

Still drilling

The rebranding of Shell and BP is a fraud

For a company that claims to have moved “beyond petroleum”, BP has managed to spill an awful lot of it onto the tundra in Alaska. Last week, after the news was leaked to journalists, it admitted to investors that it is facing criminal charges for allowing 270,000 gallons of crude oil to seep across one of the world’s most sensitive habitats. The incident was so serious that some of its staff could be sent to prison.

Had this been Exxon, the epitome of sneering corporate brutality, the news would have surprised no one. But BP’s rebranding, like Shell’s, has been so effective that you could be forgiven for believing it had become an environmental pressure group. These companies have used the vast profits from their petroleum business to create the impression that they are abandoning it.

Shell’s adverts feature photos of its technologists in open-necked shirts and showing perfect teeth (which proves they can’t be real greens). They tell stories of their brave experiments with wind power, hydrogen, biofuels and natural gas. The chairman of Shell UK was one of the 14 signatories to a letter sent by businesses to Tony Blair a week ago, calling for the government to exercise “bold leadership on domestic climate change policy” in order to speed “the transition to a low carbon economy”.

BP’s adverts tell the same story, illustrated with its logo – a kind of green and yellow sunflower which looks rather like the Green Party’s. So what on earth was it doing in Alaska, messing around with crude oil? Don’t its filling stations now dispense pure carrot juice?

Admittedly BP’s latest campaign, “exploring new ways to live without” oil, was prefaced with adverts boasting about its new means of finding the stuff. “By developing

innovative technology like BP's Advanced Seismic Imaging, we've been able to make discoveries that were unthinkable only a decade ago." But even this campaign seek to answer an environmental concern. For the past two or three years, environmentalists (myself included) have been publicising the idea that global oil production might soon peak and then go into decline. This possibility helps to demonstrate, we argued, that our dependence on oil is unsustainable, and we must find means of giving it up. The oil companies have seized our arguments and are using them for the opposite purpose: if oil supplies are in danger, they must be permitted to prospect in new places.

Whatever happens, they can't lose. If they invest in new exploration and production, they secure lucrative control over a diminishing asset. If they fail to invest, as they have done over the past 10 years, the price rises and they do even better. In either case they make so much money that they can throw a few billion into developing alternative technologies without gulping, thus cornering the future energy markets as well.

Please don't misunderstand me. I am glad they are spending some of their money this way. They are among the few companies able to achieve the economies of scale required to bring down the price of expensive new technologies, such as solar power and hydrogen fuel cells. The problem is that they are developing these new capacities not in order to replace their production of oil, but in order to supplement it. Their share price depends on the current and future value of their assets. To sustain the future value, they aim for a "reserve replacement rate" of 100%. In other words, however much oil they produce, they seek to replace it with new discoveries. BP has – so far – managed to meet this target. Shell's desperation to do the same led to the scandal two years ago over the mis-stating of its reserves. The impression they have created in some of their adverts – that they are seeking to move out of petroleum and into other products – is misleading.

And though they have become more transparent, more responsive, less aggressive in their engagement with the public, the impact of their core business is much the same. BP has gone ahead with its extraction of natural gas from Tangguh in West Papua, even though this means collaborating with the Indonesian government, which annexed the territory and controls it by means of a vicious military occupation. Three weeks ago, a demonstration outside BP's headquarters in London reminded us that some of the land seizures, environmental damage and human rights violations associated with its pipeline from Baku in Azerbaijan to Ceyhan in Turkey (which came onstream on May 27th) have been neither acknowledged nor addressed. BP admits that the oil and gas it extracts produce around 570 million tonnes of carbon dioxide a year, roughly the same as the UK emits. This is after it changed its methodology to exclude some of its operations: otherwise it would have been responsible for over twice that amount.

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Shell's practices look even worse. Though the flaring of gas from oil wells in Nigeria was banned in 1969, it is still burning hundreds of millions of cubic feet a day, wasting a precious resource and producing more carbon emissions than everyone else in sub-Saharan Africa put together. The surrounding communities are plastered with sticky soot. In April Shell was ordered by a court in Lagos to stop the flaring, but does not intend to do so until 2009. It has also been fined \$1.5 billion for polluting the Niger delta, but won't pay pending its appeal.

Last year it took five men from the Bog of Erris in Ireland to court for refusing to allow its high pressure gas pipeline to cross their lands. They were jailed for 94 days. Green groups have begged it not to extract oil from the seas around Sakhalin Island off the east coast of Siberia, where a spill could wipe out the world's last 100 Western Pacific grey whales, but it won't back down. To boost its reserves, it has just invested another \$2bn in extracting petroleum from oilsands in Canada. It would be hard to devise a more polluting business.

Both companies are cleverer than they used to be. They have stopped pretending that climate change does not exist or that no one ever gets hurt by their projects. Shell even publishes a list of its recent convictions. But this doesn't mean they have stopped spinning. Shell's new sustainability report, for example, says it will reduce its carbon dioxide emissions "by up to 2.5 million tonnes a year" by burying the gas in old oil fields in the North Sea. But it is using it to drive inaccessible oil out of the reservoirs. It fails to explain whether the 2.5 million tonnes is a gross saving or a net saving (after the burning of the new oil has been taken into account). I suspect the former, but until the UK has some effective corporate reporting rules, companies can continue to give us only the information that suits them.

BP and Shell are to Exxon what New Labour is to the old Tories. The language has changed, but the policies are pretty similar. The denial and aggression which characterised Shell's approach at the time of the Brent Spar campaign and the hanging of Ken Saro-Wiwa have gone. But it seems to me that this only makes them more dangerous.