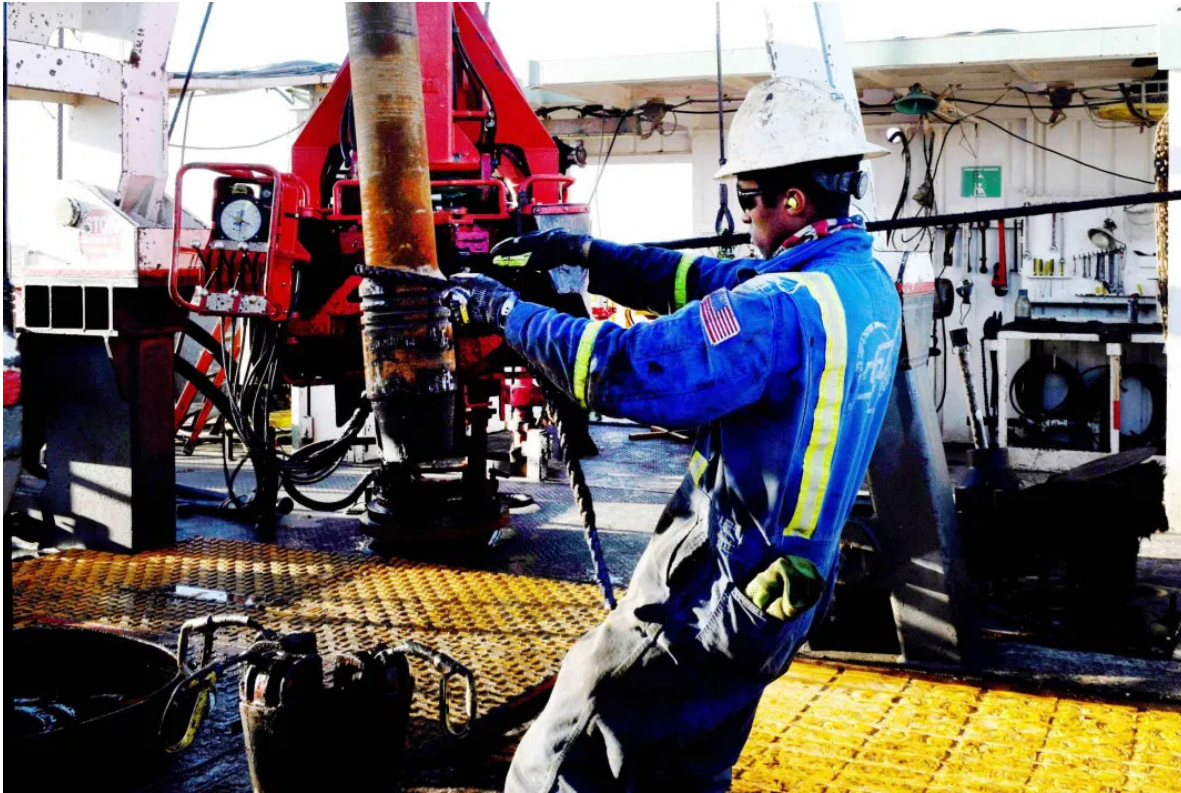


BUSINESS

The oil industry is getting greener much more quickly as U.S. focus shifts to climate change

By *lenexweb* March 3, 2021 0 11



A employee wrestles a stand of drill pipe into place on a drilling rig close to Midland, Texas.

Nick Oxford | Reuters

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The greening of the American oil industry has gone into overdrive.

Dan Yergin, IHS Markit vice chairman, mentioned it is an vital turning level for the oil and fuel sector, which has been anticipating massive adjustments with President Joe Biden's climate-

focused, clear power insurance policies.

“The oil and gas industry is calibrating itself to what has become the new benchmark – net zero carbon by 2050. There’s a lot of variation in strategies and thinking about what will be the new map to get there,” mentioned Yergin. “But the big cross-cutting themes that jump out this week are hydrogen, carbon capture, innovation – and the need for large companies with engineering capabilities that can operate at scale – which is where the oil and gas industry happens to be.”

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Yergin was talking from the annual CERAWEEK by IHS Markit power convention, held just about this yr, and he mentioned a sizzling subject on the convention amongst power producers this week was how to cut back their carbon footprint long run.

The chief government officers from [BP](#), [ExxonMobil](#), [Chevron](#), [Occidental Petroleum](#) and [ConocoPhillips](#) all spoke concerning the industry transition to a decrease carbon world. Exxon individually holds its investor day Wednesday and is seemingly to cowl among the similar floor.

Occidental Petroleum’s CEO Vicki Hollub instructed the convention her purpose is to produce web zero carbon oil and her firm won’t simply be an oil firm within the subsequent 15 to 20 years, but additionally a carbon administration firm. Carbon is a byproduct of fossil fuels and is blamed for accelerating climate change

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“With respect to the Biden administration, I would say the good thing is the Biden administration and President Biden understand and know how important carbon capture and sequestration to mitigate the impact of climate change,” mentioned Hollub. “They know that. I believe they’re going to take steps to address it. This is a big opportunity for them. It’s a big opportunity to make a huge difference for the United States and be a leader in the world.”

The oil and fuel industry has already been transferring in direction of a cleaner future, even as the U.S. sat out of worldwide climate discussions throughout the Trump administration. Biden instantly put the U.S. again into the Paris Agreement, the worldwide treaty on climate change.

He additionally created the place of Special Presidential Envoy for Climate, and named former Secretary of State John Kerry to the put up. Kerry spoke on the convention Tuesday morning. Energy Secretary Jennifer Granholm speaks Wednesday morning.

Last yr at the moment, the CERAWEEK convention was cancelled due to the pandemic, and the value of oil was plummeting. Energy shares took a significant hit and a few nonetheless haven’t recovered, however oil costs have been rising and the shares have benefitted.

BP CEO Bernard Looney instructed the convention he expects a increase interval after vaccine rollouts end in broad immunity from Covid. In the interim, he has been focusing the corporate on the long run.

“We decided to really embrace that energy transition more as an opportunity than as some sort of threat to our core business,” he instructed the convention. BP has expanded in wind and different expertise and Looney says will probably be an built-in power firm sooner or later, moderately than a global oil firm.

ESG issue

Stewart Glickman, CFRA power analyst, mentioned firms have accelerated efforts on carbon and they’re working arduous to get credit score for it within the eyes of buyers.

“That is a tangible difference that we didn’t see before. They’re accelerating, and they’re certainly spending much more time marketing their efforts on carbon capture and a low carbon future. Before 2018, you really wouldn’t hear boo about this,” he mentioned.

Glickman mentioned firms may very well be rewarded for his or her efforts finally. Environmental, social and governance targeted investing, or ESG, has additionally been a giant driver of change.

“More and more dollars that are being provisionally managed seem to be following some variant of ESG strategy. It makes wallet sense,” mentioned Glickman. “Some of these firms in the past haven’t done enough to decrease their carbon footprint.”

in 2020 alone, ESG funds attracted \$51.1 billion of new money, in accordance to Morningstar.

“It’s a fight for survival in the ESG world. It’s not enough now to be the cheapest barrel,” mentioned Helima Croft, head of worldwide commodities technique at RBC. “You have to be the greenest barrel now. “

The S&P power sector is up lower than 4% over the previous 12 months, however with the restoration in oil costs, they’ve surged 28% year-to-date.

Croft mentioned the race to be the cleanest will finally pit the oil majors in opposition to their Gulf state-owned rivals from Saudi Arabia, Kuwait and the United Arab Emirates “That’s something the national oil companies are pushing as an advantage. ‘Not only are we the cheapest, but the greenest,’” she mentioned.

ExxonMobil investor day

Separately, ExxonMobil hosts its investor day Wednesday, and Glickman expects one subject of curiosity to be the dividend.

“The growth investor fled a long time ago. What they have left is the income investor. They’re trying their best to hold onto them,” he mentioned.

Exxon Mobil introduced two board seat changes Monday, together with activist investor and ESG proponent Jeff Ubben, in an indication that the corporate is confronting the adjustments weighing on it as the world strikes towards cleaner power.

He mentioned Exxon's plans for carbon does matter to buyers. "I think it does matter. I think the jury is still out. What seems to be driving the business is what does your balance sheet look like? What's your operating cash flow look like?" mentioned Glickman. "Can you sustain your dividend? Are you able to get the production you want without having to spend too much in terms of cap ex dollars? Those are first and foremost in terms of what investors want to know."

But they may even need to find out about Exxon's renewables enterprise and its Low Carbon Solutions enterprise, which CEO Darren Woods mentioned Tuesday.

Goldman Sachs reiterated its purchase score on Exxon Tuesday and raised its worth goal to \$61 from \$59 forward of the investor day. Exxon inventory closed at \$56.07 per share Tuesday.

The Goldman analysts mentioned buyers will need to hear about Exxon's manufacturing plans, cap ex and affect of the Texas storms. "We believe investors are looking for more clarity on how the company will drive a meaningful reduction in carbon levels as well as position itself for success in the next decade in the energy transition," wrote the Goldman analysts.

Darren Woods, CEO of Exxon, mentioned the corporate is making progress on its carbon effort, and it is now an space that is gaining momentum. For occasion, the U.S. and different governments are recognizing the position of carbon seize and storage; expertise has improved to make the economics work higher and there are buyers trying to transfer into the house.

"We've been doing research for over a decade on carbon capture and storage to try to make that more economic, more effective, to allow us to capture the emissions that are generated in power generation, and or industrial applications," mentioned Woods.

Woods mentioned a authorities position can be useful to provide a regulatory framework that would present the industry with certainty so it may make acceptable investments.

"Getting a market price on carbon is going to be really important, to make sure we're using market forces to try to most cost effectively reduce CO2 emissions. I would also say government should not pick winners and losers. They should not pick the sectors," he mentioned. "Instead open it up and have credits." Credits may very well be generated from enterprise areas the place it is potential to cut back carbon and used to assist offset areas the place it is more tough.

Occidental's web zero plan

Hollub mentioned she expects Occidental to finally produce web zero carbon oil.

"What I believe that folks do not perceive is we shouldn't be speaking about eliminating fossil fuels. What we actually want to be speaking about is eliminating emissions and if we are able to present and we are going to," she said. "Net carbon zero oil that is what the world wants and the world can't obtain the targets.. of the Paris accord with out the oil industry serving to with that. We might be leaders in that.."

Hollub mentioned Occidental is serving to different firms cut back carbon. She mentioned Occidental has signed up to take carbon from two ethanol plans and sequester it within the

Permian. The firm additionally plans to take CO2 type a metal plant in Colorado and sequester it within the Permian.

“We’re going to be constructing what would be the largest direct air seize facility within the Permian and partnering with us to do this is United Airlines as a result of in addition they have a dedication and focus on getting to web zero by 2050.

–CNBC’s Michael Bloom contributed to this report

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