Resolution: In keeping with Equinor ASA’s commitment to support the goals of the Paris Agreement, and considering the Norwegian Government’s explicit expectations for the company to align actively with the Paris Agreement as per its statement at Equinor’s 2023 AGM, the general meeting asks the Board to update its strategy and capital expenditure plan accordingly. The updated plan should specify how any plans for new oil and gas reserve development are consistent with the Paris Agreement goals.

Shareholder Filers

- Sarasin & Partners LLP - acting on behalf of Sarasin Investment Funds Ltd (SIF), where the shares are held through the appointed Transfer Agency Northern Trust under the nominee ‘Nortrust Nominees Ltd’
- Kapitalforeningen Sampension Invest – Shares in Equinor ASA are held through a nominee J.P. Morgan Bank Luxembourg S.A
- West Yorkshire Pension Fund – Shares in Equinor ASA are held through a nominee Northern Trust
- Achmea Investment Management – Shares in Equinor ASA are held through a nominee Stichting Bewaarder Achmea Beleggingspools
Supporting Statement

As long-term investors, we are committed to supporting alignment with the Paris Agreement goals as a foundation for delivering sustained economic growth and investment returns. We would welcome the Board and other shareholders’ support for this resolution.

This Supporting Statement is split into two sections:

1) Risks to investor capital from Equinor’s current strategy and capital expenditure plans; and
2) Evidence that Equinor’s strategy is not consistent with the Paris Agreement goals.

1. Risks to investor capital

In this section, we touch on three core risks for investors:

1) Risks of future impairments linked to fossil fuel investment;
2) Legal and regulatory risks; and
3) Systemic risks to economic growth and long-term investment returns.

1.1 Risks of future impairments from over-investment in fossil fuel production

IEA forecasts peak in oil and gas demand by 2030 given current policies

According to the International Energy Agency’s (IEA’s) 2023 World Energy Outlook, on our current trajectory – the Stated Policies Scenario (STEPS), both oil and gas demand are expected to peak by the end of this decade.

Source: IEA, World Energy Outlook 2023, October 2023

This is a much faster transition than the IEA expected, even just last year, and is driven above all by the accelerating roll-out of clean energy and low carbon technologies (see charts below on repeated revisions to anticipated natural gas demand and solar capacity in each updated edition of the IEA’s World Energy Outlook, for instance).

1 https://www.iea.org/reports/world-energy-outlook-2023
Paris-alignment will mean faster reductions in oil and gas demand

The implementation of Governments’ promised policies to tackle climate change would mean even faster declines in demand for oil and gas than forecasted above. If the current national energy and climate pledges were implemented (the IEA’s Announced Pledges Scenario – APS), oil and gas demand would fall 45% below today’s level by 2050, consistent with temperature rise of 1.7°C. In a
Paris-aligned scenario (1.5°C temperature trajectory captured in the IEA’s Net Zero Emissions scenario (NZE)), oil and gas use would decline by more than 75% by 2050².

**Equinor’s strategy is predicated on an elevated demand and price outlook**

Equinor’s strategy and capex plan do not reflect this falling demand picture. Their central planning assumption is a stable $75 per barrel (bbl) oil price, which is closest to prices in the IEA’s 1.7°C temperature pathway (APS - see Table below)³. Moreover, in recent years Equinor has increased its oil and gas price forecasts. Equinor’s February 2023 Capital Markets Update (CMU), used a base case oil price of $70/bbl and in February 2022 it was $65/bbl.

Equinor’s increasingly optimistic view of oil prices contrasts with the IEA’s predictions that oil prices are likely to fall as demand for fossil fuels come down. Under the IEA’s 1.5°C scenario (NZE) – the pathway that Equinor has committed to aligning with – oil prices fall to $42/bbl by 2030, and $25/bbl by 2050 (see Table below)⁴.

**Table 1: IEA’s fossil fuel prices by scenario in 2023 World Energy Outlook**

<table>
<thead>
<tr>
<th>Fossil fuel prices by scenario</th>
<th>STEPS</th>
<th>2010</th>
<th>2012</th>
<th>2030</th>
<th>2050</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IEA crude oil (USD/barrel)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>5.8</td>
<td>5.1</td>
<td>4.0</td>
<td>4.3</td>
<td>3.2</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>European Union</td>
<td>9.9</td>
<td>32.3</td>
<td>6.9</td>
<td>7.1</td>
<td>6.5</td>
<td>5.4</td>
<td>4.3</td>
</tr>
<tr>
<td>China</td>
<td>8.8</td>
<td>13.7</td>
<td>8.4</td>
<td>7.7</td>
<td>7.8</td>
<td>6.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Japan</td>
<td>14.6</td>
<td>15.9</td>
<td>9.4</td>
<td>7.8</td>
<td>8.3</td>
<td>6.3</td>
<td>5.5</td>
</tr>
</tbody>
</table>

| **Natural gas (USD/MMBtu)**   |       |      |      |      |      |      |      |
| United States                | 67    | 53   | 46   | 41   | 43   | 26   | 27   | 23   |
| European Union               | 122   | 290  | 67   | 69   | 68   | 53   | 57   | 43   |
| Japan                        | 142   | 336  | 98   | 77   | 80   | 59   | 65   | 47   |
| Coastal China                | 153   | 205  | 96   | 80   | 79   | 62   | 64   | 49   |

**Risks of write-downs**

Whether or not Equinor’s forecasts for oil and gas demand are prudent matters critically to the risk of future impairment. By assuming elevated future prices, management is able to forecast attractive

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³ See Equinor’s latest Capital Markets Update, Feb 2024 for the key oil and gas price assumptions used. (https://www.equinor.com/investors/capital-markets-updates)
⁴ See Table 2.2 in IEA, “World Energy Outlook 2023”: https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf
returns for further investment into exploration and production. Specifically, they expect a 15% return on average capital employed (ROACE) by 2035.\(^5\)

However, their returns are highly sensitive to those price assumptions. At $55/bbl they are cash flow neutral.\(^6\) In its 2023 Integrated Annual Report, Equinor estimated that it would experience a 42% reduction in the Net Present Value (NPV) of the existing portfolio in a 1.5°C-aligned scenario due to lower oil and gas prices and higher carbon taxes.\(^7\) It would see its revenue drop 27% in 2030, compared to its current assumptions.\(^8\)

Equinor also provides estimates for impairment risk under a 1.5°C scenario in Note 3 to its 2023 Financial Statements. It estimates $10 billion (before tax) of its upstream and intangible assets could be written down using the IEA’s forecast prices.\(^9\) This is equivalent to about 20% of reported total equity as of 31st December 2023.\(^10\)

**Equinor has a history of over-optimism leading to large impairments**

Equinor’s reported impairment risk noted above looks at its existing asset base. The dangers of excessive oil price optimism, however, is not a new theme. In an assessment of Equinor’s US E&P investments, PWC concluded the following:\(^11\)

> “Between 2007 and 2019, Equinor recorded an accounting loss of 21.5 billion USD on its US activities. 9.2 billion USD was due to impairments of onshore assets, 4 billion USD was related to impairments of the offshore portfolio, and 4 billion USD was expensed due to unsuccessful exploration activities...

> Long periods of growing demand and high prices influenced the outlook and strategic thinking at the time. An entire industry effectively formed a consensus that an oil price above 100 USD was a “new normal”. This assumption fuelled investments, created a heated market and ultimately turned the onshore industry into a victim of its own success...

> Equinor’s growth strategy and production targets drove behaviour at all levels of the company. The company made acquisitions and investments in US onshore based on an expectation that the oil price would increase for the foreseeable future. Investments were not sufficiently tested for robustness at a low-price scenario.”

As flagged by PWC, Equinor was not necessarily worse than peers, and took a number of steps following the period assessed to instil stricter capital discipline. The analysis, however, is a reminder of the dangers of over-optimism.

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\(^5\) CMU (Feb 2024).
\(^6\) CMU (Feb 2024) transcript, CFO statement: https://cdn.equinor.com/files/h61q9pj9/global/e4b740e011103ff917e13a7b8f916b1ba3515b2a.pdf?2024-Feb-07-EQNR-OSL-137022678440-Transcript.pdf
\(^7\) ibid
\(^8\) ibid
\(^9\) Note 3 to the Financial Statements in Equinor’s 2023 Integrated Annual Report (p. 167)
\(^10\) See Consolidated Balance Sheet, Integrated Annual Report 2023
Risks in Equinor’s oil and gas project pipeline

Looking forward, continued capital deployment into new reserve development and infrastructure based on demand and oil and gas price assumptions that fail to adequately account for decarbonisation could result in future capital destruction.

According to analysis by the research firm ACCR, using data from Rystad Energy, Equinor’s planned international projects are particularly vulnerable to lower oil price assumptions\(^{12}\). ACCR estimates that the NPV of Equinor’s unsanctioned international projects would drop 50% when assessed using the current forward Brent oil price curve ($78 in 2024 falling to $54 by 2033 and then flat), rather than Equinor’s stable $75/bbl assumption\(^{13}\). Using the IEA’s $45/bbl 2030 price for a 1.5°C pathway, we would expect to see even greater NPV reductions, and potentially negative values.

ACCR, furthermore, finds that in addition to being relatively high cost, most of Equinor’s largest development projects would operate beyond 2050, despite Equinor targeting net zero emissions at that date. This includes the Roncador expansion, Bay du Nord and Bacalhau expansion oil projects and the Tanzania LNG project (see Table below).

Based on both IEA industry data and historic Equinor performance, ACCR concludes that over half the volumes that may be discovered by Equinor’s ongoing exploration activities would likely be produced after 2050. Consequently, the exploration portfolio would be unlikely to generate significant positive cash flows before 2050.

For the expected cash flows to materialise, therefore, it is clear that oil and gas demand would need to be far in excess of what could be considered aligned with the Paris Agreement. If this demand fails to materialise, and prices come down, Equinor’s main international projects – which are at the upper end of the global cost curves – would be exposed to potential future write down risks and asset stranding, if they went ahead\(^{14}\).

Table 2: Major unapproved oil projects in Equinor’s international pipeline

<table>
<thead>
<tr>
<th>Project</th>
<th>Start-up year</th>
<th>Final year of production</th>
<th>Total production (MMbbl)(^{14})</th>
<th>Production weighted cost percentile(^{17})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roncador expansion, Brazil</td>
<td>2054</td>
<td>2064</td>
<td>548</td>
<td>100</td>
</tr>
<tr>
<td>Bay du Nord, Canada</td>
<td>2054</td>
<td>2072</td>
<td>448</td>
<td>40</td>
</tr>
<tr>
<td>Bay du Nord Core, Canada</td>
<td>2052</td>
<td>2072</td>
<td>537</td>
<td>40</td>
</tr>
<tr>
<td>Bacalhau expansion, Brazil</td>
<td>2050</td>
<td>2065</td>
<td>650</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: ACCR using Rystad data (ACCR, April 2024)

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\(^{12}\) ACCR, “Equinor’s challenge: which way to Paris”, April 2024 (https://www.accr.org.au/research/equinor%E2%80%99s-challenge-which-way-to-paris/). In 2022, production outside of Norway made up 29% of proved reserves and 27% of production (see Equinor’s 2022 Integrated Annual Report, p. 96, 102, 111)

\(^{13}\) Ibid. ACCR also estimates that its existing international oil and gas projects are on track to deliver a negative net present value (NPV) return of -$3.6 billion.

\(^{14}\) Please also see Charts from ACCR in Section 2.3 below.
Table 3: Largest unapproved gas projects in Equinor’s international pipeline

<table>
<thead>
<tr>
<th>Project</th>
<th>Start-up year</th>
<th>Final year of production</th>
<th>Total production (MMBoe)</th>
<th>Production weighted cost percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania LNG (Block 1/4 and 2), Tanzania</td>
<td>2032</td>
<td>2085</td>
<td>3,940</td>
<td>36</td>
</tr>
<tr>
<td>Block 2 (Domestic), Tanzania</td>
<td>2029</td>
<td>2100</td>
<td>360</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: ACCR using Rystad data (ACCR, April 2024)

1.2 Regulatory & legal risk

Equinor’s Board made the following commitment to shareholders in both its Energy Transition Plan and its statutory Integrated Annual Report 2022\(^{15}\):

“Equinor is committed to long-term value creation in support of the goals of the Paris Agreement. We aim to be a leading company in the energy transition and have set an ambition to reach net zero by 2050.”

Some investors will have reasonably relied on this pledge in deciding to hold Equinor’s shares. This pledge underpinned shareholder support for Equinor’s Transition Plan in 2022\(^{16}\). The Norwegian Ministry for Trade, Industry & Fisheries (responsible for the State’s shareholding) set out that its support for the Transition Plan was predicated on Equinor adhering to its commitment to align with the Paris Agreement at Equinor’s 2023 AGM\(^{17}\):

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 Ministry furthermore set out three specific expectations for Equinor in this 2023 statement:

The state expects cf. Meld. St. 6 (2022 – 2023) - Greener and more active state ownership (white paper on the State’s direct ownership of companies) that:

i. The company identifies and manages risks and opportunities relating to climate and integrates these into the company’s strategies.

ii. The company sets targets and implements measures to reduce greenhouse gas emissions in both the short and long term in line with the Paris Agreement, and reports on goal attainment. The targets shall be science-based when available.

\(^{15}\) Energy Transition Plan (p. 4); Equinor Integrated Annual Report 2022 (p. 84). We note that the first half of this statement appears to have been removed in the 2023 Integrated Annual Report.

\(^{16}\) The State’s 2023 AGM protocol states: “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.”

\(^{17}\) 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/8ec49409d8ac1bff4ba613604b3ff4e36ee623d13.pdf?minutes-from-annual-general-meeting-in-equinor-asa-10-may-2023.pdf
iii. The company reports on direct and indirect greenhouse gas emissions and climate risk, and uses recognized standards for reporting greenhouse gas emissions and climate risk.

These expectations, which were presented in the white paper in October 2022 and discussed in the Storting in February 2023, are communicated to Equinor's board of directors and are followed up in the ownership dialogue the state has with the company.

In addition to the expectations set out by the Ministry for Trade, Industry & Fisheries, Norway’s Climate Change Committee published its recommendation in October 2023 that the Government plan for:

‘the final phase of Norwegian petroleum activities’, and in the first instance implements a ‘permanent cessation of exploration activities without a direct connection to existing infrastructure, and that no decisions are made to build new infrastructure that locks us to emissions towards and beyond 2050’.

While these recommendations are still being debated in Parliament, they point to the regulatory risks of Equinor’s current strategy18.

In summary, a failure to abide by Equinor’s own commitments, Government expectations and independent assessments of Paris Alignment, could result in adverse regulatory and/or legal action, harming shareholders.

1.3 Risks to economic growth and market returns

Beyond the capital at risk in Equinor, investors are collectively exposed to the harmful consequences global warming is expected to bring across all sectors and countries19. Equinor’s shareholders, therefore, have a direct interest in acting to mitigate the market-wide risks to capital that Equinor’s strategy exacerbates.

While the potential damage is outlined in detail by the Intergovernmental Panel on Climate Change (IPCC) in its comprehensive Assessment Reports, mainstream models generally leave out the most dangerous consequences, such as tipping points and socioeconomic responses to extreme weather events20. Regulators are now underlining the need to recognise these more severe consequences and, importantly, that these impacts need addressing today21.

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20 See Exeter University and Institute and Faculty of Actuaries, “The emperor’s new climate scenarios”, July 2023 on modelling flaws (https://actuaries.org.uk/media/qeydewmk/the-emperor-s-new-climate-scenarios.pdf)
Central banks are increasing efforts to mitigate climate-related financial stability risks, which left unaddressed could result in dangerous volatility and impede long-term investment returns across the market22.

2. **Equinor’s strategy is not consistent with the Paris Agreement goals**

While we welcome Equinor’s commitment to support the Paris Agreement goals, the current strategy does not appear to be consistent with this pledge. We outline why below.

2.1 **Equinor’s 2022 Transition Plan shows its targets fall short of a 1.5°C pathway**

While the Transition Plan sees Equinor reaching net zero scope 1 to 3 emissions by 2050, the pathway involves higher emissions in all earlier years (see chart below). Consequently, we would expect the total carbon budget Equinor uses under its Transition Plan would exceed that consistent with a 1.5°C temperature outcome.

![Equinor NCI (incl. scope 3) ambitions compared to IEA scenarios](chart)


2.2 **Plans to maintain oil and gas production to 2035 run contrary to the Paris alignment**

Following its 2022 Transition Plan, Equinor set out at its CMU 2022 that it expected to see its oil and gas production peak in 2026, falling back to 2021 levels by 2030 and then continuing on a downward trajectory23.

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23 [https://cdn.sanity.io/files/h61q9gi9/global/b7328d435539d45013c8714c9c0eb1e6c2520d.pdf?all-presentations-4q-21-cmu-22-equinor-2.pdf](https://cdn.sanity.io/files/h61q9gi9/global/b7328d435539d45013c8714c9c0eb1e6c2520d.pdf?all-presentations-4q-21-cmu-22-equinor-2.pdf); "Equinor is preparing for an expected gradual decline in global demand for oil and gas from around 2030 onwards. Value creation, not volume replacement, is and will be guiding Equinor’s decisions. In the longer term, Equinor expects to produce less oil and gas than today.” Statement at launch of 2020 Net Zero commitment: [https://www.equinor.com/news/archive/20201102-emissions](https://www.equinor.com/news/archive/20201102-emissions)
More recently, there has been a shift towards maintaining production to 2035\textsuperscript{24}. This is driven by stronger production expectations from the Norwegian Continental Shelf (NCS) alongside 15% increase in volumes from International Exploration & Production 2024-2030\textsuperscript{25}.

This extended production profile would move Equinor further away from a 1.5°C trajectory as defined by the IEA\textsuperscript{26}. For oil, the IEA concludes that the decline in production must start immediately; for gas production must start falling in the next two to three years (see charts below).

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\textsuperscript{24} See for instance comments by the CEO in Q4 and full-year 2023 results presentation: 

\textsuperscript{25} CMU, Feb 2024

\textsuperscript{26} 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
2.3 Plans for new reserve development are not consistent with the IEA’s Net Zero pathway

Given this tight carbon budget, 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.\(^\text{27}\)

However, in line with its expected production growth, Equinor’s planned capital expenditure in new fields (including sanctioned and yet to be sanctioned projects) will be 20 to 30% of total capex between 2024 and 2030 (see below). Equinor has not indicated that it intends to close any of its sites early to permit scope for new reserve development.

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In its recent report, ACCR uses data from Rystad Energy to assess Equinor’s unapproved oil, gas and LNG projects on a cost-ranked basis, relative to global supply and NZE production pathways. The charts below summarise their findings. None of Equinor’s unapproved projects are consistent with a 1.5°C outcome.

28 ACCR, April 2024.
29 As already highlighted in Section 1.1, these projects’ high-cost profiles raise risks of future asset stranding.
Figure 1: Global industry oil supply - Equinor’s unapproved oil projects are not aligned with the Paris Agreement

Figure 2: Global industry gas supply - Equinor’s unapproved gas projects are not aligned with the Paris Agreement

Figure 3: Global LNG supply - Equinor’s unapproved LNG projects are not aligned with the Paris Agreement

Source: ACCR using Rystad data (ACCR, April 2024)
The charts above only go to 2050. As highlighted earlier in Tables 1 and 2 the planned projects would be associated with elevated production well beyond 2050.

2.4 Planned low carbon capex is insufficient to meet Equinor’s Net Carbon Intensity (NCI) target

Under 2.1 above, we highlighted that Equinor’s Transition Plan NCI targets are not consistent with a 1.5°C pathway. ACCR (2024) goes further to conclude that even this 2030 target looks out of reach based on Equinor’s announced investment into renewables and carbon capture and storage (CCS). The chart below summarises their findings that even using the upper end of the proposed renewables and CCS targets, Equinor is not on track to meet the NCI reduction target for 2030.

What is particularly concerning is that this is not just true for the current trajectory where Equinor plans stable oil and gas production to 2035; it is also the case where ACCR assumes no new fossil fuel projects are approved. More positively, if Equinor stops developing new oil and gas projects, the NCI falls quickly between 2030 and 2035, to meet its 2035 NCI target.

ACCR concludes that for Equinor to align its portfolio NCI with the NZE by 2035, it would need to:

- Cease new oil and gas projects;
- Meet the upper bounds of its CCS targets; and
- Implement an additional 10 MtCO₂ or 13 GW of renewables above its current target.

Figure 4: NCI modelled under different scenarios, with achievement of upper end of renewables and CCS targets

![Graph showing NCI modelled under different scenarios](source: ACCR, April 2024)

3. Conclusion

It is clear to us that Equinor’s pledge to support the Paris Agreement is not supported by its strategy or capex plans. Above all, Equinor’s plan to maintain stable fossil fuel production to 2035 and to develop new reserves that lock in production beyond 2050 fails to accept either the societal imperative of decarbonisation, or the economics of falling oil and gas demand. As it stands, Equinor’s current strategy exposes shareholders to rising risks of impairments. As long-term investors, we applaud Equinor’s leadership in committing to support the Paris Agreement. Through this Resolution, we offer our support to the Board to make this pledge a reality.

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30 Increasing renewables and CCS as a proportion of sales dilutes Equinor’s NCI overall.