BANKTRACK

Nijmegen, 3 June 2022

NAME CEO
BANK NAME
ADDRESS

Sent by email

Subject: Shell's proposed Jackdaw gas field

Dear [NAME CEO],

We are writing to you as CEO of «Bank» to share our concerns regarding the proposed development by Shell of the Jackdaw gas field in the North Sea.

On 1 June, the UK regulatory authority issued a formal approval[1], making it possible for Shell to now move ahead with the project. However, the development of the Jackdaw gas field is not aligned with the pathways required to meet the 1.5C temperature goal under the Paris Agreement.

Research by BankTrack and partners published in the Banking on Climate Chaos report[2] has found that the Bank (and/or a subsidiary of the Bank) has a recent and/or ongoing financial and/or advisory relationship with Jackdaw's owner, Shell PLC. This relationship risks being incompatible with the bank's own climate commitments and exposing the bank to significant reputational, legal, financial and other risks.

Jackdaw gas field
Jackdaw is one of the 10 biggest remaining gas fields in the North Sea. It is estimated to contain approximately 120-250 millions of barrels of oil equivalent (MMboe)[3]. It is a high-pressure, high temperature (HPHT) gas condensate field with high CO2 content, making it an especially polluting field to develop. The project would contribute to CO_2 emissions equivalent to 0.1% of all UK emissions from its production alone.

In its initial proposal, Shell had planned to 'clean' the high CO2 gas using an amine unit[4]. However, this process is itself highly polluting as it includes venting CO2 directly into the atmosphere[5]. For this and other reasons, the UK regulator OPRED initially rejected Shell's proposal. Although the regulator has now approved the new proposal, Shell has only slightly changed its plans without adequately addressing the severe climate risks associated with the project.

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[1] UK Government, "Decision: Jackdaw Field Development", 1 June 2022.
[2] RAN, BankTrack, IEN, OCI, Sierra Club, Reclaim Finance, Urgewald, "Banking on Climate Chaos", March 2022.
[3] Alex Procyk, "Shell submits amended environmental statement for Jackdaw", Oil & Gas Journal, 18 March 2022.
[4] Shell, "Jacdaw Field Developement: Environmental Statement", February 2022.
[5] It is also questionable whether this practice aligns with Shell's endorsement of the Zero Routine Flaring by 2030 Initiative by the World Bank, that commits it to develop new fields only without routine flaring. World Bank, "Zero Routine Flaring by 2030 Initiative".

The approval also does not absolve your bank of its own responsibility to align its financing with the goals of the Paris Climate Agreement and commitments it has made under the Net Zero Banking Alliance, among others.

Alignment with 1.5C Paris climate goal

The International Energy Agency's Net Zero by 2050 Roadmap[6], published May 2021, found that in order to reach the Net Zero by 2050 goal, "no new oil and natural gas fields are required beyond those that have already been approved for development", i.e. with final investment decisions in 2021. The development of the Jackdaw gas field, approved nearly a year after the publication of the IEA Roadmap, is clearly not aligned with limiting global warming to 1.5C. In its original rejection, the regulator argued "To align the project with objectives and targets set out in the [UK's] Carbon Budgets and the North Sea Transition Deal would require the project philosophy to be revisited." This has not happened.

More generally, both Shell's climate commitments and its expansion plans are misaligned with the 1.5C goal. In May 2021, a Dutch court ruled Shell was not doing enough to limit its climate impact, and should reduce emissions by 45% by 2030.[7] But the he Global Oil and Gas Exit List (GOGEL) by Urgewald shows that Shell is in fact expanding fossil fuel production in 14 countries and on average spent US$ 2 billion on exploration between 2019 and 2021[8], in direct conflict with the clear need to rapidly phase out the extraction and production of all fossil fuels.

Oil Change International recently assessed Shell's climate plans against a benchmark of 11 criteria and found them 'grossly insufficient' or 'insufficient' on 10 out of 11 criteria, and only 'partially aligned' on 1.[9] Shell has no plans to stop exploration or the approval of new fossil fuel extraction projects. It has forecast but not committed to a drop in fossil fuel production and has no long term plan to phase out such production according to a timescale aligned with 1.5C. Its transition strategy explicitly aims for the production of oil and gas to continue beyond 2050. Although it has set a 2030 target, this only covers the scope 1 and 2 emissions - which together are less than 5% of the company's overall emissions. Its 2050 target does not amount to absolute emission reductions and relies heavily on carbon sequestration and offsets.

Risks to the bank

By signing up to the Net Zero Banking Alliance (NZBA), your bank has committed to align its financing with the goals of the Paris Agreement, and more specifically to reach net-zero financed emissions by 2050 or sooner, based on the "best available science".[10] It has also committed to engage with its clients on their own transition. In continuing to finance Shell as it proceeds with developing the Jackdaw gas field, your bank risks acting out of step with these commitments.

Specifically, the best available science leads to the conclusion that the proposed field is incompatible with the IEA's Net Zero by 2050 scenario. Instead of aligning with Net Zero by 2050 or sooner, which translates into year-on-year reductions in financed emissions, the new project actually increases the total emissions of Shell and thereby the financed emissions attributable to your bank.

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[6] IEA, "Net Zero by 2050: a Roadmap for the Global Energy Sector", May 2021.
[7] Stanley Reed and Claire Moses, "A Dutch court rules that Shell must step up its climate change efforts", The New York Times, 26 May 2021.
[8] Urgewald, "Global Oil and Gas Exit List", 2022.
[9] Oil Change International, "Big Oil Reality Check: updated assessment of oil and gas company climate plans", 24 May 2022.
[10] UN Environment Programme - Finance Initiative, "Net-Zero Banking Alliance Commitment Statement", April 2021.

[BANK]'s ongoing association with Shell and other companies that continue to expand fossil fuel production also poses growing legal, financial and reputational risks. As seen in the case of the Cambo oil field, also in the North Sea, new fossil fuel developments raise significant public concern, media attention and even legal action.[11]

Our call on your bank

We therefore ask your bank to:

- Rule out direct financing for the project;
- Engage with Shell and urge the company to terminate the development of the project, as well as take action to ensure it properly aligns with the Paris Agreement across its business, including by stopping the expansion of all fossil fuels and phasing out production on a pathway in line with the 1.5C goal;
- Cease all finance for Shell in the event that it proceeds with the Jackdaw field and other projects that are incompatible with meeting the 1.5C climate goal.

We would appreciate a response and would be pleased to discuss this issue further with you.

With kind regards, on behalf of the undersigned organisations,

Johan Frijns
Executive Director, BankTrack

350.org
Bank on our Future
Uplift

[11] See for example: Matthew Taylor and Jillian Ambrose, "Work on Cambo oilfield paused after Shell withdrawal", The Guardian, 10 December 2021; and Jillian Ambrose, "UK faces legal action over North Sea oilfield exploration plans", The Guardian, 23 July 2021.

Annex 1: List of recipient banks:

- ANZ;
- Bank of America;
- Bank of China;
- Barclays;
- BNP Paribas;
- BPCE;
- Citi Group;
- Crédit Agricole;
- Credit Suisse;
- Deutsche Bank;
- Goldman Sachs;
- HSBC;
- ICBC;
- JPMorgan Chase;
- Lloyds Banking Group;
- Mizuho;
- Morgan Stanley;
- Royal Bank of Canada;
- Santander;
- Société Générale;
- Standard Chartered;
- Sumitomo Mitsui Banking Corp Group;
- Toronto Dominion Bank;
- UBS;
- Wells Fargo.