

Climate Accountability at Royal Dutch Shell

Since the Union of Concerned Scientists (UCS) issued its inaugural *Climate Accountability Scorecard* in 2016, the fossil fuel industry has faced mounting shareholder, political, and legal pressure to stop spreading climate disinformation and dramatically reduce global warming emissions from its operations and the use of its products. This follow-up study of eight major oil, gas, and coal companies (Arch Coal, BP, Chevron, ConocoPhillips, CONSOL Energy, ExxonMobil, Peabody Energy, and Royal Dutch Shell) found that they are responding to these growing mainstream expectations.

However, the organization’s analysis also found that these companies’ actions, on the whole, remain insufficient to prevent the worst effects of climate change. None of these companies have demonstrated a level of ambition consistent with keeping global temperature rise within the Paris climate agreement limits that some companies claim to support, many downplay or misrepresent climate science, and all continue to spread climate disinformation through trade and industry groups.

In 2018, we evaluated the same eight companies on 28 metrics that are largely the same as those we assessed in 2016 (Mulvey et al. 2016). The study focused on the period from July 2016 through June 2018. The metrics and criteria are separated into four broad subject areas: renouncing disinformation on climate science and policy, planning for a world free from carbon pollution, supporting fair and effective climate policies, and fully disclosing climate risks. For each area, we gave each company a score, ranging from “advanced” (which means that the company is demonstrating best practices) to “egregious” (which means that the company is acting very irresponsibly). Royal Dutch Shell’s score improved in two areas, dropped in one area, and remained the same in one area.


Scorecard Highlights

- Shell consistently acknowledges the scientific evidence of climate change, 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

to keep temperature rise well below two degrees Celsius and limit risks to society and ecosystems (Royal Dutch Shell 2018a).

- Shell 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).
- Shell has disclosed some details of corporate governance on global warming emissions management and climate risks and opportunities, including how the board is engaged, which executives are accountable, and whether and how executive compensation is tied to meeting corporate climate objectives (Royal Dutch Shell 2017a).
- The company has made a general statement of support for policies and/or regulations to advance the Paris climate agreement and its global temperature goal and net-zero emissions target (Hone 2017; Royal Dutch Shell 2017b).

TABLE 1: Royal Dutch Shell Company Overview

	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	
2017 Annual Revenues	\$311.870B	
2017 Annual Profit	\$12.977B	

DATA SOURCE: ROYAL DUTCH SHELL 2017A.

- Shell is a founding member of the Climate Leadership Council and supports its plan for a federal carbon tax. It is also a member of the Oil and Gas Climate Initiative (CLC n.d.; OGCI, n.d.).
- The company has a clear policy prohibiting corporate contributions to political candidates, committees, and parties (Royal Dutch Shell 2018b).

Scorecard Lowlights

- Shell holds leadership roles in the American Petroleum Institute (API), National Association of Manufacturers (NAM), and US Chamber of Commerce (US Chamber); it is also a member of the Western States Petroleum Association (WSPA) (US Chamber 2018; API 2016; NAM n.d.; WSPA n.d.). The company has not taken any steps to distance itself from climate disinformation spread by these groups.
- Shell recommended that shareholders vote against the proposals filed by the nongovernmental organization Follow This in 2017 and 2018 requesting that the company set public global warming targets aligned with the goal of the Paris climate agreement (Royal Dutch Shell 2018c).
- Shell has stated its laudable ambition to reduce emissions of heat-trapping gases from its operations and from the use of its products, but it has not set a company-wide, net-zero emissions target or adopted a concrete action plan consistent with the Paris climate agreement's global temperature goal (Royal Dutch Shell 2017a; Royal Dutch Shell 2017b).
- In its financial filings, Shell generally acknowledges physical risks it faces, such as weather, but it does not include discussion of climate change as a contributor to those risks. It mentions risks associated with existing or proposed laws relating to climate change and how those risks may affect the company, but it has not identified specific laws or regulations (Royal Dutch Shell 2017a).

Recommendations

ROYAL DUTCH SHELL SHOULD:

- Use its leadership positions within API, NAM, and the US Chamber to demand an end to their disinformation on climate science and policy, and speak publicly about these efforts. Shell should also publicly distance itself from the positions taken by WSPA on climate science and policy.
- Develop and publicly communicate a company-wide plan to bring Shell's emissions of heat-trapping gases from its operations and the use of its products to net zero by mid-century, which would be consistent with the Paris climate agreement's global temperature goal.
- Consistently call for US policy action on climate change, identify specific federal and/or state legislation or regulation that the company supports, and advocate publicly and transparently for those policies.
- Provide details about the nature and magnitude of climate-related physical risks it faces and the impacts these may have on the company.
- Provide a detailed analysis of existing and proposed laws and regulations relating to climate change and their possible effects on the company, including potential financial impacts.

Detailed Scoring

Shell's scores across all metrics, separated by area, are detailed below in Tables 2-5. For each metric and area, companies are scored on a five-point scale. In descending order, the possible scores are Advanced, Good, Fair, Poor, and Egregious. Arrows indicate a change in score from the 2016 scorecard.

Please see the methodology and data appendices online at www.ucsusa.org/climatescorecard for additional details.

TABLE 2. Renouncing Disinformation on Climate Science and Policy

Metric	2016 Score	2018 Score	Rationale
Consistently accurate public statements on climate science and the consequent need for swift and deep reductions in emissions from the burning of fossil fuels	Advanced	Advanced	Shell consistently acknowledges the scientific evidence of climate change, 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 CO ₂ emissions to keep temperature rise well below two degrees Celsius and limit risks to society and ecosystems (Royal Dutch Shell 2018a; Royal Dutch Shell 2018d; Royal Dutch Shell 2018e; Royal Dutch Shell 2017a; Royal Dutch Shell 2017b).
Affiliations with trade associations and other industry groups that spread climate science disinformation and/or block climate action			
American Legislative Exchange Council (ALEC)	Advanced	Advanced	Shell left ALEC in 2015, stating 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	Egregious	Shell Oil Company president and US country chair, Bruce Culpepper, was on the API board of directors as of 2016 (API 2016). The company has not taken any steps to distance itself from climate disinformation spread by the group.
National Association of Manufacturers (NAM)	Egregious	Egregious	Shell Downstream executive vice president of global manufacturing, Lori Ryerkerk, is on the NAM board of directors as of 2018 (NAM n.d.). The company has not taken any steps to distance itself from climate disinformation spread by the group.
US Chamber of Commerce (US Chamber)	Fair	Egregious ▼	While there was no evidence of Shell's membership in the US Chamber during the 2016 scorecard study period, Bruce Culpepper is on the US Chamber board of directors as of 2018 (US Chamber of Commerce 2018). The company has not taken any steps to distance itself from climate disinformation spread by the group.
Western States Petroleum Association (WSPA)	Egregious	Poor ▲	Shell is a member of WSPA as of 2018 (WSPA n.d.). The company has not taken any steps to distance itself from climate disinformation spread by the group.
Policy, governance systems, and oversight mechanisms to prevent disinformation	Poor	Poor	Shell has no policy or commitment on record to avoid direct or indirect involvement in spreading climate science disinformation.
Support for climate-related shareholder resolutions	Good	Poor ▼	After supporting a climate-related shareholder proposal in the 2016 scorecard study period, Shell's board of directors recommended that shareholders vote against proposals filed in 2017 and 2018 by the nongovernmental organization Follow This requesting that the company set public global warming targets aligned with the goal of the Paris climate agreement (Royal Dutch Shell 2018c; Royal Dutch Shell 2017c).
Area score	Fair	Poor ▼	

DATA SOURCES: COMPANY WEBSITES FROM JULY 1, 2016, THROUGH JULY 31, 2018. COMPANY REPORTS, PROXY STATEMENTS, US SECURITIES AND EXCHANGE COMMISSION FILINGS, AND SUBMISSIONS IN CLIMATE LIABILITY LITIGATION; PUBLIC STATEMENTS BY COMPANY REPRESENTATIVES; TRADE ASSOCIATION AND INDUSTRY GROUP WEBSITES; AND THIRD-PARTY SHAREHOLDER AND WATCHDOG GROUP WEBSITES FROM JULY 1, 2016, THROUGH JUNE 30, 2018; TRADE ASSOCIATION FEDERAL FILINGS FROM 2016.

TABLE 3. Planning for a World Free from Carbon Pollution

Metric	2016 Score	2018 Score	Rationale
Company-wide commitments and targets to reduce greenhouse gas emissions	Poor	Poor	Shell has stated its ambition to reduce emissions of heat-trapping gases from its operations and from the use of its products, but it has not set a company-wide, net-zero target or adopted a concrete action plan consistent with the Paris climate agreement's global temperature goal (Royal Dutch Shell 2017b).
Use of an internal price on carbon in investment decisions	Fair	Fair	Shell has set a price on carbon of \$40 per tonne that it uses in investment decisions, but it is unclear if that price reflects carbon emitted during all components of the supply chain over which the company has control (CDP 2017).
Commitment and mechanism to measure and reduce carbon intensity of supply chain	Fair	Fair	Shell has made a public commitment to measure and reduce carbon emissions in its own operations within a set period but is not part of an initiative with a quantitative, time-bound target (Royal Dutch Shell 2017b).
Disclosure of investments in low-carbon technology research and development	Fair	Fair	Shell reports annually on low-carbon research and development, with a breakdown by specific investments, including renewable energy technologies and carbon capture and storage. However, it has not reported on low-carbon investments as a proportion of the total research and development budget or in the context of future budget allocations (Royal Dutch Shell 2018a; Royal Dutch Shell 2018e).
Disclosure of greenhouse gas emissions reduction plans	Poor	Poor	Shell has disclosed details of its greenhouse gas emissions reduction plans to shareholders, but the plan is not oriented toward a target of bringing emissions from its operations and from the use of its products to net zero by mid-century (Royal Dutch Shell 2018e; Royal Dutch Shell 2017b).
Disclosure of how company manages greenhouse gas emissions and associated risks	Fair	Fair	Shell has provided a description of actions it is taking to reduce, offset, or limit its own greenhouse gas emissions. However, it has not disclosed actual reductions resulting from activities undertaken by the company, identified any opportunities to benefit financially from its actions to reduce greenhouse gas emissions, or discussed the company-wide impacts of particular emissions reduction projects (Royal Dutch Shell 2018e; Royal Dutch Shell 2017b).
Disclosure of greenhouse gas emissions	Good	Good	Shell has disclosed direct greenhouse gas emissions from its operations and indirect greenhouse gas emissions from downstream activities, but it has not disclosed adequate data from the entire fuel production supply chain to estimate life cycle greenhouse gas emissions (CDP 2017; Royal Dutch Shell 2017b).
Area score	Fair	Fair	

DATA SOURCES: 2017 AND 2018 US SECURITIES AND EXCHANGE COMMISSION 10-K OR 20-F FILINGS, CDP DISCLOSURES, SUSTAINABILITY REPORTS, AND ANNUAL REPORTS; COMPANY WEBSITES AND COMPANY PRESS RELEASES FROM JULY 1, 2016, THROUGH JUNE 30, 2018.

TABLE 4. Supporting Fair and Effective Climate Policies

Metric	2016 Score	2018 Score	Rationale
CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Disclosure	Fair	Fair	Shell has a clear policy prohibiting corporate contributions to political candidates, committees, and parties. It provides partial or no disclosure of other aspects of political spending (Royal Dutch Shell 2018b; Royal Dutch Shell 2018f; Royal Dutch Shell 2018g; Royal Dutch Shell 2014).
CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Policy	Advanced	Advanced	Shell has a clear policy prohibiting contributions to political candidates, parties, and committees (Royal Dutch Shell 2018b; Royal Dutch Shell 2018f; Royal Dutch Shell 2018g; Royal Dutch Shell 2014).
CPA-Zicklin Index of Corporate Political Disclosure and Accountability: Oversight	Poor	Good ▲	Shell has a clear policy prohibiting corporate contributions to political candidates, parties, and committees. The company has a web page dedicated to ethical conduct and has an internal process for ensuring compliance. It has partial or no oversight in other areas related to political spending (Royal Dutch Shell 2018b; Royal Dutch Shell 2018f; Royal Dutch Shell 2018g; Royal Dutch Shell 2014).
Engagement with Congress on federal climate policies or legislation	Fair	Fair	Shell did not publicly engage with Congress on climate policies during the study period.
Consistent support for US policy action to reduce emissions	Fair	Fair	Shell consistently supports the concept of a government-led carbon pricing policy (Royal Dutch Shell 2018e; CLC n.d.), but it did not publicly support specific federal or state policies to enact a carbon price during the study period.
Support for Paris climate agreement*	N/A	Fair	Shell has made a general statement of support for policies to advance the Paris climate agreement including its global temperature goal and net-zero emissions target (Hone 2017; Kaufman 2017; Royal Dutch Shell 2017b).
Company influence through international or national business alliances or initiatives that are supportive of specific climate policies	Good	Good	Shell is a member of the Oil and Gas Climate Initiative, a voluntary, chief executive officer-led initiative that aims to lead the industry response to climate change, and it is a founding member of the Climate Leadership Council, an international policy institute that promotes a carbon dividends framework (OGCI n.d.; CLC n.d.).
Area score	Fair	Good ▲	

*Metric regarding Paris Climate Agreement moved from the “Planning for a world free from carbon pollution” Area to the “Supporting fair and effective climate policies” Area because nations have begun to craft and enact policies to implement their Paris Climate Agreement commitments. 2018 scores not compared with those from 2016.

DATA SOURCES: COMPANY WEBSITES AND MAJOR NEWS SOURCES; 2017 CENTER FOR POLITICAL ACCOUNTABILITY-ZICKLIN INDEX AND SCORING GUIDELINES; CONGRESSIONAL TESTIMONY AND COMPANY COMMENTS FILED WITH REGULATIONS.GOV FROM JULY 1, 2016, THROUGH JUNE 30, 2018.

TABLE 5. Fully Disclosing Climate Risks

Metric	2016 Score	2018 Score	Rationale
Disclosure of regulatory risks	Poor	Poor	Shell mentions risks associated with existing or proposed laws relating to climate change and how those risks may affect the company, but it has not identified specific laws or regulations (Royal Dutch Shell 2018h).
Disclosure of physical risks	Poor	Poor	Shell generally acknowledges physical risks it faces (such as severe weather) and specifies which operations would be affected, but it does not discuss climate change as a contributor to those risks (Royal Dutch Shell 2018h).
Disclosure of market and other indirect risks and opportunities	Fair	Fair	Shell has acknowledged climate liability lawsuits filed in the United States and discussed how it may be affected by other indirect risks from climate change (such as diminished demand for fossil fuels). However, it provides limited analysis of the risks' potential financial impacts on the company (Royal Dutch Shell 2018h).
Disclosure of corporate governance on climate-related risks by board and senior management*	Poor	Good ▲	Shell has disclosed some details of corporate governance on greenhouse gas emissions management and climate risks and opportunities (including how the board is engaged, which executives are accountable, and whether and how executive compensation is tied to meeting corporate climate objectives). However, it has not disclosed in sufficient detail how senior management and the board monitor and gauge the effectiveness of the company's climate change goals and strategies (Royal Dutch Shell 2018h).
Area score	Poor	Fair ▲	

* Company scores may have improved because proxy statements were considered as a source in 2018 if referenced in the US Securities and Exchange Commission (SEC) 10-K/20-F governance disclosure.

DATA SOURCES: 2018 SEC 10-K AND 20-F FILINGS; PROXY STATEMENTS AND CDP DISCLOSURES, ONLY IF DISCUSSED IN SEC 20-F.

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