# Setting the Standard: Assessing oil and gas companies' transition plans

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The Transition Pathway Initiative (TPI) Centre is an independent, authoritative source of research and data on the progress of corporate and sovereign entities in transitioning to a low-carbon economy.

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- Assess the quality of companies' governance and management of their carbon emissions and of risks and opportunities related to the low-carbon transition.
- Evaluate whether companies' current and planned future emissions are aligned with international climate targets and national climate pledges, including those made as part of the Paris Agreement.
- Form the basis for the Climate Action 100+ Net Zero Company Benchmark Disclosure Framework assessments.
- Are published alongside the methods online and fully open access at www.transitionpathwayinitiative.org/ and on GitHub.

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The views in this report are those of the authors and do not necessarily represent those of the host institutions or funders. The authors declare no conflict of interest in preparing this report. For the full disclaimer about the data and information published in this report, see p16.



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# Contents

# Executive summary

The TPI Centre has assessed the transition plans of 10 of the world's largest, publicly listed oil and gas companies (five from Europe and five from North America) using the new Net Zero Standard for Oil & Gas.

The Standard is designed to provide a more in-depth, sectoral analysis of oil and gas companies' transition plans compared with frameworks available previously. Uniquely, it focuses on comprehensiveness and alignment with limiting global warming to 1.5°C above pre-industrial levels, investigating aspects of transition planning disclosure that were historically not possible to assess due to low data availability. It therefore offers investors new, sector-specific insights into the ambition and robustness of transition plans, and the net zero transition risks faced by companies in a highly exposed sector.

The Standard was developed by the Institutional Investors Group on Climate Change (IIGCC) with support from the TPI Centre.

## Key findings

- **Companies assessed on the Standard score on only 19% of applicable metrics, on average.** Such weak results provide evidence that transition plans within the oil and gas sector are still insufficiently detailed for investors to accurately assess transition risk.
- **Scoring on the Standard varies widely between companies.** The best performing company scores on more than 50% of applicable metrics, while the worst performing scores on none. The substantial variation in companies' ambition demonstrates that progress in transition planning is possible among oil and gas companies but is not currently being achieved by most.
- **More disclosure is required on the central aspects of transition planning,** including measures to neutralise emissions, and production forecasts. Most companies are missing out these crucial elements, with companies failing to score on 87% of metrics related to the quantification of emissions reductions and on 89% of metrics relating to future oil and gas production.
- **There are significant differences in approach to transition planning between European and North American companies.** European companies, on average, score highest on 'Solutions' metrics, which assess whether a company is diversifying into low-carbon energy products. European companies score on 46% of Solutions metrics while, in contrast, North American companies score on 3% of Solutions metrics, leaving them exposed to future demand fluctuations.

# 1. The Net Zero Standard for Oil & Gas

## Introduction

The Net Zero Standard for Oil & Gas ('the Standard') is a new framework that aims to help investors to assess alignment of oil and gas companies' transition plans with a 1.5°C warming scenario, the goal of the Paris Agreement. Too often, it is unclear if a company's strategy is robust enough to align with and deliver on 1.5°C. In response, the Standard offers a deep examination of a wide range of strategic decision-points to help investors bridge the information gap on transition plans.

The TPI Centre has assessed 10 of the world's largest, publicly listed oil and gas companies against the Standard, five from Europe and five from North America (see Table 1.1). These were selected by investors based on the materiality to their portfolios and the companies' emissions footprint. This report presents the results.

## Development and assessment process

The Standard was developed following the success of the Climate Action 100+ (CA100+) Net Zero Company Benchmark ('the Benchmark'), a strategic tool to inform investor engagement with major corporate emitters. Through dialogue, investors can use the Benchmark to accelerate the business transition to net zero emissions by 2050 or sooner.

A major component of the Benchmark is the Disclosure Framework, which evaluates the adequacy of corporate disclosure through a set of 11 indicators covering various aspects of transition planning. The Disclosure Framework is designed to be sector-agnostic, to allow investors to compare company progress across all CA100+ companies. This is a key strength of the framework, but as the quality of companies' sustainability disclosures improves and engagement dialogue deepens, investors are increasingly seeking a more in-depth understanding of sector-specific transition strategies and the unique challenges each sector faces. Therefore, the Standard was designed to fulfil the requirement for benchmarks with sectoral specificity, to accurately assess the quality of transition plans.

Starting in 2021 for the oil and gas sector, the Institutional Investors Group on Climate Change (IIGCC) developed a comprehensive standard to assess various elements of transition risk within the sector. Following a two-year collaborative process led by IIGCC with support from the TPI Centre, investors and regional investor groups, a pilot study was undertaken, and final indicators released in 2023. Other Net Zero Standard frameworks include the Net Zero Banking Assessment Framework and the Net Zero Standard for Diversified Mining; work is in progress on standards for the steel and automotive sectors.

The assessment process for the Standard mimicked that of the CA100+ disclosure framework. The company data was gathered exclusively from companies' public disclosures. Following an initial round of assessments, the preliminary results were sent to the assessed companies for feedback. After the feedback was integrated and scores were compared for consistency, the results were finalised and subsequently published on the signatory-only section of the CA100+ website.

Table 1.1. **The companies assessed by the Net Zero Standard for Oil & Gas and their current performance on the CA100+ Benchmark**

| Company name | Region | Country HQ | Market capitalisation, 13/03/24 ($ billions) | CA100+ disclosure framework score |
|---|---|---|---|---|
| BP | Europe | UK | 104 | 73% |
| Chevron | North America | USA | 282 | 30% |
| ConocoPhillips | North America | USA | 136 | 25% |
| Eni S.p.A | Europe | Italy | 50 | 75% |
| Exxon Mobil | North America | USA | 108 | 34% |
| Occidental Petroleum | North America | USA | 64 | 35% |
| Repsol S.A. | Europe | Spain | 19 | 59% |
| Shell plc | Europe | UK | 203 | 55% |
| Suncor Energy | North America | Canada | 44 | 18% |
| TotalEnergies SE | Europe | France | 158 | 73% |

# Structure of the Standard

The Standard has been designed to complement the CA100+ Disclosure Framework, adding 81[1] sector-specific metrics onto indicators 2, 3, 5, 6 and 10 (see Table 1.2).

**Key points:**

- Metrics are grouped by sub-indicator, with each covering an element of transition planning. These sub-indicators are further grouped into indicators under an overarching topic.
- The metrics within the Standard were divided into three categories based on the aspect of transition planning they address: *Disclosure*, *Solutions* and *Alignment*.
- The metrics are assessed on a binary Y/N basis and then aggregated by sub-indicator and metric type to calculate overall percentage scores.
- Some metrics require benchmarks for specific segments of company emissions that have yet to be created and are therefore not currently active [see footnote 1].
- The number of metrics in each section varies considerably, depending on the topic covered. The indicators covering strategy and capital allocation (5 and 6) are the most numerous. These components constitute the core of a well-structured transition plan and, consequently, carry the highest weight within the Standard. They have also been identified as a key focus area by investors.
- The Standard introduces metrics specifically focused on companies' upstream targets and assesses alignment of those targets and the alignment of the companies' existing Scope 1 and 2 targets (indicators 2 and 3).

[1] Ten metrics are currently not active, meaning they are not currently being assessed as the benchmark required to assess alignment is still being developed. The number of applicable metrics can also vary according to the position of the company in the value chain: metrics covering companies' upstream business are not applicable to upstream companies, whose main emissions targets cover this segment.

- The Standard raises the bar for disclosure standards, requiring companies to disclose in a more consistent manner.
- Indicator 10 requires specific information related to energy and emissions disclosures that is necessary for investors to determine the carbon intensity of their products. These have historically been disclosed in a manner that is inconsistent and opaque. Companies have often included factors such as fossil fuel equivalence calculations, which distort energy intensity figures and any targets on which they are based, by numerically increasing the contribution of renewables without discussing the methodology or impact.

Table 1.2. **Structure of the Net Zero Standard for Oil & Gas**

| CA100+ indicator | NZ Standard for O&G sub-indicator | NZ Standard for O&G metric type | NZ Standard for O&G new metrics |
|---|---|---|---|
| 2 – Long-term emissions targets | i - Operational emissions targets (long-term) | Alignment | 1 (0 active) |
| | ii – Upstream targets (long-term) | Disclosure + Alignment | 2 (1 active) |
| 3 – Medium-term emissions targets | i - Operational emissions targets (medium-term) | Alignment | 1 (0 active) |
| | ii - Upstream targets (medium-term) | Disclosure + Alignment | 2 (1 active) |
| 5 – Decarbonisation strategy | i - Decarbonisation strategy | Disclosure | 2 |
| | ii - Neutralising measures | Disclosure + Alignment | 13 |
| | iii - Climate solutions | Solutions | 8 |
| | iv – Methane | Disclosure + Alignment | 7 |
| | v - Oil and gas production | Disclosure + Alignment | 18 (16 active) |
| 6 – Capital allocation | i - Oil and gas capital expenditure | Disclosure + Alignment | 9 (7 active) |
| | ii - Green investment | Solutions | 9 (8 active) |
| | iii - Decarbonisation investment | Disclosure | 2 |
| 10 – TCFD* disclosure | i - Energy disclosure | Disclosure | 4 |
| | ii - Emissions disclosure | Disclosure | 3 |

**Task Force on Climate-Related Financial Disclosures*

# 2. Results

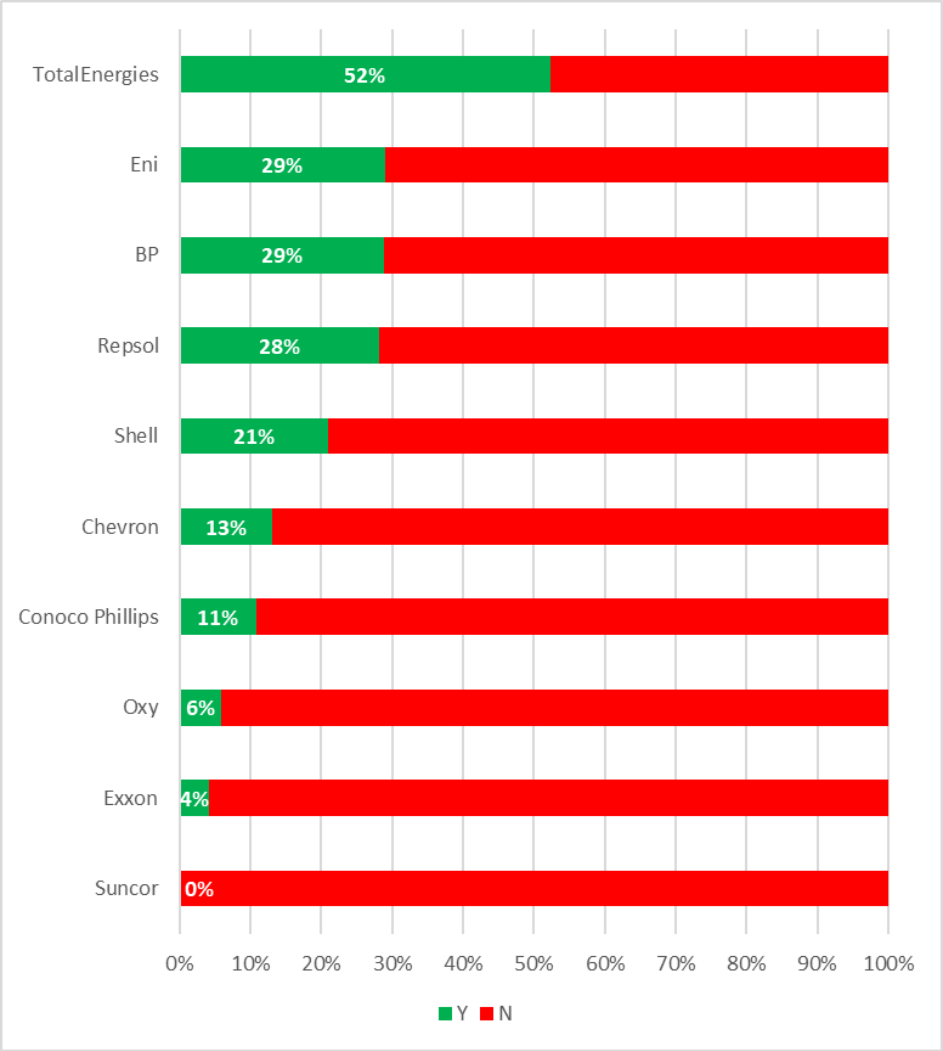
This section presents the results from the first assessment of companies against the Net Zero Standard for Oil & Gas. It focuses exclusively on the metrics of the Standard, excluding wider results from the CA100+ Disclosure Framework. Therefore, the analysis focuses primarily on companies' strategy and capital allocation disclosures.

## Company results

The results shown in Figure 2.1 demonstrate wide variation in company performance:

- The average score of companies is 19% – meaning the average company scores 'Yes' on 19% of metrics.
- TotalEnergies tops the list of companies assessed, scoring 'Yes' on more than 50% of applicable metrics.
- Suncor, at the bottom of the list, does not score 'Yes' on any of the metrics.
- Three companies score on around 30% of the metrics, and most of the rest score on around 10% or fewer.
- Given that a minimum score of around 80% indicates a robust transition plan (see further below), our results indicate that the sector has much progress to make.

Figure 2.1. **Overall scoring of the 10 assessed companies**




On the whole, European companies score far better than their North American counterparts, making up the top five. The highest-scoring North American company, ranking sixth, scores on only 13% of the metrics. The average score for North American companies is 7%, compared with 32% for European companies.

A score of 100% may not be required to judge that a company has a robust transition plan. In particular, the subset of metrics labelled 'Solutions' covers alternative forms of low-carbon energy into which an oil and gas company might diversify. While a company may aim to reduce its transition risk by diversifying into many alternative forms of energy (Cherepovitsyn and Rutenko, 2022), ultimately it may be in the company's interests to focus on a narrower set of solutions. Therefore, a company could score on all Disclosure and Alignment metrics, only score on the Solutions metrics relevant to one type of climate solution (e.g. renewables), and still have a robust plan. This would give the company an overall score of around 80%, which can be considered the minimum for a robust transition plan.

As shown above, none of the assessed companies currently comes close to this minimum score: on average, companies score on a quarter of the metrics. This shows how far oil and gas companies' transition plans have to go before they can be considered robust.

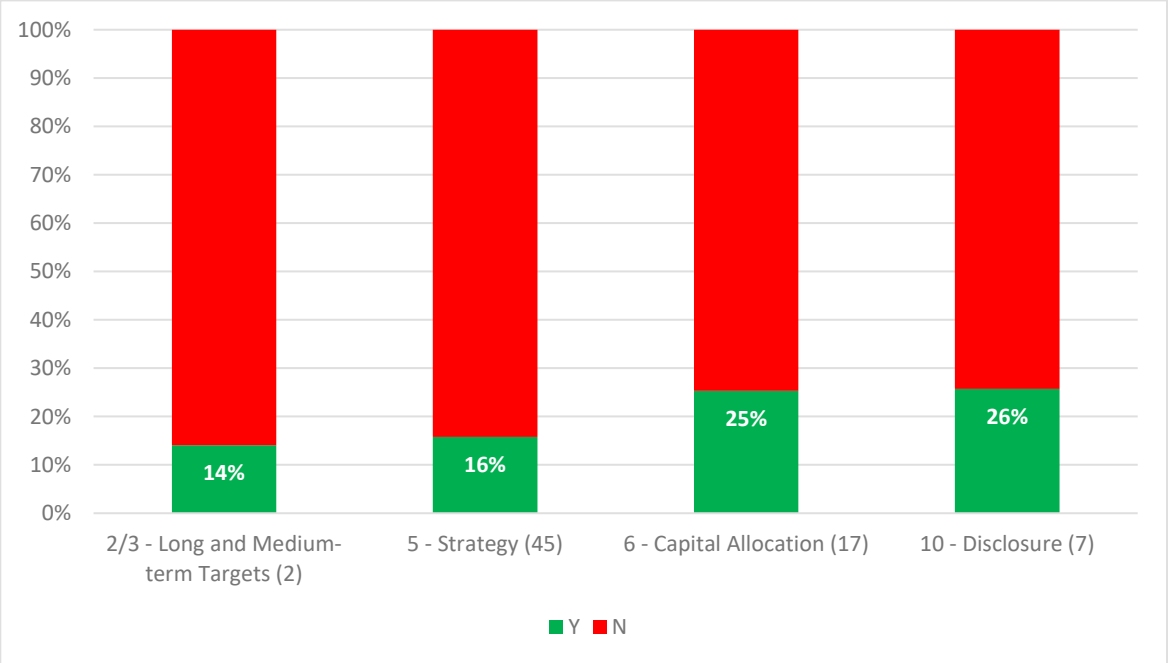
# Indicator, sub-indicator and metric results

Looking at aggregate company results provides information about overall performance and its variation but is just one way to analyse the results. In order to assess specific areas of company strength and weakness, below we present scores at the indicator, sub-indicator and metric levels.

## Indicator-level results

The indicator-level results show some differentiation between areas of companies' transition planning. The scoring on capital allocation (indicator 6) and disclosure (indicator 10) is substantially higher than on strategy (indicator 5) (see Figure 2.2). This has been driven by companies making forward-looking capital expenditure (CAPEX) statements pertaining to both fossil-fuel investment and green investment, as well as strong emissions disclosure. The relatively poor performance on strategy means that the key strategic areas of transition planning are still missing from company disclosures.

Figure 2.2. **Percentage scoring by indicator**



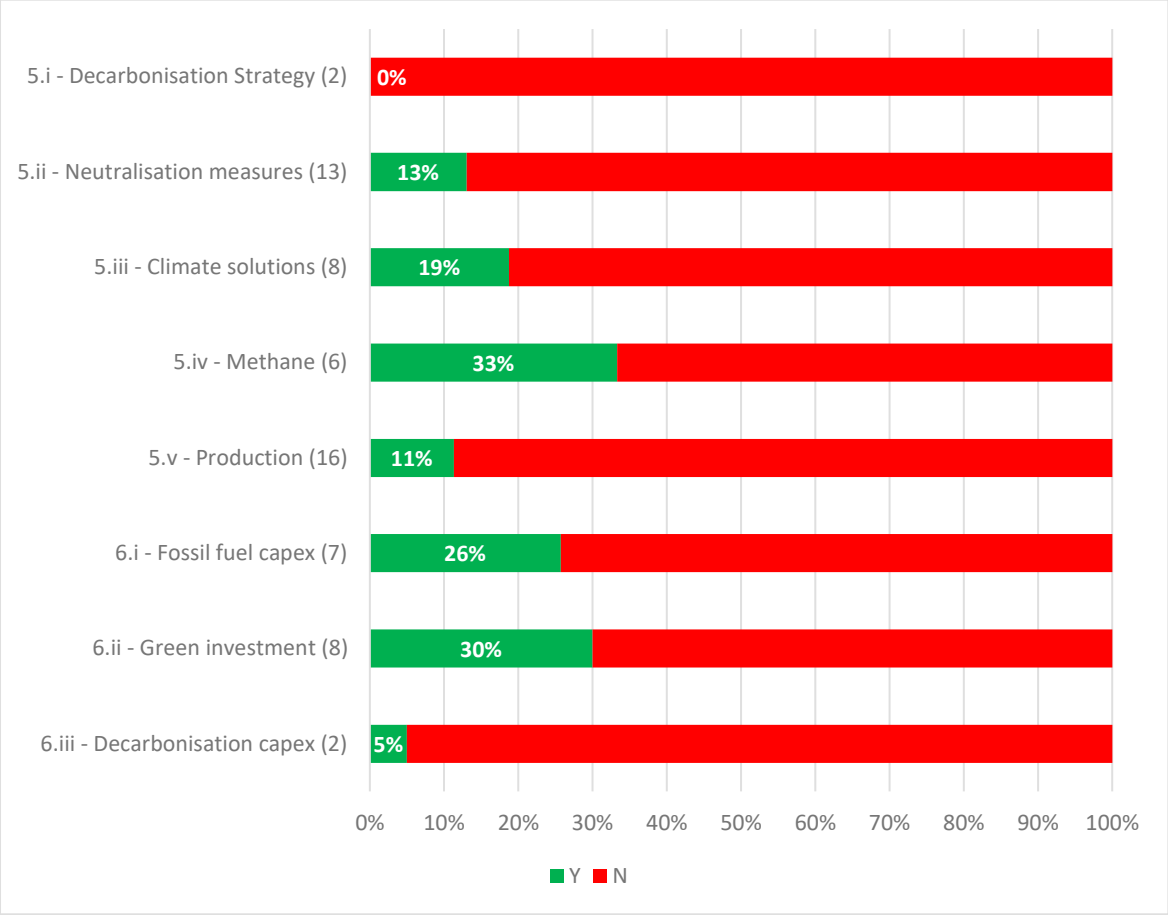

*Note: Numbers in brackets represent the count of current active metrics*

## Sub-indicator-level results (Strategy and CAPEX)

As mentioned above, indicators 5 and 6 represent the bulk of the Standard and indicate where transition planning needs to be the most sector-specific. Overall, the scoring on these indicators, as with the rest of the Standard, is low but there are some sub-indicators that perform better than others.

The sub-indicator related to methane (5.iv) attracts the highest scores across the Standard. This is driven by companies achieving the Oil and Gas Methane Partnership's (OGMP) 'gold standard' (5.iv.a) and committing to zero routine flaring by 2030 (5.iv.e). Nevertheless, most companies have not set a methane emissions reduction target with a clear and specific base and target year, and only two companies provided a comprehensive strategy to address methane emissions.

Figure 2.3. **Percentage scoring of sub-indicators within *s*trategy and capital allocation indicators**




*Note: Numbers in brackets represent the count of active metrics contained in each sub-indicator*

While companies disclose various decarbonisation strategies, inadequate quantification of each strategy led to poor scoring on 5.i and 5.ii. Many companies present their various strategies through waterfall charts with gradient colours, which lack clear percentages and numerical data. In other cases, companies simply enumerate potential decarbonisation methods without providing specific figures.

Furthermore, companies are failing to disclose their oil and gas production plans (5.v) or to acknowledge the need for substantial reductions in fossil-fuel production across the industry by 2050. While six companies do score on metrics related to medium-term production plans, only two provide any long-term production forecasts. Unlike decarbonisation strategy, this area of transition planning scores lower due to an absence of disclosure rather than the quality of disclosure. Not being able to understand how a company is planning to respond to changing demand for its core products creates substantial transition risk for investors in the long term.

Regarding CAPEX disclosures, most assessed companies do disclose total group CAPEX for the last financial year alongside forward-looking guidance. However, there remains a lack of more detailed breakdown of CAPEX, such as by business segment, by CAPEX specific for green investments, or by CAPEX dedicated to abatement technologies.

## Metric-level results

The metrics with the highest scores were as follows:

- 5.iv.e – Zero flaring by 2030 (90%)
- 6.i.a – Total group CAPEX disclosed (80%)
- 10.ii.b – Emissions (incl. Scope 3) verification by a third party (70%)
- 5.iv.a – OGMP gold standard (70%)

Scoring is concentrated in areas of disclosure that have been common practice in company climate disclosures for some time (e.g. group CAPEX and emissions verification). Methane commitments were a particular focus of the UN COP28 conference in 2023, and a number of companies were recently awarded the OGMP 'gold' standard, which may explain the high scoring in this area.

There are 22 metrics on which no company scores. These metrics are evenly distributed across indicators 5, 6 and 10; for each of these indicators, 30–35% of metrics are not scored on by any company. Substantial progress is required across all indicators, even by the best scoring company.

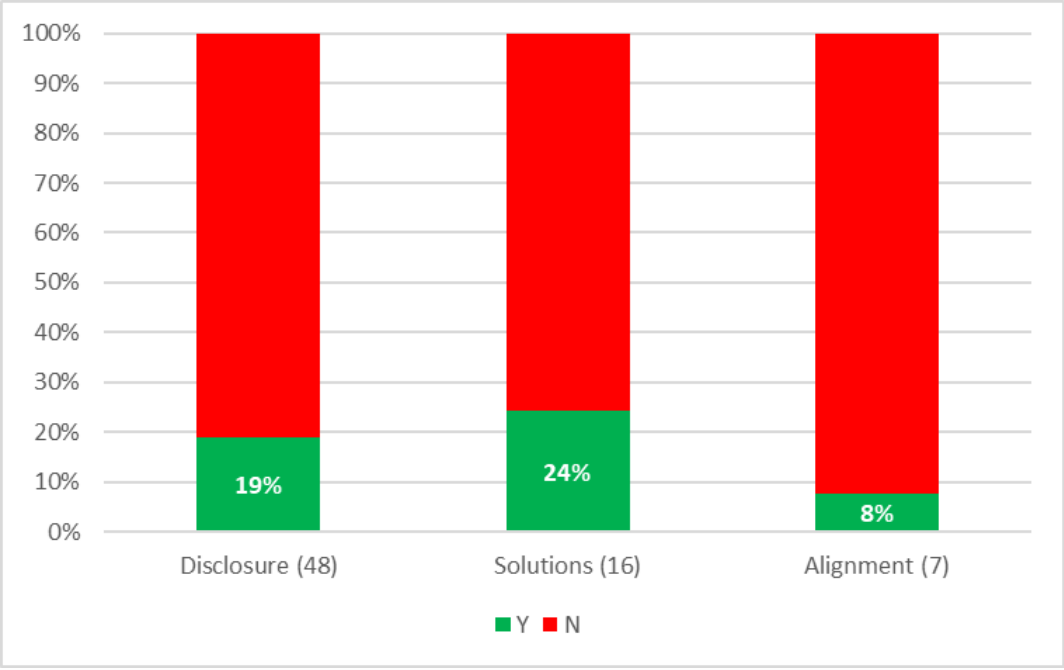
## Results by metric type

As introduced in Section 1, metrics within the Standard are divided into three broad categories:

- *Disclosure* metrics assess the quality of companies' public disclosures relating to climate.
- *Solutions* metrics cover the contribution companies are making to investments in low-carbon technologies, infrastructure or other activities that displace fossil fuels.
- *Alignment* metrics determine whether commitments made in Disclosure metrics are aligned with a 1.5°C scenario – specifically, the International Energy Agency's Net Zero Emissions (NZE) scenario.

Companies score highest on Solutions metrics, followed by Disclosure, then Alignment – see Figure 2.4. While this trend also applies to most companies individually, there are exceptions (e.g. Shell's worst score by metric type is on Solutions).

Figure 2.4. **Percentage scoring by metric type**




*Note: Numbers in brackets represent the count of active metrics*

The higher scoring on the Solutions metrics suggests the assessed companies are more comprehensively disclosing information regarding alternative energy sources than other aspects of transition planning such as fossil fuel production forecasts. This may come from a desire to focus attention on areas of growth within their business. However, a caveat is that in the early years of companies developing alternative energy products, growth rates can be rapid relative to a low base. This makes it easier for companies to score on metrics testing

the alignment of solutions that are assessed against growth rates of that particular energy product from the IEA's NZE scenario.

Relatively low scoring on Alignment is perhaps unsurprising, as the Standard requires aligning disclosure with a 1.5°C scenario. With companies scoring on only 8% of Alignment metrics, the conclusion, inevitably, is that current transition plans are incompatible with 1.5°C.

# Transition plan diversity

It is to be expected that companies will follow different pathways to net zero. Companies vary in their starting points and operational strengths and can decarbonise using a multitude of technologies and steps. One area in which this can be seen is the variation in scoring on climate solutions. The analysis shows that different companies are focusing on different climate solutions. These can be broadly segmented into *renewable electricity*, *alternative fuels* and *abatement*.

Table 2.1. **Diversity of transition plans – scoring determined by whether a company sets targets for the relevant business segment**

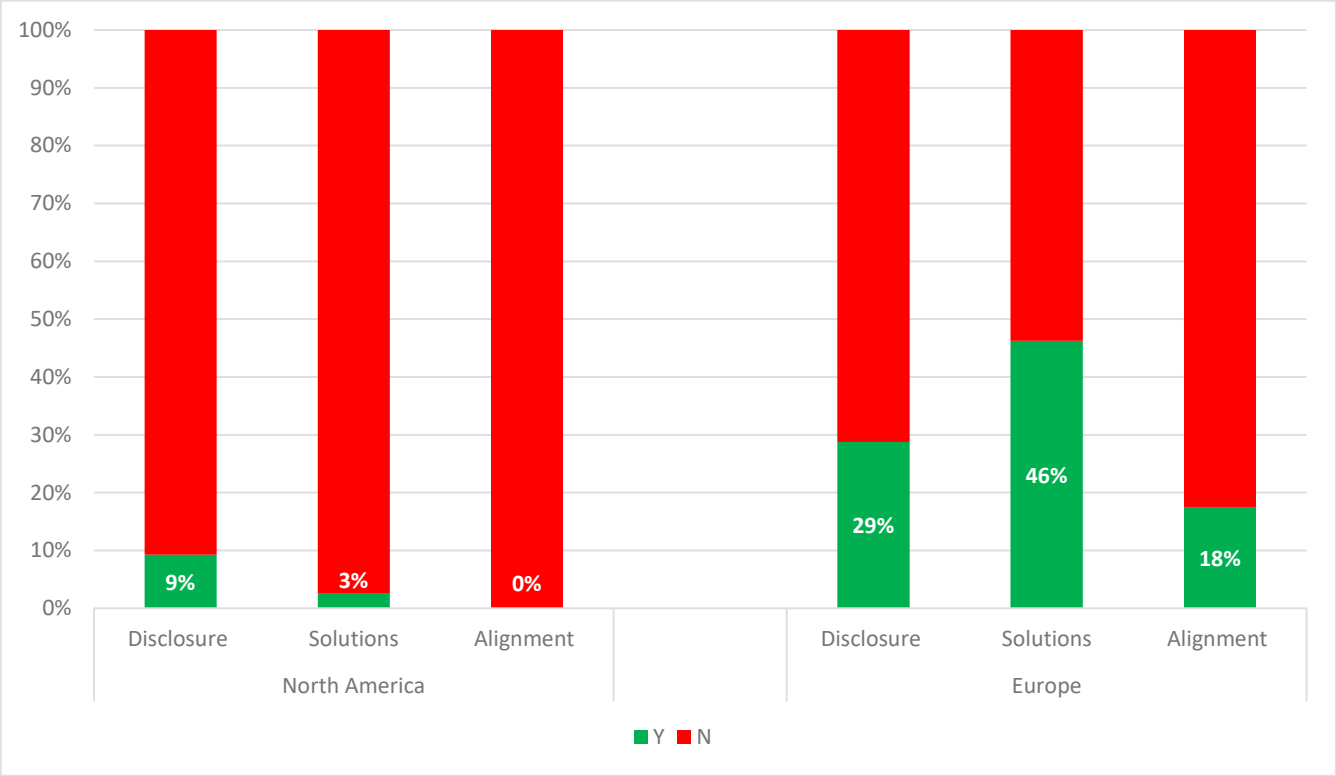
| Company | Production in decline? | Solution – renewables | Solution – alternative fuels | Solution – abatement |
|---|---|---|---|---|
| Occidental Petroleum | N (no forecast) | N | N | Y (incl. third party sales) |
| Chevron | N (increasing) | N | Y (biofuels + hydrogen) | Y |
| Eni S.p.A | N (increasing) | Y | Y (biofuels + hydrogen) | Y |
| BP | Y (but medium-term oil only) | Y | Y (biofuels + hydrogen) | Y |

The solutions a company chooses to focus on may impact the level of transition risk it faces. For example, electricity markets and technologies are established and demand for electricity is highly likely to grow in the coming decades as the electrification of power, automotive and heating systems occurs (IEA, 2023). However, the future market size for biofuels, hydrogen and third-party abatement is more uncertain (McKinsey, 2023).

## Differences between European and North American companies

One result that stands out is the difference in solution approaches between European and North American companies. European companies are pursuing a range of energy solutions and therefore score highly on Solutions metrics (see Figure 2.5). North American companies satisfy far fewer Solutions metrics, a consequence of their exclusive focus on alternative fuels. None of the assessed North American companies scores for renewable energy targets.

Figure 2.5. **Scoring on metric type, by location of company HQ (North America vs. Europe)**




Alignment is the metric type on which both regions score the lowest, but Alignment scores also reveal a key difference in transition planning between European and North American companies. Currently, most active Alignment metrics focus on oil and gas production. Unlike North American companies, European companies are willing to discuss reducing their production and to set forward-looking guidance aligning with this. Although, it should be noted that where European companies' forecasts are aligned with a 1.5°C scenario, it is often because they are focused on producing either oil or gas, while the other declines.

North American companies' failure to score on any Alignment metric is indicative of their approach to production. Most of the assessed North American companies have stated they plan to increase their production of fossil fuels if they discuss production rates at all. This conflicts with the IEA's guidance that global fossil-fuel production needs to decline this decade if global temperature rise is to be kept to 1.5°C (IEA, 2023).

# 3. Discussion

The results of this first assessment of oil and gas companies against the Net Zero Standard for Oil & Gas show that none of the companies assessed has a comprehensive transition plan, although TotalEnergies has made substantial progress on developing its plan. The variance shown in these results proves that progress towards robust transition planning is possible, even for companies that suggest the demands of investors are too challenging.

The results also starkly demonstrate the varying ambition of transition plans between North America and Europe. The relative weakness of North American companies' transition plans raises questions about whether investors in these companies are exposing themselves to substantially greater transition risk. The lack of focus on solutions, and the narrow range of solutions invested in, highlight the need for long-term investors to think critically about the direction companies are taking. For active investors, being aware of geographical differences will be critical for effective engagement.

Having a transition plan is not evidence that a company is transitioning, of course. It is simply the roadmap a company has set out. Progress on the transition needs to be monitored and updated regularly, as with any other element of company strategy. Some companies covered by this assessment have been observed to retreat from the original ambitions of their climate strategies and this represents a threat to society's transition away from fossil fuels.

## Areas in which companies need to improve

The results from this first assessment of companies against the Standard indicate that transition planning by oil and gas companies can improve in all areas, but particularly in the following ways:

- **Companies need to set Scope 3 targets covering the use of sold products.** This is crucial for oil and gas companies. Once it has set a target, the company can identify the potential decarbonisation levers it intends to use to reach it, and, importantly, quantify their expected contribution.
- **Production forecasts are a crucial signal of how seriously a company is taking the transition.** It is perhaps understandable that this is one of the worst-performing areas, due to the existential questions it poses for companies. However, without acknowledging the impact of the transition on the core business, companies risk deploying capital that leads to carbon lock-in and accentuates the risk of assets becoming stranded.
- **While methane abatement is the sub-indicator on which companies score the most often, there remain easy wins that companies are not grabbing.** For example, it should be achievable to publicly set a date for, and subsequently align with, OGMP's recommendations: 70% of companies have committed to doing this but they have not outlined when they expect to do so.
- **North American companies need to discuss alternative energy sources, including renewable power**, whereas **European companies need to build on their existing progress and improve decarbonisation strategy disclosure and the alignment of their commitments.**

There is no single area in which disclosure can be considered fully robust, and decarbonisation demands a comprehensive approach. With 2023 being the hottest year on record and 2024 possibly set to exceed this, investors and oil and gas companies need to work together to raise the standard of transition planning.

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