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REQUEST FOR EXAMINATION OF EQUINOR ASA'S CLIMATE CLAIMS

Dear Mr. Lars Jacob Braarud,

We are writing as a group of global investors representing $1.3 trillion in assets concerned that Equinor ASA's recent statements that its strategy is supportive of the Paris Climate Agreement goals, and specifically a 1.5°C temperature pathway, are potentially misleading. Given the importance of reliable reporting to financial stability and well-functioning markets, we would welcome the FSA's attention to this matter. We set out further detail on our concerns below.

Climate-related disclosure is material

Market efficiency depends on accurate information. As the consequences of climate change – whether due to the physical impacts or the transition away from carbon-intensive activities – become more pronounced, the materiality of these impacts for investment decision-making is rising. This is widely acknowledged by financial regulators like the FSA[1].

As long-term investors, we view oil and gas companies' climate-related disclosures to be material to our decision-making. Government decarbonisation policies and technological advances in clean technology, for instance, are likely to drive a structural reduction in long-term sales and prices for their end product, rising carbon taxes, costs of mitigation such as carbon capture and storage, and earlier remediation costs[2]. Decarbonisation alongside physical climate impacts are economic phenomena, with probable implications for future production pathways, costs and margins, capital expenditure and also associated consequences for systemic risk.

A key aspect of climate-related disclosures that investors rely on relates to companies' commitments to decarbonise their business models. Commitments to 'net zero by 2050' or to 'support the Paris Agreement goals' are likely to have meaningful impacts for carbon-intensive businesses and the economic returns these companies will generate in the future.

[1] The FSA's work on climate risks mirrors that of other financial supervisors and is detailed here https://www.finanstilsynet.no/en/topics/climate-risk/ . We note that in 2023, the FSA's enforcement work gave priority to how companies report on the consequences of climate-related matters (https://www.finanstilsynet.no/en/publications/annual-report/annual-report-2023/reports-from-the-supervised-sectors-for-2023/financial-reporting-enforcement/)

[2] The International Energy Agency (IEA) provides some of the most widely used independent scenario analysis for the impacts of decarbonisation pathways, with data on future oil and gas prices, and carbon taxes. This is included in its annual World Energy Outlooks: e.g.: https://www.iea.org/reports/world-energy-outlook-2024

In addition to requiring visibility of the financial consequences for business prospects, a growing number of investors depend on the veracity of company climate claims in fulfilling their own climate commitments for clients. An important aspect of this is commitments to help mitigate systemic risk (i.e. the risk that accelerating climate change could lower system wide prosperity and destroy value across portfolios) that comes from continued investment into carbon-intensive activities that are not consistent with the Paris goals.

For example, investors representing $57.5 trillion in assets made commitments to align their investment activity with a 1.5°C trajectory as signatories to the Net Zero Asset Managers' Initiative as of the end of December 2024[3]. The investors rely on the information provided by investee companies on their adherence to this goal. Depending on the investor, this information could impact their investment, engagement and/or voting activities.

Given the materiality of climate-related financial and non-financial information, regulators are introducing tighter controls governing climate disclosures, including requirements for companies to provide reporting in line with International Sustainability Standards, the Task Force for Climate-related Financial Disclosure (TCFD) recommendations, or European Sustainability Reporting Standards (ESRS). In addition, accounting regulators are reminding issuers of requirements for material climate consequences to be integrated into companies' financial statements under existing International Financial Reporting Standards (IFRS)[4]. We note that these are also reflected in Norway's legal and regulatory architecture[5].

Equinor states that it supports the Paris Agreement goals

Equinor first made a commitment to become a net zero company by 2050 in support of the Paris Agreement goals in 2020[6]. It published its first Energy Transition Plan (ETP) in 2022, which was approved by shareholders at its Annual General Meeting (AGM) that year[7].

Importantly, Equinor's commitment covers both its direct (scope 1 and 2) emissions and indirect emissions from the consumption of its oil and gas products (scope 3). In its updated ETP, published in March 2025, they reiterate these commitments (emphasis added)[8]:

> *"Equinor remains committed to long-term value creation **in support of the Paris Agreement**. Our ambition is to be a leading company in the energy transition and to achieve net zero*

[3] While this initiative is now being reviewed in the face of anti-woke campaigns emanating from the US House Judiciary Committee, just a handful of asset managers have announced that they are abandoning their commitments: https://www.netzeroassetmanagers.org/update-from-the-net-zero-asset-managers-initiative/

[4] IASB educational material has been published making clear the materiality of climate-related information under existing International Financial Reporting Standards (IFRS): https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf

[5] Norway has required the disclosure of material climate-related information by listed companies under the Norway Accounting Act since 2019 and also under more recent rules aligned with the EU's Corporate Sustainability Reporting Directive. The FSA has underlined the importance of ensuring financial statement incorporate material climate considerations in its thematic and enforcement work (see Footnote 1).

[6] https://www.equinor.com/news/archive/20201102-emissions

[7] https://www.equinor.com/sustainability/energy-transition-plan

[8] https://cdn.equinor.com/files/h61q9gi9/global/4fee7d3b6539d2a6498bbbe157e06d81a5e23391.pdf?Equinor_energy_transition_plan_2025_EN-1.pdf

emissions in 2050. Our strategy will enable us to pursue these aims while continuing to create value for our shareholders and society"

*"Equinor aims to achieve net zero by 2050 across scope 1, 2 and 3 emissions, and **the goals of the Paris Agreement provide a key reference point for our strategy and business model**."*

*"We consider our strategy and business model to be compatible with the transition to a sustainable economy **in line with the goals of the Paris Agreement**. When evaluating compatibility, Equinor applies a three-part approach:*

1) *Pursuing emissions reduction activities in our operations, as illustrated by our operated scope 1+2 emissions reductions and 2030 ambition, which is consistent with current science-based trajectories for limiting warming to 1.5°C;*
2) *Making investments and taking actions to advance the decarbonisation and transformation of the energy system and industries, as reflected in our net carbon intensity and net zero ambition, which includes scope 3 emissions from the use of the energy products we produce;*
3) *Stress testing the resilience of our investments and portfolio, including against scenarios that meet the global temperature outcomes outlined in the Paris Agreement."*

Equinor has repeated its commitment to support the Paris Agreement and a 1.5°C pathway in its annual reports for 2022, 2023 and 2024, as well as in other investor material, such as its proxy documentation[9].

Investors have relied on Equinor's climate commitment

The Norwegian Government is Equinor's largest shareholder, with a 67% stake managed by the Ministry for Trade, Industry and Fisheries (its stake rises to 71% if the Government Pension Fund of Norway is also included). In a statement at Equinor's 2023 AGM, the Ministry reiterated that, in line with *cf. Meld. St. 6 (2022 – 2023) - Greener and more active state ownership* (White Paper on the State's direct ownership of companies), its decision to vote in support of the ETP was predicated on the company adhering to requirements to align with the Paris Agreement (emphasis added)[10]:

*"The state voted in favor of Equinor's energy transition plan at the general meeting in 2022, based on the company being clear that the **long-term value creation supports the goals of the Paris Agreement**, cf. the state's statement at the annual meeting last year."*

The State has also made clear that its decision to vote against climate-related shareholder resolutions, including Resolution 15 filed in 2024 by Sarasin & Partners LLP, Kapitalforeningen Sampension Invest,

[9] Equinor's Annual Reports can be found here: https://www.equinor.com/investors/annual-reports-archive; Its response to shareholder proposals at its 2024 AGM, including those on climate change, can be accessed here: https://cdn.equinor.com/files/h61q9gi9/global/f8b1baf5bdf062f5f6e73b4e88a338df6d7d40ef.pdf?shareholder-proposals-and-board-response-to-equinors-agm-2024.pdf

[10] See Ministry's statement linked to consideration for the WWF and Greenpeace Shareholder Resolution asking the company to identify and manage risks and possibilities regarding climate and integrate these in the company's strategy https://cdn.equinor.com/files/h61q9gi9/global/8ec49409d8ac1bff4ba613604b3ffe36ee623d13.pdf?minutes-from-annual-general-meeting-in-equinor-asa-10-may-2023.pdf

West Yorkshire Pension Fund and Achmea Investment Management, was dependent on Equinor's existing strategy supporting the Paris Agreement[11].

Given that a number of Equinor's non-state shareholders have net zero commitments, it would be reasonable to presume that the company's pledge to support the Paris Agreement has been an input into their votes for the ETP and potentially also investment decisions[12].

Evidence that Equinor's strategy falls short of supporting the Paris Agreement
In explicitly stating that it supports the Paris Agreement, with repeated reference to a 1.5°C temperature outcome, we believe that investors and the public will interpret this as meaning that its strategy and business model are furthering (helping, encouraging) global efforts to reduce emissions in a manner compatible with this outcome. Language such as 'in line with', 'compatible with' or 'pursue' also suggest support for the Paris Agreement goals.

In April 2024, four shareholders filed a resolution at Equinor's AGM asking that the Board update Equinor's strategy and capital expenditure plan to align with its commitment to support the Paris Agreement[13]*.* The evidence presented in their Resolution – which received over 30% of non-state votes – set out why Equinor's claim of 1.5°C compatibility is likely misleading.

The core points remain pertinent today, as was underlined by another shareholder resolution filed at Equinor's 2025 AGM by the Australian Centre for Corporate Responsibility (ACCR), Sampension and Folksam, considering Equinor's 2025 ETP[14]:

1. **Equinor's targets fall short of a 1.5°C pathway**.
   Equinor's 2022 ETP included a chart that plotted Equinor's emissions pathway to 2050 above the 1.5°C pathway[15]. While the 2025 ETP has removed this chart (which is itself noteworthy), Equinor's pathway has likely moved to a position of greater overshoot versus 1.5°C as a result of: a) the extension of its oil and gas production profile (see point 2 below); b) the decision to retire its renewables capex commitment for 2030; and c) a weakening of its scope 1-3 net carbon intensity (NCI) targets for 2030 and 2035.

   Perhaps most importantly, Equinor has no target to reduce its absolute Scope 3 emissions prior to 2050, which made up over 97% of its emissions in 2024[16], and is ultimately necessary to be compatible with the Paris Agreement goals.

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[11] In a response to a Parliamentary Question on 27th May 2024 by Rasmus Hansson asking why the government did not support Resolution 15, the Minister for Business Cecilie Myrseth repeated the Ministry's explanation that their support for Equinor's position rests on the company's clear commitment that its "*long-term value creation supports the goals of the Paris Agreement and the 1.5 degree trajectory*." [https://www.stortinget.no/no/Saker-og-publikasjoner/Sporsmal/Skriftlige-sporsmal-og-svar/Skriftlig-sporsmal/?qid=98938]
[12] As of 30 September 2024, just under half of Equinor's 20 largest listed shareholders on its website (https://www.equinor.com/investors/our-shareholders) were NZAM signatories.
[13] https://cdn.equinor.com/files/h61q9gi9/global/cea004fe98f242583c5020eee01ff78c5845c9de.pdf?shareholders-proposal-and-supporting-statement-item-15-agm-2024-equinor.pdf
[14] See Item 18 in Equinor's 2025 AGM proxy materials: https://cdn.equinor.com/files/h61q9gi9/global/c8dd5531fa6ca9047eb243b871c33a5dd535b0d3.pdf?equinor-agm-2025-shareholder-proposals-and-board-response.pdf
[15] See Chart on p. 12 of 2022 ETP.
[16] Based on data presented on page 117 of the 2024 Integrated Annual Report.

Furthermore, even the NCI target that Equinor sets is questionable against science-based benchmarks[17]. Equinor intends to reduce its NCI through a heavy reliance on carbon capture and storage (CCS)[18]. This runs contrary to guidance by the Science-Based Target Initiative that companies must first reduce their scope 1 to 3 emissions before using offsets to neutralise emissions[19]. Ensuring consistency with the SBTi guidance is a key expectation in the Norwegian Government's White Paper for "Greener and more active state ownership"[20].

2. **Equinor's oil and gas production plans are not consistent with a 1.5°C pathway**.
Equinor set out at its latest Capital Markets Update in 2025 that it expected to see its oil and gas production continue to rise to 2027, with planned production in 2030 roughly 10% higher than today[21].

This production profile moves Equinor further away from a 1.5°C trajectory as defined by credible third-party experts like the International Energy Agency (IEA), which sees oil production declining from today and gas production peaking in the next two to three years[22].

The IEA's analysis is consistent with the Inter-governmental Panel on Climate Change (IPCC) analysis presented in its AR6 Working Group III report (2022), which concludes that between 2019 and 2030 global oil primary energy use declines by an average 10% (and up to 25%) in a 1.5°C scenario with no or limited overshoot, and an average 60% by 2050 (40-75% range)[23]. The decline for gas is also 10% in 2030 (up to 30%), rising to an average 45% reduction by 2050[24].

Importantly, recent studies indicate that the world's remaining carbon budget is now only 130 billion tonnes of CO_2 for holding temperatures to 1.5°C with 50% probability[25]. This would suggest that fossil fuel use needs to come down faster than earlier pathways imply.

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[17] It is noteworthy that on p. 109 of Equinor's 2024 Annual Report they recognise this point: "*The NCI metric and milestones are not designed to be aligned with or assessed relative to science-based emissions pathways. It is not possible to definitively confirm or refute whether an intensity-based approach to addressing indirect emissions reductions at the pace outlined by our NCI ambition is compatible with a transition to a sustainable economy in line with the Paris Agreement.".* It is hard to understand how Equinor can continue to claim they are supporting the Paris goals – a positive statement of furthering these goals, given this acknowledgement.

[18] In its latest Annual Report, Equinor indicates that CCS would constitute roughly 50% of its planned NCI reductions in 2035 (see p. 113)

[19] https://sciencebasedtargets.org/resources/files/foundations-of-SBT-setting.pdf

[20] See Box 11.4 in *cf. Meld. St. 6 (2022 – 2023) - Greener and more active state ownership.* https://www.regjeringen.no/contentassets/b45b4a63e301435293bd1b10d1ede45b/en-gb/pdfs/stm202220230006000engpdfs.pdf

[21] https://cdn.equinor.com/files/h61q9gi9/global/5e9eac39077fcd6e11d0818ceb48fac8bd09abb9.pdf?q4-2024-cmu-2025-ceo-cfo-presentation-equinor.pdf

[22] IEA, "*The Oil and Gas industry in Net Zero Transitions*", November 2023; https://iea.blob.core.windows.net/assets/41800202-d427-44fa-8544-12e3d6e023b4/TheOilandGasIndustryinNetZeroTransitions.pdf

[23] See Table 3.6: https://www.ipcc.ch/report/ar6/wg3/chapter/chapter-3/

[24] Ibid

[25] Table 8 in Forster, P. M., Smith, C., Walsh, T., Lamb, W. F., Lamboll, R., Cassou, C., et al. (2025). Indicators of Global Climate Change 2024: annual update of key indicators of the state of the climate system and human influence. *Earth System Science Data*, *17*(6), 2641–2680. https://doi.org/10.5194/essd-17-2641-2025

3. **New reserve development is not consistent with a 1.5°C pathway**.
Production growth outlined by Equinor is underpinned by planned investment into new reserves. To deliver its expected production growth, Equinor plans to invest around $10bn a year in new fields (sanctioned and yet to be sanctioned projects) between 2025 and 2030[26]. In recent analysis by the International Institute for Sustainable Development, Equinor ranked as the eighth largest investor in exploration projects awarded or discovered in September 2024 based on Rystad data[27].

However, the IEA is clear that there is no scope for additional reserve development in a 1.5°C pathway, unless new reserves are more than offset by closures elsewhere (which Equinor does not indicate it is planning)[28].

This conclusion builds on that of the scientific community. The IPCC AR6 Working Group III report for policy-makers in 2022 (B.7), for instance, put it plainly[29]:
"Projected cumulative future CO_2 emissions over the lifetime of existing and currently planned fossil fuel infrastructure without additional abatement exceed the total cumulative net CO_2 emissions in pathways that limit warming to 1.5°C (>50%) with no or limited overshoot. They are approximately equal to total cumulative net CO_2 emissions in pathways that limit warming to 2°C (>67%). (high confidence)"

Kelly Trout et al (2022) likewise find that: "*staying within a 1.5°C carbon budget (50% probability) implies leaving almost 40% of 'developed reserves' of fossil fuels unextracted…. Going beyond recent warnings by the International Energy Agency, our results suggest that staying below 1.5 °C may require governments and companies not only to cease licensing and development of new fields and mines, but also to prematurely decommission a significant portion of those already developed*"[30].

The ACCR-led Shareholder Resolution at the 2025 AGM presents similar arguments for why new reserves cannot be consistent with the Paris goals (emphasis added)[31]:
"Sanctioned oil and gas projects, globally, are forecast to emit 465 GtCO2 of emissions. As at January 2025, the remaining carbon budget (RCB) for limiting global temperature increase to 1.5°C was approximately 171 GtCO2, and the RCB for "holding the increase in the global average temperature to well below 2°C" was approximately 430 GtCO2. It is accepted that emissions from other sectors such as steel, electricity, cement or land use will take up some of the remaining budget. As such, there is <u>no room for new oil and gas developments in remaining in carbon budgets "in line with the Paris Agreement</u>".

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[26] See slide 19 in Capital Markets Update (Feb 2025): https://cdn.equinor.com/files/h61q9gi9/global/5e9eac39077fcd6e11d0818ceb48fac8bd09abb9.pdf?q4-2024-cmu-2025-ceo-cfo-presentation-equinor.pdf
[27] https://www.iisd.org/publications/newsletter/october-2024-carbon-minefields
[28] See footnote 22.
[29] https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf
[30] https://iopscience.iop.org/article/10.1088/1748-9326/ac6228#erlac6228f3; Developed reserves are defined as "actively producing or under-construction oil and gas fields and coal mines"
[31] See Item 18: https://cdn.equinor.com/files/h61q9gi9/global/c8dd5531fa6ca9047eb243b871c33a5dd535b0d3.pdf?equinor-agm-2025-shareholder-proposals-and-board-response.pdf

4. **Project pipeline would take production well beyond 2050**.
   ACCR finds that, in addition to being relatively high cost, most of Equinor's largest development projects in its pipeline would operate beyond 2050. This includes the Roncador expansion, Bay du Nord and Bacalhau expansion oil projects and the Tanzania LNG project. Indeed, ACCR concluded that Equinor's exploration portfolio would not generate positive free cash flow until after 2050[32].

5. **Equinor estimates that it would see material risks to capital in a 1.5°C pathway**.
   In Equinor's most recent Integrated Annual Report for 2024, it estimates that it would experience a 34% (42% in 2023) reduction in the Net Present Value of the existing portfolio in a 1.5°C-aligned scenario[33]. Equinor also estimates that $4 billion (before tax) of its existing upstream and intangible assets would be written down under the IEA's 1.5°C scenario[34]. We cannot see how it is consistent to argue, on the one hand, that the company supports, or is aligned with, a 1.5°C pathway and at the same time disclosing large potential write-downs from this scenario.

We are not alone in our assessment that Equinor's ETP is not 1.5°C aligned. Third party assessments which have concluded the same have been published by the following organisations: World Benchmarking Alliance, Carbon Tracker, Transition Pathway Initiative and Oil Change International[35].

In seeking to understand Equinor's claims of Paris alignment, we would draw attention to a statement made by Equinor's Chair in a letter to investors in September 2024. The Chair states that Equinor's (our emphasis added):

"*transition plan is compatible with the limiting of global warming to 1.5°C, because it: [m]anages the risk for the company <u>in case the society manages a rapid decarbonisation to a sustainable economy</u>, i.e. Equinor preserves resilience and competitiveness in such scenario*".

In essence, the position is therefore not that Equinor is aligned with a 1.5°C pathway today but that it <u>could be aligned</u> if society decides to decarbonise faster. If this is indeed the company's meaning, it should say this explicitly in all its documentation, making clear that it is not on this pathway today.

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[32] 20240409_ACCR_EquinorsChallenge, page 7
[33] https://cdn.equinor.com/files/h61q9gi9/global/16ccbc5a098c3b971979118420c4f83ddee18fb4.pdf?annual-report-2024-equinor.pdf, p. 105. This analysis also shows 12% downside to NPV from a 1.7C scenario (the IEA's Announced pledges scenario).
[34] Note 3 to the Financial Statements in Equinor's 2024 Integrated Annual Report (p. 197). It is important to note that this was a lower impairment versus Equinor's 2023 Annual Report, due to Equinor's decision to use more optimistic (higher) management price assumptions for the years to 2030 in the 2024 financial statements. In its 2023 financial statements, Equinor reported a $10bn impairment risk – equivalent to 20% of reported equity as of 31/12/2023 – based on an assumed a linear reduction in prices to the 2030 IEA's 1.5°C scenario (see 2023 Integrated Annual Report 2023, p. 167)
[35] See: https://www.worldbenchmarkingalliance.org/publication/oil-and-gas/companies/equinor-2/#:~:text=Summary,storage%20(CCS)%20and%20hydrogen; https://carbontracker.org/wp-content/uploads/2024/04/CompanyProfile_Equinor_2024-02-27.pdf; https://www.transitionpathwayinitiative.org/companies/equinor; https://www.oilchange.org/wp-content/uploads/2024/05/big_oil_reality_check_may_21_2024.pdf

Conclusion
Based on the evidence presented in this letter, we ask that the FSA considers whether Equinor is giving a fair and accurate impression about its current alignment with the Paris Agreement goals, and specifically a 1.5°C temperature pathway. The lack of precision in Equinor's statements undermines trust in the market and is potentially leading investors – including the Norwegian Government – to take inappropriate voting and investment decisions. It is important that Equinor ensures its public statements are clear and reflect its true position.

We would welcome a meeting to discuss our concerns. Please contact Natasha.landell-mills@sarasin.co.uk if you have any follow-up queries.

Yours sincerely,

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