# BP retreats from green goals to boost fossil fuel investments amid market pressures



BP has made a significant pivot in its strategic direction, moving away from its ambitious renewable energy commitments in favour of increasing its fossil fuel investments. This decision comes as part of a broader trend among major energy companies, including Shell and ExxonMobil, that have opted to prioritise traditional energy sources over emerging low carbon alternatives.

In its previous strategy, announced in 2020 under former CEO Bernard Looney, BP aimed to reduce oil and gas production by 40% by 2030, targeting a production limit of approximately 1.5 million barrels per day. This approach was designed to facilitate a substantial shift towards low-carbon energy solutions, with an intended investment of $5 billion a year in green energy initiatives. However, this plan has seen a retraction as BP now sets a new target of reducing production by only 25%, leaving an expected output of around 2 million barrels per day by the end of the decade. Current CEO Murray Auchincloss expressed that the company's earlier optimism regarding a swift energy transition was “misplaced” and admitted to moving “too far, too fast.”

BP's redefined investment strategy will allocate approximately $10 billion annually towards fossil fuel projects, while curtailing renewable investments to about $5 billion each year. The revised focus entails the initiation of ten large-scale fossil fuel projects by 2027, with projections for an additional eight to ten projects by 2030. Notably, the company has decided to cancel the £100 million HyGreen Teesside hydrogen project, which aimed to contribute 5% of the UK’s hydrogen capacity target for 2030.

The company has also been facing strong competition, having lost a quarter of its market value in the past two years. Rivals Shell and ExxonMobil have experienced opposite trajectories, with their market values increasing as they concentrated on fossil fuel production.

In a bid to recover lost revenue, BP plans to divest assets worth $20 billion, including its solar power subsidiary BP Lightsource. Other potential sales include the lubricant brand Castrol and its network of service stations, aimed at cutting $5 billion in costs by 2027.

Another factor influencing BP’s strategic recalibration is a recent acquisition by activist hedge fund Elliott Management, which has taken a 5% stake in the company. Elliott Management is anticipated to push for changes intended to enhance market value.

Shell has also aligned its strategies in a similar manner. The company has amended its carbon reduction targets, now seeking to decrease carbon intensity by 15-20% rather than the previously stated 20%. Additionally, Shell has halted investments in offshore wind and is focusing on expanding its oil and gas portfolio.

ExxonMobil has remained predominantly committed to fossil fuels and is pursuing a modest approach towards renewable sources. Between 2022 and 2027, the company plans to invest approximately $20 billion in alternative fuels, such as hydrogen and carbon capture technology.

Despite varying financial performances, ExxonMobil currently positions itself more robustly than BP and Shell. In the third quarter of 2024, ExxonMobil reported a net income of $8.6 billion, while Shell and BP reported net incomes of $5.4 billion and $2.3 billion, respectively. Over the past year, BP’s net income has decreased significantly, from $13.8 billion to $8.9 billion.

The recent trend among major energy companies to scale back commitments to renewable energy, in favour of greater investments in fossil fuels, reflects a complex interplay of market dynamics and shareholder expectations. Analysts posit that while current market conditions favour fossil fuel production, the potential for a return to renewable investments may emerge when economic conditions become more conducive to profitability in the clean energy sector.

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

## Bibliography

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