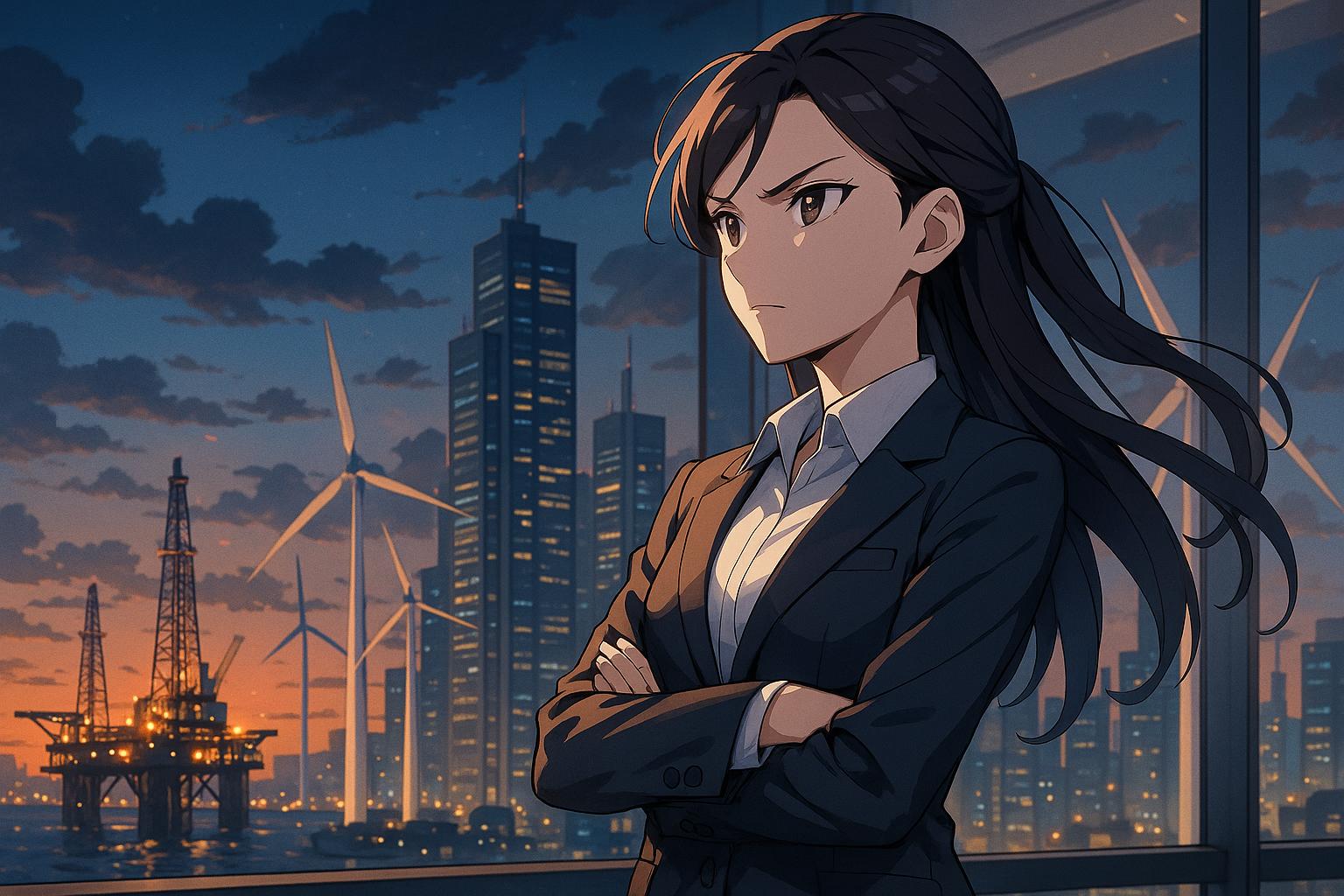
# Shell considers BP acquisition amid shifting energy strategies and net zero challenges



In recent weeks, notable developments across the globe have exemplified the complexities of the energy transition and its potential impact on corporate valuations. Events such as the blackouts on the Iberian Peninsula, the election of Mark Carney as Canada’s Prime Minister, and Shell's consideration of an acquisition of BP serve as a vivid reminder of the intricate interplay of energy policy and corporate strategy, all intricately linked to the net zero debate.

A decade ago, Carney—then Governor of the Bank of England—cautioned that the majority of fossil fuel reserves, including oil, gas, and coal, were likely to become “stranded” assets as global efforts to mitigate climate change intensified. Recently, he has expanded his warnings to encompass commercial real estate, arguing many landlords will soon be compelled to retrofit their properties to comply with new sustainability regulations. This raises the pertinent question of whether such measures will extend beyond Western jurisdictions, as governments worldwide grapple with climate commitments and their ramifications.

Meanwhile, Shell’s potential move to acquire BP appears motivated by a desire to re-establish its presence in US onshore oil activities. This follows its divestment of Permian Basin shale assets to ConocoPhillips in 2021. BP, for its part, previously executed a significant acquisition of BHP’s unconventional assets, solidifying its foothold in several prolific South Texas basins. A merger could realise substantial cost synergies, particularly given BP’s weakened market valuation—its shares have dropped by a quarter over the past year, leading to a low valuation multiple compared to US counterparts like ExxonMobil. Such dynamics underscore the shifting power landscape within the energy sector, especially against a backdrop of recent changes in political attitude towards fossil fuel production.

Shell and BP's shifting strategies also highlight broader market sentiment. The former has opted for a considerable investment in oil and gas production—approximately $40 billion from 2023 to 2035—indicating a pivot from its previous commitments to production cuts. Conversely, BP’s recent cuts to its buyback programme, coupled with management criticisms over inconsistent strategies, encapsulate a challenging environment for energy firms trying to balance profitability with sustainability.

At the societal level, public anxiety over the economic implications of a rapid transition to net zero is palpable. The recent blackouts in Spain and Portugal have raised questions about the efficacy of entirely phasing out nuclear power in favour of intermittent renewables like wind and solar. Critics assert that without substantial advancements in battery technology, renewable energy sources may struggle to meet base load requirements, leading to potential economic instability and diminished social cohesion.

Amid these challenges, the oil and gas industry has exhibited conflicting signals. Analysis from Wood Mackenzie reveals a third consecutive year of declining global upstream final investment decisions, a stark contrast to a Deloitte report indicating a 53% increase in industry capital expenditure over four years. This tension suggests a growing appetite for fossil fuel investments, particularly as the US pivots towards a more favourable stance on energy production.

Looking forward, investors must remain vigilant, factoring in variables such as interest rates, Opec+ production adjustments, and evolving regulatory frameworks. Despite ongoing debates about energy sources and asset viability, it remains uncertain which elements of the industry might indeed become stranded in the long term. As the energy landscape continues to evolve, corporate strategies increasingly reflect the need for adaptability in an unpredictable environment.

In summary, the intricate relationship between geopolitical developments and the transition toward a sustainable energy future underscores the poignant challenges that corporations face. As businesses navigate this landscape, it is clear that immediate responses to climate mandates will profoundly influence long-term corporate strategies and valuations.

### Reference Map

1: Paragraphs 1, 2, 3, 4, 5, 6, 7 2: Paragraph 2 3: Paragraph 2 4: Paragraph 2 5: Paragraph 2 6: Paragraph 6 7: Paragraph 7

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

## Bibliography

1. <https://www.investorschronicle.co.uk/content/50e12275-d7b9-4e7b-b4a2-3091b4cbfa28> - Please view link - unable to able to access data
2. <https://elpais.com/internacional/2025-05-15/mark-carney-toma-posesion-como-primer-ministro-de-canada-nos-dieron-el-mandato-de-hacer-grandes-cambios-rapidamente.html> - Mark Carney has been sworn in as Canada's new prime minister following Justin Trudeau's resignation. In his inaugural speech, Carney emphasized the mandate for swift and significant changes, highlighting the need to regain public trust. The new cabinet maintains gender parity and introduces ten additional departments to address specific issues, including sports, rural development, and defense. Notable appointments include François-Philippe Champagne as Finance Minister and Chrystia Freeland as Transport Minister. Carney's government aims to redefine U.S.-Canada relations and prioritize economic revitalization.
3. <https://www.reuters.com/world/americas/carney-unveils-cabinet-aimed-resetting-us-canada-ties-2025-05-13/> - Canadian Prime Minister Mark Carney has announced a new cabinet focused on redefining U.S.-Canada relations. The reshuffle reduces the number of ministers from 39 to 29, retaining key figures like Finance Minister François-Philippe Champagne and U.S. trade chief Dominic LeBlanc. Carney's government plans to invest billions to diversify the economy away from U.S. dependency, reduce internal trade barriers, and cut public spending. The cabinet also introduces ten junior secretary positions, replacing the labor minister role—a move criticized by unions.
4. <https://apnews.com/article/a26294fad4b497f322cf467fec68c7a3> - Canadian Prime Minister Mark Carney has appointed Anita Anand as the new foreign minister in a significant cabinet reshuffle. Anand, formerly defense minister, replaces Mélanie Joly, who now takes on the role of industry minister. François-Philippe Champagne and Dominic LeBlanc retain their positions as finance minister and minister of U.S. trade, respectively. Carney's government aims to address ongoing trade tensions with the United States and strengthen Canada's economy. The cabinet maintains gender parity and introduces ten junior secretary positions.
5. <https://www.reuters.com/world/canadian-pm-criticises-uks-invite-trump-state-visit-2025-05-14/> - Canadian Prime Minister Mark Carney has criticized the UK's decision to invite former U.S. President Donald Trump for a second state visit, arguing it undermines Canada's firm stance against Trump's provocative suggestion that Canada should become the 51st U.S. state. Carney emphasized that the gesture was ill-timed, particularly amid heightened sensitivity around Canada's national sovereignty. The UK defended its diplomatic approach, stating that each country must manage its international relations independently.
6. <https://www.reuters.com/markets/us/canadian-dollar-rebounds-investors-cheer-carney-cabinet-pick-2025-05-13/> - On May 13, 2025, the Canadian dollar rebounded against the U.S. dollar, gaining 0.2% to trade at 1.3950 per U.S. dollar, after hitting a one-month low earlier. This recovery was attributed to a broadly weaker U.S. dollar and investor optimism over new cabinet appointments by Canadian Prime Minister Mark Carney. Among the key appointments was Tim Hodgson, a former Goldman Sachs banker, as Canada's new natural resources minister. Analysts viewed this as a positive signal for Canada's resource sector and currency.
7. <https://time.com/7281714/mark-carney-canada-mexico-climate-leadership-strategy/> - Mark Carney was elected to a full term as Canada's prime minister with a platform that subtly includes climate leadership, though climate was not a central campaign theme. Carney, former Bank of Canada and Bank of England governor, is known for integrating climate considerations into economic policy and leading global climate finance initiatives. His election, following the 2024 victory of Mexican President Claudia Sheinbaum, a climate scientist, places President Donald Trump—who has dismantled numerous climate policies—in a geopolitical 'climate sandwich' between two pro-climate leaders.