

Brent spot
\$109.10 ▼ -2.58%Brent futures (1 mo)
\$109.14 ▼ -1.80%WTI spot
\$105.81 ▼ -3.47%WTI futures (1 mo)
\$105.87 ▼ -2.60%UK Nat Gas (1 mo)
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Seat at the table: Post-COP26 oil and gas leaders speak at CERAWEEK by S&P Global. Photo: NAOMI KLINGE/UPSTREAM

'At COP26, nobody wanted to see us': Oil and gas companies see geopolitics shifting sentiments

Conflict in Ukraine is changing the conversation about the role of oil and gas in the energy transition, according to industry leaders assembled this week in Houston

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By Naomi Klinge in Houston

As conflict in Ukraine has brought extreme volatility for oil and gas prices, energy industry leaders noted this week that the crisis has shifted attention to supply concerns – but they declared that oil and gas companies still need to push ahead with the energy transition.

The fighting between Russia and Ukraine has stepped up conversations about fossil fuels' contribution to energy security – both good and bad. The persona non grata status which many fossil fuel producers experienced at the UN's COP26 climate change summit in Glasgow last year appears to have changed, and these companies should not squander the opportunity to take a leading role in global energy transition talks at the next summit, COP27, said industry leaders at the CERAWEEK by S&P Global event in Houston.

'Conversation has dramatically shifted'

"At COP26, nobody wanted to see us," said Felipe Bayon, chief executive of **Ecopetrol**. "In four or five months the conversation has shifted dramatically because of geopolitics."

"How can we play a different role as an industry and lead that transformation?"

Oil and gas companies were – in some ways – underrepresented at COP26. **Shell said it wasn't welcome** there, and other producers **sat on the sidelines** due to backlash from activists over the industry's role in the energy transition.



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for Shell, Watkins said.

"I really think our actions as an industry need to match our words," she said. "So it's great to talk about the energy transition, but we need to be in action as an industry."



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In order for oil and gas companies to take the lead on energy transition in the future, however, the true impacts of their operations need to be addressed, said Gretchen Watkins, president of Shell USA.

Actions and words

Although many company-specific emissions targets focus on Scope 1 and 2 emissions, Scope 3 emissions make up about 90% of emissions in oil and gas, at least

The industry is primed to be a major player in the energy transition, due to its experience with government regulation and bringing technologies to scale, Watkins said.

"I think we bring the full power of the industry to this incredibly big challenge, which is: How do we decarbonise the world? And how do we reach these net zero targets?" Watkins said.

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Oil and gas companies can take a larger role in the transition by investing in key technologies such as carbon capture and storage, hydrogen, and certain renewables, including offshore wind – and by decarbonising current oil and gas operations, CERAWEEK speakers said.

'Gigatonne of low-hanging fruit'

"There's probably a gigatonne of low-hanging fruit – flaring, mitigation, methane emissions – in the industry. And that's tremendous value that could be incentivised," said Ahmad O. Al Khowaiter, chief technology officer of Saudi Aramco.



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But with the energy transition in the hands of oil and gas companies, the industry needs to make some adjustments. Companies need to scale up mass manufacturing, rather than just delivering large one-off projects, and project development needs to be measured in months, not years, industry leaders suggested.

'Big, bankable projects'

"Without big, bankable projects at the next COP, I think we can say bye to 1.5 degrees," said Marco Alverà, chief executive of Snam.

Collaboration, which can help scale up these higher-risk technologies, was a major topic of conversation for several CERAWEEK panels.

Alverà said he would rather have Snam own 15% to 20% of a bunch of different transition projects, rather than 100% of a few projects. This allows companies to have lower cost and lower risk.

Panellists suggested collaboration – sharing the cost and sharing the glory – may be the key to the energy industry's success in the transition.

"We need to drop a bit of the arrogance and say, 'Look, here we are,'" Bayon said. "We need to be a bit more forthcoming; we need to be a bit more positive in terms of actually wanting to do this."

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