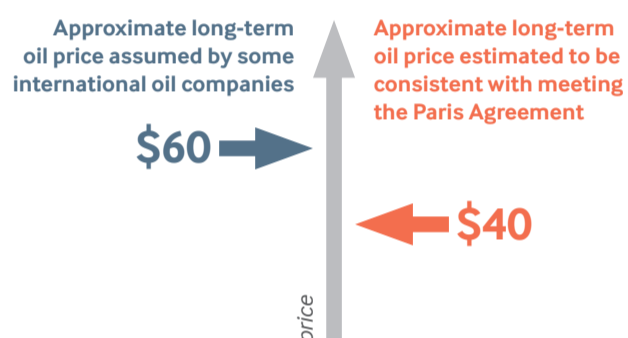


Risky Bet

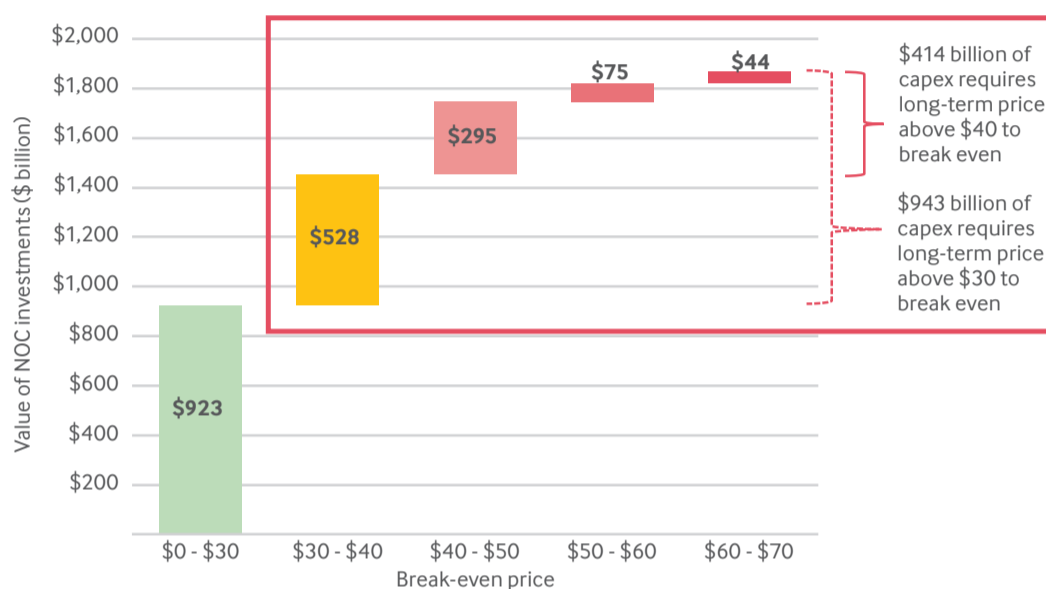
National Oil Companies in the Energy Transition

If national oil companies follow their current course, they will invest more than \$400 billion over the next decade in costly oil and gas projects that will only break even if humanity fails to meet its climate commitments.

Nobody knows what oil prices will be over the next few decades. Some companies are banking on an average price of \$60 a barrel or more. But as the world transitions away from fossil fuels, there's a higher chance that prices will decline significantly over the long term. A price compatible with achieving the Paris Agreement could be in the \$30s or \$40s. It would have to be even lower if carbon capture and storage is not widely deployed and we take the necessary action to keep global warming within 2°C.



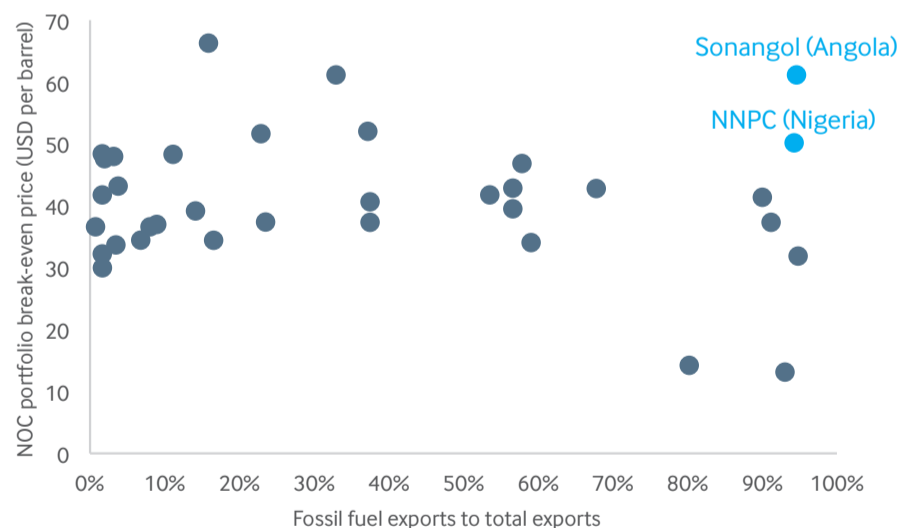
If national oil companies (NOCs) do not account for the possibility of the energy transition, they could be investing over \$400 billion in projects that won't break even. This could grow to almost \$1 trillion if the bottom truly falls out of the oil market amid worldwide climate action. Meanwhile, much of the rest of their investment won't return the kind of profit they are currently anticipating.



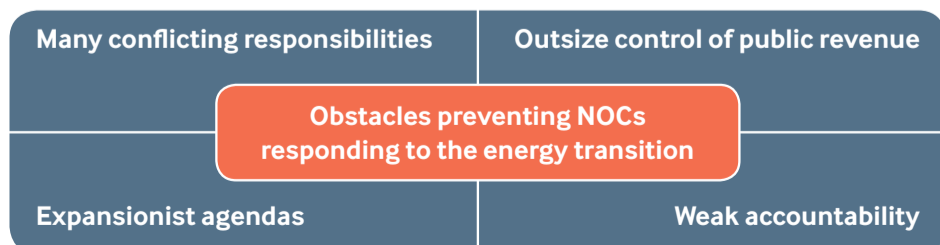
The capital set to be invested in high cost projects over the next decade, ultimately financed by the public, would be close to the amounts their governments spend on health, if they stick to current averages. Some are even larger: Mozambique's ENH and Azerbaijan's SOCAR could both bet amounts on high risk projects that exceed their governments' total general spending over the decade.

	Value of upcoming risky investments as percent of government expenditure
Mozambique (ENH)	179%
Azerbaijan (SOCAR)	157%
Oman (OOC)	61%
Nigeria (NNPC)	53%
Congo (Rep.) (SNPC)	42%
Turkmenistan (Turkmengaz)	41%
Algeria (Sonatrach)	36%
Qatar (Qatar Petroleum)	31%
UAE (ADNOC, ENOC)	30%
Malaysia (Petronas)	29%

Some governments cannot afford this gamble, including those highly dependent on oil and gas for revenue, or where indebted NOCs could spark a financial crisis if they fail. Angola's Sonangol, Nigeria's NNPC, Azerbaijan's SOCAR, Algeria's Sonatrach, Colombia's Ecopetrol, Mexico's Pemex, Cameroon's SNH and Mozambique's ENH are among the companies whose investments in high-cost projects could expose their countries to serious risk.



Many national oil companies have incentives to continue spending big on new oil and gas projects. As a result, company officials might not, on their own, be able to change course, nor make investment decisions that serve the long-term interests of citizens.



Governments—through finance and planning ministries, presidential offices and public accountability bodies—must decide whether to “stay at the table” or “cash out.” This should start with a systematic assessment of the risk each NOC faces, and how much risk the country can tolerate.

