidance for gas [5.v.d], but between FY22-30, LNG production is set to increase by 25-30% and sales by 20-30%.
<b>3. Capital alignment</b>		
<p><b>FY23-FY25</b> Cash capex for low-carbon energy solutions; \$10-15bn</p> <p><b>FY24-25</b> EV charging ~\$0.5bn, low-carbon fuels ~\$1bn, CCS &lt;\$1bn, R&amp;ES \$4-5bn</p>		<p><u>Alignment:</u> Shell discloses capex in climate solutions and oil and gas in FY23 [6.2a] and has provided guidance for FY25 [6.2b]</p> <p><u>Gap:</u> Forward-looking guidance provided only 2 years ahead (min 3 years) [6.i.a]. Shell has not indicated it is planning to phase out capex on new unabated carbon-intensive assets by a certain year [6.1a]</p>
<b>4. Climate governance – remuneration only</b>		
Annual bonus scorecard weighted 15% to the energy transition, including 5% to LNG equity volumes (p112)	<b>Aligned with IIGCC</b>	<p><u>Alignment:</u> The company's performance scorecard and LTIP incorporates climate change [8.1]. Both include metrics for halving scope 1 and 2 emissions [8.2b].</p> <p><u>Accela view:</u> The inclusion of LNG growth within its energy transition metric (annual bonus) should be reviewed in favour of metrics aimed at growing its biofuels, EV charging and renewable power business.</p>

Source: Company data, Accela Research estimates | \*Bracketed numbers refer to indicators within IIGCC standard



## 2. BP vs Shell

While Shell's updated Energy Transition Plan is better connected to its business strategy, its ambition for transition has been scaled back and now lags BP.

### 2.1 How are Shell and BP positioned for transition today?

As of FY23, Shell has invested more into its low-carbon energy solutions business compared to BP's equivalent Transition Growth Engines business. In FY23, Shell's low-carbon capex was 1.5x higher at \$5.6bn (23% of group capex), compared to BP at \$3.8bn (18% of group capex). Shell has built a larger public EV charging network than BP, almost double the charge points at 54,000 (1.9x). However, Shell is trailing BP in renewable capacity (0.9x), renewable pipeline (0.7x) and biofuels production (0.8x). For fossil fuels, Shell's oil and gas production and sales is greater than BP, with oil production 1.3x, gas production 1.1x, oil product sales 1.3x, and LNG sales 2.9x.

**Table: FY23 Business Profiles – Shell vs BP**

	Shell	BP	Shell relative position
<b>Investment</b>			
Group capex (\$USbn)	24.4	21.5	1.1x
Low-carbon capex (\$USbn)	5.6	3.8	1.5x
% low-carbon	23%	18%	1.3x
<b>Fuel volumes</b>			
Oil production (Mboe/d)	1.5	1.1	1.3x
Gas production (Mboe/d)	1.3	1.2	1.1x
Oil product sales (Mboe/d)	4.1	3.2	1.3x
LNG sales (Mt pa)	67	23	2.9x
Renewable capacity (GW)	2.5	2.7	0.9x
Renewable pipeline (GW)	46.8	64.5	0.7x
Biofuels production (kb/d)	~24*	32	0.8x
Power delivered (TWh)	279	<i>Not disclosed</i>	BP not disclosed
EV charge points (000's)	54 (owned and operated)	29 (operated)	1.9x

Source: Company estimates, Accela Research estimates | \*Shell's 44% share of Raízen JV

### 2.2 How do Shell and BP transition plans compare?

Looking forward Shell and BP appear to have similar emissions reduction targets but divergent strategies for transition. This is apparent through BP's more ambitious low-carbon guidance for earnings, capital expenditure and volumes.

**Emissions targets.** Across scope 1 and 2, scope 3 and net carbon intensity we see alignment in the ambition of emissions reduction targets. Between FY19-30 Shell's scope 1 and 2 target implies a -48% reduction (BP -50%), for NCI Shell is targeting a -14-19% reduction (BP -15-20%) and both scope 3 targets/ambitions equate to up to ~62 MtCO<sub>2</sub>e of emissions reductions from FY23. Both companies have flagged offsets and divestments as levers to achieve targets.

**Low-carbon guidance.** BP appears to show more ambition in building out transition offerings. In low-carbon capex, Shell is targeting \$2.2-4.7bn in FY25, 0.4-0.6x less than BP at \$6-8bn. BP aims to grow low-carbon capex to \$7-9bn by FY30, with Shell refraining from providing guidance past FY25. In low-carbon targets, BP shows greater visibility and ambition than Shell for



nearly all low-carbon fuel volumes. BP is targeting 10 GW of installed renewables capacity (50 GW to FID), biofuels production ~100 kb/d, biogas sales ~70 kboe/d, and hydrogen production 0.5-0.7 Mtpa. Shell provides no guidance for these low-carbon offerings. The exception is EV charging, with Shell targeting double the charge points (200,000) of BP (100,000). **In low-carbon returns:** Compared to BP, Shell sets lower internal hurdle rates for bioenergy and EV charging (Shell 12% vs BP >15% across both low-carbon offerings). Both have a comparable rate for power (6-8% unlevered) however BP specifies the IRR applies only to renewables. BP's stronger ambition is further reflected in EBITDA outlook for low-carbon, with Shell targeting \$1-2bn bioenergy (vs >\$4bn BP, 0.3-0.5x) and \$1-1.5bn for EVs (vs >\$4bn BP, 0.3-0.4x). Both have comparable outlooks for power/hydrogen at up to \$3bn for both companies.

**Fossil fuels.** In oil and gas, Shell is estimated to produce 1.4x oil, 1.4-1.5x gas and sell 2.9x LNG compared to BP. This more aggressive oil and gas strategy is reflected in IRR hurdles, with Shell setting lower rates for its Upstream (15%) and Integrated Gas (11%) segments compared to 15-20% for BP's upstream oil & gas production and refining projects.

**Table: FY30 outlook – Shell vs BP**

	Shell	BP	Shell relative position
<b>Emissions</b>			
Net carbon intensity reduction target (rebased FY19)	-14-19%	-15-20%	Comparable
Scope 1 & 2 reduction target (rebased FY19)	-48%	-50%	Comparable
Scope 3 reduction target (rebased FY23)	-6-12% scope 3 emissions from oil sales (~62 MtCO2e reduction)	-8-20% upstream scope 3 emissions (~62 MtCO2e reduction)	Comparable
<b>Investment</b>			
Low-carbon capex (FY25)	2.2-4.7 **	6-8	0.4-0.6x
Low-carbon capex (FY30)	No target	7-9	BP greater ambition
<b>EBITDA</b>			
Bioenergy (US\$bn)	1-2	4	0.3-0.5x
EV charging (US\$bn)	1-1.5	4	0.3-0.4x
Power & hydrogen (US\$bn)	3	2 - 3	Comparable
<b>IRR hurdles</b>			
Oil & gas	15% Upstream 11% Integrated Gas	15-20% upstream oil & gas, refining	Shell lower
Power	6-8% unlevered	6-8% unlevered (renewables)	BP renewables only
Bioenergy	12%	>15%	Shell lower
EVs	12%	>15%	Shell lower
<b>Fuel volumes (FY30)</b>			
Oil production (Mboe/d)	1.4	1.0	1.4x
Gas production (Mboe/d)	Not specified, up to 1.4-1.5*	1.0	Up to 1.4-1.5x*
LNG (Mt pa)	Production 39 (25-30% on FY22) Sales 86 (20-30% on FY22)	Sales 30	2.9x
Renewable capacity (GW)	No comment	10 operational 50 to FID	BP greater ambition
Bioenergy	No comment	~100 kb/d biofuels prod ~70 kboe/d biogas supply	BP greater ambition
Hydrogen (Mt pa)	No comment	0.5 – 0.7	BP greater ambition
EV charge points ('000s)	200	>100	2.0x

Source: Company estimates, Accela Research estimates | \*Depending on integration with LNG, Shell gas production could grow 8-16%

\*\*\$10-15bn for Low Carbon Energy Solutions FY23-FY25 (implies \$2.2-4.7bn pa. for FY24-25)



### 3. A smart evolution or a step backward?

Shell 2024 Energy Transition Plan is an improvement on its 2021 strategy as it is more closely linked to its corporate strategy and provides a clearer view of how Shell's energy portfolio will transition. However, it is less ambitious than its 2021 transition plan, and with no new targets for low-carbon fuels or capital expenditure, it may be insufficient to deliver materially on real emission reduction. The table below summarises the changes to Shell's transition strategy from its 2021 plan.

Target	2021 (Prior)	2024
<b>Total emissions</b>	"We believe our total absolute emissions have peaked in 2018 at 1.73 GtCO <sub>2</sub> e"	<u>Unchanged</u> . Reiterated in Energy Transition Strategy (p10)
<b>Scope 1 and 2 emission targets</b>	FY30: -50% FY50: Net zero	<u>Unchanged</u>
<b>Net Carbon Intensity target</b>	FY30: -20% FY35: -45% FY50: -100%	<b>Change</b> FY30 NCI target reduced to 15-20% Removed FY35 target
<b>Scope 3 target</b>	FY30: Nil	<b>Change</b> New 'ambition': Scope 3 oil products, 15-20% by FY30 (FY21 base year), -9% achieved to date
<b>Cash capex – Low-carbon energy solutions</b>	\$10-15bn FY23-FY25 (implies \$2.2-4.7bn pa. for FY24-25)	<u>Unchanged</u>
<b>Volume guidance:</b>		
<b>Oil FY30</b>	Oil production to be flat to FY30 (~1.4 Mboe/d).	<u>Unchanged</u>
<b>Gas FY30</b>	Not specified	<u>Unchanged</u>
<b>LNG FY30</b>	LNG capacity guided to grow 11 Mtpa by FY30	<u>Unchanged</u>
<b>Retail sites</b>	Not specified	<b>Change</b> Divesting ~500 sites per year over FY24-FY25.
<b>Power sales FY30</b>	More than doubling power sales to 560 TWh.	<b>Change</b> "Lower than previously planned"
<b>EV charging FY30</b>	Operate >2,500,000 charge points	<b>Change (announced CMD 2023)</b> Operate 200,000 public charge points

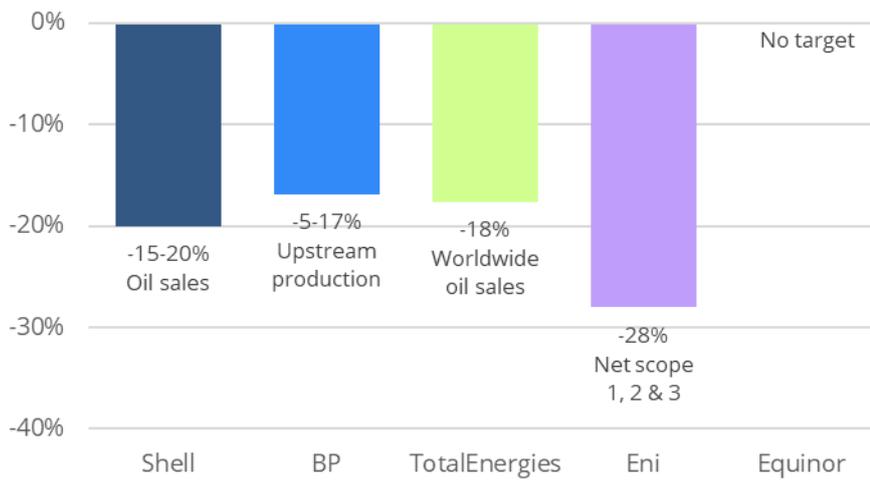
Source: Company data, Accela Research estimates



### 3.1 Reduction in oil sales to drive a ~3-5% reduction in FY23 scope 3

Shell has announced its ambition to reduce scope 3 emissions from its oil sales by 15-20% between FY21-FY30 (9% achieved as of FY23). This ambition is intended as a guardrail for investors and is based on Shell's existing strategic outlook and compares to a decline in oil demand projected by the IEA NZE of -17% and IEA APS of -1.3%. While Shell's ambition aligns with IEA's NZE scenario, the reductions in emissions from oil sales will amount to ~33-62 MtCO<sub>2</sub>e between FY23-30, ~3%-5% of FY23 scope 3 emissions. To achieve a reduction in oil sales, Shell plans to divest refineries, reduce retail sites by 500 p.a. FY24-25, and convert refineries to biofuels and chemicals parks, a strategy that has been in play for a few years. Divestments are a key driver in emission reductions but the impact on emissions reductions remains unquantified by the company.

**Chart: European Majors FY30 scope 3 emissions targets/ambitions, FY21 base (%)**



Re-basing peer's targets to FY21 shows Shell's ambition to reduce oil sales by 15-20% by FY30 is similar to TotalEnergies' target to reduce oil sales to FY30.

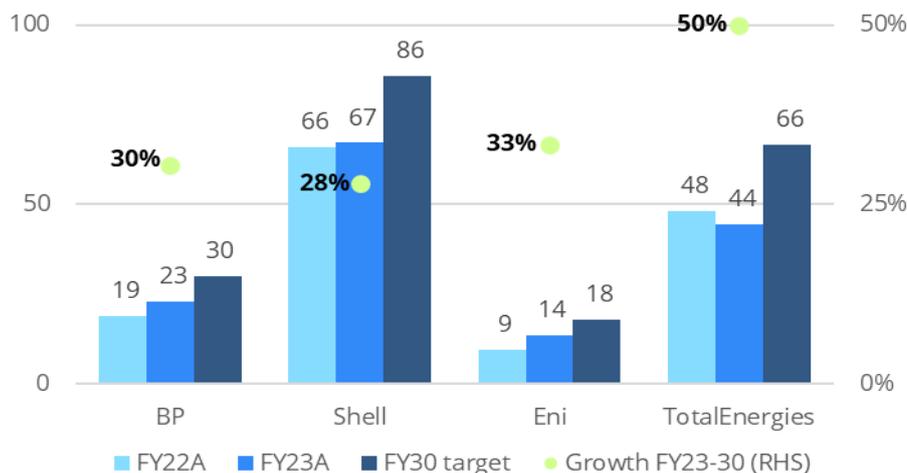
TotalEnergies also has an absolute scope 3 target to maintain Category 11 emissions below 400 MtCO<sub>2</sub>e (achieved in 2020).

Source: Company data, Accela Research estimates

### 3.2 LNG positioned as a lever for energy transition

Shell remains bullish in its outlook for LNG and has further integrated it into its 2024 transition strategy. The company reiterated its position of LNG as a "critical fuel in the energy transition" by removing a KPI related to selling low-carbon products in its annual bonus scorecard, replacing it with one that aims to increase equity LNG. Between FY22-30, the company is targeting an increase of 20-30% for LNG sales (86 Mt pa), and 25-30% for LNG production (39 Mt pa), supported by an additional 11 Mt pa of liquefaction capacity.

**Chart: European Majors LNG sales vs targets, FY22-30 (Mt pa)**



Across European majors, Shell currently sells the most LNG (67 Mt). This is projected to continue to FY30. TotalEnergies is expected to grow the most in LNG sales at ~50% (FY23-30).

Source: Company data, Accela Research estimates



### 3.3 NCI targets scaled back as expected. Five-fold increase in offsets

**Targets and progress.** In its updated strategy, Shell has removed its FY35 net carbon intensity target of -45% relative to FY16 and lowered its FY30 target from -20% to -15-20%. Although this might seem like a big step backward, our [previous analysis](#) showed this NCI target was never achievable with the current strategy.

In FY23, Shell reported a reduction in total net emissions by 55 Mt (4%), with >1/3<sup>rd</sup> of this reduction coming from offsets. Relative to FY30 targets, Shell's scope 1 and 2 emissions declined 31% on FY16 (-50% target), NCI was reduced by 6.3% (-15-20% target), and scope 3 from oil sales declined by 9% on FY21 (-15-20% target).

**Offsets.** Shell's use of offsets increased 5x in FY23, with 20 Mt surrendered to meet its FY23 NCI target (-6-9%). This volume accounted for an estimated 12% of the total global offset market retired in 2023 (164 Mt offsets retired by companies in 2023, according to Bloomberg NEF<sup>1</sup>).

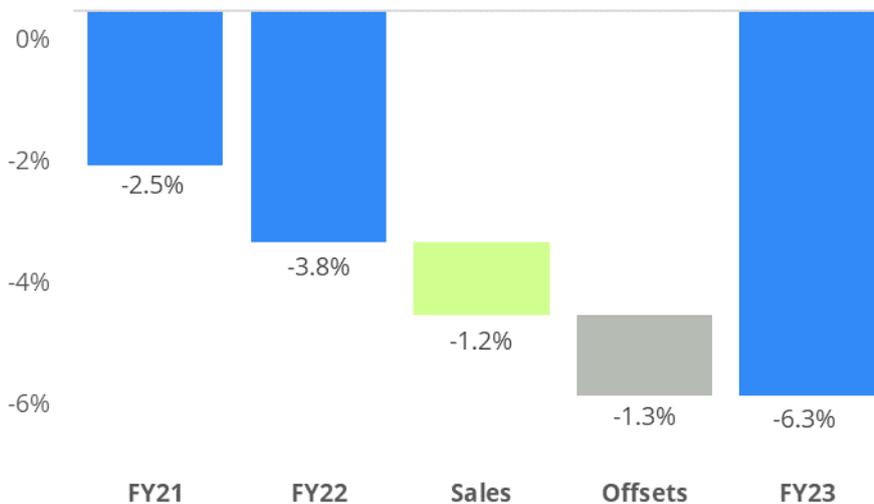
In FY23, Shell reduced its NCI by ~2.38 gCO<sub>2</sub>e/MJ. Without offsets, however, we estimate Shell only achieved a reduction of ~1.14 gCO<sub>2</sub>e/MJ to its net carbon intensity. This means that over half of Shell's FY23 NCI progress came from offsets instead of selling lower-intensity fuels.

**Portfolio mix.** Shell's LNG and oil ambitions will coincide with a reweighting of its portfolio mix by FY30. The company is guiding towards a ~4% increase in LNG share to ~26% of energy sales, and a ~9% decrease in oil products share to ~39% of energy sales between FY23-30. Additionally, with the company focusing on "value over volume" in its power offerings, Shell now expects its growth in power sales in FY30 will be "lower" than the 560 TWh previously indicated (279 TWh in FY23).

Based on Shell's newly disclosed FY30 portfolio mix, we estimate at least ~25% of NCI reductions will require the use of offsets to meet its FY30 target, even if the company's electricity sales become 100% renewable by FY30.

Offsets are currently playing a significant role in Shell's strategy, and the company has flagged offsets may be used going forward to achieve its FY30 scope 1 and 2 target. Divestments have also been identified as a potential driver of future emissions reduction.

**Chart: Reduction in Net Carbon Intensity (NCI), (% change on FY16 base)**



Offsets comprised ~50% of Shell's progress in reducing its NCI between FY22-23.

Other drivers of NCI reduction included the reduced intensity of power sold (via grid decarbonisation in key markets and increased sales of renewable power).

Source: Company data, Accela Research estimates

<sup>1</sup> BNEF 2024, [Carbon Offset Demand Hits Record in 2023 Off Huge December](#)



### 3.4 Oil stable, leading position in gas expected to continue to FY30

Shell's oil production guidance (oils and natural gas liquids) was reiterated as flat to FY30 (~1.4 Mboe/d) despite the company's belief that oil demand is set to slow in the second half of this decade. There was no change to oil and gas capital expenditure, \$40bn between FY23-25, consistent with FY24-25 guidance provided for the individual segments (~\$8bn p.a Upstream, \$5bn p.a Integrated Gas).

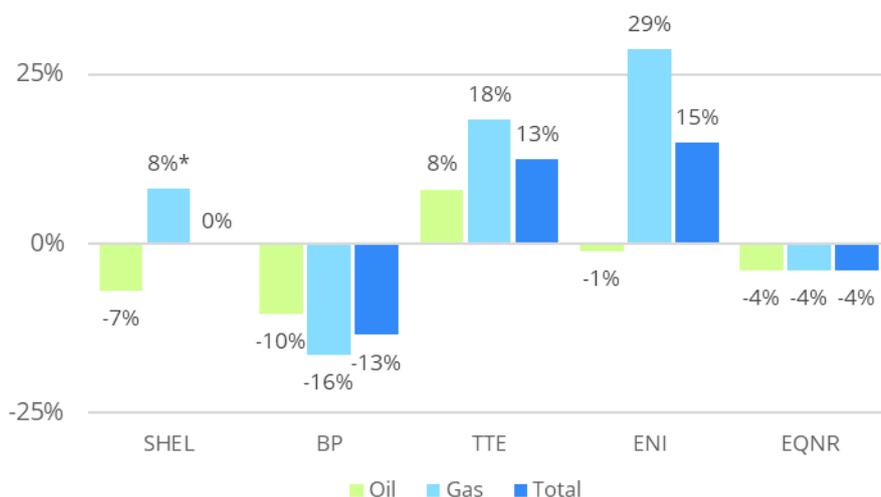
With the guidance provided for LNG, Shell's gas production could grow 8-16% (assuming integration across upstream gas production and LNG), with combined oil and gas production increasing 0-8%.

**Table: Shell Oil and Gas production guidance comparison (M boe/d)**

	Actuals					Guidance	
	FY19	FY20	FY21	FY22	FY23	FY30	% change FY23-30
<b>Oil and gas production</b>							
Portfolio % gas	49%	47%	46%	47%	46%	50% to 52%	N/A
Gas	1.79	1.58	1.50	1.36	1.29	~1.4 to 1.5*	~8% to 16%*
Oil	1.88	1.80	1.74	1.51	1.51	1.4	-7%
<b>Total</b>	<b>3.67</b>	<b>3.39</b>	<b>3.24</b>	<b>2.86</b>	<b>2.79</b>	<b>2.8 to 2.9</b>	<b>0% to 8%</b>
<b>LNG</b>							
LNG liquefaction	36	33	31	30	28	39	36%
LNG sales	74	72	64	66	67	86	28%

Source: Company data, Accela Research estimates | \*Depending on integration with LNG, Shell gas production could grow 8-16%, with total production growing 0-8%

**Chart: European Majors forecast oil and gas production, FY23-30 (%)**



Source: Company data, Accela Research estimates | \*Depending on integration with LNG, Shell gas production could grow 8-16%, with total production growing 0-8%

Shell currently produces the most gas (1,286 kb/d) of its European peers and is expected to do so FY30.

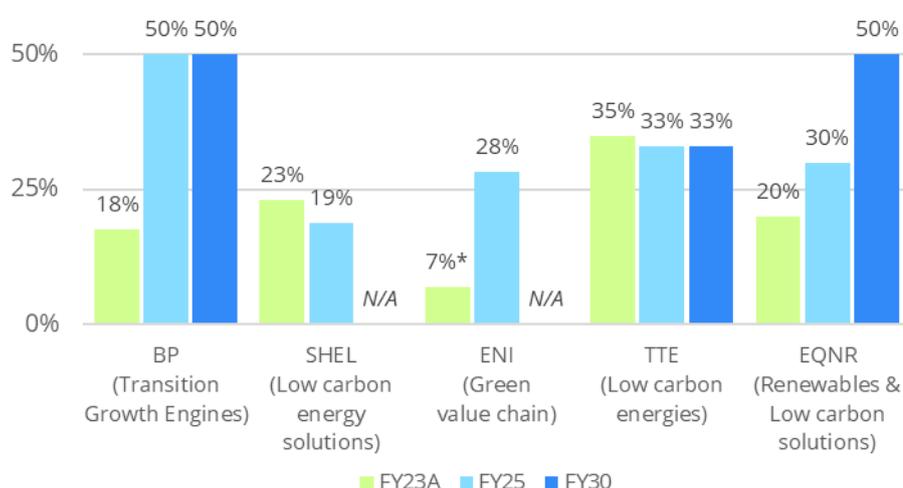
Shell gas could grow 8-16% to FY30, driven by its LNG ambitions.

### 3.5 Less ambition and narrowed focus for low-carbon

Shell's new energy transition plan confirmed a narrowed focus for its low-carbon business, centred on expanding its EV network, growing biofuels, and redirecting growth in power sales to commercial customers rather than retail customers. In its 2024 Energy Transition Strategy, Shell confirmed its target spend of \$10-15bn on low-carbon energy solutions from FY23-25, which translates to \$2.2-4.7bn p.a over FY24-25, lower than its FY23 spend of \$5.6bn. Its FY30 EBITDA targets for its transition business (2023 Capital Markets Day), were unchanged, with low-carbon fuels expected to generate \$1-2 bn, EVs \$1-1.5 bn, and power and hydrogen over \$3 bn.

By FY25, Shell plans to allocate ~ 19% of its capex to low-carbon initiatives (after accounting for the \$5.6bn spent in FY23, and assuming the upper end of its FY24-25 guidance for low-carbon energy solutions and group capex). This is less than peers, with BP planning to allocate ~50%, TotalEnergies 33%, Equinor 30%, and Eni 28% by FY25. With the IEA recommending the oil and gas industry to invest 50% of its capital budget by FY30 in clean energy to meet net zero, a ramp-up in capex ambition is needed if Shell is to continue to pursue oil and gas alongside renewables.

**Chart: European Majors Percentage of capex allocated to low-carbon business, FY23-30 (%)**



Shell and Eni both have no low-carbon capex guidance for FY30.

In FY25, Shell's low-carbon capex is projected to be ~19% (vs. 23% in FY23). This contrasts with most of its peers that are planning to increase low-carbon capex.

Source: Company data, Accela Research estimates | Assumes the upper bounds of guidance provided by majors, \*Plenitude only. Eni has not reported FY23 capex for Enilive

**Table: Shell low-carbon capital expenditure by segment (\$USbn)**

	FY22A	FY23A	FY24-25	FY30 EBITDA	IRRs
<b>Renewables &amp; Energy Solutions, of which:</b>	<b>3.5</b>	<b>2.7</b>	<b>~4 - 5</b>	<b>-</b>	<b>-</b>
Gas	0.6	0.4			10%
<b>Low-carbon energy solutions</b>	<b>2.9</b>	<b>2.3</b>			
CCS transport & storage			<1		10%
Power & hydrogen			0.7 - 2.2	>3	6-8%
<b>Marketing, of which:</b>	<b>4.8</b>	<b>5.6</b>	<b>~3bn</b>	<b>-</b>	<b>-</b>
Oil and gas	3.4	2.3			15%
<b>Low-carbon energy solutions</b>	<b>1.4</b>	<b>3.3</b>			
Low-carbon fuels (biofuels, SAF)			~1	1 - 2	12%
EV charging			~0.5	1 - 1.5	12%
<b>Total low-carbon energy solutions</b>	<b>4.3</b>	<b>5.6</b>	<b>~2.2 - 4.7</b>	<b>5 - 6.5</b>	<b>-</b>

Source: Company data, Accela Research estimates



### 3.6 Remuneration: Changes to transition metrics shouldn't be overlooked

The board revised the energy transition performance metrics included in remuneration for FY24.

**Long-Term Incentive Plans (LTIP).** Shell's LTIP, 25% weighting for energy transition, no longer includes a metric on its NCI target, focusing on scopes 1 and 2 (FY30 target) and methane.

**Annual bonus.** Shell's annual bonus scorecard is 15% weighted to the energy transition, and this year it has removed a target for selling lower carbon products (not met in FY23) and replaced it with a target for increased equity LNG (5% weighting). The decision was made to remove the metric related to selling low-carbon products in favour of a metric within Shell's control and has signalled a prioritisation of LNG in its transition strategy.

TotalEnergies is the only other peer to incentivise increased gas sales by including a target to meet a sales mix of 50% gas by FY30, an increase from 40% in FY20. Other peers have not included fossil fuel growth within their sustainability or equivalent low-carbon metrics. Shell's has a lower weighting for energy transition metrics in its annual bonus scorecard, when compared with peers at 15%, below that of BP (25%), TotalEnergies (28%), and Eni (25%).

**Table: European Majors annual bonus KPI metrics linked to energy transition**

Company	Weighting	Annual bonus related to energy transition
<b>Shell (2024)</b>	<b>15%</b>	<p><b>Category: Energy Transition (15% out of total 100%)</b></p> <ul style="list-style-type: none"> <li>• Actions to reduce emissions to achieve a 50% reduction in Scope 1 and 2 emissions by 2030, on a net basis (5%)</li> <li>• LNG volumes – equity liquefaction (5%)</li> <li>• Support customer decarbonisation – electric vehicle charge point roll-out (5%)</li> </ul>
<b>BP (2024)</b>	<b>25%</b>	<p><b>Category: Safety and sustainability (30% out of 100%)</b></p> <ul style="list-style-type: none"> <li>• Net-zero or sooner for operated carbon emissions (Scope 1 and 2) (15%)</li> </ul> <p><b>Category: Operations (20% out of 100%)</b></p> <ul style="list-style-type: none"> <li>• Transition Growth Engines adjusted EBITDA growth (10%)</li> </ul>
<b>TotalEnergies (2023)</b>	<b>~28% (50% of 180%)</b>	<p><b>Category: Quantifiable targets (10% out of a total of 180%)</b></p> <ul style="list-style-type: none"> <li>• Evolution of GHG emissions (Scope 1+2, operated) (10%)</li> </ul> <p><b>Category: Qualitative targets (40% out of a total of 180%)</b></p> <ul style="list-style-type: none"> <li>• Steering corporate strategy to achieve carbon neutrality, particularly in increasing energy production focusing on gas and renewable energy, as well as moving to sales mix of 35% oil, 50% gas and 15% electricity (15%)</li> <li>• Profitable growth in renewables and electricity (10%)</li> <li>• CSR performance, notably integrating climate issues in the company's strategy (15%)</li> </ul>
<b>Eni (2023)</b>	<b>25%</b>	<p><b>Category: Environmental Sustainability and human capital (15% out of 100%)</b></p> <ul style="list-style-type: none"> <li>• Upstream GHG net emissions Scope 1 and Scope 2 equity (12.5%)</li> </ul> <p><b>Category: Operating results (15% out of 100%)</b></p> <ul style="list-style-type: none"> <li>• Incremental installed capacity of renewables (12.5%)</li> </ul>
<b>Equinor (2024)</b>	<b>&lt;25%</b>	<p>KPIs within corporate delivery (collectively 25% of Annual variable pay award) include the following indicators (amongst others). The individual KPIs and goals within a category are equally weighted initially and can be adjusted.</p> <p><b>Category: Low-carbon:</b></p> <ul style="list-style-type: none"> <li>• Reducing upstream CO2 intensity,</li> <li>• Increasing capex share for renewables and LCS,</li> <li>• Equinor's Energy transition plan (NCI target reduction)</li> </ul>

Source: Company data, Accela Research estimates

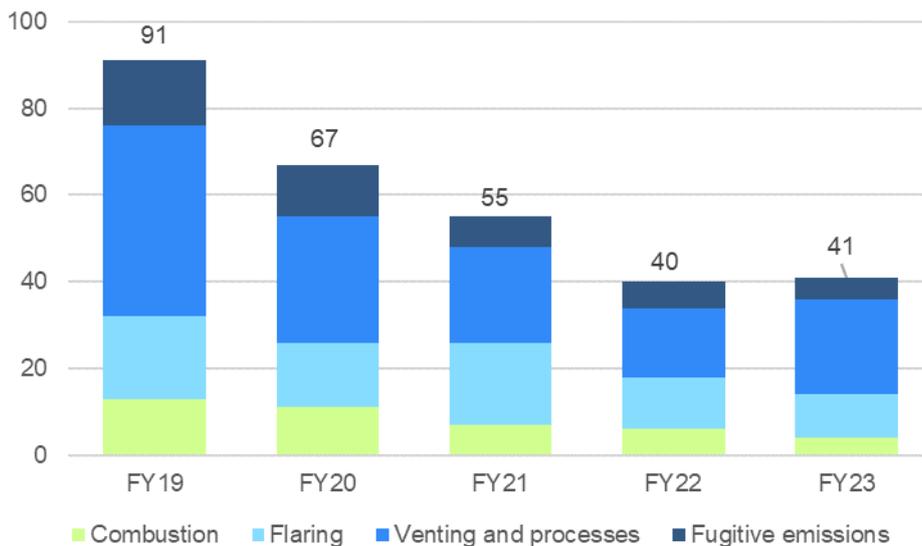


### 3.7 Better disclosure needed on methane data quality

The IEA<sup>2</sup> outlines the need for a substantial reduction in methane emissions (75% between 2020-30) to achieve a net-zero pathway. Shell is targeting near-zero methane emissions by FY30 and maintaining methane intensity for Shell operated assets below 0.2%. Shell currently discloses its operational methane emissions and intensity. Methane emissions have declined 25% since FY21 but increased slightly between FY22-FY23 to 41 kt. The methane intensity of its operated facilities is below its target, at 0.05% for operated facilities that market gas and 0.001% for operated facilities without marketed gas. No disclosure is provided on methane emissions of non-operated assets.

While Shell's progress on reducing methane intensity appears positive, there are still material gaps within the industry on the accurate measurement of methane, making any conclusions from current reported data difficult. Forward looking targets to improve methane measurement and clearer disclosure of estimated vs measured methane data is required to assess progress.

**Chart: Shell, disclosed operational methane emissions (kt CH4)**



Shell's methane emissions have reduced 25% since FY21 but rose in FY23 from FY22. Shell is targeting near-zero methane by FY30.

Source: Company data, Accela Research estimates

In Shell's FY22 disclosure under the UNEP-led OGMP 2.0 reporting framework of which it is a signatory, the proportion of incomplete data for methane from operated assets increased to ~40% of emissions (relative to ~5% disclosed in 2021). In 2022, ~40% of the data quality of Shell's operated assets sat within Level 4 (~15% in 2021). This level uses specific emission factors which can be determined by source level measurements, sampling, or engineering calculations.

Shell has cited remote sensing and direct measurement as part of its initiatives to improve its methane reporting and repair leaks across its assets.

<sup>2</sup> [IEA World Energy Outlook 2023](#)

**Table: Proportion of Shell’s methane emissions against data quality bands defined by OGMP 2.0 (2023 not disclosed)**

	2021 disclosure to OGMP 2.0 <sup>3</sup>	2022 disclosure to OGMP 2.0 <sup>4</sup>
<b>Operated assets</b>		
Emissions (kt CH4)	46.01 (55 reported by Shell)	33.60 (40 reported by Shell)
Incomplete data	<5%	~40%
Data quality level		
- Level 1		0%
- Level 2	<5%	<5%
- Level 3 or 4	~95%	~95%
<b>Non-operated assets</b>		
Emissions	Not disclosed	Not disclosed
Incomplete data	Not disclosed*	~40%
Data quality level		
- Level 1	<5%	~40%
- Level 2	~50%	~20%
- Level 3 or 4	~50%	~40%

Source: UNEP IMEO report, Accela Research estimates | \*data not available for 7 of 20 non-operated assets

**Table: The five OGMP 2.0 reporting levels (see reference for full definitions)**

Reporting level	Definition
Level 1	Emissions reported using one estimation for all operations in an asset or all assets within a region or country
Level 2	Emissions reported using consolidated, simplified source categories using a variety of quantification methodologies, progressively up to the asset level, when available.
Level 3	Emissions reported by detailed source type and using generic emission factors
Level 4	Emissions reported by detailed source type and using specific emission factors and activity factors determined by source-level measurement, sampling or other source-specific quantification methodologies.
Level 5	Emissions reported similarly to Level 4, but with the addition of site-level measurement reconciliation (site-level measurements characterize site-level emissions distribution for a statistically representative population).

Source: UNEP IMEO Report.

<sup>3</sup> [IMEO 2022 Report, An eye on methane](#)

<sup>4</sup> [IMEO 2023 Report, An eye on methane](#)



# Appendix: Key data

Table: Shell emissions reduction targets

	Baseline		Actuals					Targets		
	Year	Emissions	FY19	FY20	FY21	FY22	FY23	FY25	FY30	FY50
<b>Scope 1 and 2, operational – Absolute (MtCO2e)</b>										
<b>Emissions</b>	<b>2016</b>	<b>83</b>	<b>80</b>	<b>71</b>	<b>68</b>	<b>58</b>	<b>57</b>		<b>41.5</b>	<b>0</b>
% change p.a			-	-11%	-4%	-15%	-2%			
% change base year			-4%	-14%	-18%	-30%	-31%		-50%	-100%
% change from FY19			-	-11%	-15%	-28%	-29%		-48%	-100%
<b>Scope 3, equity – Absolute (MtCO2e)</b>										
<b>Emissions</b>	<b>2016</b>	<b>1,545</b>	<b>1,551</b>	<b>1,305</b>	<b>1,299</b>	<b>1,174</b>	<b>1,147</b>			
% change p.a			-	-16%	0%	-10%	-2%		No target	
% change base year			0%	-16%	-16%	-24%	-26%			
% change from FY19			-	-16%	-16%	-24%	-26%			
<b>Ambition only Scope 3, oil products only – Absolute (MtCO2e)</b>										
<b>Emissions</b>	<b>2021</b>	<b>569</b>	-	-	<b>569</b>	<i>not disclosed</i>	<b>517</b>		<b>455</b>	
% change p.a			-	-	-	-	-			
% change base year			-	-	-	-	-9%		-15-20%	
% change from FY19			-	-	-	-	-			
<b>Net Carbon Intensity, Scope 1,2,3 – Intensity (g CO2e/MJ)</b>										
<b>Intensity</b>	<b>2016</b>	<b>79</b>	<b>79</b>	<b>78</b>	<b>75</b>	<b>77</b>	<b>76</b>	<b>68.7</b>	<b>63.2</b>	<b>0</b>
% change p.a			-	-4%	3%	-1%	-3%			
% change base year			-1%	-5%	-3%	-4%	-6%	-9-13%	-15-20%	-100%
% change from FY19			-	-4%	-1%	-3%	-5%	-12%	-19%	
<b>GHG emissions included in NCI (net)</b>		<b>1,645</b>	<b>1,646</b>	<b>1,384</b>	<b>1,375</b>	<b>1,240</b>	<b>1,185</b>			
<b>Offsets disclosed (MtCO2e)</b>		<b>0.0</b>	<b>2.2</b>	<b>3.9</b>	<b>5.1</b>	<b>4.1</b>	<b>20.0</b>			

Source: Company estimates, Accela Research estimates



Table: Shell summary fuel volumes

	Units	Actual					Guidance	
		FY19	FY20	FY21	FY22	FY23	FY25	FY30
<b>Oil and gas production</b>	<b>k boe/d</b>	<b>3,665</b>	<b>3,386</b>	<b>3,237</b>	<b>2,863</b>	<b>2,791</b>		<b>2,791</b>
% change p.a, FY23-30 CAGR			-8%	-4%	-12%	-3%		0%
<b>Oil and NGLs</b>	<b>k boe/d</b>	<b>1,875</b>	<b>1,803</b>	<b>1,739</b>	<b>1,506</b>	<b>1,505</b>		<b>1,400</b>
% change p.a, FY23-30 CAGR			-4%	-4%	-13%	0%		-1%
<b>Gas production*</b>	<b>k boe/d</b>	<b>1,790</b>	<b>1,583</b>	<b>1,498</b>	<b>1,357</b>	<b>1,286</b>		<b>1,391-1,491</b>
% change p.a, FY23-30 CAGR			-12%	-5%	-9%	-5%		1%-2%
<b>LNG portfolio</b>	<b>Mt p.a</b>	<b>74</b>	<b>72</b>	<b>64</b>	<b>66</b>	<b>67</b>		<b>86</b>
% change p.a, FY23-30 CAGR			-3%	-11%	3%	2%		4%
<b>Refining throughput</b>	<b>k b/d</b>	<b>2,564</b>	<b>2,063</b>	<b>1,639</b>	<b>1,402</b>	<b>1,349</b>		
% change p.a, FY23-30 CAGR			-20%	-21%	-14%	-4%		
<b>Total oil and gas sales**</b>	<b>k boe/d</b>	<b>8,613</b>	<b>8,138</b>	<b>7,733</b>	<b>7,336</b>	<b>7,079</b>		
% change p.a, FY23-30 CAGR			-6%	-5%	-5%	-4%		
<b>Total refined product sales</b>	<b>k boe/d</b>	<b>6,561</b>	<b>4,710</b>	<b>4,458</b>	<b>4,203</b>	<b>4,124</b>		
% change p.a			-28%	-5%	-6%	-2%		
<b>Bio energy production</b>	<b>k boe/d</b>	<b>10.0</b>	<b>11.0</b>	<b>11.0</b>	<b>13.2</b>	<b>13.7</b>		
% change p.a, FY23-30 CAGR			10%	0%	20%	4%		
<b>Renewable installed capacity</b>	<b>GW</b>	<b>-</b>	<b>0.4</b>	<b>0.7</b>	<b>2.2</b>	<b>2.5</b>		
% change p.a, FY23-30 CAGR				59%	219%	13%		
<b>Traded electricity</b>	<b>TWh</b>	<b>-</b>	<b>252</b>	<b>247</b>	<b>243</b>	<b>279</b>		
% change p.a, FY23-30 CAGR				-2%	-2%	15%		
<b>EV Charge points</b>	<b>No.</b>	<b>-</b>	<b>1,000</b>	<b>7,000</b>	<b>27,000</b>	<b>54,000</b>	<b>70,000</b>	<b>200,000</b>
% change p.a, FY23-30 CAGR				600%	286%	100%	14%	21%

Source: Company estimates, Accela Research estimates | \*Depending on integration with LNG, Shell gas production could grow 1-2% CAGR,

\*\*Estimated based on company disclosures



Table: Shell capital expenditure (US\$bn)

	FY19	FY20	Actual FY21	FY22	FY23	Guidance FY24-25
<b>By segment</b>						
<b>Renewables &amp; Energy Solutions</b>	<b>1.1</b>	<b>0.9</b>	<b>2.4</b>	<b>3.5</b>	<b>2.7</b>	<b>4-5</b>
% of Group	5%	5%	12%	14%	11%	20%
<i>o/w:</i> Low-carbon energy solutions (power, H2 & CCS)				2.9	2.3	
<b>Marketing</b>	<b>1.8</b>	<b>1.8</b>	<b>2.3</b>	<b>4.8</b>	<b>5.6</b>	<b>3</b>
% of Group	7%	10%	12%	19%	23%	12%
<i>o/w:</i> Low-carbon energy solutions (EVs, bioenergy)				1.4	3.3	
Non-energy products				1.5	0.9	
<b>Chemicals &amp; Products</b>	<b>7.3</b>	<b>4.2</b>	<b>5.2</b>	<b>3.8</b>	<b>3.2</b>	<b>3-4</b>
% of Group	30%	24%	26%	15%	13%	16%
<i>o/w:</i> Non-energy products				2.4	1.4	
<b>Upstream &amp; Integrated gas</b>	<b>13.3</b>	<b>10.7</b>	<b>9.7</b>	<b>12.4</b>	<b>12.5</b>	<b>13</b>
% of Group	56%	60%	49%	50%	51%	52%
<b>Corporate</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	
% of Group	2%	1%	1%	1%	2%	
<b>By fuel type</b>						
<b>Low-carbon energy solutions</b>				<b>4.3</b>	<b>5.6</b>	<b>2.2-4.7</b>
% of Group				17%	23%	~19%*
<b>Oil &amp; gas</b>				<b>20.5</b>	<b>18.8</b>	<b>20</b>
% of Group				83%	77%	81%
<i>o/w:</i> non-energy products				<b>3.9</b>	<b>2.3</b>	
% of Group				16%	9%	
<b>Group</b>	<b>23.9</b>	<b>17.8</b>	<b>19.7</b>	<b>24.8</b>	<b>24.4</b>	<b>22-25</b>

Source: Company estimates, Accela Research estimates | \*% of Group based on upper end of guidance statements, using Shell's target for Low Carbon Energy Solutions of \$10-15bn FY23-FY25 (implies \$2.2-4.7bn pa. for FY24-25).

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