

CONTROVERSIAL CRITERION

Fossil Fuels

Forum ETHIBEL position statement

The transition to a low carbon society - and minimising global temperature increase - requires urgent action. However, ending dependency on fossil fuels will not happen overnight. While higher energy efficiency and technological innovation may be elements of an effective climate policy, a transition to low or zero-carbon energy is necessary for realising the objectives agreed upon in the Paris agreement.

Companies in the energy (related) sector that are not contributing to decarbonisation – whether through their products and/or lack of progress – are liable to exclusion from the label as a result. Forum ETHIBEL gives preferential treatment to companies in this sector that made and/or are making ambitious progress in the decarbonisation process.

Eligibility

Controversial criterion	Sub-category	Not eligible (*)	Eligible
Fossil Fuel	Coal	> 10%	0 - 10%
	Tar sands/oil sands and oil shale	> 10%	0 - 10%
	Unconventional fossil fuels	> 10%	0 - 10%
	Deep sea drilling and arctic drilling	> 10%	0 - 10%
	Electric utilities	> 469 kg/Mwh	0- 469 kg/MWh

(*) An exception may be made for companies that made clear progress in recent years and have formally committed themselves to further reduction of the share of these types of fuels.

Definitions

(Thermal) coal	A combustible black or dark brown rock consisting chiefly of carbonised plant matter, found mainly in underground seams and used as fuel. This is the second-largest energy source, with a share of almost 29% of the global energy supply.
Oil Sands	<p>Oil sands are a mixture of sand, water, clay and bitumen. Steam is injected into the reservoir and warms the bitumen so it can be pumped to the surface through recovery wells.</p> <p>Oil sands account for a very small part of global energy supply, estimated at 2.6%, but the reserves are enormous. Given the declining production of existing oil and gas fields, some predict that oil sands will offset this decrease. Oil sands are very carbon intensive, even compared with conventional oil (+ 10% to +20%). Large amounts of energy are needed for extraction, refining and transportation. Its extraction creates enormous environmental damage, with large areas of boreal forest and other undisturbed landscape being destroyed.</p>
Fracking and unconventional fossil fuels	<p>Fracking or hydraulic fracturing is a common production technique for the extraction of unconventional fossil fuels (mainly tight gas, shale gas, coalbed methane, tight oil). Unconventional fuels are trapped in very tight or low permeability rocks where the pores are poorly connected, making it difficult for oil and natural gas to move through the rock to the well. Once the well is drilled, large volumes of water (mixed with some sand and chemicals) are injected underground under high pressure to create cracks in the rocks, thereby enabling extraction.</p>
Deep sea drilling & Arctic Drilling	<p>As existing oil and gas fields are running dry, companies are pushing into areas previously considered inaccessible, expensive or too risky to exploit. It is estimated that 30% of the world's undiscovered gas and 13% of the world's undiscovered oil are to be found in the area north of the Arctic Circle. Deepwater oil and gas reserves account for 7% to 8% of total production, but their shares are expected to increase strongly.</p>
Electric Utilities	<p>Electricity generation is one of the largest contributors to global warming. Although total energy demand is expected to remain largely stable, demand for electricity is expected to double by 2050. Its share is thus expected to increase significantly, rising from just below 20% of the total energy supply in 2015 to more than 30% by 2050. Electricity will replace fossil fuels as an energy source, if it is generated by low-carbon means.</p> <p>Decarbonizing the generation of electricity is considered the most important strategy for limiting global warming, as it is easier to realise than in other activities (industry, buildings and transport). Therefore, zero or low carbon electricity is a key component of cost-effective mitigation strategies in achieving climate targets.</p>