BREAKING BONDS

The Norwegian sovereign wealth fund's stake in oil and gas debt

NORDIC CENTER FOR SUSTAINABLE FINANCE

RECLAIM Finance

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ABOUT THE REPORT

This report examines the role of the Norwegian Sovereign Wealth Fund—commonly known as "the Oil Fund"—in financing oil and gas developers through bonds, a key funding source for these companies. Bonds function like loans: companies borrow money from investors by selling bonds, pay regular interest to the investors, and repay the original amount to the investors at the bond's end date. The analysis is based on financial data provided by Norges Bank Investment Management (NBIM), the entity managing the Oil Fund, and screened against Urgewald's Global Oil and Gas Exit List (GOGEL).

About the Nordic Center for Sustainable Finance: The Nordic Center for Sustainable Finance works to phase out all financing of fossil fuels from the Nordic countries. We focus on Nordic banks, pension funds and public finance, and uncover and expose investments in fossil fuels. The Nordic Center for Sustainable Finance is part of ActionAid Denmark (Mellemfolkeligt Samvirke).

About Reclaim Finance: Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of financial players, denounces the most harmful practices, and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

Co-publishers: Forum for Development and Environment (ForUM), Future in Our Hands, Spire, Oil Change International

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Framtiden i våre hender

Spire

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RECLAIM Finance

Forum for utvikling og miljø

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EXECUTIVE SUMMARY

Despite its ambitions to become an international leader in managing climate risks, the Norwegian Sovereign Wealth Fund - also known as "the Oil Fund," holds US$6.15 billion (65.5 billion NOK) in bonds spread across 39 oil and gas developers.[1] Oil and gas developers are upstream and midstream companies actively pursuing new oil and gas projects, defying climate science, which calls for an immediate halt to such expansions to keep global warming below 1.5°C and prevent the worst consequences of the climate crisis.[2]

The Oil Fund's bond holdings are placed in oil and gas giants like TotalEnergies and ExxonMobil, whose projects, if they come to completion, could contribute to carbon emissions far exceeding Norway's annual domestic emissions.[3] The reserves owned by these two companies alone—if they are extracted – are projected to contribute to the emission of at least 39.5 billion tons of carbon, equivalent to 846 times Norway's annual domestic emissions.[4] The Oil Fund is one of the largest bondholders in both companies.[5]

In the first half of 2024, the Oil Fund invested in at least 20 new bonds issued by oil and gas developers. This occurred during what has been recorded as the warmest year on record, further highlighting the misalignment between the Fund's investments and its stated climate goal.

One of the bonds the Fund invested in during 2024 was a bond in TotalEnergies worth US$30 million (323 million NOK). Despite TotalEnergies having a net-zero emission target for 2050, it has no credible climate plan showing how it will achieve this goal.[6] It is the world's 6th largest oil and gas upstream developer and continues to push for many controversial projects like the East African Crude Oil Pipeline – which will lock the world further into fossil fuel dependency.[7]

By continuing to invest in new bonds issued by oil and gas developers like TotalEnergies, the Oil Fund contributes to the injection of fresh cash into oil and gas companies that can be used to expand their operations. Bonds, which essentially function like loans, have increasingly become a critical source of financing for fossil fuel companies, accounting for 52% of their external financing in 2020.[8] Conventional bonds typically come with no restrictions on how the funds are used. This means that the companies can allocate the money as they see fit—including towards new oil and gas projects.

Nearly half of the bonds purchased by the Oil Fund in 2024 extend beyond 2050—the global deadline for achieving net-zero emissions. By investing in these long-term bonds, the Fund effectively supports the companies' climate-destructive strategies while exposing itself to significant financial risk.

Other financial institutions have already moved away from investing in bonds issued by oil and gas developers. This includes Danica Pension, Danske Bank Asset Management, the French pension fund Ircantec, the Dutch pension fund Zorg en Welzijn (PFZW), and Europe's fifth-largest asset manager, BNP Paribas Asset Management.[9]

The Oil Fund must follow their lead and stop purchasing any new bonds issued by oil and gas developers. As a long-term investor that is supposed to safeguard the welfare of current and future Norwegian generations, the Oil Fund has both the responsibility and the opportunity to lead by cutting off financial support for fossil fuel expansion. By committing to no longer investing in new bonds issued by oil and gas developers, the Fund could align with these frontrunners and leverage its immense influence to encourage other financial institutions to follow suit and accelerate the transition away from fossil fuels.

"I urge financial institutions to stop bankrolling fossil fuel destruction and start investing in a global renewables revolution"

António Guterres, Secretary-General of the United Nations, 5th of June 2024

1 INTRODUCTION

"Our goal is to be the world's leading investor in terms of how climate risk is managed. Our long-term return will depend on how the companies in our portfolio manage the transition to a zero emissions society"

Nicolai Tangen, Norges Bank Investment Management, CEO in September 2022.[10']

Achieving our global goals on climate change requires a shift away from fossil fuels. The Paris Agreement calls for all signatory countries to pursue efforts to limit global average temperature increase to 1.5°C above pre-industrial levels.[11] To achieve this, the world needs to phase out fossil fuels, including stopping the development of new oil, gas, or coal projects. The International Energy Agency has underscored the urgent need to do so and stated that there is no room for new oil and gas fields, nor LNG export terminals, in a 1.5°C pathway.[12]

Yet, oil and gas companies are turning a blind eye to this and continue to expand their fossil fuel portfolios. 95% of all oil and gas companies are expanding their oil and gas operations and continue to lock themselves into a long-term strategy based on fossil fuels. It is clear that these companies will not transition away from oil and gas unless they are forced to do so.

Financial institutions, such as the Norwegian Sovereign Wealth Fund (commonly referred to as the Oil Fund), play a crucial role in helping oil and gas companies access money to back their expansion projects. From banks providing loans and structuring bonds to investors investing in oil and gas companies, financial institutions are complicit in moving new oil and gas projects forward. On the other hand, if such financial institutions shift their finance and investments away from fossil fuels, they can help accelerate the green transition.

Norway's Sovereign Wealth Fund is one of the world's most influential financial institutions, capable of driving major shifts in global financial flows. Managed by Norges Bank Investment Management (NBIM), the Fund is built on the nation's petroleum revenues and has grown to become the largest sovereign wealth fund in the world, managing over 20,000 billion NOK (US$1.7 trillion).[13]

One of the most efficient ways financial institutions can contribute to the shift to phase out fossil fuels is by introducing policies restricting the purchase of bonds issued by oil and gas companies – the primary source of external financing for fossil fuels companies.[14] When a company seeks capital, it mainly has two options: bank borrowing or bond issuing. As banks have started implementing policies to limit their lending to emission-intensive industries, oil and gas companies increasingly turn to the bond market to finance their operations and expansion plans. Since 2020, about 52% of external financing for fossil fuel companies is in the form of bonds.[15]

Despite its ambition to become a leader in managing climate risk, the Fund is failing to live up to this promise.[16] While the Fund has partially reduced its coal investments, it remains Europe's largest fossil fuel investor, with $75.19 billion US (800.6 billion NOK) invested in oil, gas, and coal companies as of June 2024. Investments in oil and gas companies are risky because current models fail to account for the indirect economic impacts of climate change—while underestimating both the speed and severity of climate-related risks. Long-term investments like bonds are especially risky as they increase the risk to financial institutions for decades to come.

To align with its leadership ambitions in reducing climate risks, the Fund should commit to halting all new investments in bonds issued by companies developing new fossil fuel projects. By ceasing investments in new bonds and divesting from existing bonds, the Fund would take a crucial step towards aligning its financial practices with global climate goals and showcasing its commitment to becoming an international leader on climate risks. Holding these bonds and buying new ones undermines, rather than supports, NBIM's engage-to-change approach to reducing climate risk, as bond holdings do not provide voting rights in bonded companies.

Other financial institutions are already leading the way in reducing financial flows to oil and gas developers, and the Oil Fund could help build global momentum. Danica Pension, Danske Bank Asset Management, the French pension fund Ircantec, and the Dutch pension fund Zorg en Welzijn (PFZW) all have policies restricting their bond investments in oil and gas companies.[17] Most recently, BNP Paribas Asset Management, Europe's fifth-largest asset manager, announced that it will no longer invest in new bonds issued by oil and gas producers on the primary market.[18] By committing to no longer investing in new bonds issued by oil and gas developers, the Fund could take a decisive step to align with its climate ambitions and leverage its massive influence to encourage other financial institutions worldwide to accelerate the transition away from fossil fuels.

For information on the Fund's coal exposure and recommendations on improving its coal policy, please see Norway's Coal Secret. A report on the Fund's fossil fuel exposure is forthcoming.

2 METHODOLOGY

2.1 DATA AND SCOPE

This report is based on the reporting data provided by NBIM, which was sent to the authors in October 2024. The dataset contained the following information on NBIM's bond holdings: a) the name of the company, b) the total bond holding amount in each company in USD and NOK, and c) the ISIN codes of the various bonds in which NBIM invested

NBIM publishes its bond holdings twice annually. In February, it releases holdings as of December 31 of the previous year, and since 2024, it also publishes holdings in September, reflecting the position as of June 30 of the same year. This report is based on the bond holdings as of June 30, 2024.

NBIM has invested in multiple bonds from each company; however, the dataset provided by NBIM does not detail the amounts invested in individual bonds. As a result, the authors only have access to the total investment amount for each company. An exception was a bond in TotalEnergies, where NBIM invested US$30 million (323 million NOK) in April 2024. The values are reported as of June 28, 2024.

The investments were screened against Urgewald's Global Oil and Gas Exit List (GOGEL) 2023, which includes detailed data on 1,623 oil and gas companies active in the upstream, midstream, and gas- and oil-fired power sectors. This includes parent companies and subsidiaries in the fossil fuel business or that are pure financial vehicles. Data resulting from this screening has been aggregated at the company parent level. For this analysis, the dataset was narrowed to focus specifically on upstream (exploration and production) and midstream (storage and transportation) companies engaged in developing new oil and gas resources and infrastructure, such as pipelines and LNG terminals. These companies are referred to as "oil and gas developers."

The data for the bonds NBIM invested in during 2024, and NBIM's bonds in ExxonMobil, TotalEnergies, and Enbridge were sourced from the Bloomberg terminal as of November 20, 2024.

2.1.1 Identification of green bonds

NBIM's bond holdings in oil and gas developers were screened using the Bloomberg terminal to identify potential green bonds specifically allocated to activities supporting the energy transition. Among its 251 bonds in oil and gas developers, we identified 11 green bonds across four companies: four in Engie, four in subsidiaries of Sempra, one in Dow Chemical, and two in a subsidiary of National Grid PLC.

NBIM holds multiple bonds in each of these companies. However, since NBIM does not disclose the individual investment size for each bond, we could not determine the value of the green bonds separately from the total bonds held by NBIM in each company.

2.1.2 Adjustment of scope

Three companies were excluded from the analysis due to updates made to GOGEL in November 2024:

- Marathon Petroleum Corporation: Marathon Petroleum Corporation was removed from GOGEL 2024 due to the operational status of a project, which means that it no longer meets the GOGEL criteria.
- E.ON SE: E.ON SE was removed from GOGEL 2024 due to a change in project ownership, which means that it no longer meets the GOGEL criteria.
- NextEra: NextEra is still on GOGEL2024, but it has been removed from the scope of this report as it is no longer listed as an oil and gas developer as it is no longer involved in any expansion projects.

2.1.3 GOGEL criteria

GOGEL applies the following thresholds to classify upstream and midstream companies:

Upstream thresholds

- Production: Companies producing:
    - ≥ 20 million barrels of oil equivalent (mmboe) of oil and gas, or
    - ≥ 2 mmboe in one of six unconventional categories: fracking, Arctic, extra-heavy oil, tar sands, coalbed methane, or ultra-deepwater.
- Short-term expansion: Companies planning to add:
    - ≥ 20 mmboe of oil and gas resources to their production portfolio.
- Exploration: Companies spending:
    - ≥ US$10 million annually on exploration over the past three years (average).

Midstream thresholds

- Expansion: Companies developing:
    - ≥ 100 km of pipelines, or
    - ≥ 1 Mtpa (million tonnes per annum) of annual LNG terminal capacity.

For further details on GOGEL's criteria, visit gogel.org.

2.2 RESEARCH LIMITATIONS

This analysis reflects the total bond holdings the Fund maintains in each company. While the Fund holds multiple bonds for most companies, limited transparency prevented the authors from determining the number or individual sizes of these bonds. As noted earlier, NBIM's reporting provided the total amount invested in each company (in US$ and NOK) and the bond references (ISIN codes) but did not contain information about the amounts invested in individual bonds. Although the bond references allowed us to identify issuance dates, we could not determine the amounts NBIM invested in each bond. An exception was a bond in TotalEnergies, where NBIM invested US$30 million (323 million NOK) in April 2024. Requests for clarification from NBIM about the specifics of individual investments were declined.

2.3 CALCULATION OF POTENTIAL GREENHOUSE GAS EMISSIONS

To calculate the potential future emissions linked to TotalEnergies' and ExxonMobil's upstream expansion projects, we extracted data as of January 2025 from the Rystad Energy platform. This included the volumes of oil and gas reserves owned by the companies at various project stages (in production, under evaluation, approved, or discovered). These volumes were then multiplied by the emission factors outlined in the KING methodology.[19]

2.4 DATA VALIDATION

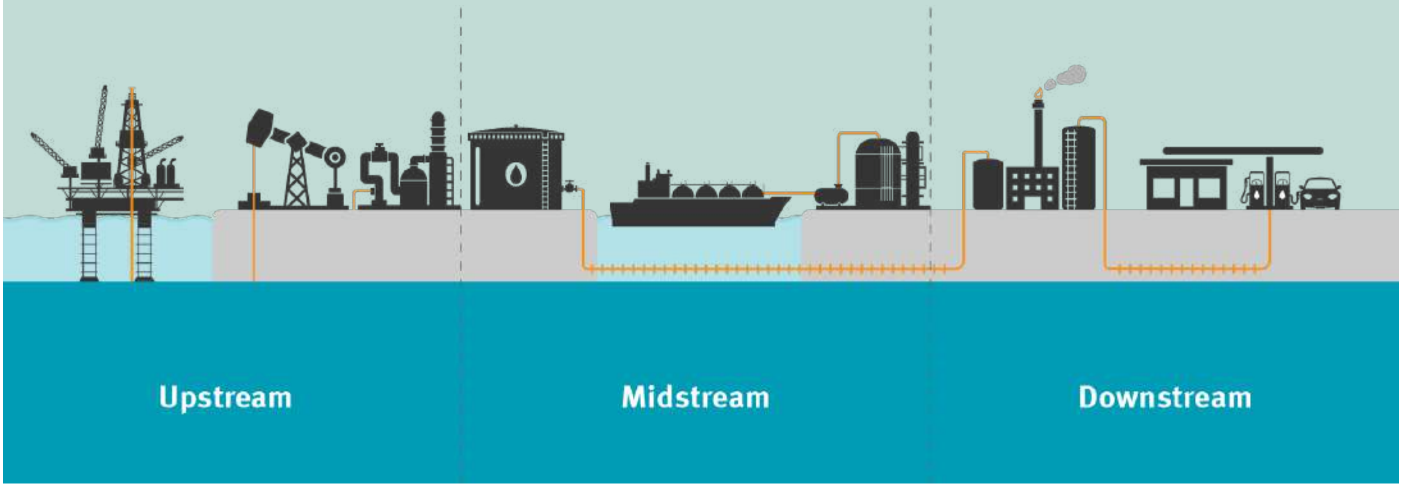
The dataset for this report was submitted to NBIM for feedback on January 8th, 2025. NBIM replied on January 20th but did not provide additional commentary on the data and stated that they could not publish information on instrument-specific holdings.

BOX 1: OIL AND GAS SECTOR OVERVIEW

Upstream oil and gas companies produce oil and gas and usually engage in exploration of even more oil and gas. They buy services from upstream oil and gas service companies. These companies provide various services to support the extraction of crude oil and fossil gas. Their activities typically include drilling, well completion, reservoir management, and geological surveys. Essentially, upstream service companies play a crucial role in the initial stages of the oil and gas supply chain and accordingly in upstream oil and gas expansion.

Midstream oil and gas refer to gathering, transporting, storing, and distributing crude oil and gas and includes all infrastructure needed to move these resources. Midstream expansion is often linked to upstream growth, as enhanced transport capacity allows oil and gas companies to increase production. Additionally, midstream infrastructure needs to function for many decades to be economically viable. This raises concern that new pipelines and LNG terminals may lock the world into a high-emissions trajectory. In a scenario where global warming is limited to 1.5°C, this infrastructure becomes ineffective. Also, according to IEA's World Energy Outlook 2024, new LNG projects and projects currently under construction are incompatible with a 1.5°C scenario.

New gas-fired power projects are part of the downstream oil and gas sector. Like midstream expansion new gas-fired power projects deepen long-term reliance on fossil fuels and encourage upstream growth. Methane leaks and other emissions from the extraction and transportation of natural gas—whether through pipelines or as liquefied natural gas (LNG)—can make natural gas equally detrimental to the climate as coal. Downstream oil and gas companies are not included in the scope of this report.



Source: Urgewald

3 THE OIL FUND SUPPORTS THE SUPPLY OF FRESH CAPITAL FOR OIL AND GAS

Box 2: What are bonds?

Bonds are a type of debt financing issued primarily by a state or a company in order to borrow money from investors over a specific time period. Corporate bonds, covered in this report, allow companies to raise capital without relying on bank loans. Companies issue bonds on the primary market, borrowing money from investors, and promising to repay the principal amount at a future date, known as the bond's maturity. During the bond's lifespan, the borrowing company pays a regular interest to the bond holding investor, known as coupons. Unlike shareholders, bondholders do not own any part of the company; they are simply creditors entitled to regular interest payments and the eventual return of their principal investment.

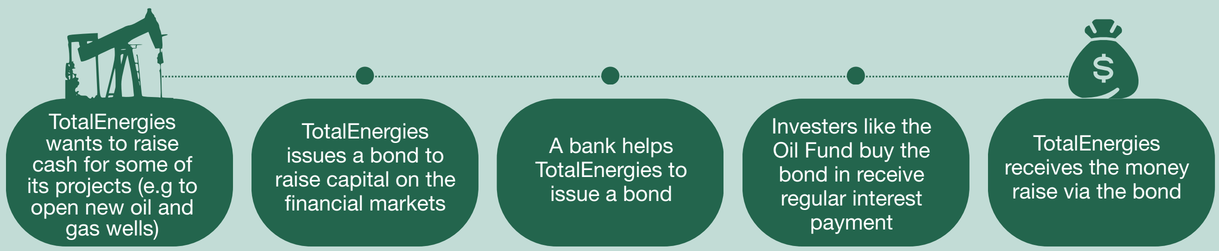
Bonds can also be traded by financial institutions on the secondary market after the initial offering on the primary market, but these transactions do not provide companies with fresh capital.

Since 2000, bonds sold on the primary market have become an increasingly critical source of external financing for oil and gas companies. Fossil fuel companies are increasingly turning to the bond market to finance their operations and expansion plans. In 2020, bonds accounted for 52% of fossil fuel companies' external financing, up from 14% in 2000. Meanwhile, corporate bank loans have dropped from 75% of fossil fuel financing in 2000 to 45% in 2020, and equity financing (issuance of new shares) has dwindled from 14% in 2000 to just 4%.[20]

Bond financing offers multiple advantages for oil and gas companies, including fewer restrictions, cheaper rates, and no dilution of ownership:

- Fewer restrictions: The vast majority of bonds issued are not tied to specific projects, which reduces reputational risks for financiers compared with project financing (which is most often carried out in the form of bank loans).
- Cheaper rates: Bonds allow companies to raise large amounts of capital from a wider pool of investors than corporate loans, which involve fewer banks. By spreading the risk across multiple investors, bonds can pay a lower interest rate than corporate loans.
- Avoiding the dilution of ownership: Unlike issuing new shares, companies issuing conventional bonds do not dilute the value of their existing shares, and they are not required to give up equity or control to investors.

HOW ARE BONDS LINKED TO FOSSIL FUEL EXTRACTION?



This report finds that the Oil Fund has US$6.15 billion (65.5 billion NOK) worth of bonds in oil and gas upstream and midstream developers at the end of June 2024. These bonds are spread across 39 companies – all headquartered in Global North countries. Of these, 22 companies are headquartered in the United States, while the rest are headquartered in Australia, Italy, Germany, Austria, Spain, United Kingdom, France and Canada.[21]

US$4.93 billion (52.52 billion NOK) —more than 80% of the Fund's bond holdings in oil and gas developers are invested in just 15 companies. These include controversial oil and gas giants like BP, ExxonMobil, and TotalEnergies, with total bond holdings of US$548 million (5.84 billion NOK), US$307 million (3.27 billion NOK), and US$291 million (3.1 billion NOK), respectively.

Through these bonds, the Oil Fund has contributed to the injection of fresh cash into oil and gas companies expanding their operations. All the companies in this analysis are planning new oil and gas projects in defiance of climate science, which requires an immediate halt to expansion projects for the world to stay below 1.5°C and avoid the worst consequences of the climate crisis.[22] The International Energy Agency has underscored the urgent need to do so and stated that there is no room for new oil and gas fields, nor LNG export terminals, in a 1.5°C pathway.[23]

The oil and gas developers can use the US$6.15 billion (65.5 billion NOK) invested by the Fund to help finance their expansion projects.[24] Conventional bonds typically come with no restrictions on how the funds are used. This means that companies can allocate the money as they see fit—including towards new projects (see box 2 on bonds).[25]

The expansion plans of these companies project emissions that are exponentially greater than Norway's total domestic emissions. If they are extracted, the reserves owned by just two of the 39 companies in the portfolio—ExxonMobil and TotalEnergies—are projected to contribute to the emission of 39.5 billion tons of carbon, equivalent to 846 times Norway's annual domestic emissions, including 22.4 billion tons of carbon solely for expansion projects(see case studies on pages 11-17).[26]

Table 1: The Oil Fund's total bond holdings in the 15 oil and gas developers it has most heavily financed through bonds

Company	Country	Bonds (USD million)	Bonds (NOK million)
Enel SpA	Italy	740	7.883
BP plc	United Kingdom	548	5.837
Energy Transfer LP	United States	509	5.423
Enbridge Inc	Canada	460	4.902
The Williams Companies Inc	United States	381	4.055
TC Energy Corporation	Canada	380	4.043
Sempra Energy	United States	345	3.669
Eni SpA	Italy	326	3.467
Exxon Mobil Corporation	United States	307	3.265
TotalEnergies SE	France	291	3.095
Diamondback Energy Inc	United States	146	1.555
Cheniere Energy Inc	United States	129	1.374
Schlumberger Ltd (SLB)	United States	127	1.355
Wintershall Dea AG	Germany	126	1.345
Ovintiv Inc	United States	117	1.251
TOTAL		**4.932**	**52.521**

Note: The bonds column represents the total bond holdings in each company, but the Fund has several bonds in most of the companies.

3.1 THE OIL FUND INVESTED IN 20 NEW BONDS IN 2024

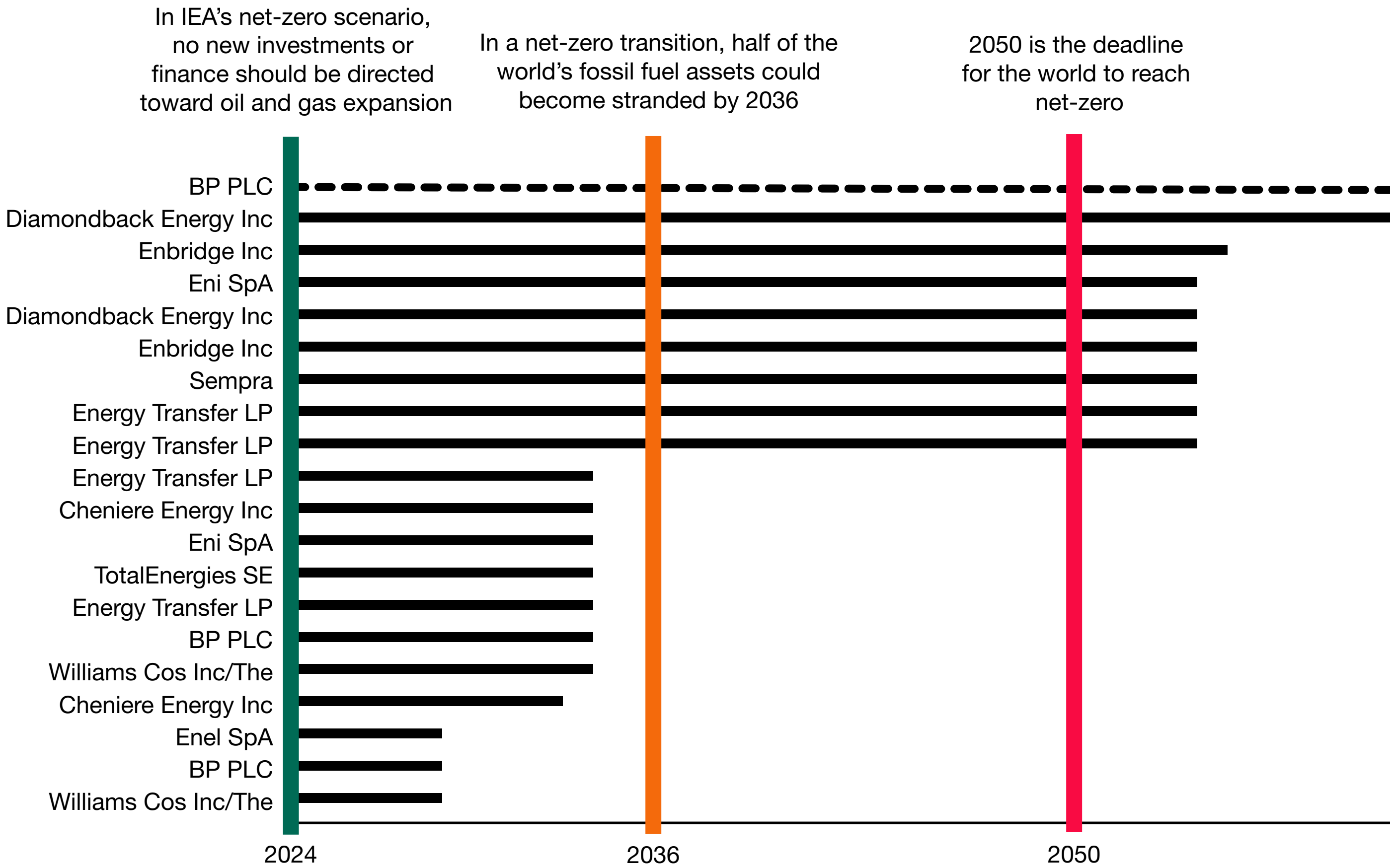
Despite its ambitions to become an international climate leader, the Oil Fund has invested in at least 20 new bonds issued by oil and gas developers only in the first half of 2024. We investigated whether NBIM continued in 2024 to purchase new bonds from the 15 companies that represented 80% of the Fund's investments in bonds from oil and gas developers. Between January 2024 and June 2024, 11 of these 15 companies issued new bonds in which NBIM invested, once again, for a total of 20 bonds. Due to a lack of transparency, the value of the Oil Fund's investment in each of these 20 individual bonds remains unknown.[27]

The lifespan of nearly half of the bonds the Oil Fund invested in during 2024 extends past 2050 – the deadline for the world to reach net zero. Eight of the 2024 bonds run past 2050, and one is a perpetual bond, meaning it has no set expiration date. This is particularly concerning in light of the goal of achieving net-zero emissions by 2050, as it provides long-term financing to companies that lack credible transition plans by 2050. The Fund implicitly endorses the companies' long-term, climate-destructive strategies by investing in these long-term bonds.

By investing in these long-term bonds, the Fund is effectively betting on the financial viability of companies that may be unable to repay their debts in a rapidly changing world. As the green transition accelerates and climate policies tighten, there is a high chance that oil, coal, and gas assets will significantly lose value or become worthless, leaving investors exposed to financial risks.[28] In fact, according to research by Jean-Francois Mercure of the University of Exeter, under a net zero transition, half of the world's fossil fuel assets could be stranded as early as 2036.[29] This is years before many of the Fund's bonds mature.

The climate crisis also poses physical risks to fossil fuel assets through more frequent weather-related extreme events that could disrupt supply chains, damage infrastructure, and increase costs.[30] Investments in oil and gas companies are risky because current models fail to account for the indirect economic impacts of climate change,while underestimating both the speed and severity of climate-related risks.[31] Long-term bonds in these companies are especially risky, as they increase financial institutions' exposure to these risks for decades to come – potentially up towards three decades after 2050 for the Oil Fund.[32]

Figure 1: Nearly half of the new bond investments made by the Oil Fund between January and June 2024 extend beyond 2050



CASE STUDIES

4.1 TOTALENERGIES

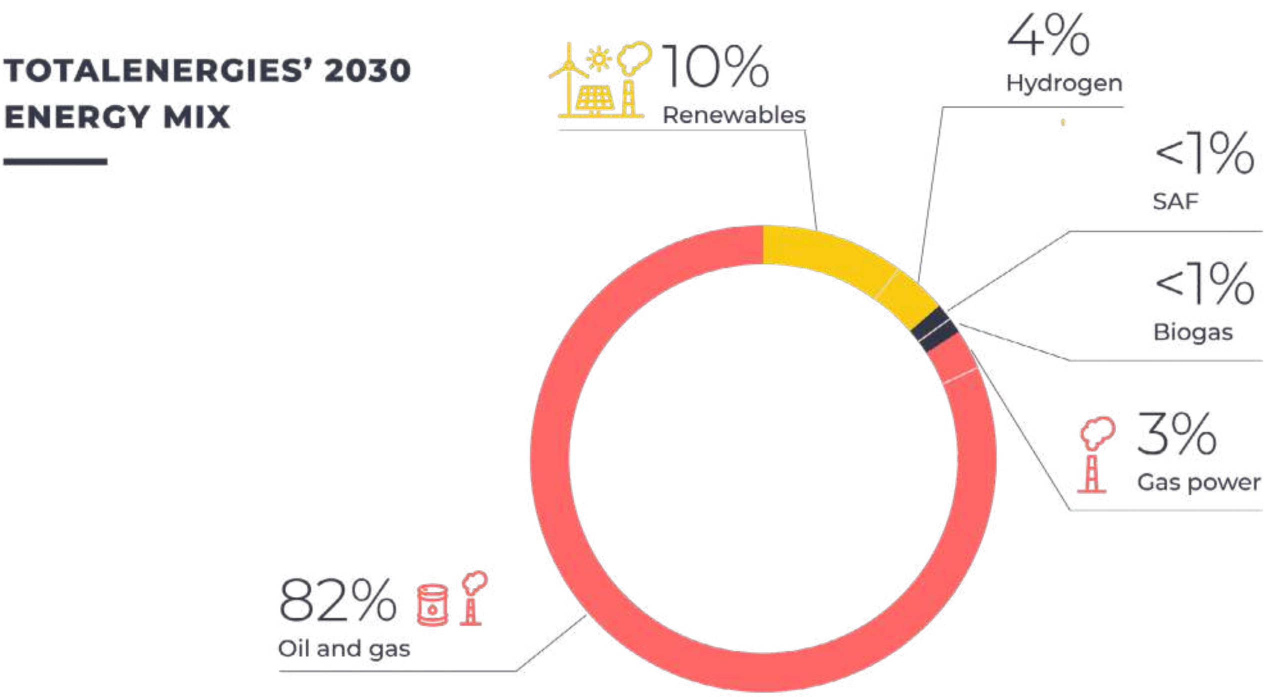
The French oil and gas major, TotalEnergies, is the 6th largest oil and gas company in the world in terms of short-term expansion plans to develop new upstrea m reserves and is present in nearly 50 countries worldwide.[33] The bulk of its portfolio is oil and gas exploration and production, and it accounts for 1.8% of global oil and gas production. TotalEnergies also operates in oil and gas transportation, oil refining, hydrogen, solar, wind and gas power generation, and retail. Its current energy mix consists of 95% oil and gas extraction, 3% renewable power, 2% gas power, and less than 0.5% bioenergy.[34]

4.1.1 People and the planet are paying the price for TotalEnergies's expansion plans

While TotalEnergies has a net-zero emissions target for 2050, it has no credible climate plan showing how it will get there. Independent analysis by the Carbon Tracker Initiative, InfluenceMap and the Rocky Mountain Institute shows that the company's climate action plans do not align with the goals of the Paris Agreement.[35] Further, analysis by Reclaim Finance found that most of the company's capital expenditures are geared toward oil and gas. 67% of TotalEnergies's investments will go towards oil and gas by 2030, and a third of its investments by 2030 will be used for new oil and gas projects. The company plans to increase its oil and gas production by 3% annually until 2030, and by 2030, oil and gas will still represent more than 80% of its energy mix.[36]

Instead of transitioning, TotalEnergies has major expansion plans in the works, which are incompatible with the goal of keeping the global temperature rise to 1.5°C. From oil wells and pipelines in Uganda and Tanzania to gas fields and LNG terminals in Papua New Guinea and the United States, TotalEnergies has the second largest number of oil and gas short term expansion projects worldwide out of all the private oil and gas companies.[37] Overall, the company plans to expand its fossil fuel portfolio in 53 countries.[38] Yet, the IEA is clear: there is no room for new oil and gas fields, nor LNG export terminals in a world that is supposed to meet the goal of the Paris Agreement.[39]

One of the company's many expansion projects is the controversial East African Crude Oil Pipeline, also known as EACOP. The objective of the project is to transport crude oil from Uganda to the Tanzanian coastline through a heated pipeline, where it would be sold on the international market. At 1,445 kilometers, the pipeline would be the world's longest of its kind.[40]



Source: TotalEnergies, 2023 Universal Registration Document and Sustainability and Climate progress report, 2024

Due to the EACOP project's severe social and environmental impacts, local communities and organizations, backed by international partners, have tried to stop it. The project threatens to displace thousands of families and farmers from their land, disrupting lives and livelihoods. From oil extraction to potential spills and leakages through transportation, EACOP also runs serious risks of contaminating crucial water resources that more than 40 million people rely on for drinking water and food production. It will cut through sensitive biodiversity hotspots and threaten key nature reserves vital for protecting endangered species such as elephants, lions, and chimpanzees.[41]

Despite this, TotalEnergies continues to pursue EACOP and its other expansion projects, which would contribute to more than doubling TotalEnergies' total emissions.[42] According to the Climate Accountability Institute, EACOP alone would contribute to emit 379 million tons of CO2.[43] If TotalEnergies were to extract all of its resources from existing and new projects, it would contribute to the emission of 13.8 billion tons of CO2, with 8 billion tons alone stemming from its new oil and gas projects not yet in operation. That is 295 times greater than Norway's annual domestic emissions.[44]

To push TotalEnergies to change its trajectory, nearly 200 climate experts and scientists have encouraged investors to vote against the company's weak climate plan, which allows it to continue pursuing new oil and gas projects. In an open letter ahead of the Annual General Meeting (AGM) in 2023, they wrote:

We, scientists and experts from all walks of life, call on TotalEnergies' shareholders to vote against the "Say on Climate" (i.e. against the climate strategy) that the company will propose at its next General Meeting and to demand that the company abandon the EACOP and its other fossil projects. TotalEnergies' main French shareholder Amundi, the asset manager of Crédit Agricole, as well as BNP's asset manager (BNP Paribas Asset Management) and its main international shareholders (Norges Bank, Vanguard Group and BlackRock), have the power and the duty to oppose the development of new fossil projects by the multinational. They cannot approve a strategy that foresees the development of projects that are as environmentally dangerous as they are financially risky and must use their power to accelerate the energy transition.[45]

"At a point like this, we should be transitioning to renewable energy, not pursuing EACOP, which is proving to be economically unviable for our economies."

Nakabuye Hilda Flavia, climate activist and founder of Fridays for Future Uganda

Nakabuye Hilda Flaviaa and Samuel Okulony from the Stop EACOP campaign at a protest in Denmark

The Oil Fund has not heeded their calls. In 2023 and 2024, NBIM, which claims that voting at AGMs is one of their most important tools for climate action, voted in favor of TotalEnergies' climate plan. In 2023, NBIM also voted against a shareholder proposal asking TotalEnergies to align its decarbonization targets with the Paris Agreement. This is in total contradiction with NBIM's climate commitments.[46] In other words, the Fund supported an inadequate climate plan that enabled the company to lock the world into fossil fuel projects like EACOP, and, therefore, voted against climate action.

4.1.2 TotalEnergies is turning to bonds for financing, and the Oil Fund is providing the cash

Like many other oil and gas giants, TotalEnergies has increasingly turned to bonds for external financing to finance its oil and gas operations. Between 2016 and 2023, bonds accounted for 70% of TotalEnergies' external financing.[47] In 2024, TotalEnergies raised US$9.75 billion through bonds.[48]

With bond holdings in TotalEnergies worth US$290.7 million (3.1 billion NOK) as of June 2024, the Oil Fund is one of TotalEnergies' biggest bondholders.[49] TotalEnergies is the Oil Fund's 10th largest bond holding in oil and gas developers. The Fund also holds shares in TotalEnergies worth US$3.2 billion (34 billion NOK), making the Fund's investments in TotalEnergies nearly US$3.5 billion (37.18 billion NOK) at the end of June 2024.[50]

The Fund's investments are spread across eight bonds, five of which are perpetual bonds. The remaining three bonds expire in 2025, 2030, and 2035 respectively.[51]

Despite clear warnings from civil society, the Fund invested in at least one new TotalEnergies bond issued in 2024. In April 2024, Reclaim Finance, the Nordic Center for Sustainable Finance, and 56 other organizations wrote an open letter to Nicolai Tangen, asking the Fund not to invest in any new TotalEnergies bonds as it could allow TotalEnergies to finance its expansion projects. Our analysis found that the Fund ignored the concerns and invested US$30 million (323 million NOK) in one of TotalEnergies' bonds issued in April, worth US$4.25 billion. TotalEnergies also issued bonds worth US$3 billion in late September 2024 and bonds worth US$2.5 billion in November 2024. It is not clear whether the Fund invested in these as well.[52]

By investing in new bonds issued by TotalEnergies, the Fund contributes to worsening the climate crisis by enabling the company's expansion plans. Seven of the eight bonds that the Fund has invested in are meant for general financing for TotalEnergies, and none of them are tied to renewable energy projects. This contributes to fresh capital that will likely help finance TotalEnergies' existing and new oil and gas projects. This is directly at odds with the Paris Agreement and the urgent need to shift away from all fossil fuels, including oil and gas.

The Fund must immediately commit to stopping all investments in new bonds issued by TotalEnergies. Beyond this, it should pursue divestment from existing bonds in TotalEnergies.

TotalEnergies' Culzean Gas Platform in the North Sea © Marten van Dijl / Greenpeace

4.2 ENBRIDGE INC

Enbridge Inc (Enbridge) is Canada's largest fossil fuel pipeline company, with operations in Canada and the US. It operates in four areas: liquids pipelines, natural gas transmission and midstream, gas distribution and storage, and renewable energy. More than 63% of its assets are tied to fossil fuel resources, which made up more than 94% of its earnings in 2023. Renewable energy makes up a minor part of its portfolio, accounting for only 3.2% of the portfolio.[53]

4.2.1 No transition in sight for Enbridge

Despite Enbridge committing to a goal of net zero emissions by 2050, the company lacks a credible transition plan showing how it will get there. Climate Engagement Canada (CEC), a finance-led initiative that evaluates companies' disclosure of the crucial steps companies need to align their business to the Paris Agreement, has raised several concerns regarding Enbridge's lack of disclosure.[54] These include failing to include the most relevant scope 3 greenhouse gas (GHG) emission categories in its commitment, not disclosing long-term targets aligned with 1.5°C; not setting a short-term target, and not disclosing its capital allocation alignment.[55]

Enbridge is doubling down on fossil fuels and showing minimal commitment to transitioning to renewable energy. According to analysis of company-reported data by Above Ground, the Center for International Environmental Law, Environmental Defence Canada, Oil Change International, and Stand.earth, Enbridge plans to allocate just 0.084% of its capital expenditures on growth projects to renewable energy projects between 2024 and 2028.[56] Instead of transitioning, the company is increasing investments in fossil fuels, with plans to develop new fossil gas infrastructure, including an offshore pipeline, expand natural gas utilities, increase oil storage and export capacity, and build an LNG export pipeline.[57]

Estimates show that these new projects may lead the company's total emissions to grow to a total of 1021 millions tonnes, which that is 21 times greater per year than Norway's annual domestic emissions.[58] In lieu of full emissions disclosure, environmental groups and one of Enbridge's investors ran a conservative estimate and found that Enbridge scope 3 emissions stemming from pipelines and transmission services alone increased from 456 million tonnes in 2014 to 805 million tonnes in 2023. Enbridge's expansion projects may lead to a further annual spike in these emissions by 216 million tonnes.[59]

Although the Oil Fund has supported two shareholder resolutions calling on Enbridge to improve its climate reporting by including scope 3 emissions, implying its dissatisfaction with the company's consideration of climate risks, the Fund continues to provide bond financing (see section 4.2.2).[60]

Enbridge's line 3 pipeline project in Canada © Amber Bracken / Greenpeace

4.2.2 Enbridge relies on bond financing

Enbridge's operations rely on bond financing. Between 2016 and 2023, bonds accounted for 29.6% of Enbridge's external financing.[61] The company's total external financing in this time period amounted to US$159 billion, whereas US$47 billion came from bonds.[62]

As of June 2024, the Fund has US$460 million (490 billion NOK) in bond holdings in Enbridge, making it one of the largest bondholders in this company. Enbridge is the Oil Fund's 4th largest bond holding in oil and gas developers. The Fund's total investments in Enbridge amount to US$1.18 billion (12.54 billion NOK) as of June 2024.[63]

The Fund's bond holdings are invested in bonds with expiration dates extending to 2084 – three decades after the world is supposed to reach net zero emissions. The investments are spread across 26 bonds, 12 of which have expiration dates beyond 2050. Notably, the Fund invested in seven bonds with expiration dates past 2050 after the Oil Fund launched its Climate Action Plan in September 2022, which aims for its portfolio companies to achieve net-zero emissions by 2050.[64]

By continuing to invest in bonds issued by Enbridge, the Fund contributes to the injection of fresh capital for Enbridge that it can use for oil and gas expansion. Notably, the bonds have minimal restrictions and are not tied to renewable energy initiatives. This means that they are likely supporting Enbridge's broader investment plans and ongoing activities. Given Enbridge's minimal commitment to transition to renewable energy, it is highly likely that the Fund's investments will flow to existing and new oil and gas projects.

Figure 2: The Oil Fund has invested in 12 bonds issued by Enbridge with expiration dates beyond 2050

Issue date of bond	Maturity date of bond
27/06/2024	15/03/2055
05/04/2024	05/04/2054
25/09/2023	15/01/2084
25/09/2023	15/01/2084
26/05/2023	26/05/2053
20/09/2022	15/01/2083
20/09/2022	15/01/2083
21/09/2021	21/09/2051
15/09/2021	15/09/2051
08/07/2020	15/07/2080
01/03/2018	01/03/2078
14/07/2017	15/07/2077

4.3 EXXONMOBIL

ExxonMobil is a US-based fossil fuel company that operates in 60 countries worldwide.[65] The bulk of its portfolio is oil and gas exploration and production, and it accounts for 2.8% of the global oil and gas production. Other parts of its portfolio include oil and gas transportation, oil refining, hydrogen, bioenergy and gas power generation and retail. It is one of the world's largest fossil fuel companies, placing as the 6th largest oil and gas producer and the 4th company with the largest short term expansion projects.[66]

3.3.1 Exxon is actively resisting the transition and punishes shareholders who advocate for climate action

ExxonMobil does not have comprehensive net zero targets nor any published plans to reduce or phase out fossil fuels. ExxonMobil has only set targets for scope 1 and 2 emissions, despite 83% of its emissions stemming from scope 3 (as of 2023)[67]. An independent analysis by the Carbon Tracker Initiative shows that the company's investment plans are not aligned with the goals of the Paris Agreement.[68] ExxonMobil plans to invest US$22.5 billion annually in oil and gas until 2027, aiming to increase its production by 19% by 2027 and 26% by 2030.[69] ExxonMobil does not report any planned investments in renewable energy, and oil and gas will still represent the majority of ExxonMobil's energy mix in 2030.[70] Echoing its reluctance to transition, CEO Darren Woods stated during a 2023 podcast with Oil Fund CEO Nicolai Tangen that ExxonMobil does not plan to invest in solar or wind power, citing a lack of competitive advantage in those sectors.[71]

ExxonMobil has expansion plans in 39 countries. From its offshore deepwater oil and gas field in Guyana to its tar sands project in Alberta, most of ExxonMobil's resources are unconventional, meaning that they are harder to extract and carry greater risks. It is the private oil and gas company with the most expansion plans.[72]

Exxon and its co-venturers Hess and CNOOC have already taken Guyana from zero oil production to around 650,000 barrels of oil per day since oil was discovered in 2015.[73] The majority of this oil is shipped to the European market. Exxon has faced nine court cases from Guyanese citizens, resulting in its environmental permits being cut down from 20+ years to 5 years and rulings that Exxon has unlimited uncapped liability for an oil spill, that Hess and CNOOC cannot directly produce oil under their petroleum production licenses and that Exxon must lodge US$2 billion in guarantees.[74] The courts have also said that Exxon's permit for the gas project was unlawfully granted.[75] Exxon's

Tar sands processing facility in Alberta, Canada © Markus Mauthe / Greenpeace entire oil production in Guyana could be halted if citizens win the case of Thomas and DeFreitas v Attorney General of Guyana and Exxon Mobil Guyana Ltd., which claims that Exxon's oil production is a violation of the constitutional right to a healthy environment.[76]

Nevertheless, ExxonMobil continues to pursue new projects in Guyana and beyond. If ExxonMobil were to extract all resources from existing and new projects, it would contribute to the emission of 25.7 billion tons of carbon emissions – with 14.3 billion tons alone stemming from its new oil and gas projects not yet in operation[77]. That is 549 times greater than Norway's annual domestic emissions.[78]

ExxonMobil is actively pushing back against shareholders trying to engage with the company to set targets. In January 2024, ExxonMobil filed a lawsuit against two of its own shareholders after they put forward a shareholder proposal asking the company to ramp up scope 1 and 2 emission targets and set a target for scope 3 emissions. Following this, the investors dropped the proposal, but ExxonMobil continued to push for a ruling, arguing that the investors could submit similar proposals in the future.[79]

This pushback against shareholders caused several investors, including NBIM, to criticize the company.[80] In February 2024, NBIM CEO Nicolai Tangen told the Financial Times: “It's a worrisome development. We think it's very aggressive and we are concerned about the implications for shareholders rights.”[81] While the fund expressed concerns due to governance related issues, the proposals in question align with NBIM policies and previous voting patterns with the company, and it is therefore likely that the fund would have voted in favor had the proposals not been withdrawn.[82] During the following AGM in 2024, the Fund voted against one of ExxonMobil's board members due to the lawsuit. In other words, it can be said that it voted for climate action.[83] NBIM also voted for proposals aiming to align ExxonMobil's emissions targets to the Paris Agreement during the 2022 and 2023 AGMs.[84]

3.3.2 Nearly half of Exxon's financing comes from bonds

ExxonMobil's operations depend significantly on bond financing. Between 2016 and 2023, the company raised nearly US$40 billion in bond financing.[85] The company's total financing in this time period amounted to almost US$85 billion, meaning that 47% of its external financing came from bonds.[86]

In June 2024, the Fund had bonds in ExxonMobil totaling US$306.7 million (3.27 billion NOK), making it one of the company's largest bondholders.[87] ExxonMobil is the Oil Fund's 9th largest bond holding in oil and gas developers. The bond investments are spread across nine different bonds, with maturity dates ranging from 2025 to 2039. The latest bond that the Fund invested in was issued in March 2023, with an expiry date in 2026. The Fund's total investments in ExxonMobil amount to US$7.58 billion (80.7 billion NOK).

By investing in bonds issued by ExxonMobil, the Fund is providing fresh capital for Exxon that it can use to further lock the world into fossil fuels for decades to come. All the bonds the Fund has invested in are general financing bonds, meaning that ExxonMobil can use the money as it sees fit, including on new oil and gas projects.

To demonstrate a serious commitment to addressing the climate crisis, the Fund should publicly commit not to invest in any new bonds in ExxonMobil and divest from its existing bond holdings. This would enhance its active ownership in ExxonMobil, complementing its existing practice of occasionally supporting climate action at Exxon's AGMs and issuing public statements.

CONCLUSION AND RECOMMENDATIONS

As a long-term institution which is supposed to safeguard the welfare of current and future Norwegian generations, the Oil Fund has both a responsibility and an opportunity to lead by cutting off the financial support that sustains fossil fuel expansion. Oil and gas developers that refuse to transition away from fossil fuels, and instead pursue new oil and gas projects, are actively obstructing global climate progress. These companies rely heavily on fresh capital to finance their expansion plans, with bonds serving as a critical financial source.

To meet this urgent challenge, the Fund must adopt the commitments below to ensure it no longer finances oil and gas developers that lock the world further into fossil fuels.

1. Introduce a policy that stops it from investing in any new bonds issued by oil and gas developers

The Fund must immediately halt the purchase of any new bonds issued by companies engaged in upstream or midstream oil and gas expansion projects. This should be the first and most urgent step in order to stop supporting the development of new oil and gas projects that are incompatible with the Paris Agreement.

2. As long as the Oil Fund has shares in oil and gas developers, it should vote against the reelection of board members and the Say on Climate resolutions of oil and gas developers with inadequate climate plans

The Fund should use its shareholder vote to unambiguously oppose the inadequate climate plans of companies that still develop new upstream and midstream oil and gas projects, which are a clear redline in a robust 1.5°C scenario. Voting against the reelection of board members, and against Say on Climate resolutions when they are proposed by management - which are resolutions asking shareholders' approval of the climate strategy of the company and its implementation - is a clear way to express dissatisfaction with these plans and try to prevent the development of new fossil fuel projects.

3. Phase out existing investments in oil and gas bonds

The Fund should begin divesting from existing bonds held in oil and gas developers as these contribute to the financial health of these companies while keeping the fund reliant on oil and gas in the long term. To effectively secure Norwegians' wealth for the future, the fund should instead prioritize investing in the development of sustainable energy sources. A clear, time-bound roadmap should be established, with an explicit deadline for when all oil and gas bonds must be removed from its bond portfolio. This phased divestment plan should be accompanied by regular progress updates to ensure accountability and alignment with climate targets.

4. Enhance transparency and accountability through detailed reporting

The Fund must significantly increase transparency regarding its bond holdings. It should include a full overview of the Fund's bonds in oil and gas companies, including investment value of each individual bond, and particularly disclose new investments made in these companies, while justifying the criteria ensuring how these companies meet the climate standards required by the Fund. It should also report the progress of its divestment strategy, and how its bond practices align with its broader climate objectives. This should be included in its annual Responsible Investment Report. Comprehensive reporting will enable stakeholders to monitor the Fund's commitment to phasing out oil and gas bonds.

"I urge financial institutions to stop bankrolling fossil fuel destruction and start investing in a global renewables revolution"

António Guterres, Secretary-General of the United Nations, 5th of June 2024[88]

APPENDIX

Table 2: The Fund's total bond holdings in oil and gas developers (as of June 2024)

Company	Country	Bonds (million USD)	Bonds (million NOK)
Enel SpA	Italy	740	7.884
BP plc	United Kingdom	548	5.837
Energy Transfer LP	United States	509	5.423
Enbridge Inc	Canada	460	4.902
The Williams Companies Inc	United States	381	4.055
TC Energy Corporation	Canada	380	4.043
Sempra Energy	United States	345	3.669
Eni SpA	Italy	326	3.467
Exxon Mobil Corporation	United States	307	3.265
TotalEnergies SE	France	291	3.095
Diamondback Energy Inc	United States	146	1.555
Cheniere Energy Inc	United States	129	1.374
Schlumberger Ltd (SLB)	United States	127	1.356
Wintershall Dea AG	Germany	126	1.345
Ovintiv Inc	United States	118	1.251
The Dow Chemical Company	United States	112	1.196
ONEOK Inc	United States	112	1.195
Chevron Corporation	United States	109	1.161
Engie SA	France	102	1.087
Pembina Pipeline Corporation	Canada	93	985
National Grid plc	United Kingdom	91	966
Occidental Petroleum Corporation	United States	65	688
Woodside Energy Group Ltd	Australia	58	616
ConocoPhillips	United States	58	614
Kinder Morgan Inc	United States	56	597
Snam SpA	Italy	53	567
EQT Corporation	United States	51	541
Cameron LNG LLC	United States	50	528
Santos Ltd	Australia	32	344
Antero Resources Corporation	United States	32	336
Venture Global LNG Inc	United States	31	333
Marathon Oil Corporation	United States	26	271
Shell plc	United Kingdom	24	259
Continental Resources Inc	United States	21	218
Enagas SA	Spain	16	170
Devon Energy Corporation	United States	13	135
OMV AG	Austria	10	107
National Fuel Gas Company	United States	5	54
EOG Resources Inc	United States	5	49
Total		**6.155 billion**	**65.537´billion**

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24 Except for the amount invested in green bonds. Green bonds, unlike conventional bonds, are earmarked to activities that support the energy transition. Of the $6.15 billion invested by NBIM in more than 251 bonds, only 11 bonds, in four companies, have been identified as green bonds(see methodology section). Due to poor transparency, the total amount invested in green bonds is unknown.

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