

Winds of Change: Corporate Strategy, Climate Change and Oil Multinationals

ANS KOLK, *University of Amsterdam*

DAVID LEVY, *University of Massachusetts*

Behind pessimistic expectations regarding the future of an international climate treaty, substantial changes can be observed in company positions. Multinationals in the oil and car industries are increasingly moving toward support for the Kyoto Protocol, and take measures to address climate change. This article analyses developments in the oil industry over the past few years, observing considerable shifts in corporate climate strategies. It compares British Petroleum, Royal Dutch Shell, Texaco and ExxonMobil, of which currently only the latter strongly opposes a climate treaty. BP and Shell have moved decisively toward supporting emission reductions and investing in renewable energy, while Texaco has begun to move in a similar direction. Divergent behaviour can be explained in terms of company-specific factors, particularly corporate histories of profitability and location, market assessments, degrees of centralization and the presence of climate scientists. Ongoing stakeholder pressures, which focus on 'first-mover' BP, are evaluated. © 2001 Elsevier Science Ltd. All rights reserved.

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Climate change is an international environmental issue that has provoked widespread controversy in the industries that are most involved (Ikwue and Skea, 1994; Levy, 1997). Strong business opposition has contributed to the deadlock in the negotiations, with a US government that rejects particularly the European efforts to proceed with the international approach as agreed upon in Kyoto in 1997. The oil

industry has been a critical player in the worldwide efforts to address greenhouse gas emissions (e.g. Anon, 1999). The combustion of oil-based fuels for transportation, electricity generation and heating accounts for more than half of greenhouse gas emissions in industrialized countries. At the same time, oil multinationals control substantial technological, financial and organizational resources which, if applied appropriately, could play a major role in reducing these emissions and in implementing international policies. From a business perspective, companies can try to seize possible economic opportunities arising from the climate issue by reducing risks and costs, anticipating regulation, developing green capabilities through new products or markets, and strategic behaviour vis-à-vis competitors (Kolk, 2000; Reinhardt, 2000a; Rugman and Verbeke, 2000).

With increasing regulatory and public pressure, the climate strategies of most oil companies have started to change. However, as Table 1 shows, the timing, pace and types of responses have varied enormously. BP, followed by Shell a few months later in 1997, were the first to adopt a more open stance toward climate science and the Kyoto protocol, and have joined industry associations and partnerships with environmental non-governmental organizations (NGOs) that reflect these perspectives. They have invested resources in low-emission and renewable energy sources. Located at the other end of the spectrum is ExxonMobil, which maintains a strong lobbying stance against mandatory reductions of greenhouse gases, arguing that these measures are not justified by the science and are prohibitively expensive. It has not joined its counterparts in investing in renewables. In between these extremes is found Tex-

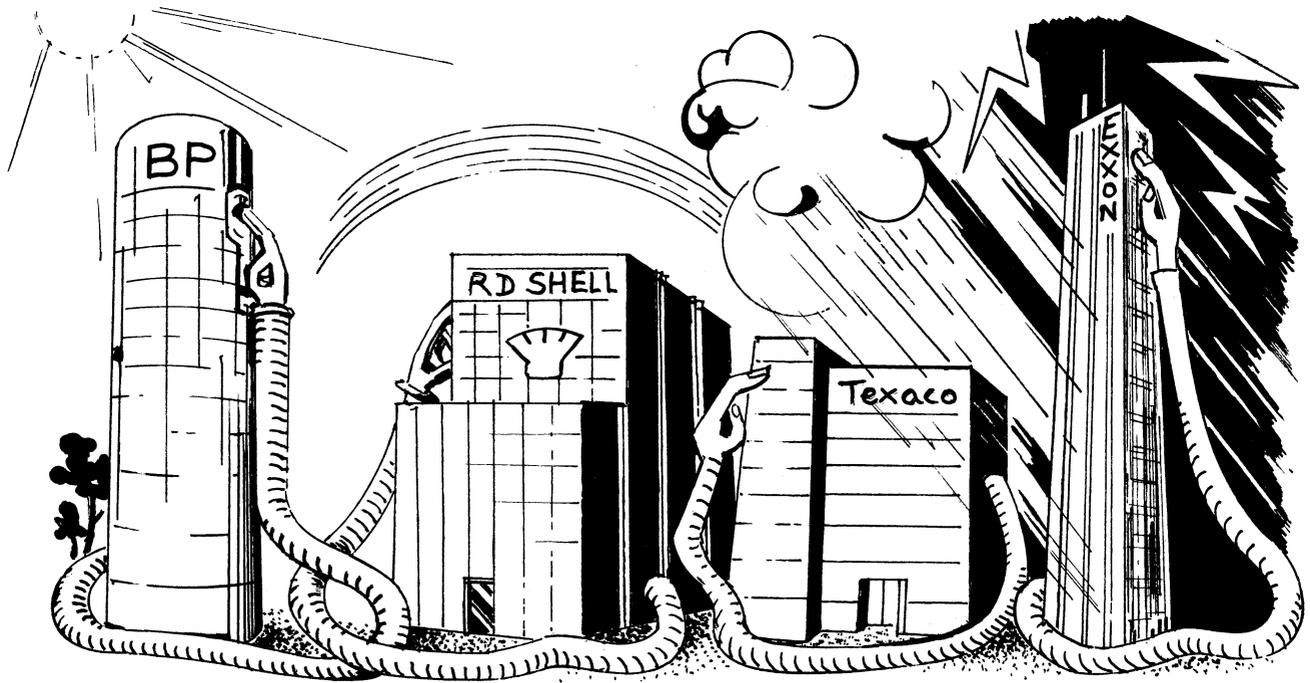


Table 1 Overview of Oil Companies' Climate Positions

Topic	BP	ExxonMobil	Shell	Texaco
Public recognition of the climate problem	May 1997	NA	September 1997	February 2000
Current view on climate science	Precautionary principle	Uncertain; precautionary principle precludes science	Precautionary principle	Need to move beyond 'protracted debate on science'
View on Kyoto protocol	Is supported	Labelled as ineffective	Considered to have real policy commitments	Will not responsibly fulfil its objectives
Membership of Global Climate Coalition	Left in 1996	Stayed until the end	Left in April 1998	Left in February 2000
Type of climate measures	Measurement and external monitoring of emissions; renewable investments, especially solar and hydrogen	No climate measures; points at emission reductions in refineries, and research expenses	Measurement and external monitoring of emissions; renewable investments in solar, wind, biomass and hydrogen	Measurement of emissions; renewable investments, especially hydrogen

aco, which changed sides much later, in February 2000.

How can the divergence of these responses within one and the same industry be explained? As the industry environment is similar for all companies, the different strategies originate from company-specific factors, particularly corporate histories of location and profitability, market assessments, degrees of centralization and the presence of climate scientists. In this article, these factors will be examined consecutively to understand variations in the timing, pace and types of climate strategies as adopted by BP, ExxonMobil, Shell and Texaco. Although observers, especially before Texaco's shift, have been tempted to trace differences back to regional and country origins, our analysis shows that

this is just one factor informing company behaviour. Company strategies can only be explained from a combination of distinct traditions, backgrounds and idiosyncracies, which will be analysed in this article following the elements summarized in Table 2. The detailed comparative case studies, and the rich set of data derived from interviews and the analysis of primary and secondary material, provides insights into the different factors that have played a role in the strategic changes on the issue of climate change.

Location and the Timing of Change

Location-specific factors are to some extent internalized by companies, even if they are large multina-

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