***ESG and its impact on oil & gas investments***

Julio Arboleda, IAEE 27170, +966563750525, julio.arboleda@kapsarc.org

## Overview

The oil and gas industry has suffered from external discreditation through pressure from climate change advocates and social issues, generating stigmas that affect the investment attractiveness, thus, discouraging investors from financing upstream projects. The investment crisis in the oil and gas sector became more evident during the COVID-19 pandemic, raising concerns that still have not been solved and that could generate a supply crisis in the near future

In addition, public pressure to implement ESG strategies in the oil & gas industry is pushing away the required investment to secure the required supply. ESG, a concept that should help companies through the energy transition, unfortunately, is not understood correctly, generating the escape of a significant amount of investment away from the industry. This presentation will help us better understand the role of ESG in the oil & gas industry and will ring the alarm about the underinvestment that the oil & gas industry is facing and its consequences.

## Methods

The analysis is based on data observation from different sources, resulting in investment data assessment of the oil and gas industry, and presented in the final presentation. It also includes an analysis based on the industry's available bibliography. Finally, it brings everything together to support the hypothesis that the oil and gas industry has an urgent need for investment and the impact that the misconception of the ESG concept is generating.

## Results

The final presentation analyses the oil and gas industry challenges that generate concerns among policymakers and investors and reduce investment attractiveness. The study suggests that the lack of proper standardized methodology for calculating ESG is generating a misconception among investors, who have focused only on the concept's environmental (E) section. Governance (G) and social (S) sections have been forgotten, resulting in a desperate race to move towards a clean image instead of working on a responsible transition that could help the world to avoid an energy supply crisis.

## Conclusions

* A substantial increment in investment in oil and gas is needed today to guarantee energy security from 2025 and beyond.
* A misinterpretation of the ESG concept brings investment scarcity and instability to the oil and gas industry.
* Environmental activities do not equal ESG fulfillment. The governance and social part are being forgotten.
* The intervention of activist shareholders and environmentalists has also pushed most big international oil companies (IOCs) to set net-zero targets during 2021.
* The significant pressure that climate policies have on governments, NOCs, and IOCs is evident. The private sector is the most vulnerable and will probably be the first to succumb to rapid transitions and cuts to production and exploration investment.
* Attracting and retaining human talent in the oil & gas industry is an issue that needs to be managed today.