

Low Carbon Energy Transition:

New risks and opportunities for
downstream refining and petrochemicals sectors



Yulia Dobrolyubova, ERM

Partner, Corporate Sustainability & Climate Change,
Southeast Asia

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The business of sustainability





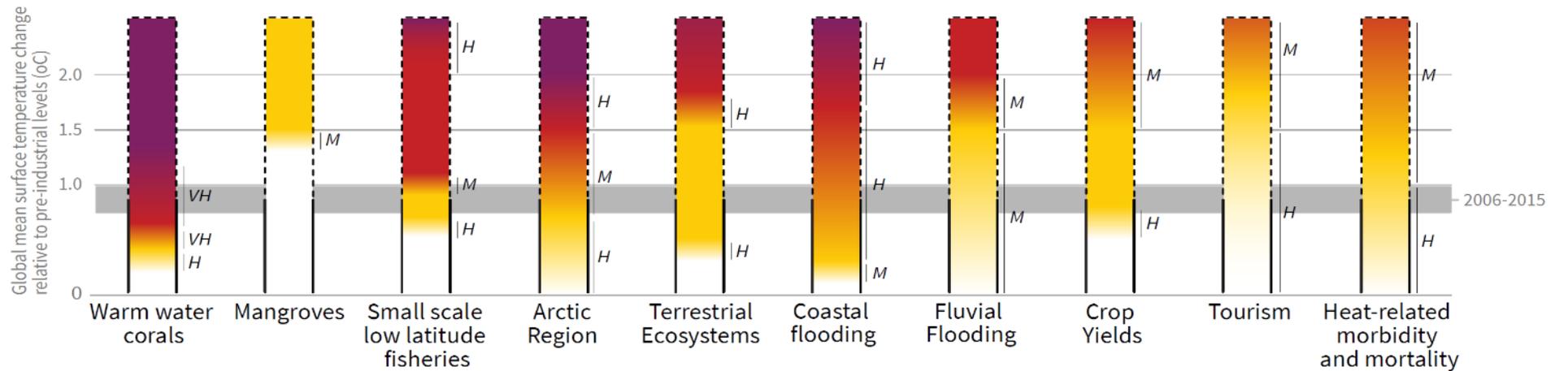
Climate Change: New Challenges for the Industry

Where is the market going and why?

Impacts of Climate Change

Even under the best 1.5-2 °C future climate scenarios, there will be unavoidable climate impacts that present real threat to the oil and gas and downstream industries

Projected climate impacts by 2100 under 1.5 and 2 °C scenarios



Confidence level for transition: L=Low, M=Medium, H=High and VH=Very High

Source: IPCC: Special 1.5°C Report, 2018

Projected climate impacts for the oil and gas and downstream industries

EXPLORATION

Physical damage from wave height and high winds

DEVELOPMENT

Physical damages due to flooding
Physical damages due to extreme wind and waves

PRODUCTION

Physical damage from wave height and high winds

TRANSPORT & PIPELINES

Physical damage from flooding, Storm surges, high winds and wave heights
Physical damage on shore pipelines

REFINING & PROCESSING

Physical damage from flooding, storm surges and high winds
Loss of access to water

Source: <http://www.nogtec.com/the-oil-gas-industry-and-climate-change/>



Increased thawing of permafrost in the Arctic (above) and severity of storms (below) already impact energy infrastructure.



Climate Change Risks and Opportunities

especially for companies in the Oil & Gas downstream sectors that depend on fossil fuels

PHYSICAL CLIMATE RISKS

TRANSITION RISKS AND DRIVERS

Policy | Technology | Market

Legal Liability

Reputational Issues



Stranded Assets



Market Disruption



Litigation Damages



*Macroeconomic &
Local Policy Impacts*



Customer Demands



*Increased Operating
Costs*



*Capital Upgrade
Requirements*



*Supply Chain
Disruption*



*Investment
Opportunity*



*Investor
Requirements*

Carbon Policy Risks

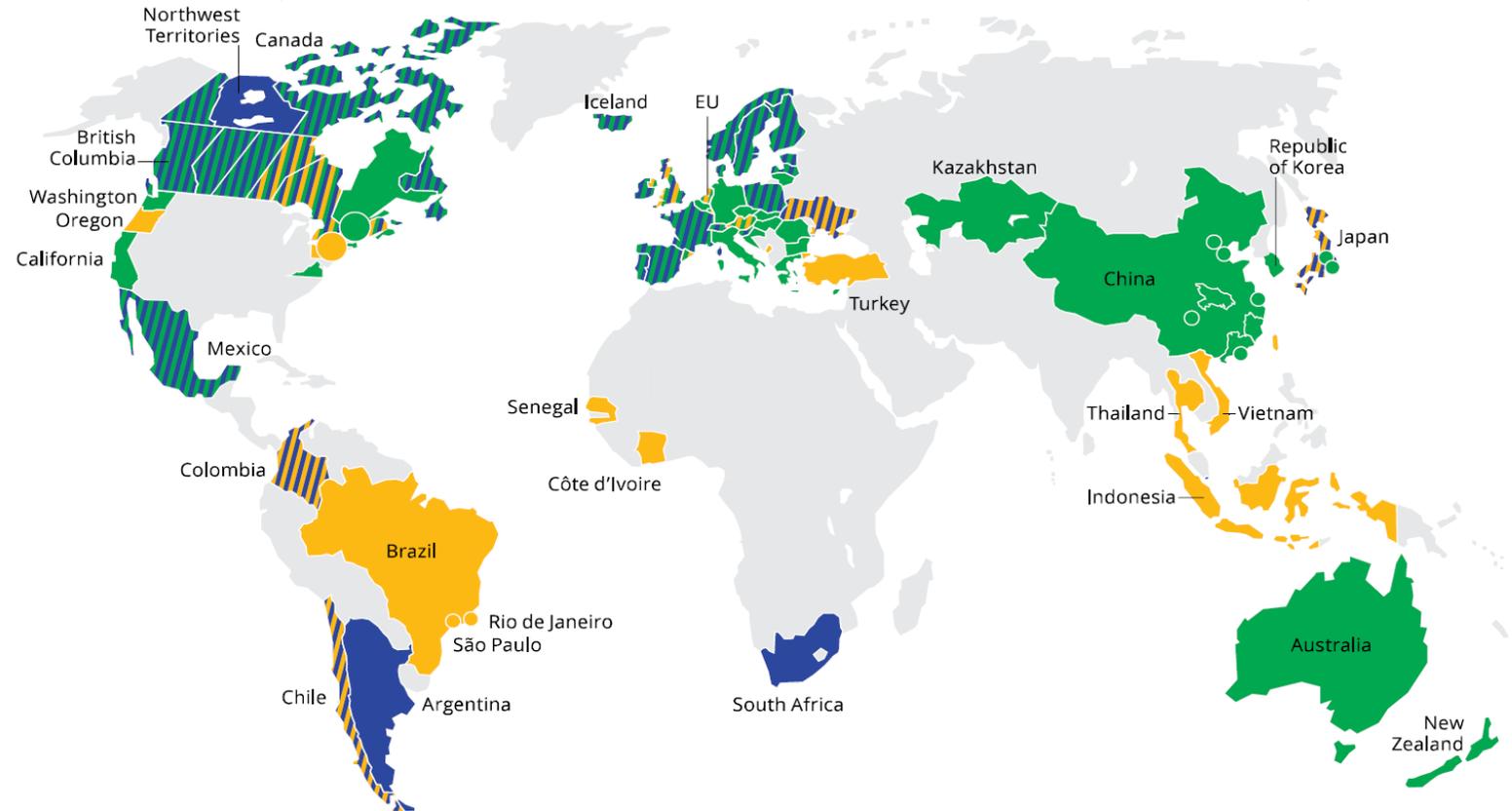
The growing number of jurisdictions are introducing price on carbon emissions

61

Carbon pricing initiatives (such as carbon taxes or emission trading schemes) are in place globally or scheduled

1600

Companies have announced that they are already using or plan to introduce internal carbon pricing



- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under construction
- ETS and carbon tax implemented or scheduled
- Carbon tax implemented or scheduled, ETS under consideration
- ETS implemented or scheduled, ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled, ETS OR carbon tax under consideration

Source: State and Trends of Carbon Pricing, 2020 (World Bank)

CEOs are squaring up to the challenge

Including making big public commitments

911

companies have committed to set Science-Based Targets (SBTs)

392

companies have already approved SBTs.

911 companies globally are taking science-based climate action in line with the Paris Agreement, of which 392 companies have already approved science-based targets (SBTs) by 2030.

5 MAY 2020



Total third oil supermajor to set net-zero goal and target renewable growth

French giant joins BP and Shell in setting emissions goals and pledging renewable energy expansion

5 May 2020 7:45 GMT UPDATED 5 May 2020 9:14 GMT
By Andrew Lee

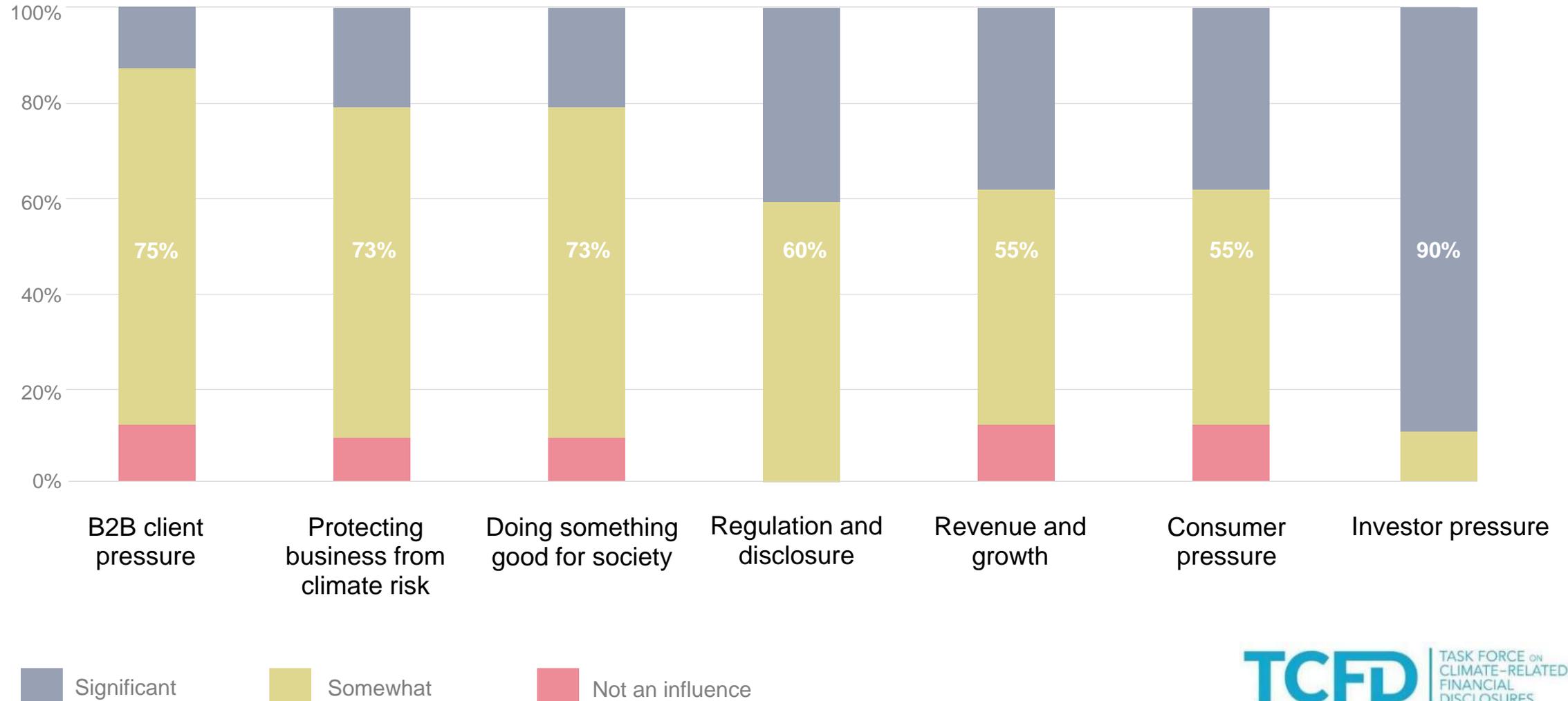
RECHARGE
Global news and intelligence for the Energy Transition



What is Driving the Low Carbon Energy Transition?

Global opinion survey with executives in the Oil & Gas and downstream sectors by ERM and Yale University (2019)

What is driving your low carbon strategy?



What's been effective in furthering your low carbon agenda?

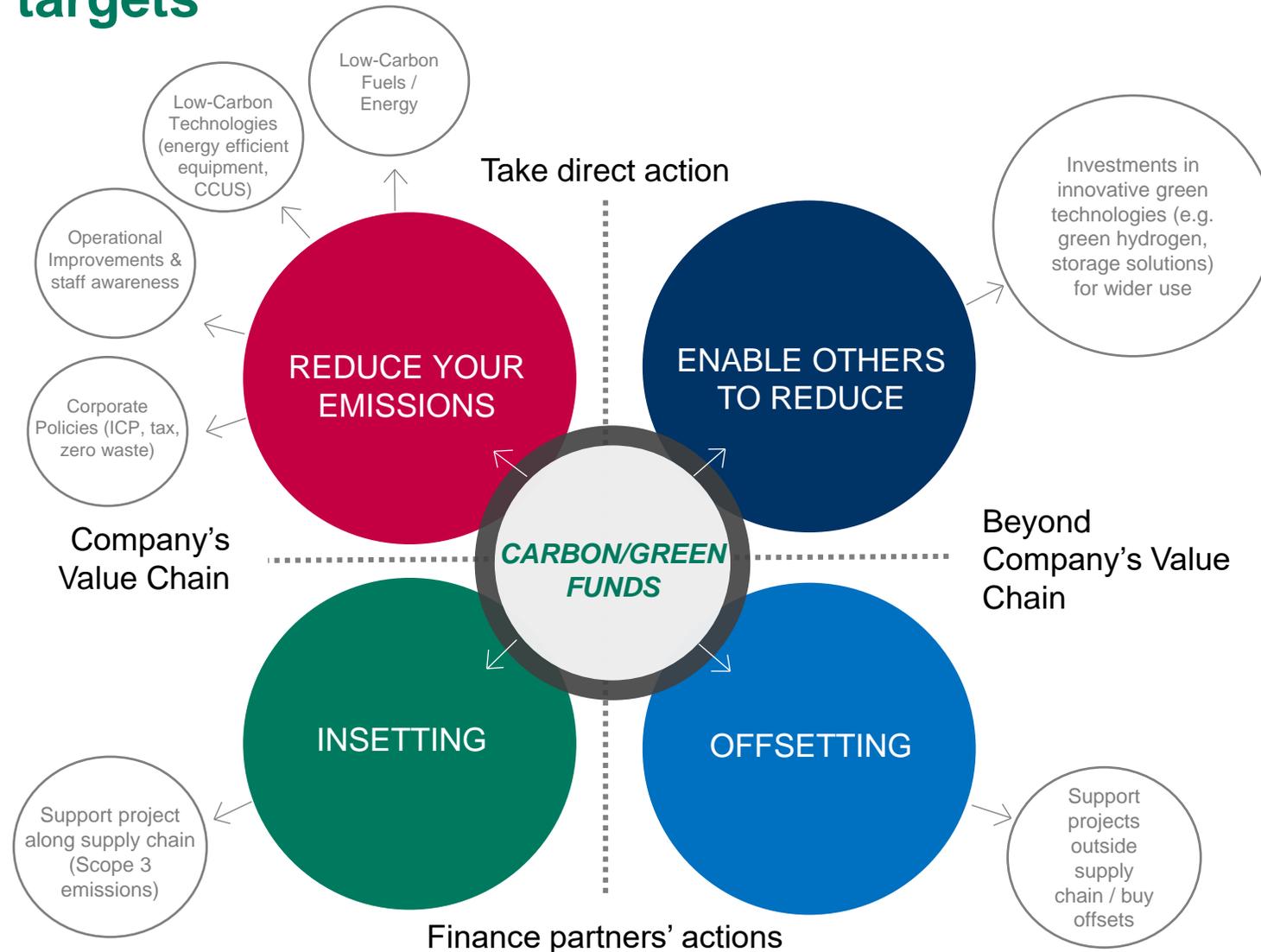




Addressing Low Carbon Transition Risks

What companies can do to address transition risks to low carbon economy?

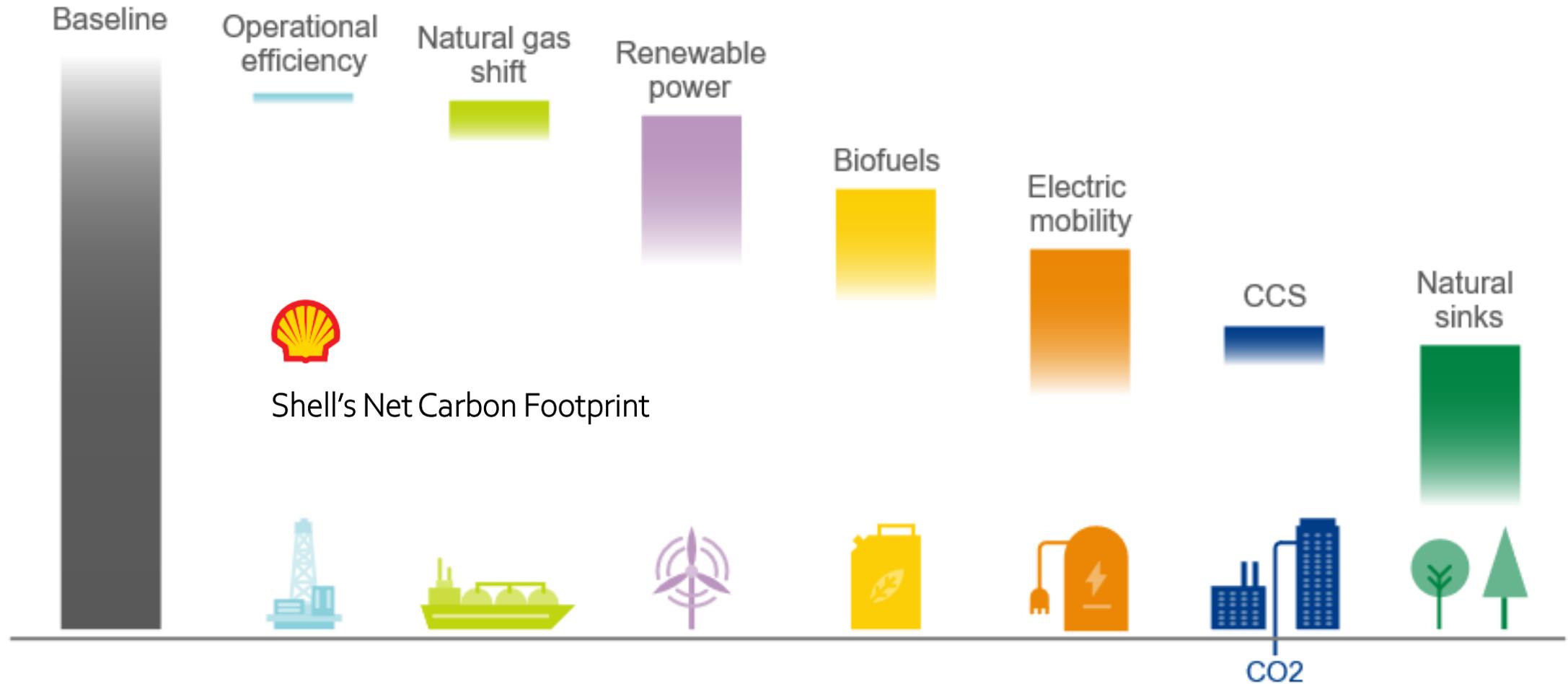
Oil & gas and downstream companies have various means to reach their zero-carbon targets



Source: adopted from Quantis

Oil & Gas and downstream companies have various means to reach their zero-carbon targets

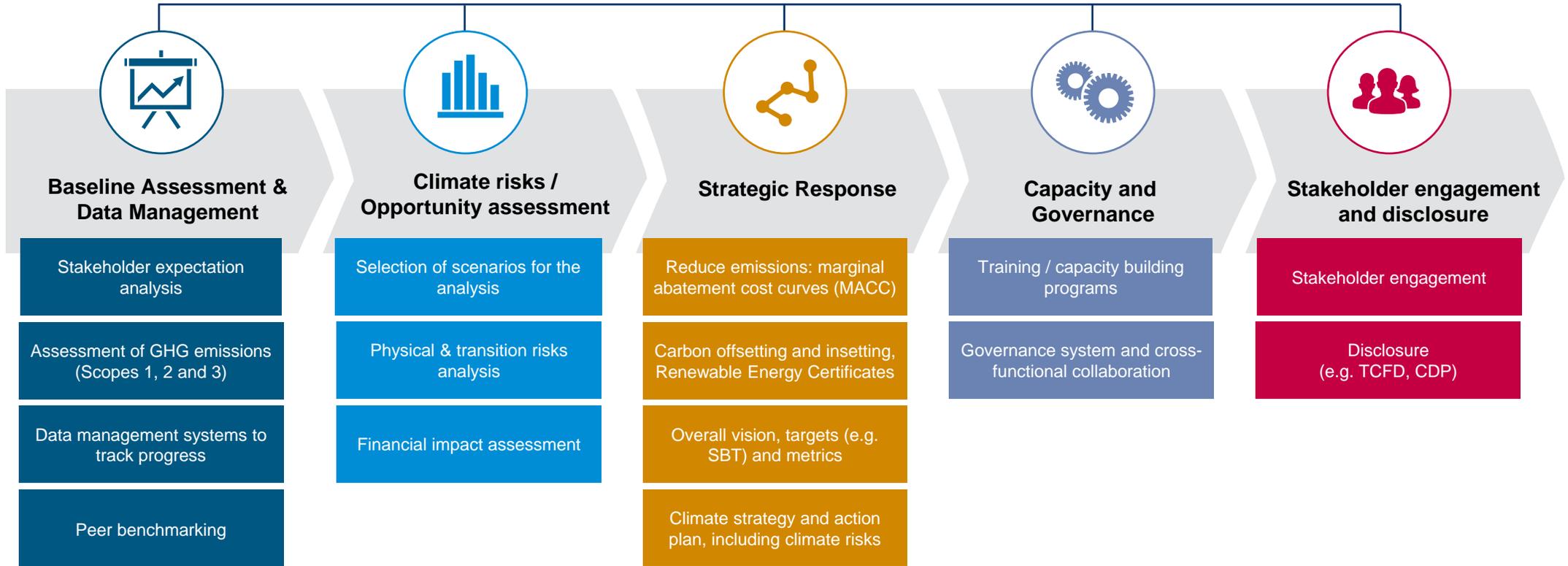
Shell example



Climate Leadership Journey

Illustrative example of key activities

Climate Leadership Journey and Key Activities

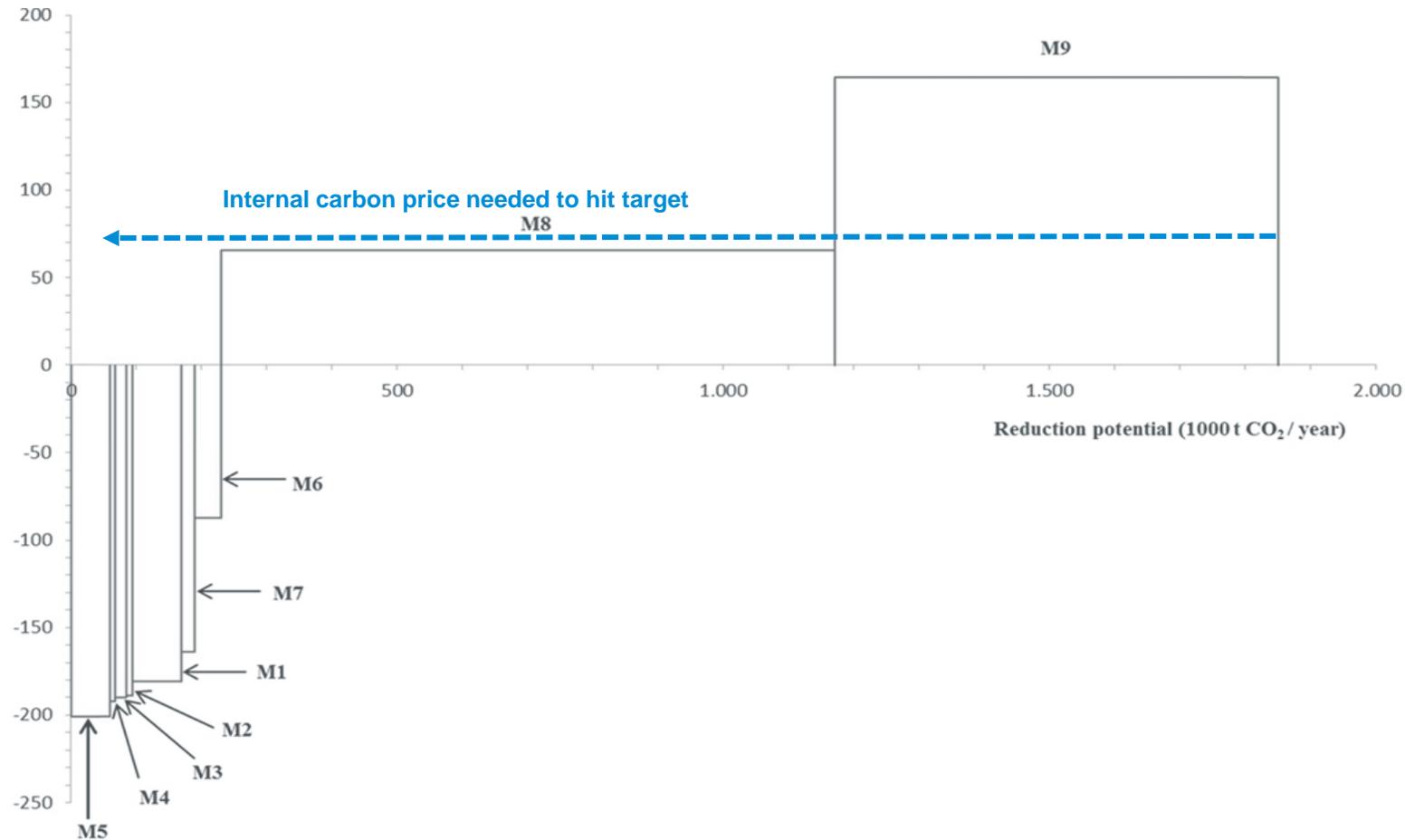


ERM's support along your project lifecycle



Use of MAC Curve and internal cost of carbon to understand GHG mitigation options

MAC Curve example for a refinery project



- M1. Improved heat integration
- M2. Operation improvement
- M3. Waste heat recovery
- M4. Hydrogen management
- M5. Energy optimization for utility systems
- M6. Onsite power generation
- M7. Substitution of fuel oil by natural gas
- M8. CCS with oxyfuel combustion capture (FCC units)
- M9. CCS with post-combustion capture (hydrogen production)

5 things that winners will be doing



Get real – and transparent – with investors



Make **profound changes in business models**, portfolios and practices to address the deep structural transformation



Equip executives and operational managers to lead through the transition – work ever harder to attract the young generation



Understand what **carbon data** are really saying about the state of the business – and upgrade systems and processes



Do whatever it takes to **eliminate GHG emissions** from ongoing operations – dare to imagine carbon as the only license to operate that really matters



Choose to harness new corporate leadership, social will and financial drivers to lead the low carbon energy transition



Thank You



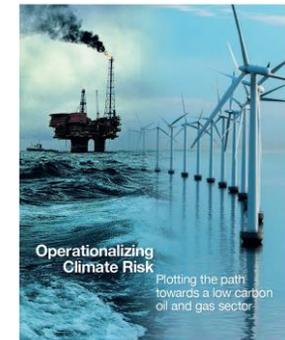
Yulia Dobrolyubova
Partner, Sustainability & Climate
Change, South East Asia

yulia.dobrolyubova@erm.com
+66 8 9693 9568



Deepak Wadhwa
Partner, Oil & Gas,
Asia Pacific

deepak.wadhwa@erm.com
+65 938 24271



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Shaping a sustainable future with the world's leading organizations

160

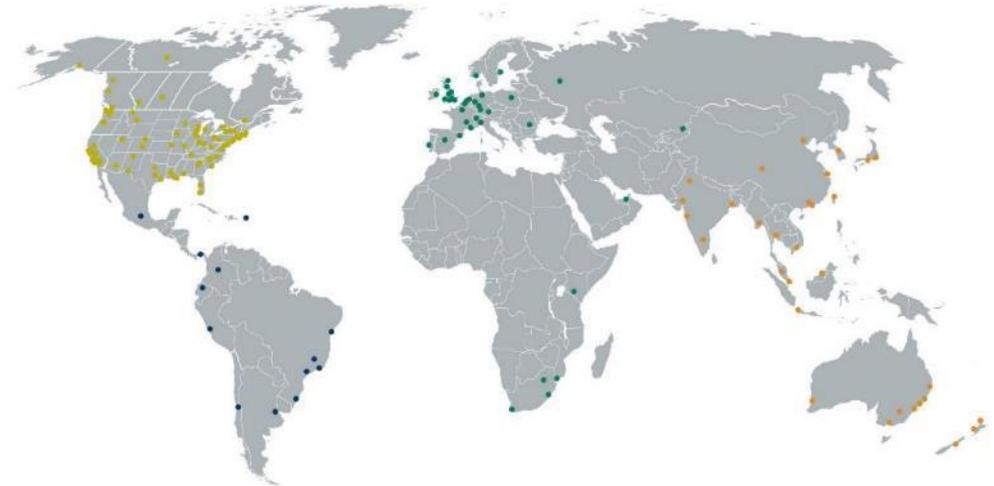
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40

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5500+

Experts



We have over 5,500+ people in over 40 countries and territories working out of more than 160 offices.

ERM is a leading global provider of environmental, health, safety, risk, social consulting and sustainability related services.

For nearly 50 years we have been working with the world's leading organizations, including in the Oil & Gas, Power and Downstream Sectors, delivering innovative solutions and helping them to understand and manage their sustainability challenges.

