# UK oil and gas firms risk major value collapse over net zero blind spots



A recent study highlights that many UK oil and gas companies are significantly underestimating the financial impact of the transition to net zero emissions, which could lead to inflated valuations and substantial investor losses. This research, led by academics from the UK and France, utilises company reports and insights from 22 in-depth interviews with industry insiders to illustrate the pressing nature of these transition risks.

The study suggests that the transition could diminish access to capital for fossil fuel firms, escalate borrowing costs, and precipitate major asset write-downs, potentially stranding numerous resources. Dr Freeman Owusu from Loughborough University outlines the critical state of smaller companies, particularly those with ageing North Sea assets and limited alternatives to fossil fuel revenues, indicating that they may be the most susceptible to these shifts.

The findings of the study align with broader concerns regarding corporate transparency in relation to climate risks. For instance, a review by the environmental law charity ClientEarth revealed that over 90% of financial accounts and audit reports from the FTSE 100 and 250 fail to adequately mention climate-related risks. Alarmingly, around 40% of companies do not explicitly detail how these risks feature in their principal risk and uncertainty assessments, leaving stakeholders without a clear understanding of the implications for business models. This echoes findings from the Carbon Tracker Initiative, which noted that a staggering 98% of major emitters did not sufficiently acknowledge climate risks in their financial statements.

Financial pressure on these companies is compounded by warnings from the International Energy Agency (IEA), which has predicted that the oil and gas industry could suffer losses exceeding $3 trillion as the world shifts towards more restrictive greenhouse gas emission policies. The IEA cautions that without a significant change in investment strategy, many companies may not only struggle to maintain their valuations but could even see half their worth decline as the demand for fossil fuels contracts.

In the context of the North Sea, a report from Carbon Tracker highlighted that private equity firms could see their returns on investments fall by over 60% by 2030, driven largely by a rapidly changing energy landscape. This stark outlook indicates that major North Sea operators might be ill-prepared for the swift transition to cleaner energy solutions, placing them in a precarious financial position. This lack of readiness is echoed in investigative findings which show that these companies are largely focused on maximising current oil and gas profits rather than investing in renewable energy, ultimately threatening the UK’s ambitions of achieving net-zero greenhouse gas emissions by 2050.

Further complicating the landscape, an open letter from 36 financial institutions managing £1.5 trillion urged the UK government to provide clearer and more consistent net-zero policies. This reflects a growing consensus that clarity in governmental policy is crucial for enabling investment in sustainability, further underpinning the potential economic risks associated with a haphazard approach to the energy transition.

The study calls for enhanced transparency from oil and gas companies regarding their environmental, social, and governance (ESG) performance, as well as their strategies for managing remaining fossil fuel reserves. Dr Owusu emphasised the urgency of producing more detailed and forward-looking disclosures to foster better understanding among investors and policymakers alike. Explicitly articulating the financial implications of the net zero transition will not only help companies manage their current realities but also align them more closely with stakeholder expectations.

As the debate on climate-related financial risks continues, this research significantly contributes to the discourse, underscoring the essential nature of integrating these considerations into corporate strategy and reporting, particularly in the high-stakes oil and gas sector. The recommendations aim not only to inform but also to empower stakeholders in making sound decisions as the world edges toward a sustainable future.

Reaching net zero is indeed vital, but the economic risks for carbon-intensive industries require honest, transparent financial reporting to navigate these changes effectively. Investors and the public alike will benefit from a greater understanding of how companies plan to address the realities of the energy transition and its implications for their operations.

### Reference Map

* Paragraph 1: [[1]](https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/)
* Paragraph 2: [[1]](https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/), [[2]](https://www.clientearth.org/latest/news/clientearth-reveals-uk-companies-not-adequately-reporting-on-climate-change/)
* Paragraph 3: [[1]](https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/), [[3]](https://carbontracker.org/98-of-big-emitters-financial-statements-surveyed-do-not-sufficiently-acknowledge-climate-risks/), [[4]](https://www.telegraph.co.uk/business/2023/11/23/net-zero-risks-wiping-3-trillion-oil-gas-companies-iea/)
* Paragraph 4: [[5]](https://www.edie.net/expected-drop-in-oil-and-gas-demand-could-blindside-north-sea-investors-carbon-tracker-warns/), [[6]](https://www.theguardian.com/environment/2024/sep/27/north-sea-oil-and-gas-firms-in-uk-failing-to-invest-in-renewable-energy)
* Paragraph 5: [[7]](https://www.icaew.com/insights/viewpoints-on-the-news/2023/sep-2023/Investors-alarmed-at-UK-net-zero-policy-uncertainty)
* Paragraph 6: [[1]](https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/)
* Paragraph 7: [[1]](https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/)

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## Bibliography

1. <https://www.lboro.ac.uk/news-events/news/2025/may/oil-gas-firms-face-net-zero-risk/> - Please view link - unable to able to access data
2. <https://www.clientearth.org/latest/news/clientearth-reveals-uk-companies-not-adequately-reporting-on-climate-change/> - ClientEarth's review of the FTSE 100 and 250's largest companies found that over 90% of financial accounts and audit reports lack references to climate change-related risks and impacts. Approximately 40% of companies did not mention climate-related risks in their 'principal risks and uncertainties' sections, and less than a quarter clearly referenced the impact of climate change on their business models. While nearly half mentioned targets aligned with the Paris Agreement or net-zero emissions, the lack of material detail makes it difficult to assess how ambition translates into practical action.
3. <https://carbontracker.org/98-of-big-emitters-financial-statements-surveyed-do-not-sufficiently-acknowledge-climate-risks/> - The Carbon Tracker Initiative's report, 'Still Flying Blind – The Absence of Climate Risk in Financial Reporting,' found that 98% of major emitters' financial statements do not adequately acknowledge climate risks. The study assessed companies from sectors like fossil fuels, mining, and technology, revealing that none met all the Climate Action 100+ Climate Accounting and Audit Assessment (CAAA) methodology metric requirements. Only eight companies received 'Partial' scores, indicating a significant gap in climate risk disclosure.
4. <https://www.telegraph.co.uk/business/2023/11/23/net-zero-risks-wiping-3-trillion-oil-gas-companies-iea/> - The International Energy Agency (IEA) warned that the oil and gas industry faces potential losses exceeding $3 trillion due to the transition to net-zero emissions. The IEA stated that companies could become increasingly risky investments, potentially losing half their overall valuation as the world moves to restrict greenhouse gas emissions. The report criticized the global oil and gas industry for failing to understand or respond to the deepening global climate crisis, warning of catastrophic value loss for investors unless companies change course.
5. <https://www.edie.net/expected-drop-in-oil-and-gas-demand-could-blindside-north-sea-investors-carbon-tracker-warns/> - Carbon Tracker warned that private equity firms invested in North Sea oil and gas production could see returns plummet more than 60% below expectations as fossil fuel demand drops. The think-tank assessed the likely cash flow impacts on ten major North Sea investors of a more rapid energy transition, concluding that, through to 2030, each company would see a drop of at least 63% in aggregate cash flows from existing oil and gas assets compared with their expectations.
6. <https://www.theguardian.com/environment/2024/sep/27/north-sea-oil-and-gas-firms-in-uk-failing-to-invest-in-renewable-energy> - Campaigners highlighted that North Sea oil and gas companies in the UK have little intention of changing their business models to invest in clean energy. Data revealed that the overwhelming majority of North Sea operators are solely focused on profiting from oil and gas for as long as the North Sea's dwindling resources allow, failing to deliver on promises to transition to renewable energy. This lack of investment in clean energy hampers the UK's efforts to reach net-zero greenhouse gas emissions by 2050 and affects oil and gas workers' ability to find new jobs.
7. <https://www.icaew.com/insights/viewpoints-on-the-news/2023/sep-2023/Investors-alarmed-at-UK-net-zero-policy-uncertainty> - An open letter from 36 financial institutions with £1.5 trillion in assets under management expressed concerns about the UK's approach to net-zero policies. The letter warned that recent policy signals risk undermining the UK's leadership in sustainable finance and could erode investor confidence. The institutions emphasized the need for clarity and certainty in policymaking to enable large-scale investments in the UK's sustainable economy and to meet net-zero goals.