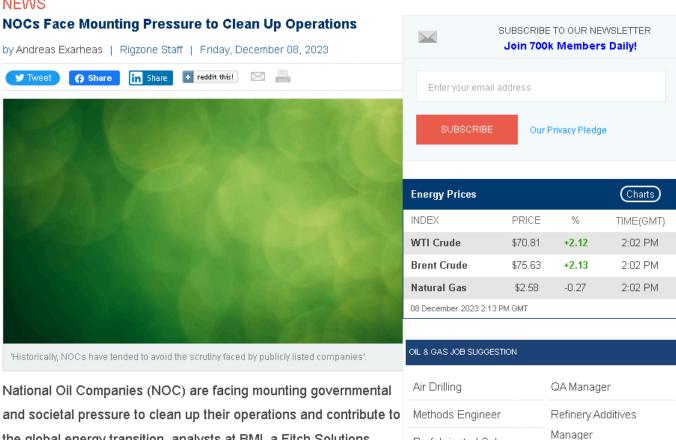






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# **NEWS**



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the global energy transition, analysts at BMI, a Fitch Solutions company, stated in a report sent to Rigzone this week.

"Historically, NOCs have tended to avoid the scrutiny faced by publicly listed companies, but as decarbonization moves up the global policy agenda, climate-change related legislation gains increasing traction, and Western governments move to tax carbonintensive imports, there is growing recognition of the need to address emissions and diversify revenue streams," the analysts noted in the report.

"Record returns have created a fertile environment for investment, with bumper profits stimulating higher spending amongst NOCs globally," they added.

While several IOCs and large independents slowed or partially reversed their decarbonization efforts in response to the energy crisis of 2021-2022, NOCs as a whole have been stepping up both their spending and their ambitions, the analysts said in the report.

"This speaks to some of the potential advantages held by NOCs over their publicly listed peers, in that they are less beholden to quarterly financial metrics and so are better positioned to take a long-term view on the sector," the analysts added.

"That said, NOCs in countries that are lagging in their climate commitments or those that play the role of cash-cow for their governments remain hamstrung, with differences in domestic green policy agendas being the key differentiating factor in the varying progress of NOCs globally," they went on to state.

"While encouraging progress is being made, low-carbon capex continues to represent only a small share of total NOC spending. Moreover, where net zero targets exist, they are exclusively limited to Scope 1 and 2 emissions and tend to be lacking in robust interim targeting," the analysts continued.

They also tend to relate to emissions intensity, rather than absolute emissions, the analysts said in the report.

"It is often unclear how net-zero targets will be achieved and the potential overreliance on carbon credits is a cause for concern. In short, while the outlook on low-carbon capex among NOCs is improving year on year, more needs to be done to approach Paris Agreement alignment," they added.

# MENA, Asia

In the report, the BMI analysts said NOCs in Middle East and North Africa (MENA) are pursuing a twin-track approach to decarbonization, "balancing investments in low-emissions fuels and technologies with ambitious plans to ramp-up oil and gas production growth".

However, they vary widely in the scope of their ambition, the analysts noted in the report.

"Oil and gas is a major source of export revenues, government financing and job creation in the region and will be crucial to funding the region's energy transition and economic diversification efforts," the analysts said in the report.

"In recognition of this, governments remain strongly supportive of the sector and most MENA NOCs are chasing substantial production capacity expansions over the coming decade," they added.

"However, in recognition of the shifting global policy landscape, they are also investing to meaningfully reduce the emissions associated with this output, in order to secure long-run market access and safeguard access to capital abroad," they continued.

As with MENA, Asia's NOCs display widely varying ambition in regards to the energy transition, reflecting differences in domestic energy policy and the nature of their underlying oil and gas operations, the analysts said in the report.

"Asia as a region is set for rapid oil and gas demand growth and, of the six countries whose NOCs we track in this report – Mainland China, India, Indonesia, Malaysia, Thailand, and Vietnam – only Malaysia is set to see its production growth outstrip its growth in consumption," they added.

"As such, there is a pressing need for their NOCs to increase investment into their core business lines, to limit the reliance on imported fuels," they continued.

"However, all six markets also have net-zero targets in place.

South East Asia boasts the most ambitious targets, with Malaysia,
Thailand and Vietnam aiming to fully decarbonize by 2050, and this
is reflected in the strategies of both Petronas (Malaysia) and
PTTEP (Thailand)," they went on to state.

# Latin America, SS Africa

In Latin America, stronger environmental policies in Colombia and Brazil have improved the outlook for low-carbon spending, while NOCs elsewhere continue to lag, the BMI analysts said in the report.

"In Colombia, Ecopetrol has been in increasing its spending commitments under the stewardship of the President Gustavo Petro," they analysts noted.

"It is allocating 23 percent of its capex to green investments in 2023 and plans to increase this share to 25-30 percent over the coming years, focusing on renewable energy, clean hydrogen and CCUS," they added.

"Meanwhile, under President Luiz Inacio Lula da Silva, Petrobras has this year revised its 2024-2028 spending plan to increase low-

carbon spending. The company will now aim to allocate 6-15 percent of total capex towards green investments, up from six percent previously," they continued.

Sub-Saharan Africa has historically had the weakest track record in regards to the energy transition of any region globally, the analysts stated in the report.

"Neither of the major NOCs - the Nigerian National Petroleum Corporation (NNPC) and Angola's Sonangol - have committed to net zero nor have any interim targeting in place," the analysts said.

"However, both are beginning to accelerate their efforts," they added.

### COP28

The COP28 climate summit is taking place November 30 to December 12 in the United Arab Emirates (UAE).

The President for COP28 UAE is Ahmed Al Jaber, the Minister of Industry and Advanced Technology, Special Envoy for Climate Change, and Group Managing Director and CEO of ADNOC, which describes itself as a leading diversified energy group wholly owned by the Abu Dhabi Government.

"Al Jaber is the first CEO to ever serve as COP President and brings with him sound business acumen, a deep understanding of economics and leverages his decades-long experience in the energy sector, encompassing both renewable and traditional energies," COP28's website notes.

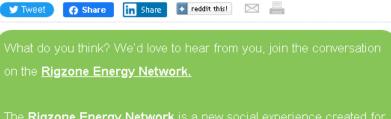
In a press conference Q&A at the summit on December 4, which was transcribed on the event's site, Al Jaber said, "the science says that we must get to net zero emissions by 2050, and we must reduce emissions by 43 percent by 2030 in order for us to be able to keep 1.5 within reach".

"I have been very clear that my job and this mission, is to ensure that my North Star continues to be, and we stay laser focused on, keeping 1.5 within reach," he added.

"I know that there are strong views among some parties about the phase down or phase out of fossil fuels. And ... this is the first presidency ever to actively call on parties to come forward with language on all fossil fuels for the negotiated task text." Al. laher

went on to state.

To contact the author, email andreas.exarheas@rigzone.com



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