ENERGY TRANSITIONS

BP says oil demand could be almost dead by 2050

Benjamin Storrow, E&E News reporter • Published: Monday, September 14, 2020

Bernard Looney, CEO of BP, wants to make the oil giant carbon neutral by 2050. @BP_plc/Twitter

When the chief executive of oil giant BP revealed his ambitions for an emissions-free company in February, he offered bold promises to a skeptical public.

Among them was the remarkable claim that BP PLC would reduce oil production and venture into clean energy. Bernard Looney, the CEO, also vowed to align the company's lobbying efforts with climate action.

Such promises are commonplace from energy executives these days. European supermajors like Royal Dutch Shell PLC, Equinor ASA and Repsol SA have all announced net-zero carbon plans in recent months.

What came next was anything but ordinary.

In August, BP announced it would slash oil production 40% over the next decade, a first for an oil major, while pledging to boost spending on clean energy.

The company has thrown its weight behind efforts to price carbon in Washington state and withdrawn from three oil and gas trade associations.

Earlier this month, it penned a joint letter to the Texas Railroad Commission with Royal Dutch Shell, calling for the elimination of routine flaring of natural gas.

Then, last week, BP announced it had acquired a 50% stake in two offshore wind projects in Massachusetts and New York. Its new partner, Equinor, is the Norwegian state-owned oil company that's expanding its wind business.

Those developments have raised expectations for BP. The question is whether a company that briefly rebranded itself as "Beyond Petroleum" two decades ago is now prepared to transition away from oil and gas.

"To me, what BP's done is really breaking the mold. Not only are they going to deploy more [capital expenditures] into clean energy, but they are literally going to cut capex on legacy assets," said Amy Myers Jaffe, director of the Climate Policy Lab at Tufts University.

"This is the company saying, 'Our future is not based on our legacy assets.' It's a big deal."

A report released today helps explain the moves. In its annual global energy outlook, BP predicts demand for oil will plateau over the next two decades even if the world takes no action to address climate change.

Two other scenarios, in which the world reduces emissions 70% of 2018 levels by 2050 or achieves net-zero emissions by midcentury, contemplate even deeper reductions in oil consumption. In the first, oil demand falls 50% from today's levels. In the second, it plummets by almost 80%.

By contrast, the report predicts wind and solar generation will account for 50% to 60% of power generation by the 2040s, in scenarios where the world seeks to address emissions.

"Even as the pandemic has dramatically reduced global carbon emissions, the world remains on an unsustainable path," Looney said in a statement, referring to the economic impact of the coronavirus. "However, the analysis in the Outlook shows that, with decisive policy measures and more low carbon choices from both companies and consumers, the energy transition still can be delivered."

BP is expected to outline how it plans to reach its net-zero emissions targets in a series of investor presentations beginning today. The presentations are expected to build upon BP's announcement in August, when Looney announced that the company would cut its dividend and dedicate a third of its annual capital spending, or roughly $5 billion, to clean energy initiatives.

The company's shift comes amid growing pressure from activists, governments and investors to overhaul its business in the face of climate change. Analysts increasingly expect the world's appetite for oil to swoon. DNV GL, the Norwegian energy services company, recently predicted 2019 would serve as the peak in global demand.

BP's stance stands in stark contrast to American majors like Exxon Mobil Corp. and Chevron Corp., which have shown little willingness for such a transition.

Despite its recent moves, doubts persist about BP's commitment to climate action. Activists note that this isn't the first time BP has promised to overhaul its business, and they point to the company's plans to dedicate the majority of its capital spending to fossil fuels.

"A company that is trying to shift to a new business model would be shifting to a new business model instead of pouring the vast majority of its capital into existing oil and gas operations," said Tyson Slocum, who leads the Energy Program at Public Citizen. "That would be 'beyond petroleum.'"

In July, BP announced plans to help Reliance Industries Ltd. grow its network of retail gasoline stations in India from 1,500 to 5,500 over the next five years. The deal is an outgrowth of a joint venture created last year between the oil major and Reliance, which operates the world's largest refinery.

The deal suggests that the fundamentals of BP's business have yet to change, said Deborah Gordon, a senior fellow at the Watson Institute for International & Public Affairs at Brown University who studies the oil industry.

"What I would love to see from BP, Shell, Equinor and Repsol is the playbook," she said. "I don't mean individual announcements. I want to see the 21st-century non-Rockefeller supply chain of how this industry transforms itself."

The presentations this week could tell the world how far BP is prepared to go.

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