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ClientEarth Communications
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Fossil fuels

We're taking legal action against Shell's Board for mismanaging climate risk



Today, we have taken the first step in legal action against the Board of Directors of Shell, seeking to hold it liable for failing to properly prepare for the energy transition. This is the first ever case of its kind.

Are you an investor in Shell? Find out what this action means for you: www.redirectingshell.com

Why do we think the actions of Shell's Board are unlawful?

We're arguing that the Board's failure to properly manage climate risk to [Shell](#) means that it is breaching its legal duties. The Board has failed to adopt and implement a climate strategy that truly aligns with the Paris Agreement goal to keep global temperature rises to below

1.5°C by 2050. We believe the Board is breaching its duties under sections 172 and 174 of the UK Companies Act, which legally requires it to act in a way that promotes the company's success, and to exercise reasonable care, skill and diligence.

[Get updates on this case](#)

Shell is seriously exposed to the risks of climate change, yet its climate plan is fundamentally flawed. In failing to properly prepare the company for the net-zero transition, Shell's Board is increasing the company's vulnerability to climate risk, putting the long-term value of the company in jeopardy.

Paul Benson

Lawyer, Climate Accountability

How are we taking legal action against Shell's Board?

This will be the first time ever that a company's board has been challenged on its failure to properly prepare for the net zero transition.

We are pursuing shareholder litigation to compel Shell's Board to act in the best long-term interests of the company by strengthening Shell's climate plans. Its current strategy and insufficient targets put the enduring commercial success of the company and employees' jobs at risk, and is no good for people or the planet. We want to make sure the Board's 'wait and see' approach to the energy transition does not come at the expense of long-term viability for the company's stakeholders, including shareholders and employees. Putting in place sufficient targets to reduce its emissions over the next 3, 5 and 10 years in order to meet net zero will secure the company's long-term value, while protecting investors' capital and the climate.

How does shareholder litigation work?

We are taking 'derivative action' against Shell in the UK. A derivative action is a claim brought by a shareholder of the company, ultimately on behalf of the company, in this case to argue alleged breaches of duty by the Board. That means the shareholder bringing the claim is effectively seeking to step into the company's shoes, to pursue the Board for wrongs allegedly committed against the company.

How is Shell's Board failing its duties?

The [world's biggest investors](#) are calling on all companies to align their business plans with the goals of the Paris Agreement.

In 2021, Shell was ordered by a Dutch Court to reduce its overall emissions – including those from the fossil fuel products it sells – by net 45% by the end of 2030. However, its Board has since rebuffed parts of the verdict, indicating that it is unreasonable and essentially incompatible with its business. The company has appealed the Court's decision.

Scientists say that to avoid the worst impacts of climate change, we need to halve the world's greenhouse gas emissions by 2030. Currently more than 70% of the world's emissions come from fossil fuels, and fossil fuel producers must focus on cutting their production every year if we are to avoid the worst climate impacts.

Shell publicly maintains that its strategy is consistent with the 1.5°C temperature goal of the Paris Agreement, and has set a target to become a net zero emission energy business by 2050, in step with society.

But its interim targets to get there simply don't add up. [Analyst research](#) last year suggested that, far from a 45% reduction, Shell's strategy would in fact result in a 4% rise in net emissions by 2030, and that the company was unlikely to meet even its own targets.

Shell's shareholders need certainty that the company is using their capital effectively in its navigation of the global energy transition and is genuinely pursuing the climate goals that it says it is.

Paul Benson

Lawyer, Climate Accountability

What happens next?

We have notified Shell of our claim against the Board of Directors, and it now has the opportunity to respond.

Get updates on this case

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