# BP reverses course on renewables to boost fossil fuel output amid market pressures



BP has recently announced a significant strategic shift, reversing its previously ambitious renewable energy investment plans in favour of expanding fossil fuel opportunities. This decision marks a departure from the goals set under former CEO Bernard Looney in 2020, when BP pledged to reduce oil and gas production by 40% by the end of the decade and limit fossil fuel output to approximately 1.5 million barrels per day.

Current CEO Murray Auchincloss stated, “Our optimism for a fast [energy] transition was misplaced, and we went too far, too fast.” Under the new strategy, BP aims for a more modest reduction of 25%, allowing for a daily production of about 2 million barrels by 2030. Additionally, the company plans to allocate $10 billion annually towards oil and gas projects, whilst cutting back $5 billion from its green energy investments.

Among the renewable projects facing cancellation is the £100 million HyGreen Teesside green hydrogen initiative, which was expected to contribute to the UK’s ambition to achieve 10 gigawatts of hydrogen capacity by 2030. This move follows an increasingly competitive landscape where rivals Shell and ExxonMobil have focused on boosting their fossil fuel production; Shell’s market value has increased over the past two years, contrary to BP's, which has seen a quarter of its value diminished.

To counteract its waning market position, BP is planning to divest around $20 billion in assets, which includes the prospect of selling its solar power subsidiary, BP Lightsource, alongside the lubricant division, Castrol, and its service station network. This strategy is part of a broader attempt to cut costs by $5 billion by 2027.

Additionally, BP is contending with pressure from activist hedge fund Elliott Management, which has acquired a 5% stake in the company and is poised to advocate for changes aimed at boosting market value.

In contrast to BP's retrenchment, Shell and ExxonMobil have pursued strategies focused primarily on fossil fuels. Shell, for instance, announced last year a shift in its carbon intensity reduction targets, allowing for increased natural gas production while lowering emissions per unit. However, this strategy raises concerns about overall emissions, considering the increase in production. This comes alongside the company’s failure to establish comprehensive "Scope 3" emission targets, which would cover emissions beyond direct operational control.

Despite recent announcements, Shell has also signalled a halt in investments in offshore wind projects, channelling resources instead into expanding their fossil fuel portfolio, a strategy that aligns with recent trends in the industry. Meanwhile, ExxonMobil has not embraced clean energy alternatives as aggressively, focusing instead on carbon emissions reduction through the integration of low carbon energy sources, including significant investments in hydrogen and biofuels from 2022 to 2027.

In recent financial reports, ExxonMobil showcased a stronger position compared to its competitors, reporting a net income of $8.6 billion despite a decrease from the previous year. Shell also saw a decline in net income, which fell to $5.4 billion, while BP's income dropped by 30% to $2.3 billion.

The decisions by major oil and gas companies to pivot away from renewable energy targets may reflect a continuing strong consumer demand for fossil fuels and market pressures prioritising immediate profitability over long-term climate goals. However, it remains possible that these companies may redirect their efforts towards clean energy once market conditions become more favourable for long-term renewable investments.

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

## Bibliography

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