ACCR

Investor Bulletin: ACCR response to Shell's Notice of Meeting 2025

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Shell's response to the co-filed shareholder resolution provides limited insight. We believe that shareholders seeking greater transparency should vote for resolution 22.

ACCR, alongside Brunel Pension Partnership, Greater Manchester Pension Fund, Merseyside Pension Fund and ShareAction, filed a Special Resolution to help ensure shareholders have sufficient information to appraise the financial risks related to Shell plc's bullish LNG strategy.

While we appreciate the consideration given to the resolution in the Company's Notice of Meeting by Shell's Directors, we do not believe that Shell has substantively addressed the need for improved disclosures around its ambitious approach to LNG.

In ACCR's view, shareholders seeking greater transparency around the risks associated with Shell's uniquely bullish LNG strategy should vote in favour of resolution 22.

Key points

ACCR does not believe Shell's response to the resolution is satisfactory because:

- it does not respond to the material request to disclose how its LNG strategy and new capital expenditure is consistent with its climate commitments
- Shell's bullish demand forecast, which underpins its strategy, remains unsubstantiated
- Shell's disclosures to date have not provided a full picture and make it difficult for investors to fully assess the extent of the material financial risks related to its LNG strategy.

This resolution is consistent with good governance

Resolution 22 was filed as a Special Resolution in accordance with the Company's Articles of Association and the rights of shareholders under the Companies Act. The resolution was accepted as validly filed by the Company Secretary following Shell's verification processes.

There is no other process by which shareholders can seek to compel enhanced disclosures from the Company to improve transparency and facilitate risk appraisal. By accepting the filing, the Company confirmed that resolution 22 satisfied all the formal requirements for filing a resolution under the Companies Act and the Company's Articles of Association.

Both before and after the resolution filing, ACCR, PIRC (as the representative of Greater Manchester Pension Fund and Merseyside Pension Fund) and Brunel Pension Partnership engaged substantively with the Company regarding its LNG strategy. Further, representatives of Merseyside Pension Fund and Greater Manchester Pension Fund met with the Chair of the Company in April 2025. It is therefore disappointing that Shell would claim that the co-filers have failed to engage with it in respect to the resolution.

LNG disclosures do not adequately address risks

Shell challenges the need for the resolution by referring to a series of existing disclosures that it says meets the resolution's intent, while at the same time offering new disclosures. ACCR's view is that Shell's current and proposed disclosures do not provide clear information on how its LNG strategy and new capital expenditure is consistent with its climate commitments, nor do they fully address the financial risks related to Shell's LNG strategy.

Our assessment of the limitations of the current and proposed disclosures is below.

Note 4 of the consolidated financial statements

We are concerned that Shell's LNG strategy, which includes more uncontracted LNG than any independent oil and gas company, could expose it to significant risk.

Shell states that Note 4 of its financial statements "allows shareholders to assess the stranded asset risk," committing to further develop the note without fully specifying what further detail would be provided.

While Note 4 includes a range of impairment sensitivities, this does not directly address the underlying concerns of the resolution that relate to shareholder value. This is because impairments are an accounting measure, rather than a measure of shareholder value, and therefore are not appropriate for considering risks to shareholder value.[1]

Capital Markets Day

Shell states it will "present the financial competitiveness of its LNG portfolio relative to the overall LNG market." At its Capital Markets Day, Shell appeared to use a range of techniques to overstate the cost competitiveness of its LNG supply additions, including by:

- comparing Shell's LNG backfill projects[2] to its competitors' greenfield LNG projects
- not disclosing that it has greater exposure to its more expensive projects than its more competitive projects.

While Shell's LNG supply additions appear to have a modest cost advantage, overstating this competitiveness heightens rather than mitigates our concerns about the fullness of its disclosures.

2024 and 2025 LNG Outlooks

Shell's LNG Outlooks present a bullish view of long-term LNG demand when compared to Paris-aligned scenarios. While the Outlooks provide interesting information on recent LNG market

[1] ACCR, Investor Briefing: Shell's gamble on gas, 2025, p. 7.
[2] "Backfill projects" are smaller, cheaper projects that source additional feed for an existing facility with spare capacity.

dynamics and marginal LNG uses to 2030, our analysis of the 2024[3] and 2025[4] Outlooks finds they do not adequately detail the financial risks associated with the Company's multi-decade LNG strategy.

Our analysis challenges the assumptions made by the Company in support of its long-term demand outlook. We highlighted factual errors in Shell's 2024 Outlook, such as the Company's presentation of the IEA's LNG scenario projections[5] and misquoting of a peer-reviewed academic paper.[6] We directly asked the company for a response – which it is yet to provide either publicly or privately.

Shareholders may question Shell's view of long-term LNG demand and the assumptions underpinning it, given Shell's position as the largest independent trader of LNG, whose financial performance hinges on an optimistic view of LNG demand.

Shell's Scenarios

All of Shell's energy system scenarios see at least 50% higher LNG demand than the IEA's Announced Pledges Scenario (APS) in 2050. The APS represents a world where countries do not increase their climate ambition beyond already announced climate targets. Shell's position implies that climate policies will not evolve, as stipulated by the Paris Agreement, but regress from their current state.

While climate targets are not guaranteed to continue becoming more ambitious, gas demand in the APS has decreased each year for at least the last four years,[7] due to alternative fuels becoming more competitive and countries increasing their climate ambitions.

Additionally, the Company's 2025 LNG Outlook projects LNG demand to be 21% higher by 2040 than a 2.4°C scenario (the IEA's Stated Policies Scenario). This degree of temperature rise should raise questions around the impact of physical climate risks on Asian GDP growth – a key engine of LNG demand growth for Shell – and the impact of extreme weather events on LNG infrastructure.

In our view, given this context, the onus is on Shell to substantiate the rationale for its position.

Third party scenarios

Shell's Notice of Meeting presents a range of LNG scenario comparisons. This includes three Shell scenarios, three IEA scenarios and five from commercial consultancies.

Of the consultant scenarios we have some information on, Rystad's base case is a 2°C scenario[8] and we understand that Wood Mackenzie's is a 2.5°C scenario[9] with bullish CCS assumptions. They are inconsistent with a Paris-aligned world, which Shell states it supports.

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[3] ACCR, Shell's LNG strategy: Overcooked?, 2024.
[4] ACCR, Investor Briefing: Shell's gamble on gas, 2025.
[5] ACCR, Shell's LNG strategy: Overcooked?, 2024, p. 8.
[6] ACCR, Shell's LNG strategy: Overcooked?, 2024, p. 13.
[7] ACCR, Shell's LNG strategy: Overcooked?, 2024, p. 17 shows this for STEPS. It also applies to the APS.
[8] ACCR Analysis of Rystad Energy data.
[9] Wood Mackenzie, Energy Transition Outlook: 2024-25 update Executive Summary, p. 5.

Additional LNG portfolio analysis

While Shell states that it will "publish additional LNG portfolio analysis", this provides little insight into how the Company intends to address investor concerns about its approach to LNG. Our analysis of the Company's LNG portfolio, including the magnitude of its uncontracted position, can be found in our 2025 research.[10]

Country case studies

Shell's commitment to carry out "three country case studies" does little to assure investors around the systemic risks related to global LNG demand.

While Shell is seeking to "demonstrate the vital role of LNG" to investors, case studies by their nature do not provide a full picture – presenting a risk that the Company's country case studies will not fully represent the economic challenges LNG faces compared to other energy sources.

Further information

For more information on the resolution, please see the Resolution and Supporting Statement at ACCR's website.

[10] ACCR, Shell's LNG strategy: Overcooked?, 2024, pp. 9-10.

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