

Oil & Gas approach

PensionDanmark invests with the expectation of gradual decline in oil and gas consumption in the global economy as is set out in decarbonization pathways from IEA.

Reducing the demand for fossil fuels is just as important as influencing supply. The green alternatives mainly involve renewable electricity and heating, electric transport and green agriculture. PensionDanmark is a highly committed investor when it comes to financing development and deployment of these alternatives.

In practice, PensionDanmark will have investments in oil and gas for many years to come, but they are expected to follow a declining trend, and significant companies in the sector are continuously evaluated.

PensionDanmark has set a sector target to reduce the scope 1+2+3 emission intensity of the oil and gas companies in the listed equity portfolio by 15 per cent no later than 2030. Larger reductions are not realistic to anticipate since most emissions come from "Use of sold products". Hence, the target is supplemented with the expectation of continued downweighting oil and gas in the investment portfolio as global demand declines. Since 2019 the sector weight has so far dropped 25 per cent.

PensionDanmark is an active owner of oil and gas companies, and we have joined the CA100+ engagement group for Equinor. At the same time, we have currently excluded approximately 40-45 oil companies. This could be due to involvement in extraction from tar sands or poor evaluation from our internal scoring model of significant companies in the sector.

PensionDanmark strives to avoid financing of new unlisted oil and gas assets and will, among other things, work to achieve this in Due Diligence processes and in "side letters" that exclude:

- Involvement in investments targeting new midstream infrastructure (pipelines and LNG) that do not have a planned mitigation pathway consistent with the Paris Agreement (e.g., conversion to green hydrogen or biogas)
- Co-financing of new power plants that do not replace coal-fired power or do not have a reliable mitigation plan (e.g., CCS)