

“We Don’t Want To Be The Bad Guys”: Making Sense Of The Oil Industry’s Energy Transition Paradox

Krista Halttunen, Centre for Environmental Policy, Imperial College London, UK, knh111@ic.ac.uk

Iain Staffell, Centre for Environmental Policy, Imperial College London, UK

Raphael Slade, Centre for Environmental Policy, Imperial College London, UK

Overview

The global oil industry faces an uncertain future. To avoid disastrous climate change, humans need to emit less carbon dioxide into the atmosphere and rapidly reduce reliance of fossil fuels. From the perspective of the global oil industry, a clear tension lies at the heart of this requirement. Companies are presented with two competing goals: on the one hand, the pressure to contribute to societal climate mitigation goals, and on the other, performing financially and meeting obligations to shareholders in activities that directly and significantly contribute to climate change.

In this paper, we present the results of an exploratory case study of the global oil industry in the energy transition. Through semi-structured interviews with professionals from large international oil companies, we explore how employees who both work in the oil industry and have expertise in climate change and the energy transition respond to the paradoxical tension between the oil industry business model and the social goal of climate change mitigation. Interviews were analysed to develop a framework of archetypical responses to the climate-business tension in the oil. Eight archetypes were identified, spanning both strategic and defensive responses. Examples of strategic responses include accepting the paradox to choose priorities other than climate change mitigation, and confronting the paradox to demand changes to the way the oil industry operates. Examples of defensive responses include the transfer of responsibility and projection of tension onto other stakeholders in the climate debate. The responses shed light on how the oil industry can be engaged in transition discussions and how to enable constructive dialogue about potential transition pathways between industry representatives and other actors.

Methods

This study focusses on the perspective of employees with experience of working in international oil companies (IOCs) headquartered in Europe and the United States. The research is inductive, which is considered appropriate for studying the sustainability transition of the oil industry, as the topic is relatively novel and lacks a substantial theoretical research base. Sensemaking [1] in the face of paradox is used as the theoretical background for structuring the data and understanding the strands of argumentation expressed by research participants.

The interviewees for the study comprised of 12 people working in the intersection of climate issues and the oil industry in Western Europe. Interviews were carried out in person and via online video conference between July 2021 and January 2022 and lasted between 25 and 56 minutes (median length 35 minutes). Interview guides were used to steer the discussions.

Thematic analysis of the interview transcripts was carried out using the computer-assisted qualitative data analysis software NVivo. The data was coded to find elements that give evidence of different responses to the main underlying tension between the need to mitigate climate change, and the financial health and business continuity of oil and gas companies under their traditional business models. This led to the identification of eight *archetypical responses to tension*, presented in figure 1. The framework was developed by mapping different groups of responses evident in the interviews to the theoretical descriptions of different paradox responses given by e.g. Lewis [2] and Lewis and Smith [3]. Each interview included outputs demonstrating elements of several different responses. The aim is not at any point to comment on what views any specific individual may hold, but use responses emerging from the interviews as guides to the patterns of thinking and arguments that exist in the organisations.

Results

The archetypical responses to tension are divided into three strategic and six defensive responses. Here, we will present a few example quotes from the interviews linked to different responses.

Lewis [2] identifies three high-level ways to manage a paradox in a “strategic” way so that business can continue to operate: acceptance, confrontation and transcendence. *Acceptance* means acknowledging the paradox and moving on regardless. In this study, the acceptance response was most clearly represented in answers emphasising the possibility of prioritising other issues above climate change and the contribution of energy companies to solving these issues.



Figure 1. Archetypical responses to tension emerging from interview data

“We need to [...] accept people will have different opinions and will prioritise things differently.”

Another example of a strategic response is to *confront* the paradox with willingness to resolve it by changing the business situation.

“[Oil companies] will need to transition their business models away from reliance on fossil fuel production and rapidly bring down production.”

Defensive responses refer to suppressing the paradox to avoid the threat it poses to old ways of thinking. One example of this response, also found in literature, is by transferring responsibility for resolving the paradox from one’s own organisation to other actors such as governments, investors or the public.

“Either governments need to introduce regulations to make low-carbon cheaper, or consumers need to demand low-carbon products.”

Another example of a defensive response is to project the tension felt by a member of an organisation onto another actor such as a different oil company or industry. Rather than resolve the tension, a projecting response focuses on how similar tensions are felt by other actors and explaining ways in which these situations are worse than one’s own.

“The major threat is not for European IOCs, but smaller independent and state-owned companies.”

While there were many differences between interview participants, some themes were reflected in all or almost all interviews: the consideration of transition issues primarily through a lens of economics, deep knowledge of transition-related technical topics, and a call for different stakeholders to work together on the energy transition.

Conclusions

This study paves the way for further research on conceptualising the debates around the role of incumbents in the energy transition and involving industry participants in the process. The discussions documented here reveal that the people in the industry, at least ones with specific knowledge of climate issues, are engaged with the sustainability transition. At the very least, there is some pressure inside IOCs to be part of the transition in a way that arguably amounts to more than mere greenwashing. The people interviewed for this study want to see themselves as a force for good. There are undeniable reasons why oil company employees could claim this position. Perhaps this is the crucial tension to be debated: to what extent is it reasonable to prioritise climate change mitigation over other goals.

References

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