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Cooling ambitions, rising emissions: Oil and gas companies under scrutiny

Oil and gas sector review resulting from the 2024 CIA campaign

Authors : **Julie Courtehoux**

For over a century, the oil and gas industry has played a central role in the global economy. It is upstream of almost all consumer sectors that are heavily dependent on hydrocarbons, such as transport, chemicals and agriculture.

Hydrocarbon production has grown steadily since the end of the 19th century. However, according to projections by the International Energy Agency, the world oil and gas market will be marked by opposing dynamics between supply and demand.

To meet international climate commitments**, it is imperative to significantly reduce the consumption and consequently the production of hydrocarbons by 2050**.

Absolute global emissions continue to rise, and the companies surveyed are not considering a sufficient shift in their product portfolios towards non-fossil fuel alternatives, thus failing to meet national and international reduction targets. In our sample, 57% of companies have increased their hydrocarbon production. Many North American shale oil and gas companies have increased their volumes by more than 50%.

Companies in the sector continue to invest heavily in the exploration and exploitation of new deposits, to the detriment of the development of low-carbon energies and activities contributing to the energy transition, thus exposing a large proportion of their assets to the risk of becoming stranded assets.

Targets for reducing emissions linked to the combustion of sold products (Scope 3) and for reducing methane emissions remain rare, even though these emissions account for the vast majority of the sector's total carbon footprint, and that methane emissions are under the direct control (Scope 1) of the company.

Although the oil & gas sector remains extremely profitable and still benefits from relatively cheap access to credit, it still seems reluctant to embark on the necessary transition. The underperformance in terms of reporting (Scope 3 and methane emissions) or commitments (volumes, emissions, strategy, investments) identified in Carbon4 Finance's last sector review remains virtually unchanged, reflecting a **certain refusal by companies to really evolve their business models.**

Financial players, particularly banks and asset managers, have a crucial role to play in directing investments and financing towards companies that are actively embracing the energy transition, while adopting ambitious shareholder engagement policies. This is precisely the aim of the CIA methodology, which identifies the companies with the most determined approach to climate change and energy.

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Authors

Julie Courtehoux
Carbon Data Analyst

Contributors

Adriaan Rademaker
Carbon Data Analyst