# BP plans drastic shift in energy strategy amid investor pressure



BP is poised to implement significant changes to its energy strategy during a crucial summit at its headquarters in London on Wednesday. After facing mounting pressure from investors, the oil and gas giant is expected to announce cuts to its renewable energy spending and a renewed focus on fossil fuel production, signalling a potential abandonment of its previously ambitious environmental goals.

In 2020, under the leadership of former CEO Bernard Looney, BP set some of the most ambitious targets in the industry, proposing a 40% reduction in oil and gas production by 2030 and a goal to achieve net zero emissions by 2050. However, recent reports indicate that BP plans to revise its production reduction target down to 25% and might cease its commitments to renewable energy altogether. This shift has been described by CEO Murray Auchincloss as a “fundamental reset,” as BP grapples with a declining net income from £13.8 billion in 2022 to £7.2 billion last year, a decrease attributed to falling oil and gas prices post-Russia's invasion of Ukraine.

The company's struggles have placed it under scrutiny, particularly with rival firms like Shell and ExxonMobil outperforming BP in shareholder returns—82% and 160%, respectively over the past five years. BP's underperformance has drawn the ire of influential investors, including Elliott Management, which recently acquired nearly 5% of BP's shares and is reportedly advocating for increased investment in fossil fuels.

Environmental groups and shareholders alike have expressed growing concern regarding BP's potential retreat from its environmental commitments. Notably, nearly 50 major investors have urged BP’s leadership to allow them a say in any plans to dilute its climate goals. Concerns about expanding fossil fuel operations are being voiced by investment firms, with Royal London Asset Management stating, “As long-term shareholders, we recognise BP's past efforts toward energy transition but remain concerned about the company's continued investment in fossil fuel expansion.”

Greenpeace UK has also reacted strongly, warning BP that a return to heavy reliance on fossil fuels could result in significant pushback not only from environmental advocates but also from its own shareholders. Senior climate adviser Charlie Kronick noted, “BP can expect this kind of pushback and challenge at every turn if it doubles down on fossil fuels.”

The backdrop for BP’s strategic shift includes a broader resurgence in fossil fuel advocacy, spurred by prior US policies under President Donald Trump, which prioritised fossil fuel production. The abandonment of ambitious climate goals by BP could coincide with shifts in government policy that may continue to favour fossil sources, despite the urgent calls for a transition to renewable energy.

As BP prepares to unveil its strategy update at 1 cm, the implications of its decisions for both the company and its investors remain to be seen, with analysts warning of the disconnect between the company’s potential fossil expansion and the global urgency to curb climate change. James Alexander, chief executive of the UK Sustainable Investment and Finance Association, emphasised that any rollback of green promises should "sound alarm bells for investors and UK policymakers alike."

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.bp.com/en/global/corporate/what-we-do/our-transformation.html> - This URL supports BP's initial ambitious environmental goals and its ongoing efforts in renewable energy, including biofuels and offshore wind projects. It highlights BP's commitment to achieving net zero emissions by 2050.
* <https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html> - This URL provides insights into BP's Energy Outlook, which explores the energy transition and scenarios for achieving net zero emissions. It discusses trends in renewable energy and the challenges of transitioning away from fossil fuels.
* <https://www.investopedia.com/elliott-management-5194448> - This URL provides information about Elliott Management, an influential investor that has acquired a significant stake in BP and is advocating for strategic changes, including increased investment in fossil fuels.
* <https://www.greenpeace.org.uk/news/bp-fossil-fuel-expansion/> - This URL highlights Greenpeace UK's concerns about BP's potential shift towards increased fossil fuel production, emphasizing the environmental implications and potential backlash from shareholders and environmental advocates.
* <https://www.shell.com/business-customers/news-and-media-releases/2023/shell-2023-full-year-results.html> - This URL provides context on Shell's performance, which is mentioned as outperforming BP in shareholder returns, contributing to the pressure on BP to reassess its strategy.
* <https://www.exxonmobil.com/News/Press-Releases/2023/ExxonMobil-announces-2023-full-year-results> - This URL offers insights into ExxonMobil's financial performance, which, like Shell, has been noted as surpassing BP's returns, further highlighting BP's strategic challenges.
* <https://www.independent.co.uk/news/business/bp-cut-green-energy-oil-gas-trump-b2704853.html> - Please view link - unable to able to access data