

Interview 11 | 2015

# The future for fossil fuels in a low carbon economy

Climate change is one of the most complex and pressing sustainability challenges facing the world today. And never has the sense of the urgency been more palpable than in the run-up to the COP21 conference in Paris as the world tries to reach a universal agreement to limit CO<sub>2</sub> emissions. Bertrand Janus, Head of CSR Reporting at Total, was one of three distinguished speakers on the panel discussion “The future of fossil fuel investing” which took place at this year’s RobecoSAM Forum in Zurich. During the panel discussion, he explained how the oil & gas industry is preparing for a low carbon economy. The excerpts below highlight the key points he made during this lively discussion.

## Fossil-fuel divestment is increasingly gaining traction among certain investors. What is your view on the current divestment campaigns?

Although investors do have an impact and engaging with fossil-fuel companies is very important, we also must not forget that more than 70 % of fossil-fuel resources in the world are actually controlled by states or state-owned companies. So therefore, simply divesting away from fossil fuel companies producers will ultimately have little effect on the vast majority of fossil fuel assets that are out there. Other means will be required to have an impact on those fossil fuel reserves that are controlled by states, in particular a global and binding agreement at the UN Climate negotiations in Paris in December 2015 (COP21).

## So, how is the oil & gas industry responding to climate change?

First, it is important to remember that the oil & gas sector is a very diverse sector. There are about 150 oil & gas companies around the world. Some of these are large international oil & gas companies such as BP, Shell, ExxonMobil, Total, Chevron and others, operating in many countries, but each time negotiating with local states to get permits and access to exploit the reserves. Then there are smaller players often operating in very few countries, and sometimes only in the US. And finally, there are the national oil companies that are among the biggest in the world and are largely controlled by their state. So it is very difficult to talk about the oil & gas sector as a whole.

That said, Total is a member of an organization called [IPIECA](#), the global oil and gas industry association for environmental and social issues. This is a broad association representing about 60 % of the world’s oil & gas production. In the run-up to COP21, we set up a task force, which came up with a document called “[The Paris Puzzle](#),” which was published in June 2015. This document was the result of very long discussions because we are a consensus-based association, and it reflects the current view of the oil & gas industry regarding climate change. But I don’t think we would have been able to publish it a few years back, which shows that things are moving. This document clearly states that, as an industry, we recognize that climate change is a challenge for us and for future generations, that urgent action is needed now and that as an industry we can bring some solutions to that. But energy is a slow-moving sector and it sometimes takes years for things to move forward. Therefore, even if we can take action quickly, some things will take time.

## What is the biggest challenge for your company and the oil & gas sector as it tries to adjust to a low carbon economy?

We recognize that climate change needs to be urgently addressed. But as I mentioned, changing the energy system takes time. So the challenge for us is to figure out how to adapt our business model and determine how to reinvest our cash flows into low carbon energy alternatives, while making the best use of our core competencies. We do acknowledge that we are part of the problem, but energy is a huge, important part of the global economy, so everyone is part of

the problem due to the combustion of fossil fuels. So we don't only want to be the "bad guys" that get the blame, but we also want to be able to say that we will also be part of the solution in trying to help the world move toward a low-carbon economy, by working towards efficiency in the end-use of our fuel products, or, for instance, by working with manufacturers and consumers to improve efficiency of vehicles

And indeed a number of companies want to go a step further in this direction. For this reason, the Oil and Gas Climate Initiative (OGCI) was created at the World Economic Forum in 2014, which now has ten members: BG Group, BP, Eni, Pemex, Reliance, Repsol, Saudi Aramco, Shell, Statoil and Total. This is a voluntary, industry-driven initiative, which aims to catalyze meaningful action on climate change by sharing best practices and encouraging industry-wide collaboration on tackling climate change. [The CEOs of the OGCI met for the first time in Paris on October 16, 2015 to work together towards reducing their climate footprint and reiterate their support for a global agreement to limit global warming to two degrees Celsius.](#)

### **What is Total doing to transition to a low-carbon economy?**

Total has acquired Sunpower and has been one of the largest solar panel manufacturers since 2011. At our investor day in London in September, we announced that we will steadily invest in renewable energies in the years to come (up to USD 500 million per year). It is a difficult challenge because it is a global challenge, so it has to be solved by the world, and there are many different countries with different interests. But basically, we have to start acting now so that future generations can reap the benefits.

### **The UN Framework Convention on Climate Change meeting currently taking place in Paris aims to reach a universal agreement to reduce global CO<sub>2</sub> emissions. What do oil & gas companies expect from politicians and regulators?**

We would like to see a binding global agreement in Paris. Because we need to make long-term investments into our business, we need visibility. And our investment decisions are usually defined and made within the context of the existing framework, so we need to see where things are going in this area. More importantly, we would like to have a level playing field around the world rather than, for example, different pricing mechanisms in different regions.

For example, in some of the initiatives I've described, it's mainly European companies that are involved. And so far we haven't seen American companies following these kinds of initiatives because, I think, they mainly rely on legislation within the United States. Therefore it would be interesting to see what would happen if all companies had a level playing field.

### **So you would support a global carbon pricing mechanism?**

Yes. This is something we are hoping for, but I am not sure that we will get it. In June of this year, six European companies, Total among them, wrote to (the Executive Secretary of the UN Framework Convention on Climate Change) Christiana Figueres to call for a carbon pricing mechanism because we think that it would send out a real signal if carbon had a value. In fact, at Total, we have been using an internal price for carbon to assess all our new projects since 2008. It is 25 euros per ton. This means that projects have to be viable based on the assumption that we will have to pay that cost for the associated greenhouse gas emissions.

So if you take natural gas as an example, in the short term, gas could be a good transition fuel to replace coal for power generation as coal emits twice as much greenhouse gas as gas for the same amount of electricity generated. Instead, what we have seen in Europe over the last few years is that the use of coal-fired plants has increased because coal is so cheap compared to gas. If there were a price signal through a carbon pricing mechanism, then we would really begin to see other forms of energy being prioritized due to their cheaper carbon price. So a carbon pricing mechanism could be an effective way to start reducing the use of coal for power generation.

## Useful links

For additional information on how Total is tackling climate change, as well as the company's public commitments to addressing carbon asset risks, please visit:



For additional details on IPIECA's publication "The Paris Puzzle," please visit:



For additional information on the outcome of the Oil & Gas Climate Initiative CEO meeting, which took place on October 16, please visit:



**Bertrand Janus** has been with Total for over 32 years and is currently the Head of CSR Reporting at Total. In this capacity, he is in charge of all CSR reporting processes, including legal reporting (French law Grenell II section 225) as well as voluntary reports for the Global Reporting Initiative and the UN Global Compact. In addition, he is responsible for all communication with ESG research and rating agencies, including the completion of the RobecoSAM Corporate Sustainability Assessment for the Dow Jones Sustainability Indices. Since 2009, Bertrand has been involved in the work of IPIECA, the global Oil & Gas industry association for environmental and social issues on Sustainability Reporting, and from 2012 to April 2015, he chaired the IPIECA's Reporting Working Group. Prior to joining the Corporate Sustainable Development and Environment department in 2009, he spent two decades at TOTAL's Refining and Marketing Information Systems department in various roles. Subsequently, he worked in Total's Internal Audit department, where he oversaw various corporate internal audit assignments. Bertrand holds a degree in computer science engineering.