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# Business and Global Environmental Issues:

## The oil industry and climate change

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GREENPEACE



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# The Oil Industry and Climate Change

In the mid 90s, within major oil companies

- Emissions of CO<sub>2</sub> were recognized as a potential determinant of global warming



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# Words from the Intergovernmental Panel on Climate Change (IPCC)

*“The balance of evidence suggests that there is a discernable human influence on global climate”*

*IPCC Second Assessment Report, 1995*

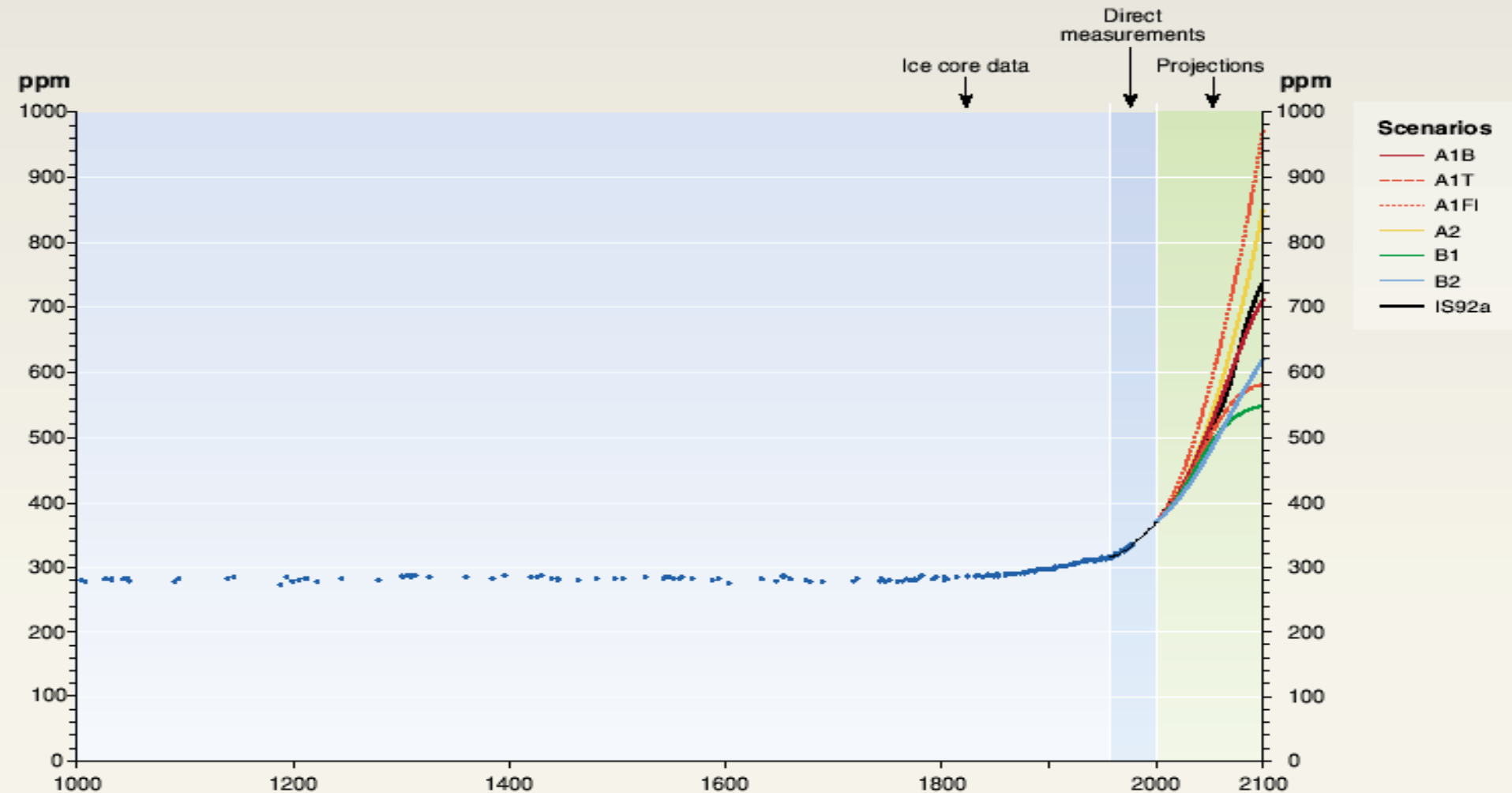
*“The Earth’s climate system has demonstrably changed on both global and regional scales since the pre-industrial era, with some of these changes attributable to human activities.”*

*IPCC Third Assessment Report, 2001*

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# Build-up of CO<sub>2</sub> in the atmosphere

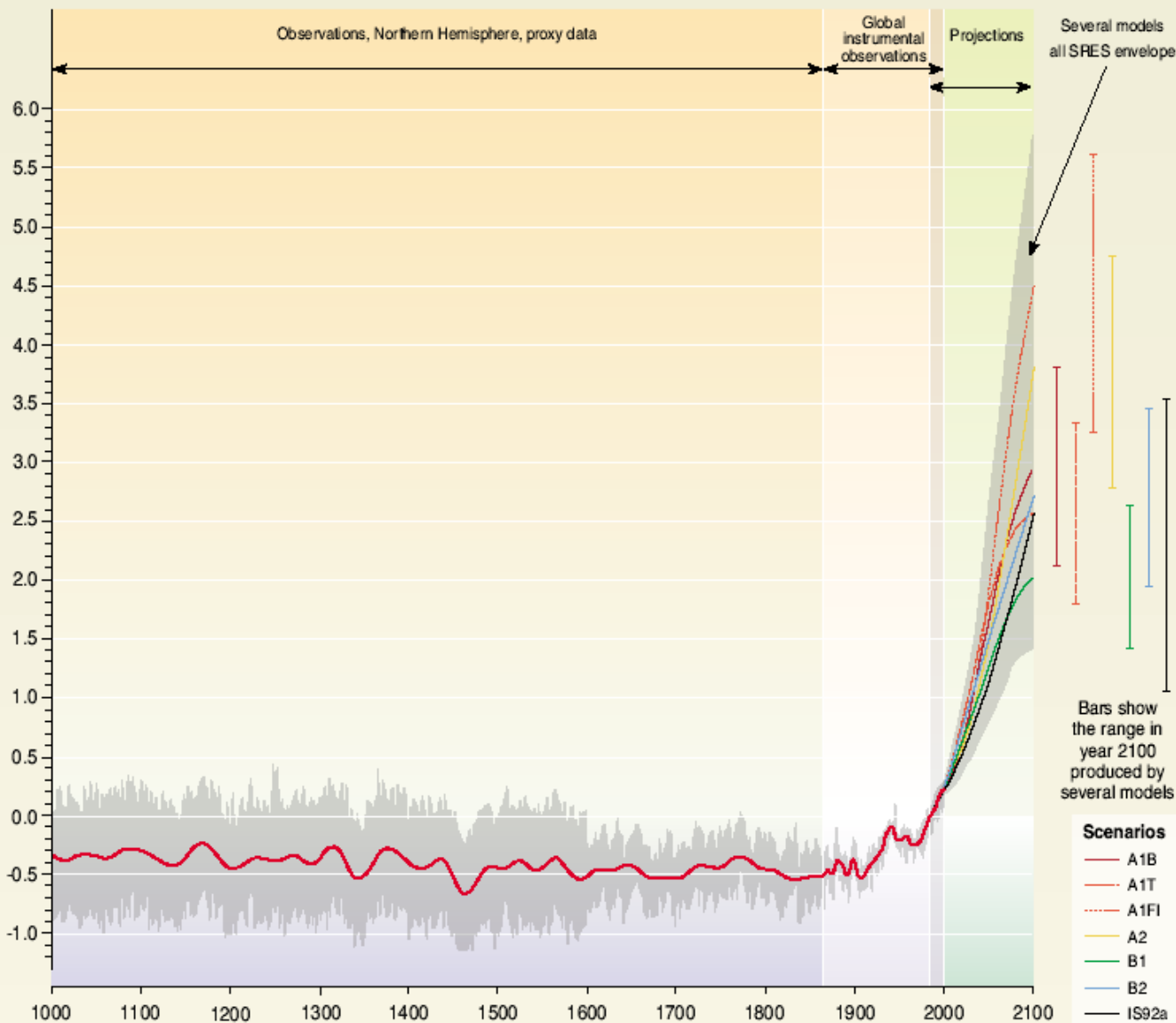
Past and future CO<sub>2</sub> atmospheric concentrations



Source: IPCC, TAR, 2001

## Variations of the Earth's surface temperature: years 1000 to 2100

Departures in temperature in °C (from the 1990 value)



## Variations of the Earth's surface temperature: years 1000 to 2100

- Departure from 1990 value
- Grey = uncertainty (95% conf. Limit)
- Before 1860: proxies (tree rings, corals, ice cores & historical records) 50 years average
- From 1860 to 2000: observations
- 50 then 10 years average
- From years 2000 to 2100 projections

Source: IPCC, TAR, 2001

# Climate Change Effects

- ⌘ Increase of Global Mean Surface Temperatures
- ⌘ Irreversible and rapid Climate Change
- ⌘ Sea Levels Rises
- ⌘ Increased occurrence of Extreme Weather Events
- ⌘ Disruptions in agriculture
- ⌘ Spread of Tropical Diseases
- ⌘ Population Migrations
- ⌘ Disappearance of ecosystems and species that are unable to migrate
- ⌘ ...

***Impacts are expected to be mostly negative, dramatic, world scale, irreversible***



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# The Oil Industry and Climate Change

In the mid 90s, within major oil companies

- Regulation of CO<sub>2</sub> emissions was perceived as a threat to the growth of fossil fuels as a source of energy
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# Climate Change Causes

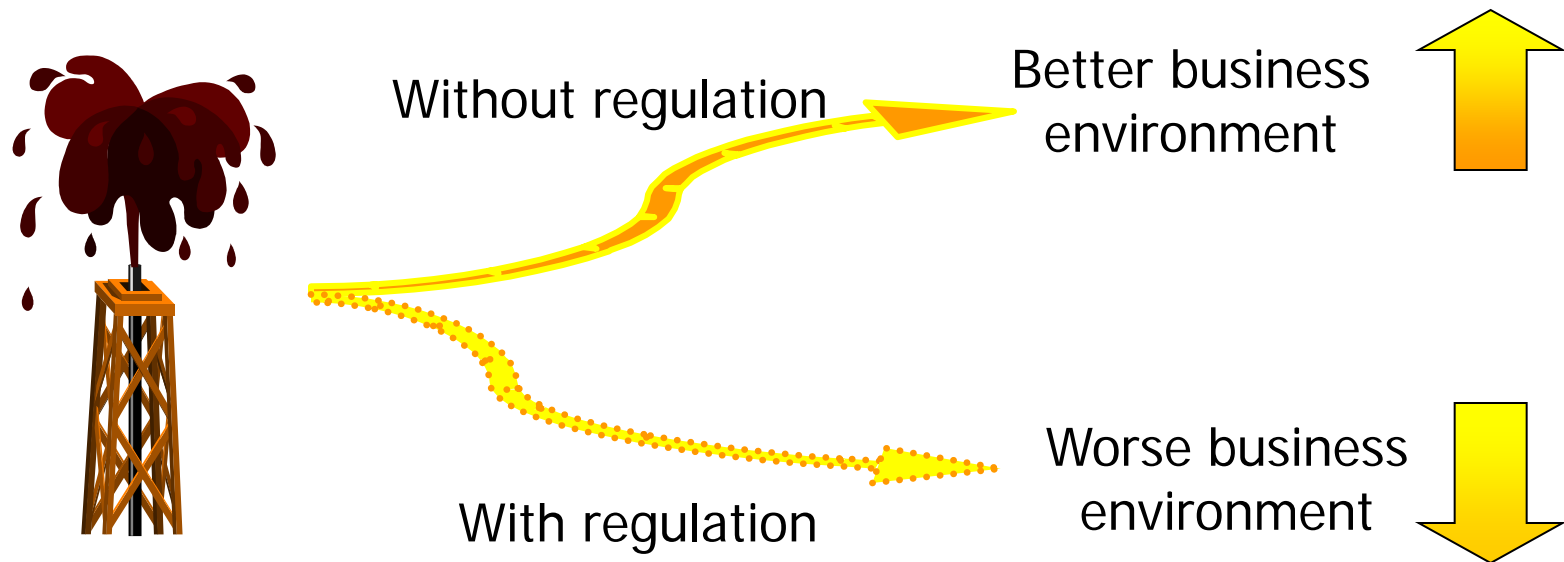
<b>Gas</b>	<b>Sources in Industrialized Countries (1990)</b>		<b>Radiative Forcing</b>
CO <sub>2</sub>	Fossil Fuels combustion	>95%	70-72%
	Industrial Processes	2-3%	
Methane (CH <sub>4</sub> )	F. fuels prod., distri. & combu.	~ 33%	21-22%
	Agriculture	~ 33%	
	Waste	~ 33%	
N <sub>2</sub> O (peroxide d'azote)	Agriculture	40 %	6-7%
	Fossil Fuels combustion	20-25 %	
	Industrial Processes	30-35%	
HFCs, PFCs, SF6	Industrial Processes; Industry; Consumers (e.g. A/C)		< 1% strong growth

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# The Threat to Oil Industry

- Potential increase of the liabilities attached to the product
  - Increase of price due to internalization of the costs of externalities
  - Reduced access to resources
  - Entrance of competitive sources of energy
  - Diminishing demand
  - Reduced social acceptance of the product and of the industry
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# The Oil Industry Dilemma



Prima facie, the regulation of CO<sub>2</sub> emissions presents a dilemma to the oil industry

There is an ethical dimension because the emissions of CO<sub>2</sub> is perceived as threatening the well being of humanity

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# Exxon's strategy:

## *Fight against action*

- Goal: Prevent –or delay– policy action on climate change
  - Tactics:
    - Denying the dilemma
    - Contesting and influencing the science
    - Influencing public perceptions
    - Impairing policy processes
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# A word from Exxon's CEO

*“Although the science of climate change is uncertain, there’s no doubt about the considerable economic harm to society that would result from reducing fuel availability to consumers by adopting the Kyoto Protocol or other mandatory measures that would significantly increase the cost of energy. Most economists tell us that such a step would damage our economy and almost certainly require large increases in taxes on gas and oil. It could also entail enormous transfers of wealth to other countries.”*

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# Exxon's progression of statements

- Climate change is not happening
  - The science of climate change is uncertain
  - Climate change is not human-induced
  - Climate change will not necessarily be bad
  - Now is not the good time to act
  - Policies under discussion are not the good way to tackle with the issue
  - It's too late to act
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# Exxon's deeds (some...)

- Key member of Global Climate Coalition:
    - Lobby US Congress against Kyoto (E.G. Byrd-Hagel resolution)
    - Advertisement campaign: Kyoto unfair to US, Kyoto won't work, economic doomsday
  - Political donations
  - Criticising and attacking IPCC science as uncertain and biased; financing 'climate sceptics'
  - Economic arguments against emission reduction policies based on self-funded economic models
  - Telling developing countries that Kyoto will "strangle economic growth"
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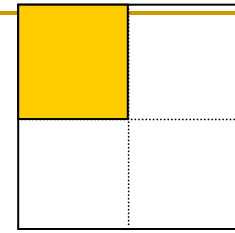
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# Tactics:

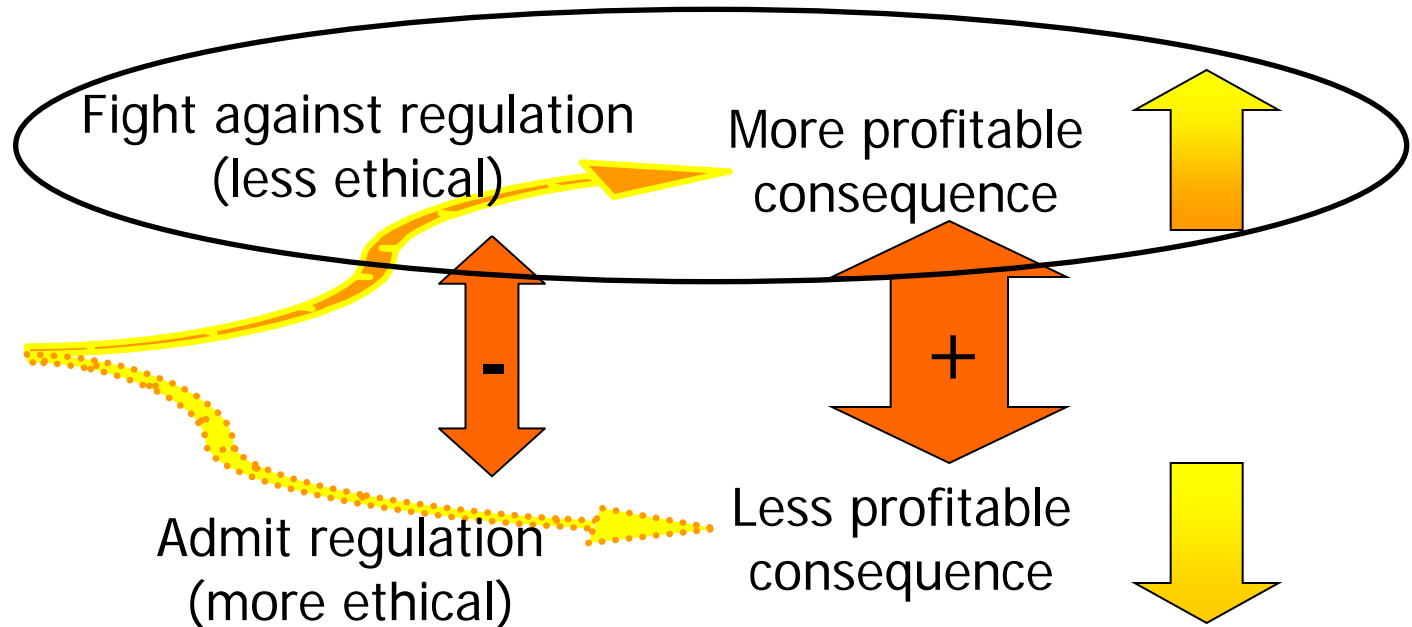
## Priority to Business

- Denial of the unethical process;
  - Emphasis of the costs of sacrifice;
  - Search for industry coalitions;
  - Influence and distortion of scientific research;
  - Influence and subversion of political and international institutions;
  - Influence and manipulation of public opinion;
  - Confidentiality of strategic choices.
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# Priority to Business



**ExxonMobil**



1. **Emphasizing the business consequences differential**
2. **Weakening the ethical differential**
3. **Confidentiality of the strategy – Bad faith communication**

By giving priority to business, ethics becomes mainly an issue of public relation

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# TotalFinaElf's strategy:

*Stay neutral*

- Goal: Be prudent, stay focus, free ride
  - Tactics:
    - Accept the possibility of a dilemma
    - Do not counter public science
    - Announce good intentions
    - Develop political connections
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# A Word from ELF CEO

« The Elf Aquitaine Group is ready to commit to a reduction of 15% of its [CO2] emissions in 2010 ».

*Philippe Jaffré, 1997*

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# BP's strategy:

## *Proactive*

- Goal: Taking advantage of the situation
  - Tactics:
    - Facing the dilemma and try to address it
    - Acknowledging the science
    - Communicating on their new strategy
    - Participating in policy process
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# A word from BP's CEO

*“We must now focus on what can and what should be done, not because we can be certain climate change is happening, but because the possibility can't be ignored. If we are all to take responsibility for the future of our planet, then it falls to us to begin to take precautionary action now.”*

BP Chief Executive, John Browne, 1997

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# BP's progression of statements

- Society cares (recognition of a societal concern)
  - We are causing social damage (acknowledgement of responsibility)
  - We will modify our behaviour
  - ... and nevertheless remain profitable
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# BP's deeds or promises (some...)

- Left the Global Climate Coalition for the Pew Center on CC's business council
  - Reducing BP's internal emissions (including setting up internal emissions trading scheme)
  - Focus on energy conservation (internally and with consumers)
  - Investment in solar energy business
  - Promoting the use of flexibility mechanisms
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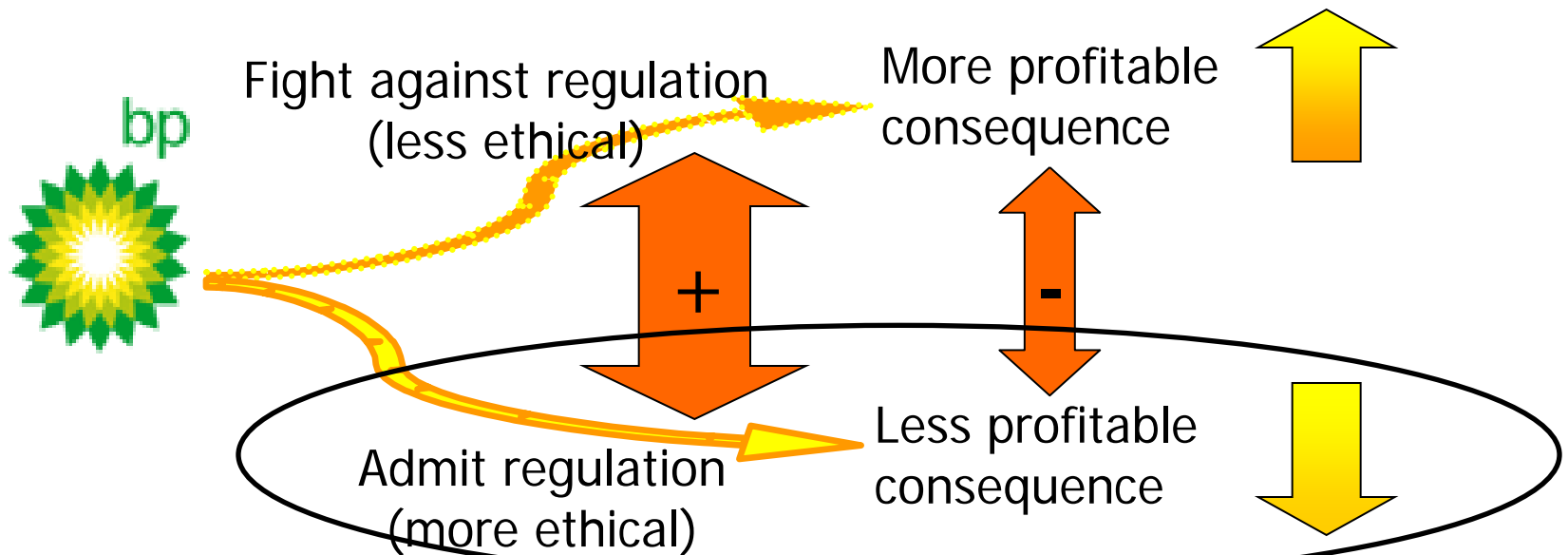
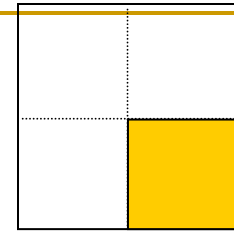
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# Tactics:

## Priority to Ethics

- Acknowledgment of the unethical process;
  - Mitigation of the cost of sacrifice;
  - Emphasis of long term benefits;
  - Strategic re-positioning;
  - Search for differentiation and competitive advantage;
  - Ambiguity of the sacrifice;
  - Transparency of strategic choices;
  - Making amends?
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# Priority to Ethics



1. Weakening the **business consequences differential**
2. **Emphasizing the ethics differential**
3. **Transparency of the strategy – Ambiguity of good faith**

By giving priority to ethics, it becomes a factor of strategic management

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# Discussion

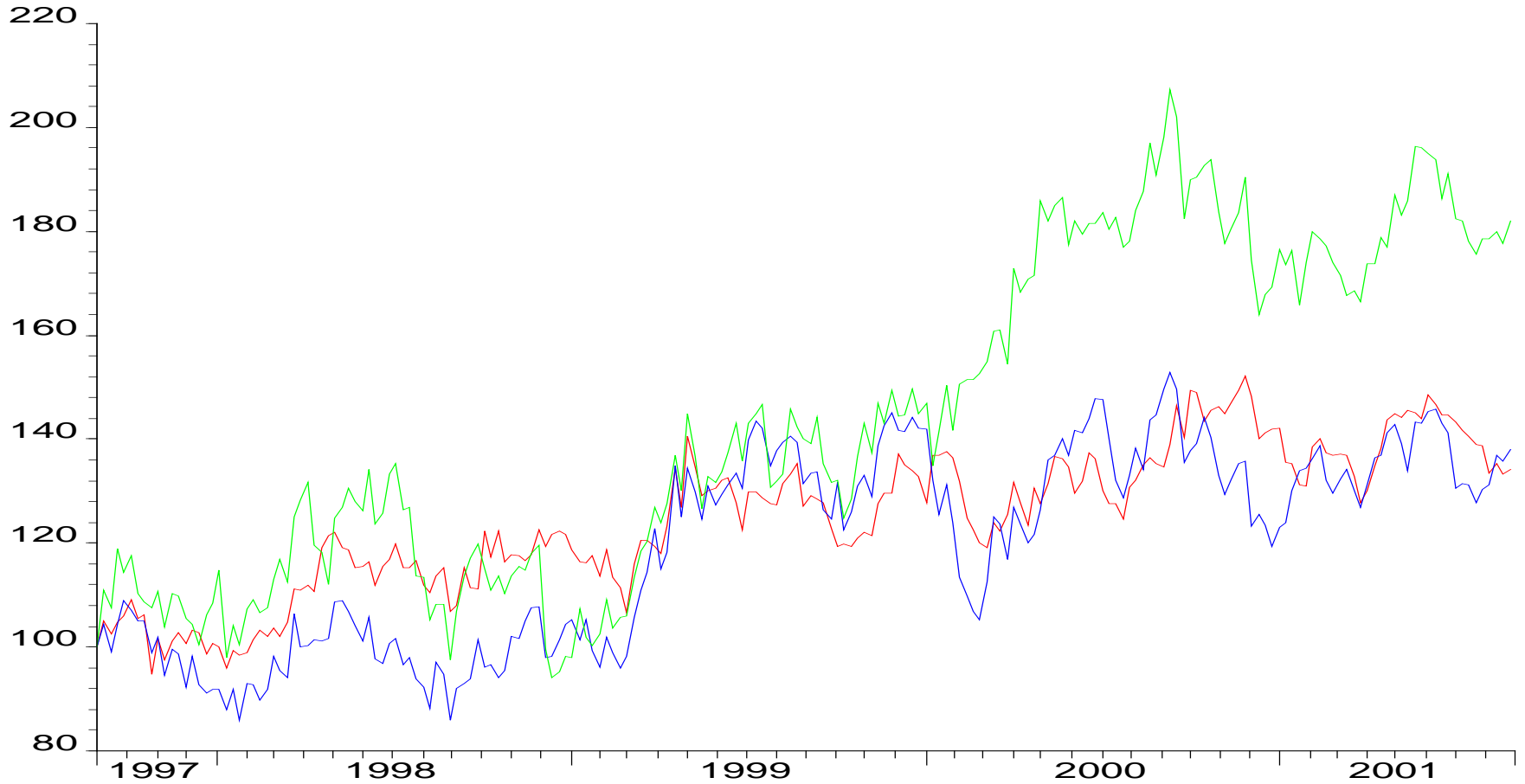
***Is there a real difference between the three strategies?***

- ***In terms of Business?***
  - ***In terms of Ethics?***
  - ***In terms of Management?***
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# Exxon vs BP vs Total

(Share Price 01/01/97 to 01/09/01)

28/9/04



EXXON MOBIL  
BP  
TOTAL

MAX. 152.20 27/11/00, MIN. 94.79 27/10/97, CLOT. 134.18 25/8/01: DATASTREAM

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# In terms of Ethics

- What happens to the environment if oil companies are let to run the world?
- What happens to society?
- What happens to business?
- What will happen to you?

The example of Oil Industry and Climate Change raises the fundamental question of the role of business:  
Should society serves business or business serve society?

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# In terms of Management

Would you prefer to work for ExxonMobil,  
for Total, or for BP?

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# An Art of Surprise?

## **Unexpected Costs of Fighting against Society**

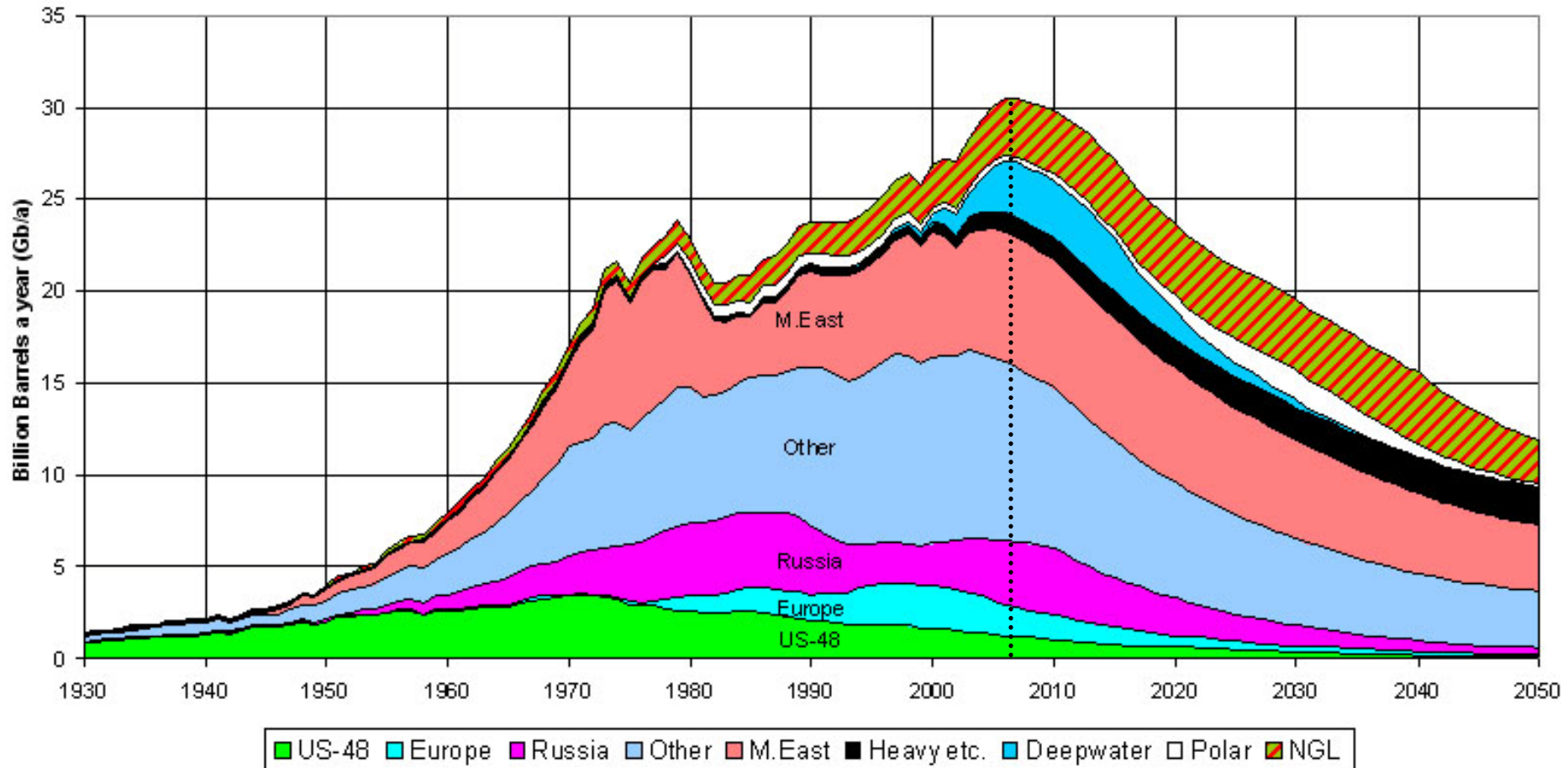
- Society imposes increased accountability and liability;
- Value of brand name;
- Costly regulations;
- Increased organizational inertia due to confidentiality;
- Reduced internal motivation and trust due to deceptive public communication.

## **Unexpected Benefits of Aligning with Society**

- Alignment with society may reduce liability;
  - Preserved brand name;
  - Exploration of alternative profitable business consequences;
  - First mover on new business opportunities;
  - Organizational learning process;
  - Increased internal motivation and trust.
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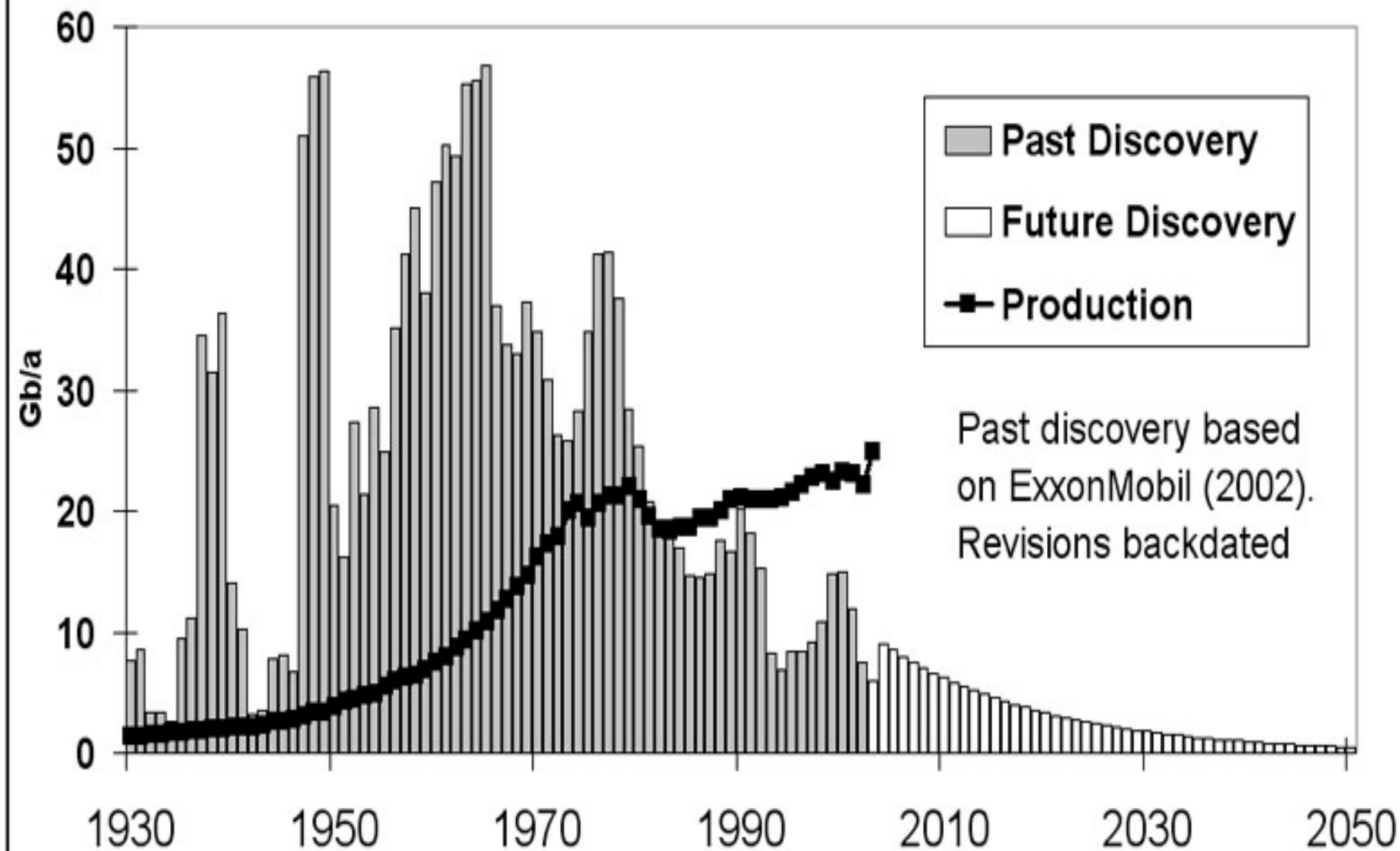
# The End of the First Age of Oil?

## OIL AND GAS LIQUIDS 2004 Scenario





# THE GROWING GAP



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# The Future of the World

***Are you aware of any evidence that our  
civilization is not sustainable?***

***and may disappear?***

***How do you feel about this?***

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# Feeling Powerful

- I will try to have enough **energy** to change the things that I can change,
  - I will try to have enough **peace** to accept the things that I cannot change,
  - I will try to be **wise** enough to see the difference between the two.
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# The Present of Your Self

***Do you really need to believe that our civilization has to remain as such in order to accomplish yourself?***

***Can you dream of a better future?***

***Then, you can look at the evidence showing that our civilization is disappearing and find there energy to construct a better future***

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