

Shell To Become Most CO2-Intensive Oil Co -Study

LONDON (Dow Jones)--Royal Dutch Shell PLC (RDSB.LN) is on track to become the most carbon intensive international oil company because of its focus on unconventional oil resources like Canadian tar sands, said a study published by a coalition of environmental groups Monday.

"In the age of carbon reduction, Shell is fast heading in the opposite direction, massively increasing the carbon intensity of its production of oil and gas," the report said. "This represents a real risk for Shell, for investors and for the climate."

The carbon content of the fuel Shell produced in 2008 was broadly in line with the rest of the industry at 33.8 kilograms of CO2 per barrel of oil equivalent, but its total resource base that will underpin future developments contains almost twice as much CO2, the report said.

Shell's total resource base has the highest CO2 intensity of its major rivals, 19% higher than U.S. major ExxonMobil Corp. (XOM) and 70% higher than U.K.-peer BP PLC (BP), the report said.

Shell wasn't immediately available for comment.

"By 2040 or 2050, Shell will mostly be extracting tar sands or oil shale," which produce far more CO2 a barrel of oil equivalent than conventional oil, said Lorne Stockman, a consultant at Oil Change International who is one of the report's authors.

Future oil sands projects will also require an oil price of \$70-\$80 a barrel to be profitable and "it is questionable whether the economy can be sustained by oil that requires that much energy and cost to pull out of the ground," he added.

Focusing on carbon-intensive, unconventional oil reserves "has been the only way Shell's been able to increase its oil reserves," said Stockman. "It's a very risky strategy given that the world is regulating much more strongly on carbon."

Oil companies with operations in the U.S. will be required by the Securities and Exchange Commission from Jan. 1 next year to disclose each year how much of their proven reserves are made up of unconventional resources like tar sands.

Stephen Kretzman, executive director of Oil Change International, which lobbied for the rule changes, said this shows "the SEC recognizes there are larger financial risks associated with tar sands."

The rule change "sets up campaigns by investors to press oil companies to move in a less carbon intensive direction," Kretzman said.

The study was published by Oil Change International, Friends of the Earth, PLATFORM and Greenpeace U.K.