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Member Memo

11 April 2024

Re: Shell plc

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Summary

This section provides members with relevant details of forthcoming transition plan votes and summarises the Company's scoring against NZIF criteria and sector specific metrics. Please note that this Member Memo ('Memo') is based on publicly available information *at the time of publication*, further relevant information may be published by the company post publication of this Memo.

Name: Shell plc ('Shell' or 'the Company')

Headquarters: United Kingdom

Sector: Oil & Gas

AGM date: 21st May 2024

Reason for update: Confirmed advisory vote on the Company's energy transition plans as described in the Energy Transition Strategy 2024 report and the Annual Report and Accounts 2023.

Vote details: Details not available currently. AGM Notice to be released here.

Relevant materials: (1) Energy Transition Strategy 2024 (March 2024); (2) 2023 Sustainability Report (March 2024); (3) Annual Financial Report and Accounts 2023 (March 2024); (4) Shell – Our Journey to Net Zero (March 2024); (5) Capital Markets Day 2023 (June 2023); (6) TCFD – Mapping Table (May 2023); (7) 2022 Energy Transition Progress Report (March 2023); (8) 2022 Sustainability Report (March 2023); (9) 2021 Sustainability Report (March 2022); (10) Shell – Climate Change and Energy Transition (Webpage)

Publication of updated transition plan materials: The Company released its FY2023 sustainability disclosures in March 2024. These materials have been evaluated for this memo.

Summary of transition plan scores	
Overall score against NZIF alignment criteria[1]	9/11
Overall score against sector related criteria[2]	2/8
CBD[3] **score, sector rank, European rank**	86.8%, 11/32, 31/35[4]
Relevant context	The Company has committed to net zero by 2050 and has set GHG targets. A provisional analysis suggests the recent weakening of these targets has negatively impacted its CBD score, and while continuing to perform well on a global sector basis (11/32), Shell is less aligned than most CA100+ companies in Europe (31/35). The Company has set out intended decarbonisation actions, but has not quantified their emission reduction contributions. It has disclosed unabated carbon intensive capex but is not phasing out fossil fuel spending. The Company has provided guidance on medium-term oil production. It has quantified the contribution of customer actions to its medium-term target but has not set targets to grow green energy production or provided sufficient guidance on low-carbon, exploration and greenfield capex.

1 For more details on these NZIF criteria see Section 1, page 2

2 For more details on the sector related criteria see Section 2, page 3

3 Cumulative Benchmark Divergence Metric methodology here. Sector rank is the CBD score relative to all the CA100+ companies within that sector globally (1/32 would be better) and European rank is the CBD score relative to all European CA100+ companies (1/35 would be best).

4 Data based on a provisional analysis of recently revised targets with ranking assuming no change in other companies' CBD scores. A finalised CBD score will be available after TPI updates its energy Carbon Performance assessments in Q4 2024. Scores and ranking based on current TPI accepted targets are 52.3%, 6/32, 26/35

Section 1: Net Zero Investment Framework (NZIF) scores

IIGCC members helped develop the Net Zero Investment Framework (NZIF) with the aim of assisting them in measuring the alignment of their individual assets, overall portfolio trajectory, and increasing investment in climate solutions consistent with the Paris Agreement[5]. NZIF provides six criteria to assess listed equity and corporate fixed income alignment and recognises the CA100+ disclosure framework (CA100+ DF) as a relevant data source for this scoring. The box below summarises the Company's alignment with those six criteria based on information that is publicly available at the date of publication of this Member Memo (full results available here).

NZIF alignment criteria

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
1. Ambition	**1: A net zero Ambition for 2050 or sooner covering all relevant emissions**	**2/2**	The Company has committed to Net Zero emissions by 2050, covering Scope 1, 2, and Scope 3 emissions, allowing the Company to meet both metrics. Note that TPI's Carbon Performance analysis does not accept Shell's long-term (net zero) target as it relies on an unspecified contribution from customer actions. This does not impact scores against the metrics used here but does impact CA100+ disclosure framework sub-indicator 2.3, and the CBD score, which is based on the TPI Carbon Performance analysis. *Source: 1 (pp. 2-6)*
	1.1.a Qualitative net zero GHG emissions ambition statement that includes at least 95% of Scope 1 and 2 emissions.	✔	
	1.1.b Net zero GHG emissions ambition that covers the most relevant Scope 3 GHG emissions categories for the company's sector	✔	
2. Targets	**2.2, 3.2 and 4.2: The company has set Long-, Medium- and Short-term emissions targets that covers at least 95% of its Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable)**	**3/3**	The Company has set Short-, Medium- and Long-term targets covering Scope 1, 2, and 3 therefore scores on the short-, medium-, and long-term sub-indicators. It targets cuts to net carbon intensity (NCI) of 9-13% by 2025 and 15-20% (previously 20%) by 2030 against a 2016 baseline. It recently dropped its 45% 2035 target. Shell also aims to halve net absolute Scope 1 and 2 by 2030 against a 2016 baseline (including carbon credits and divestments) and recently set a new target to cut oil sales emissions by 15-20% by 2030 (2021 baseline). *Sources: 1 (pp. 2-5; 46-51), 8 (p. 22), 9 (p. 21)*
	2.2.a and b. Long-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✔	
	3.2.a and b. Medium-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✔	
	4.2.a and b. Short-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✔	
3. Emissions performance	**11.1: Emissions intensity is reducing at a faster rate than that of the relevant 1.5°C pathway**	**N/A**	Indicator 11 was in beta mode last year and therefore CA100+ results are not publicly available.

5 See Net Zero Investment Framework: Implementation Guide. The six alignment criteria for Listed Equity and Corporate Fixed Income for companies in higher impact sectors are set out on page 16.

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
4. Disclosure	**10.1 and 10.2: The company is implementing TCFD and discloses scenario planning consistent 1.5°C**	2/2	The Company explicitly and clearly indicates that it has aligned its disclosures with the TCFD recommendations and signposts the disclosure on page 83 of its annual report (10.1.a and b). The Company has conducted climate scenario analysis with quantitative elements and reported the results (10.2.a). This uses the IEA's NZE scenario, covers all operations, reveals key assumptions and variables, and locates key risks and opportunities (10.2. a and b). *Sources: 3 (pp. 90-96), 6, 10 (Webpage)*
	10.1.a and b: Commitment to align disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website AND explicitly signposts the disclosure in its annual reporting or publishes them in a TCFD report.	✔	
	10.2a and b: The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results AND the scenario analysis explicitly includes a 1.5°C scenario which covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified	✔	
5. Decarbon-isation strategy	**5.1: The company has set out and quantified the actions it intends to take to decarbonise**	1/2	The Company has set out the actions it will take to achieve its medium-term operational emission target: portfolio changes, efficiency, converting refineries into energy and chemical parks, using renewables and CCS. The company states that "high-quality carbon credits" will be used if necessary. The Company will meet its NCI (Scope 3) target by cutting oil to 39% of total energy sales by 2030 (48% in 2022), growing power and low-carbon fuel sales plus abatement and removal (technology- and nature-based). A pivot towards advanced CCS (i.e. direct air capture) and renewable fuels (i.e. green hydrogen and liquefied synthetic gas) is expected beyond 2030. While the Company has quantified some Medium-term actions, it has not done this for Long-term target (5.1.b) Consequently, it only meets 5.1.a. *Sources: 1 (pp. 21; 27-29; 46-50), 7 (pp. 10; 12-13)*
	5.1.a The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframes. These actions clearly refer to the main sources of the company's GHG emissions, including Scope 3 emissions (where applicable).	✔	
	5.1.b The company quantifies the contribution of individual decarbonisation levers to achieving its medium- and long-term GHG reduction targets; including Scope 3 GHG reduction targets where applicable (e.g., changing technology or product mix, supply chain measures).	✘	
6. Capital allocation	**6.1: The company discloses unabated carbon intensive capex and is phasing out new spending**	1/2	The Company recognises the need to transition away from refined oil products but has not publicly disclosed an intention to phase out capex in all new unabated carbon-intensive assets or products by a specific year and therefore cannot score on metric 6.1.a. The Company discloses capex in unabated carbon-intensive products ($4.2 bn on Integrated Gas and $8.3 bn on Upstream in 2023) enabling it to meet 6.1.b. *Sources: 1 (p. 21), 3 (pp. 5; 33; 35; 95), 7 (p.25)*
	6.1.a The company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year.	✘	
	6.1.b The company discloses the stated value of its capital expenditure that is going towards unabated carbon-intensive assets or products.	✔	
Total score		9/11	

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Section 2: Sector specific metrics

IIGCC and its members, through their contribution to Net Zero Standards or their sector working groups, have contributed to the development of sector-specific criteria to aid the assessment of transition plans in certain sectors. The box below summarises the Company's alignment with selected metrics from the Net Zero Standard for Oil & Gas (NZS O&G – see here) based on information that is publicly available at the date of publication of this Memo. Where scoring differs from the NZS O&G results, please consider this memo as a provisional independent assessment based on updated disclosure.

Criteria for helping to analyse the transition plans of Oil and Gas

Engagement Topic	NZS O&G Indicator/Metric(s)	Score	Relevant supplemental information and public data source used
1. Customer decarbon-isation	**Does the company disclose the contributions of actions by third parties to long-term and medium-term emission targets [as assessed by NZS O&G metrics 5.ii.f and 5.ii.j]?**	**1/2**	The Company has specified that mitigation actions undertaken by its customers only contribute to its 2050 target. However, it does not quantify their contribution and therefore it meets 5.ii.j but not 5.ii.f. *Sources: 4, 7 (pp. 10; 12-13)*
	5.ii.f The company discloses the contributions of actions by third parties to long-term emission targets in both % or CO2 as appropriate (even when that contribution is zero)	✘	
	5.ii.j The company discloses the contributions of actions by third parties to medium-term emission targets in both % or CO2 as appropriate (even when that contribution is zero)	✔	
2. Fossil fuel capex	**Does the company disclose current and forward-looking guidance on exploration capex and investment in greenfield assets [as assessed by the NZS O&G metrics 6.i.e and 6.i.d]?**	**0/2**	Shell has reported its exploration expense for 2023 ($1.75 bn) but did not provide any future estimates OR disaggregate information on long-lived greenfield capex and is therefore unable to score here. Shell states that it does not anticipate any new frontier exploration beyond 2025 and will focus on regions with existing hydrocarbon discoveries. *Sources: 1 (p. 25), 3 (p. 245)*
	6.i.d: The company discloses exploration capex (i.e. non-maintenance of existing oil and gas facilities) in the last financial year and a forward-looking guidance (minimum three years ahead).	✘	
	6.i.e: If production decline is not consistent with IEA NZE the company discloses current and forward-looking guidance on long-lived greenfield capex	✘	

<table>
<tr><th>Engagement Topic</th><th>Specific metric</th><th>Score</th><th>Relevant supplemental information and public data source used</th></tr>
<tr><td rowspan="3">3. Green Investment</td><td>Does the company disclose current and forward-looking total investment in “green” energy production and has it set a target to increase green energy production [as assessed by the NZS O&G metric 6.ii.a and 5.iii.c]?</td><td>0/2</td><td rowspan="3">The Company reports current low-carbon capex ($5.6 bn in 2023) and has a budget of $10-15 bn between 2023 and 2025. However, as this is only two years ahead it is insufficient to meet 6.ii.a.
Despite disclosing various project pipelines, including a renewable generation capacity pipeline of 40 GW (previously 45 GW), it does not disclose a clear target in terms of total green energy output and hence does not meet 5.iii.c.
Sources: 1 (pp. 5-6; 36-39), 3 (p. 7), 7 (pp. 17; 24-25)</td></tr>
<tr><td>6.ii.a: The company discloses total investment in “green” energy production in both the last financial year and a forward-looking guidance (minimum three years ahead) where “green” is clearly defined and consistent with the one used in indicator 5</td><td>✘</td></tr>
<tr><td>5.iii.c: The company has set a target to grow total green energy production (in TJ or KWh, see paragraph 97, from investment in new capacity + long-term PPAs) with at least ST and MT target components and established base year and base year values</td><td>✘</td></tr>
<tr><td rowspan="4">4. Production</td><td>Does the company provide guidance on medium-term oil AND gas production [as assessed by the NZS O&G metrics 5.v.e AND 5.v.f]?</td><td>1/2</td><td rowspan="4">The Company states that oil & natural gas liquids production will remain stable at 1.4 mboe/d through 2030, with an anticipated 20-30% growth in LNG production from ~60 mtpa in 2022. However, the Company has not provided a natural gas production target. The Company is not assessed on 5.v.g, which is only applicable when disaggregated production targets are not supplied.
*This score differs from that published in the NZS O&G. It is based on a review of Shell’s updated disclosures by IIGCC for this memo.
Sources: 1 (pp. 22; 25), 5 (p. 23)</td></tr>
<tr><td>5.v.e: Gives guidance on its annual medium-term oil production (for the year specified in its medium-term emissions target), expressed either in energy units (boe/TJ) or as a % or absolute change from a stated base year value</td><td>✔</td></tr>
<tr><td>5.v.f: Gives guidance on its annual medium-term gas production (for the year specified in its medium-term emissions target), expressed either in energy units (boe/TJ) or as a % or absolute change from a stated base year value</td><td>✘*</td></tr>
<tr><td>5.v.g: Gives guidance on annual combined medium-term oil and gas production (for the year specified in its long-term emissions target), expressed either in energy unites (boe or TJ) or as a % or absolute change from a stated base year value</td><td>N/A</td></tr>
<tr><td>5. Total score:</td><td></td><td>2/8</td><td></td></tr>
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