

The Climate Accountability Scorecard: Royal Dutch Shell

The Union of Concerned Scientists has conducted an in-depth analysis of the climate change-related positions and actions of several major investor-owned fossil fuel companies.

The eight companies—Arch Coal, BP, Chevron, ConocoPhillips, CONSOL Energy, ExxonMobil, Peabody Energy, and Royal Dutch Shell—were assessed on 30 metrics.

The study focused on the period from January 2015 through May 2016 (except in a few cases; see sources in the tables below).

We scored the companies in four areas, which are discussed below. For each area, we placed each company in one of five scoring bands, ranging from “advanced” (which means that the company is demonstrating best practices) to “egregious” (which means that the company is acting very irresponsibly).

While some companies are making more progress than others, no company scored better than its peers in all areas, and several were relative leaders in some areas and relative laggards in others.


- Renouncing disinformation on climate science and policy scores ranged from fair to egregious.
- Planning for a world free from carbon pollution scores ranged from fair to egregious.
- Supporting fair and effective climate policies scores ranged from good to poor.
- Fully disclosing climate risks had the least differentiation, with four companies scoring fair and four companies scoring poor.

Scores and Recommendations for Royal Dutch Shell

HIGHLIGHTS

- Shell consistently acknowledges the scientific evidence of climate change in all public platforms, affirms the consequent need for swift and deep reductions in emissions from the burning of fossil fuels, and highlights the urgency and importance of achieving global net-zero CO2 emissions in order to keep temperature rise well below 2°C and limit risks to society and ecosystems (see, for example, Royal Dutch Shell PLC 2016a).

TABLE 1. Royal Dutch Shell: Company Overview

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|  | Global producer, refiner, and marketer of oil and natural gas. |
| Location of Headquarters | The Hague, Netherlands |
| Executive Chairman | Charles O. Holliday |
| CEO | Ben Van Beurden |
| 2015 Annual Revenues | \$272.156B |
| 2015 Annual Profits | \$1.939B |

DATA SOURCE: ROYAL DUTCH SHELL PLC 2016E

- The company left the American Legislative Exchange Council (ALEC) in 2015 and stated explicitly that it was leaving because ALEC’s position on climate science is inaccurate and inconsistent with the company’s position (Mathiesen and Pilkington 2015).
- The company recommended support for a climate-related shareholder resolution in 2015 directing it to improve reporting on climate risk, emissions management, and portfolio resilience (Royal Dutch Shell PLC 2015).
- Shell consistently identifies government-led carbon-pricing mechanisms as a general category of climate policy that the company supports (see, for example, Royal Dutch Shell PLC 2016a and Royal Dutch Shell PLC 2016d).

LOWLIGHTS

- Shell Oil CEO Marvin Odum was on the board of directors of the American Petroleum Institute (API) as of 2014 (API 2015), and the company has not taken any steps to distance itself from climate disinformation spread by the group.
- Executive Vice President of Global Manufacturing of Shell Downstream Lori Ryerkerk is on the board of directors of the National Association of Manufacturers as of 2016

(NAM 2016), and the company has not taken any steps to distance itself from climate disinformation spread by the group.

- Shell Oil is a member of the Western States Petroleum Association (WSPA) as of 2016 (WSPA 2016), and Shell Oil Vice President of Manufacturing Aamir Farid was on the WSPA board of directors as of 2014 (Ballotpedia 2015). The company has not taken any steps to distance itself from climate disinformation spread by WSPA.
- Shell generally acknowledges physical risks to the company, such as weather, but does not include discussion of climate change as a contributor to those risks (Royal Dutch Shell PLC 2016e).

RECOMMENDATIONS

ROYAL DUTCH SHELL SHOULD:

- Ensure that the trade associations and industry groups it supports do not disparage climate science or downplay the need for reductions in emissions of heat-trapping gases. It should use its leadership roles within

API, the National Association of Manufacturers (NAM), and WSPA to demand an end to their disinformation on climate science and policy, and speak publicly about these efforts;

- Lay out a company-wide pathway to align its business model with the new reality established by the international climate agreement by:
 - Setting and disclosing initial near-term company-wide targets to reduce emissions from its operations and the use of its products;
 - Developing and publicly communicating a clear plan and timeline to deepen reductions consistent with the agreement’s long-term goal;
- Provide details about the nature and magnitude of climate-related physical risks it faces and the impacts these may have on the company;
- Consistently call for US policy action on climate change, identify specific federal and/or state legislation or regulation that it supports, and advocate publicly and consistently for those policies.

DETAILED SCORING

More information on scoring can be found at www.ucsusa.org/climatescorecard

TABLE 2. Renouncing Disinformation on Climate Science and Policy

| Metric | Score | Rationale |
|---|-----------|--|
| Accuracy and consistency of public statements on climate science and the consequent need for swift and deep reductions in emissions from the burning of fossil fuels | Advanced | Shell consistently acknowledges the scientific evidence of climate change in all public platforms (such as company websites and statements by company executives), affirms the consequent need for swift and deep reductions in emissions from the burning of fossil fuels, and highlights the urgency and importance of achieving global net-zero CO2 emissions in order to keep temperature rise well below 2°C and limit risks to society and ecosystems (see, for example, Royal Dutch Shell PLC 2016a). |
| Affiliations with trade associations and other industry groups that spread climate science disinformation and/or block climate action | | |
| American Legislative Exchange Council (ALEC) | Advanced | The company left ALEC and stated explicitly that it was leaving because ALEC’s position on climate science is inaccurate and inconsistent with the company’s position (Mathiesen and Pilkington 2015). |
| American Petroleum Institute (API) | Egregious | Shell Oil CEO Marvin Odum was on API’s board of directors as of 2014, and the company has not taken any steps to distance itself from the group’s climate disinformation (API 2015). |

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| National Association of Manufacturers (NAM) | Egregious | Executive Vice President of Global Manufacturing of Shell Downstream Lori Ryerkkerk is on NAM's board of directors as of 2016 (NAM 2016), and the company has not taken any steps to distance itself from climate disinformation spread by the group. |
| US Chamber of Commerce (US Chamber) | Fair | No evidence of membership. |
| Western States Petroleum Association (WSPA) | Egregious | Shell Oil is a member as of 2016 (WSPA 2016), and Shell Oil Vice President of Manufacturing Aamir Farid was on the WSPA board of directors as of 2014 (Ballotpedia 2015). The company has not taken any steps to distance itself from climate disinformation spread by WSPA. |
| Policy, governance systems, and oversight mechanisms to prevent disinformation | Poor | No policy on record. |
| Support for climate-related shareholder resolutions | Good | Shell recommended support for a climate-related resolution in 2015 directing the company to improve reporting on climate risk, emissions management, and portfolio resilience (Royal Dutch Shell PLC 2015). |
| Area score | Fair | |

DATA SOURCES: COMPANY WEBSITES, PROXY STATEMENTS, PUBLIC STATEMENTS BY COMPANY REPRESENTATIVES, TRADE ASSOCIATION AND INDUSTRY GROUP WEBSITES, AND THIRD PARTY WATCHDOG GROUP WEBSITES IN THE PERIOD JANUARY 1, 2015, TO MAY 31, 2016; TRADE ASSOCIATION FEDERAL FILINGS FROM 2014.

TABLE 3. Planning for a World Free From Carbon Pollution

| Metric | Score | Rationale |
|--|-------|---|
| Support for the Paris Climate Agreement | Fair | Shell has expressed support for the Paris Climate Agreement and its global temperature goals, both directly and through its membership in the Oil and Gas Climate Initiative (Royal Dutch Shell PLC 2016f; OGCI 2015). |
| Company-wide commitments and targets to reduce greenhouse gas emissions | Poor | The company has a plan for reducing greenhouse gas emissions, but the plan is not company-wide and is not in the service of a specific temperature goal or target (Royal Dutch Shell PLC 2016d; CDP 2015). |
| Use of an internal price on carbon in investment decisions | Fair | The company screens projects using a carbon value of \$40 per tonne when making investment decisions (CDP 2015). It is unclear based on current disclosures what aspects of the supply chain must be included in these estimates. |
| Commitment and mechanism to measure and reduce carbon intensity of supply chain | Fair | The company signed on to the World Bank's "Zero Routine Flaring by 2030" pledge (World Bank 2015a; World Bank 2015b). |
| Disclosure of investments in low-carbon technology research and development | Fair | The company reports annually on low-carbon research and development broken down by specific investments (CDP 2015). |
| Disclosure of greenhouse gas emissions reduction plans | Poor | Shell does not disclose details of its greenhouse gas emissions reduction plans to shareholders. |

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| Disclosure of how company manages greenhouse gas emissions and associated risks | Fair | The company provides a detailed description of actions that it is taking to reduce, offset, or limit its own greenhouse gas emissions, including developing low-carbon biofuels, advancing carbon capture and storage, improving energy efficiency, and reducing natural-gas flaring (Royal Dutch Shell PLC 2016b; Royal Dutch Shell PLC 2016c; Royal Dutch Shell PLC 2016e). |
| Disclosure of greenhouse gas emissions | Good | The company provides information about direct greenhouse gas emissions from operations; indirect greenhouse gas emissions from consumption of purchased electricity, heat, or steam for the current year; and other indirect emissions such as those resulting from waste generated in operations, upstream transportation and distribution, employee commuting, downstream transportation and distribution, and use of sold products. The company also discloses the methodology used to calculate emissions (Royal Dutch Shell PLC 2016b; Royal Dutch Shell PLC 2016c; Royal Dutch Shell PLC 2016e; CDP 2015). |
| Area score | Fair | |

DATA SOURCES: 2015 AND 2016 SEC 10-KS OR 20-FS, CDP DISCLOSURES, SUSTAINABILITY REPORTS, AND ANNUAL REPORTS; COMPANY WEBSITES AND COMPANY PRESS RELEASES FOR THE PERIOD JANUARY 1, 2015, TO MAY 31, 2016

TABLE 4. Supporting Fair and Effective Climate Policies

| Metric | Score | Rationale |
|---|----------|---|
| CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Disclosure | Fair | The company's policy is not to make political contributions from corporate funds and not to give to candidates, parties, and committees. The company provides partial disclosure or no disclosure of other aspects of political spending (Royal Dutch Shell PLC 2006). |
| CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Policy | Advanced | The company's policy is not to make political contributions from corporate funds and not to give to candidates, parties, and committees. It has a partial policy or no policy in other areas related to political spending (Royal Dutch Shell PLC 2006). |
| CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Oversight | Poor | The company's policy is not to make political contributions from corporate funds and not to give to candidates, parties, and committees. It has partial or no oversight in other areas related to political spending (Royal Dutch Shell PLC 2006). |
| Engagement with Congress on federal climate policies or legislation | Fair | The company did not publicly engage Congress on climate policies during the study period. |
| Consistent support for US policy action to reduce emissions | Fair | On the company website and in public statements, Shell consistently identifies government-led carbon-pricing mechanisms as a general category of climate policy that it supports (Royal Dutch Shell PLC 2016a). |
| Engagement on the EPA Clean Power Plan (EPA-HQ-OAR-2013-0602) | Fair | Shell did not submit comments to the Environmental Protection Agency (EPA) regarding the Clean Power Plan. |

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| Engagement on the EPA methane rule (EPA-HQ-OAR-2010-0505-4776) | Fair | Shell did not submit comments to the EPA regarding the methane rule. |
| Company influence through international or national business alliances or initiatives that are supportive of specific climate policies | Good | The company signed the Trillion Ton Communiqué (Corporate Leaders Group 2014) and is a member of the Oil and Gas Climate Initiative (OGCI 2015). |
| Area score | Fair | |

DATA SOURCES: COMPANY WEBSITES AND MAJOR NEWS SOURCES; 2015 CENTER FOR POLITICAL ACCOUNTABILITY-ZICKLIN INDEX AND SCORING GUIDELINES; CONGRESSIONAL TESTIMONY AND COMPANY COMMENTS FILED WITH REGULATIONS.GOV IN THE PERIOD JANUARY 1, 2014, TO MAY 31, 2016

TABLE 5. Fully Disclosing Climate Risks

| Metric | Score | Rationale |
|---|-------|--|
| Disclosure of regulatory risks | Poor | Shell mentions the general existence of risk associated with current or proposed laws relating to climate change, but does not identify specific laws or regulations (Royal Dutch Shell PLC 2016e). |
| Disclosure of physical risks | Poor | The company generally acknowledges physical risks, such as weather, but does not include discussion of climate change as a contributor to those risks (Royal Dutch Shell PLC 2016e). |
| Disclosure of market and other indirect risks and opportunities | Fair | The company identifies the potential for diminished demand for fossil fuels in addition to project delays or cancellations due to regulation of greenhouse gas emissions as risks that it faces, but it provides limited analysis of these risks' potential financial impacts (Royal Dutch Shell PLC 2016e). |
| Disclosure of corporate governance on climate-related risks by board and senior management | Poor | Climate change was identified as a key topic discussed by the board's Corporate and Social Responsibility Committee in 2015, but specific climate-related governance was not described (Royal Dutch Shell PLC 2016e). |
| Area score | Poor | |

DATA SOURCES: 2016 SEC 10-KS AND 20-FS AND CDP DISCLOSURES, IF DISCUSSED IN SEC FILINGS

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