

Billions in oil and gas investments undermine Macquarie Group's climate commitment

More questions need to be asked about Australia's fifth largest bank's net zero plans

Amandine Denis-Ryan, CEO, Australia
Saurabh Trivedi, Research Analyst



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Key Findings

Macquarie Group presents itself as a leader in the global transition to net zero emissions by 2050, but its billions of oil and gas investments are at odds with its commitment to the 1.5°C goal.

After joining two net zero alliances, Macquarie Group issued loans to, and took major stakes in, oil and gas companies with aggressive expansion plans.

Macquarie Group has nearly A\$5 billion invested via shares and bonds in high-growth oil and gas companies responsible for gigatonnes of emissions from new developments in coming years.

Macquarie Group disclosed only A\$1.2 billion of financing exposure to the whole oil and gas value chain, which appears to be exploiting a loophole in the NZBA guidelines.



Executive Summary

This report focuses on Macquarie Group's involvements with the upstream oil and gas sector, and in particular its exposure to oil and gas companies with aggressive expansion plans.

Macquarie Group presents itself as a leader in the global transition to net zero emissions by 2050. As a signatory of the Net Zero Banking Alliance (NZBA) since October 2021, Macquarie Group committed to aligning the emissions from its lending and investment portfolio with pathways consistent with the goal of restricting global warming to below 1.5°C above pre-industrial levels, with no/low overshoot.

The science is clear on what is required to achieve this goal. Both the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) state that new developments in oil and gas are incompatible with the global goal of 1.5°C with no/low overshoot.

Our analysis finds that Macquarie Group's actions directly contradict its climate commitments. In particular:

- Macquarie Group has nearly A\$5 billion invested via shares and bonds in high-growth oil and gas companies responsible for gigatonnes of emissions from new developments in coming years;
- After joining two net zero alliances, Macquarie Group issued loans to, and took major stakes in, oil and gas companies with aggressive expansion plans, and;
- Contrary to the Big 4 banks, Macquarie Group adopted an emissions intensity target which does not require it to reduce its oil- and gas-financed emissions in absolute terms.

The investments made since 2022 include: a 5% stake in Beach Energy, a company targeting aggressive new developments across five different basins in Australia and New Zealand in the next two years; A\$15 million in finance to Empire Energy to support the development of the controversial Beetaloo Basin – a shale gas deposit which is Australia's largest undeveloped gas resource, and; an undisclosed contribution to the issuance of a A\$3 billion loan for Southwestern Energy, an American company with short term expansion plans which would create more CO₂ than Australia's total emissions in 2021. The new finance to Empire Energy is in addition to an existing 3.5% stake and \$A11.3 million finance facility.

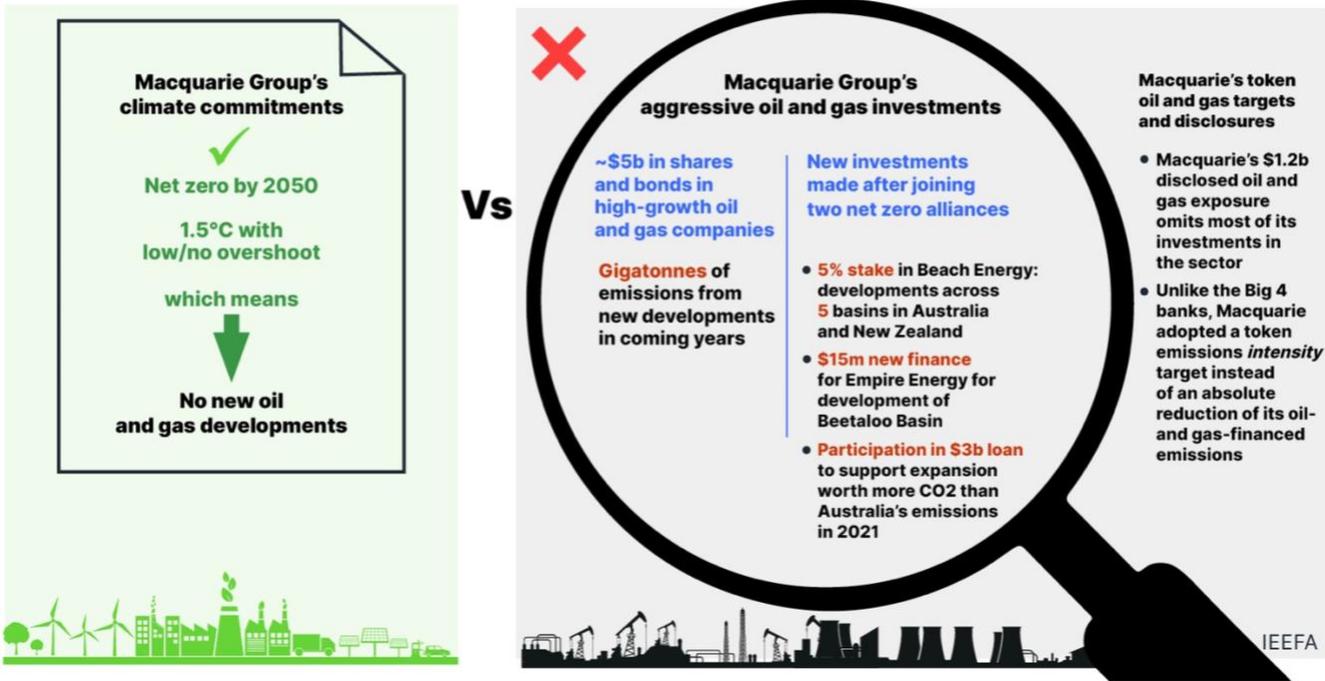
The investments identified in this report add up to A\$4.9 billion. A more comprehensive analysis of Macquarie Group's exposure to upstream oil and gas companies through shares and bonds (excluding loans) found about A\$7.7 billion of exposure. These numbers are materially higher than Macquarie Group's A\$1.2 billion disclosed financing exposure to the full oil and gas value chain – including midstream and downstream activities. Macquarie Group appears to be exploiting a loophole in the NZBA guidelines, which do not mandate member banks to establish targets for their fossil fuel exposure through off-balance sheet activities.

It is worth noting that investments in oil and gas are also bad financial investments. Oil and gas companies have financially materially underperformed the market benchmark for the past 10 years,

despite a short-lived spike in performance in the past few years. In addition, new LNG developments in coming years are likely to face a supply glut combined with a flood of uncontracted volumes.

To align its investments with the global goal of 1.5°C, Macquarie Group will need to start focusing not only on increasing its green investments, but also on decreasing its investments in fossil fuel expansions.

Billions in oil and gas investments undermine Macquarie Group's climate commitment



Introduction – scope of this report

This report focuses on Macquarie Group's involvements with the upstream oil and gas sector, and in particular its exposure to oil and gas companies with aggressive expansion plans.

Overview of Macquarie Group's activities

Macquarie Group is a global financial services group which operates through four main businesses:

- Macquarie Asset Management (MAM) is a global asset manager with total assets under management (AUM) of A\$871 billion, providing “investment solutions to clients across a range of capabilities, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, secondaries, equities, fixed income and multi-asset solutions”.¹
- Banking and Financial Services (BFS), also known as Macquarie Bank, offers “personal banking, wealth management and business banking,” with a loan portfolio worth A\$128 billion.²
- Commodities and Global Markets (CGM) offers “capital and financing, risk management, market access, physical execution and logistics solutions” across commodities, financial markets and asset finance.³
- Macquarie Capital offers “advisory and capital raising services ... across a range of sectors”, especially infrastructure and energy.⁴

As a result, Macquarie Group's exposure to energy companies can manifest in various ways, including but not limited to equity and bond investments in the primary or secondary markets, bank loans, as well as service provision through its commodity platforms or advisory services.

Scope of this report

This report presents a partial view of Macquarie Group's exposure to upstream oil and gas activities.

It analyses material financial interests in oil and gas companies with aggressive expansion plans. We have focused on large financial interests (above US\$19 million) in global oil and gas majors, as well as large stakes in relatively smaller oil and gas companies with aggressive expansion plans. It presents information on shares and bonds, and some data on loans for which we were limited by access to information.

¹ Macquarie Group. [Presentation to investors and analysts. Result announcement for the full year ended 31 March 2023](#). May 2023. Page 6.

² Ibid.

³ Ibid.

⁴ Ibid.

The report mentions findings from a more comprehensive review of Macquarie Group's exposure to upstream oil and gas companies by German research group Urgewald – noting that the analysis only includes shares and bonds and excludes loans.

Macquarie Group committed to the global 1.5°C goal, which means no new oil and gas developments

Macquarie Group's commitment to 1.5°C

Macquarie Group's stated purpose is: "Empowering people to innovate and invest for a better future."⁵ In terms of their climate change action, Macquarie states it is "committed to playing a leading role in the global transition to net zero emissions by 2050, through creating practical climate solutions and supporting our clients and portfolio companies on their decarbonisation journeys."⁶ It has committed to aligning its business operations and financing activities with the objective of reaching net zero emissions by 2050.⁷ It is the workstream lead of the Glasgow Financial Alliance for Net Zero (GFANZ),⁸ and joined the NZBA in October 2021.⁹ MAM also joined the Net Zero Asset Managers (NZAM) initiative in March 2021.¹⁰



As a signatory of the NZBA, Macquarie group committed to aligning the emissions from its lending and investment portfolio with pathways consistent with the 1.5°C goal, with no/low overshoot.

As a signatory of the NZBA, Macquarie group committed to aligning the emissions from its lending and investment portfolio with pathways consistent with the 1.5°C goal, with no/low overshoot. Joining the NZBA includes a commitment to:

- "... transition all operational and attributable GHG [greenhouse gas] emissions from our lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner, including CO2 emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. This approach will take into account the best available scientific knowledge, including the findings of the IPCC, so we commit to review and (if necessary) revise our targets at least every five years after the target is set.

⁵ Macquarie Group. [What We Stand For](#). 18 November 2022.

⁶ Macquarie Group. [Supporting climate solutions](#). 31 March 2023.

⁷ Ibid.

⁸ Ibid.

⁹ Macquarie Group. [Net Zero and Climate Risk Report](#). 5 December 2022. Page 25.

¹⁰ Macquarie Group. [Macquarie Asset Management joins Net Zero Asset Managers initiative](#). 29 March 2021.

- “GHG emissions here refer to banks’ Scope 1, 2 and 3 emissions. Banks’ Scope 3 emissions should include their clients’ Scope 1 and 2 and Scope 3 emissions, where significant, and where data allow.
- “Use decarbonisation scenarios which: are from credible and well recognised sources; are no/low overshoot; rely conservatively on negative emissions technologies; and to the extent possible, minimise misalignment with other Sustainable Development Goals. We will provide a rationale for the scenario(s) chosen.
- “Prioritise our efforts where we have, or can have, the most significant impact, i.e. the most GHG-intensive and GHG-emitting sectors within our portfolios, which are key to the transition to a net-zero carbon economy.”¹¹

In its 2022 Net Zero and Climate Risk report, Macquarie Group mentions the importance of the 1.5°C goal if the world is to “meaningfully reduce the risk of catastrophic impacts”. The report says: “With fossil fuels still accounting for around 80 per cent of global primary energy consumption, the path to net zero will require the largest reorganisation of the global economy and energy systems since the industrial revolution. However, at Macquarie, we remain optimistic that the world will rise to this challenge.”¹²

No new oil and gas in a 1.5°C future

The science is now clear on what is required to limit global warming to 1.5°C. Both the IEA and the IPCC show that new developments in oil and gas are incompatible with the global goal of 1.5°C with no/low overshoot.



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The IPCC stated in its latest Synthesis Report that, “the best estimates of the remaining carbon budget from the beginning of 2020 for limiting warming to 1.5°C with a 50% likelihood is estimated to be 500 GtCO₂ [gigatonnes of CO₂]”.¹³ Global modelled pathways that limit warming to 1.5°C with a 50% likelihood with no or limited overshoot achieve net zero CO₂ emissions around 2050.¹⁴ However, CO₂ emissions from the electricity/fossil fuel industries sector generally reach net zero earlier than other sectors.¹⁵ In addition, the transition is not linear – with about 60% of GHG emissions reductions by 2035 below 2019 levels.¹⁶

¹¹ UN PRI. [NZBA Commitment statement](#).

¹² Macquarie Group. [Net Zero and Climate Risk Report](#). December 2022. Pages 10-11.

¹³ IPCC. [AR6 Synthesis Report – Longer Report](#). 2023. Page 46.

¹⁴ Ibid. Page 51.

¹⁵ Ibid. Page 58.

¹⁶ Ibid. Page 56.

This pace of transition is not compatible with new oil and gas developments. On the contrary, existing assets will need to be retired early: "Projected cumulative future CO₂ emissions over the lifetime of existing fossil fuel infrastructure without additional abatement exceed the total cumulative net CO₂ emissions in pathways that limit warming to 1.5°C (>50%) with no or limited overshoot. They are approximately equal to total cumulative net CO₂ emissions in pathways that limit warming to 2°C with a likelihood of 83%".¹⁷

The IEA developed a Net Zero Emissions by 2050 scenario, which shows how the global energy sector can achieve an orderly transition to net zero CO₂ emissions by 2050. It gives a 50% probability of achieving the global goal of 1.5°C with no or low overshoot.¹⁸

The associated roadmap states that no new oil and gas projects are required if the world is to reach net zero by 2050: "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway."¹⁹ Under the IEA net zero pathway, gas and oil demand decline by 55% and 75% respectively by 2050 compared with 2020.²⁰

An update of the scenario stated that investments made since its initial release were already putting the 1.5°C objective at risk: "Recent investment in fossil fuel infrastructure not included in our 2021 NZE Scenario would result in 25 Gt of emissions if run to the end of its lifetime (around 5% of the remaining carbon budget for 1.5°C)."²¹

Macquarie Group is betting on aggressive oil and gas expansion

Large investments in global oil and gas majors with massive expansion plans

Macquarie Group has about A\$3.5b invested in oil and gas majors, responsible for gigatonnes of emissions from new developments in coming years.



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¹⁷ IPCC. [AR6 Synthesis Report – Longer Report](#). 2023. Page 24.

¹⁸ IEA. [Net Zero Emissions by 2050 Scenario \(NZE\)](#). 2022.

¹⁹ IEA. [Net Zero by 2050: A Roadmap for the Global Energy Sector](#). May 2021. Page 21.

²⁰ Ibid.

²¹ IEA. [An updated roadmap to Net Zero Emissions by 2050](#). 2022.

Table 1: Macquarie Group's largest investments in oil and gas majors

Company	Shares US\$M ²²	Bonds US\$M ²³	Total US\$M	Oil & Gas Production (in 2021) mmbœ ²⁴	Short-Term Expansion (Next 1–7 Years) mmbœ ²⁵	Minimum Emissions from short-term expansion* GtCO ₂ ²⁶	Carbon emissions from all remaining oil and gas fields** GtCO ₂ ²⁷
ConocoPhillips	644	45	689	673	3,674	1.2	11
Shell	175	173	348	1,386	4,398	1.4	32
Exxon Mobil	173	167	340	1,581	7,161	2.2	37
BP	50	230	280	1,067	3,066	1.0	26
TotalEnergies	51	185	236	998	6,854	2.1	45
Occidental Petroleum	28	147	175	542	1,585	0.5	4
Equinor	30	80	110	747	3,119	1.0	13
Chevron	24	41	65	1,322	5,422	1.7	18
Eni	0.1	42	42	700	2,390	0.7	24
Petrobras	19	2	21	912	8,043	2.5	12
Saudi Aramco	7	12	19	4,346	19,961	6.3	68
Total	1,201	1,124	2,325	NA	NA	NA	NA***

* Combustion emissions from the short-term expansion plans, using the emissions intensity of gas.²⁸

** Covers emissions from all fields where companies are participants.

*** Fields that have multiple participants are represented as belonging to each of the participants. Adding the data from multiple companies therefore risks double-counting emissions.

Sources: Urgewald, Refinitiv, IEEFA, Energy Monitor

Macquarie Group owns large volumes of shares and bonds in 11 of the largest global oil and gas majors, adding up to about US\$2.3 billion, or A\$3.5 billion (Table 1). Those companies are all planning major short-term expansions representing multiple billions of barrels of oil equivalent and several gigatonnes of CO₂ emissions. They also all have interests in fields which could create multiples of those emissions. Those expansion plans are incompatible with the 1.5°C goal.

²² Data Source: Refinitiv Eikon. The shareholding value is recorded as of 29 May 2023.

²³ Urgewald. [Explore the Data | Investing in Climate Chaos](#).

²⁴ Ibid.

²⁵ Ibid.

²⁶ IEEFA analysis, based on emissions intensity of gas combustion.

²⁷ Energy Monitor. [Exclusive: How just 25 oil companies are set to blow the world's 1.5°C carbon budget](#). January 2023.

²⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water. [Australian National Greenhouse Accounts Factors](#). February 2023. Page 13.

Investment and financing of oil and gas companies with aggressive expansion plans

Macquarie Group has an additional US\$0.9 billion, or about A\$1.4 billion invested in smaller oil and gas companies in which it has a high stake ([Table 2](#)).

Table 2: Macquarie Group's largest stakes in oil and gas companies

Company	Stake %	Shares US\$M ²⁹	Bonds US\$M ^{30,31}	Loans US\$M	Total US\$M	Oil & Gas Production: (in 2021) mboe	Short-Term Expansion: (Next 1–7 Years) mboe
Beach Energy	5.0%	105	0	ND	105	22	142
Empire Energy	3.5%	3	3	14	20	<1	7
PDC Energy	2.8%	158	14	ND	172	85	782
Earthstone Energy	2.7%	38	0	ND	38	12	298
Magnolia Oil & Gas	2.6%	107	0	ND	107	32	195
CNX Resources	2.1%	55	54	ND	109	113	500
Murphy Oil	1.5%	89	83	ND	172	68	459
Southwestern Energy	1.3%	70	57	share of 2,000 ³²	127	240	1,576
Matador Resources	1.2%	69	0	ND	69	45	412
Total	NA	693	211	14	918	NA	NA

Note: ND means 'No data'. Our analysis did not include a comprehensive review of Macquarie Group loans.

Some of those investments were made in 2022. After joining two net zero alliances, Macquarie Group issued loans to, and took major stakes in, oil and gas companies with aggressive expansion plans.



After joining two net zero alliances, Macquarie Group issued loans to, and took major stakes in oil and gas companies with aggressive expansion plans.

Macquarie Group acquired a 5% stake in Beach Energy in 2022, making it its second largest investor.³³ Beach Energy is pursuing an aggressive growth strategy, with about A\$800 million of capital expected to be spent in development, exploration and appraisal in the 2023 financial year, about 87.5% of its total capital spending.³⁴ This is as much as Beach Energy's sales revenue for the

²⁹ Data Source: Refinitiv Eikon. The shareholding value is recorded as of May 29, 2023.

³⁰ Data Source: Urgewald. [Explore the Data | Investing in Climate Chaos](#). January 2023.

³¹ Empire Energy. [Beetaloo Basin – the next major shale to LNG export province](#). February 2023. Page 16.

³² Data Source: Refinitiv Eikon. Macquarie Bank is a participant into a syndicated loan totalling US\$2 billion, with an undisclosed share. This is not counted in totals given the uncertainty on the loan value.

³³ Data Source: Refinitiv Eikon

³⁴ Beach Energy. [FY23 Half-year results](#). February 2023. Page 10.

first half of the year.³⁵ It is actively developing growth opportunities across the five basins in which it is operating – the Perth, Otway, Bass and Cooper basins in Australia, as well as the Taranaki Basin in New Zealand.³⁶ This includes exploration activities, as well as the opening of new wells in multiple basins.

Macquarie Group's new investments include finance to develop the Beetaloo Basin, Australia's largest undeveloped gas resource, estimated to be the world's third largest shale gas deposit.³⁷ Macquarie Group has a 3.5% stake in Empire Energy, making it the sixth largest shareholder.³⁸ Empire Energy plans to develop the controversial Beetaloo Basin project in Australia. Empire Energy estimates its 2C (best estimate of contingent) gas resources at 1,739PJ or 285 mboe,³⁹ and its P(50) *prospective* gas resources (set with 50% confidence) at 43 trillion cubic feet or more than 7,000 mboe.⁴⁰ Empire Energy has a US\$7.5 million (A\$11.3 million) debt facility with Macquarie Bank, maturing in September 2024.⁴¹ On 30 November 2022, Empire Energy also announced it had established a A\$10 million revolving credit facility and A\$5 million performance bonding facility with Macquarie Bank. This facility is undrawn and is part of its development plan for Beetaloo Basin.⁴²



Macquarie Group's new investments include finance to develop the Beetaloo Basin, Australia's largest undeveloped gas resource, estimated to be the world's third largest shale gas deposit.

Since the start of 2022, Macquarie Group has also taken a 1.5% stake in Murphy Oil, and increased its stake by 1% in Matador Resources.⁴³ Those companies' short-term expansion plans to 2028 represent respectively about seven and nine times their current production volumes ([Table 2](#)).

In August of 2022, it also contributed to the issuance of a US\$2 billion (A\$3 billion) loan for Southwestern Energy,⁴⁴ one of the largest gas producers in the United States,⁴⁵ operating across the Haynesville and Appalachia basins. The company has short-term expansion plans representing over 1,500 mboe ([Table 2](#)). This would create a minimum of 494 MtCO₂,⁴⁶ more than Australia's total emissions in 2021 which were 465 MtCO₂e.⁴⁷

³⁵ Ibid. Page 15.

³⁶ Beach Energy. [FY23 Half-year results](#). February 2023. Page 22.

³⁷ Empire Energy. [Beetaloo Basin – the next major shale to LNG export province](#). February 2023. Page 1.

³⁸ Data Source: Refinitiv Eikon

³⁹ Empire Energy. [Major EP187 Contingent Resources Upgrade](#). May 2023. Page 1.

⁴⁰ Empire Energy. [Beetaloo Basin – the next major shale to LNG export province](#). February 2023. Page 12.

⁴¹ Empire Energy. [The shale gas revolution takes hold in Australia](#). October 2020. Page 1.

⁴² Empire Energy. [Beetaloo Basin – the next major shale to LNG export province](#). February 2023. Page 16.

⁴³ Data Source: Refinitiv Eikon

⁴⁴ Ibid.

⁴⁵ SouthWestern Energy (SWN). [About](#).

⁴⁶ Estimated minimum combustion emissions, using the emissions intensity of gas. Data source: Australian Government, Department of Climate Change, Energy, the Environment and Water. [Australian National Greenhouse Accounts Factors](#). February 2023. Page 13

⁴⁷ Australian government, Department of Climate Change, Energy, the Environment and Water. [Australia's national greenhouse accounts. Paris Agreement inventory](#).

Insufficient oil and gas emissions reduction targets

As a signatory of the NZBA, Macquarie Group has chosen three initial sectors to develop financed emissions reduction targets, based on the most carbon-intensive sectors it finances. Those sectors are: oil and gas, motor vehicles and coal.⁴⁸

While it chose to adopt an absolute emissions reduction target for coal,⁴⁹ Macquarie Group adopted an emissions *intensity* target for oil and gas. Its target is to reduce its physical emissions intensity (including Scope 1, 2 and 3) from 66.2 grams of CO₂ per megajoule (gCO₂e/MJ) in 2020 to 56.3-59.6 gCO₂e/MJ by 2030 – a 10-15% reduction.⁵⁰

Under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the objective of a climate-related target is “to address [the organisation’s] climate-related risks and opportunities”.⁵¹ In the oil and gas sector, the main risk comes from the phasing down of those fuels. While emissions intensity targets can be a good tool,⁵² especially to track technology transition in certain sectors, they are not appropriate in this context.⁵³ For oil and gas portfolios, it is recommended to use absolute emissions reduction targets.⁵⁴

All four of the Big 4 Australian banks have adopted absolute emissions reduction targets (including Scope 1, 2 and 3 emissions) for their exposures to the oil and gas sector, based on the IEA’s net zero scenario:

- Australia and New Zealand Banking Group (ANZ) is targeting a 26% reduction in absolute financed emissions by 2030 compared with 2020;⁵⁵
- Commonwealth Bank of Australia (CBA) is targeting a 17-27% reduction in absolute financed emissions by 2030 compared with 2020;⁵⁶
- National Australia Bank (NAB) is targeting a 21% reduction in absolute financed emissions by 2030 compared with 2021, and;⁵⁷
- Westpac Banking Corporation (Westpac) is targeting a 23% reduction in absolute financed emissions by 2030 compared with 2021.⁵⁸



Contrary to the Big 4 banks, Macquarie Group adopted an emissions intensity target which does not require it to reduce its oil- and gas-financed emissions in absolute terms.

⁴⁸ Macquarie Group. [Net Zero and Climate Risk Report](#). December 2022. Page 38.

⁴⁹ Ibid. Page 45.

⁵⁰ Ibid. Page 41.

⁵¹ Task Force on Climate-related Financial Disclosures (TCFD). [Guidance on Metrics, Targets, and Transition Plans](#). Page 30.

⁵² Science Based Targets. [Science-based target setting manual](#). April 2020. Page 27.

⁵³ TCFD. [Measuring Portfolio Alignment: Technical Supplement](#). June 2021. Page 10.

⁵⁴ ShareAction. [NZBA round 1: an assessment of banks' decarbonisation targets](#). October 2022. Finding 4.

⁵⁵ Australia and New Zealand Banking Group. [2022 Climate-related Financial Disclosures](#). November 2022. Page 38.

⁵⁶ Commonwealth Bank of Australia. [2022 Climate report](#). August 2022. Page 46.

⁵⁷ National Australia Bank. [Climate report 2022](#). November 2022. Page 30.

⁵⁸ Westpac Banking Corporation. [Net-Zero 2030 Targets and Financed Emissions](#). November 2022. Page 4.

Contrary to the Big 4 banks, Macquarie Group adopted an emissions intensity target which does not require it to reduce its oil- and gas-financed emissions in absolute terms. The target is materially above the combustion emissions intensity of gas which is 51.5 gCO₂e/MJ.⁵⁹ Given that downstream combustion emissions represent about 90% of emissions for oil and gas companies,⁶⁰ Macquarie Group's target could be achieved simply by increasing the share of gas activities in its oil and gas portfolio.

It does not require the group to achieve any reductions in the volume of fossil fuel production financed and its associated emissions. On the contrary, this target could provide an incentive to increase the financing of gas projects so as to decrease the average emissions intensity of the oil and gas portfolio.

An apparent gap in disclosed exposure to the oil and gas sector

The exposure to upstream oil and gas companies discussed in the two previous sections of this report adds up to about US\$3.2 billion, or A\$4.9 billion.

The more comprehensive Urgewald analysis⁶¹ identified a total exposure of US\$6 billion, or A\$9 billion, to upstream oil and gas companies through shares and bonds alone. Removing companies for which oil and gas production is not core business lowers this figure to about US\$5 billion, or A\$7.7 billion. In addition, we identified that Macquarie Group participated in consortia of syndicate loans offered to four oil and gas exploration and production companies since 2021. These loans are worth a total of US\$2.8 billion or A\$4.3 billion⁶² – with no information on the share represented by Macquarie Group. We did not gather comprehensive information about non-syndicate loans.

These numbers are significantly larger than the disclosed financing exposure to the upstream oil and gas sector by three of the Big 4 banks: CBA disclosed A\$2.1 billion,⁶³ NAB A\$1.9 billion⁶⁴ and Westpac A\$1.9 billion.⁶⁵ ANZ only discloses its exposure to the full oil and gas value chain, which is A\$16.1 billion.⁶⁶

Macquarie Group discloses only A\$1.2 billion of financing exposure as at March 2022 to the full oil and gas value chain – covering not only upstream but also midstream and downstream segments.⁶⁷ However, this exposure – as well as their emission intensity target – only includes *on-balance sheet* lending and equity investments.⁶⁸ The majority of the investments discussed in this report would

⁵⁹ Australian Government, Department of Climate Change, Energy, the Environment and Water. [Australian National Greenhouse Accounts Factors](#). February 2023. Page 13.

⁶⁰ CDP. [Beyond the cycle – Which oil and gas companies are ready for the low-carbon transition](#). November 2018. Page 3.

⁶¹ Urgewald. [Explore the Data | Investing in Climate Chaos](#).

⁶² Data Source: Refinitiv Eikon.

⁶³ Commonwealth Bank of Australia. [2022 Climate report](#). August 2022. Page 48.

⁶⁴ National Australia Bank. [Climate report 2022](#). November 2022. Page 23.

⁶⁵ Westpac Group. [2022 Annual Report](#). 2022. Page 40.

⁶⁶ Australia and New Zealand Banking Group. [2022 Climate-related Financial Disclosures](#). November 2022. Page 32.

⁶⁷ Macquarie Group. [Net Zero and Climate Risk Report](#). December 2022. Page 35.

⁶⁸ *Ibid.* Page 37.

likely be assets under management, or *off-balance sheet* investments by the Macquarie Asset Management (MAM) division, itself a signatory to the NZAM initiative.

Macquarie Group's disclosure follows the NZBA guidelines,⁶⁹ which do not mandate member banks to establish targets for their fossil fuel exposure through off-balance sheet activities.⁷⁰ This exclusion is driven by the absence of a carbon accounting standard for off-balance sheet activities typically undertaken by banks – or a way to calculate the emissions attributable to financial institutions from those activities.⁷¹ The NZBA committed to updating its guidelines to include off-balance sheet activities once the common carbon accounting standard is built and tested,⁷² and stated that banks “should increase the volume of investment activities covered by the targets in line with methodological developments”.⁷³

The types of off-balance sheet investments covered in this report, and which Macquarie Group appears to be excluding from its disclosures and targets, are equities and corporate bonds, which are already covered by the financial industry carbon accounting standard,⁷⁴ which Macquarie Group utilises.⁷⁵ The standard was specifically written to be used by banks as well as asset managers⁷⁶ and to be applicable to financial products that are on the balance sheet of the financial institution or managed by asset managers.⁷⁷ The TCFD recommends that asset managers disclose the emissions associated with their assets under management using this standard.⁷⁸

Given that Macquarie Group has a much larger asset management portfolio than banking portfolio and is a participant to the Net Zero Asset Managers initiative, it would be a reasonable expectation that it discloses its off-balance sheet equity and bonds investments in the oil and gas sector and includes those in its targets. In IEEFA's opinion, not doing so appears to be taking advantage of a loophole in the NZBA guidelines.

In contrast, Macquarie Group includes assets under management in its disclosed green energy investments.⁷⁹

⁶⁹ Ibid. Page 6.

⁷⁰ United Nations Environment Programme Finance Initiative (UNEP FI). [Guidelines for climate target setting for banks](#). Pages 6-7.

⁷¹ UNEP FI. [Net Zero Banking Alliance – Frequently asked questions](#). Page 8.

⁷² Ibid.

⁷³ UNEP FI. [Guidelines for climate target setting for banks](#). Page 7.

⁷⁴ Partnership for Carbon Accounting Financials (PCAF). [The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition](#). 2022. Page 7.

⁷⁵ Macquarie Group. [Net Zero and Climate Risk Report](#). December 2022. Page 36.

⁷⁶ PCAF. [The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition](#). 2022. Page 14.

⁷⁷ Ibid. Page 46.

⁷⁸ TCFD. [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#). October 2021. Page 49.

⁷⁹ Macquarie Group. [Net Zero and Climate Risk Report](#). December 2022. Page 17.

Oil and gas investments are also bad financial investments

An underperforming sector

Major global and regional oil and gas indices (Dow Jones US O&G index, S&P Global Oil Index, S&P Commodity Producers Oil & Gas Exploration & Production Index) have materially underperformed the market benchmark (S&P Global 1200) as well as S&P Global 1200 fossil fuel free index in one-, five- and 10-year time horizons.⁸⁰ The only exception is the three-year horizon, due to the spike in fossil fuel prices driven by the war in Ukraine.

During a 10-year period, the S&P Global 1200 and the S&P Global 1200 Fossil Fuel Free Index have delivered compounded rates of annual return of 6.65% and 7.21% respectively. In contrast, the three oil and gas indices – S&P Global Oil Index, Dow Jones U.S. Oil & Gas Index, and S&P Commodity Producers Oil & Gas Exploration & Production Index – have delivered returns of 0.57%, -1.56%, and -2.13% respectively.⁸¹ Overall, the oil and gas sector has been detrimental to shareholder wealth over the past several years.

Figure 1: Global Oil and Gas Indices’ Performance vs Market Benchmark



Source: S&P Global, Dow Jones U.S. Oil & Gas Index, IEEFA Calculations.

⁸⁰ S&P Global, Dow Jones U.S. Oil & Gas Index. Accessed on 30 May 2023.

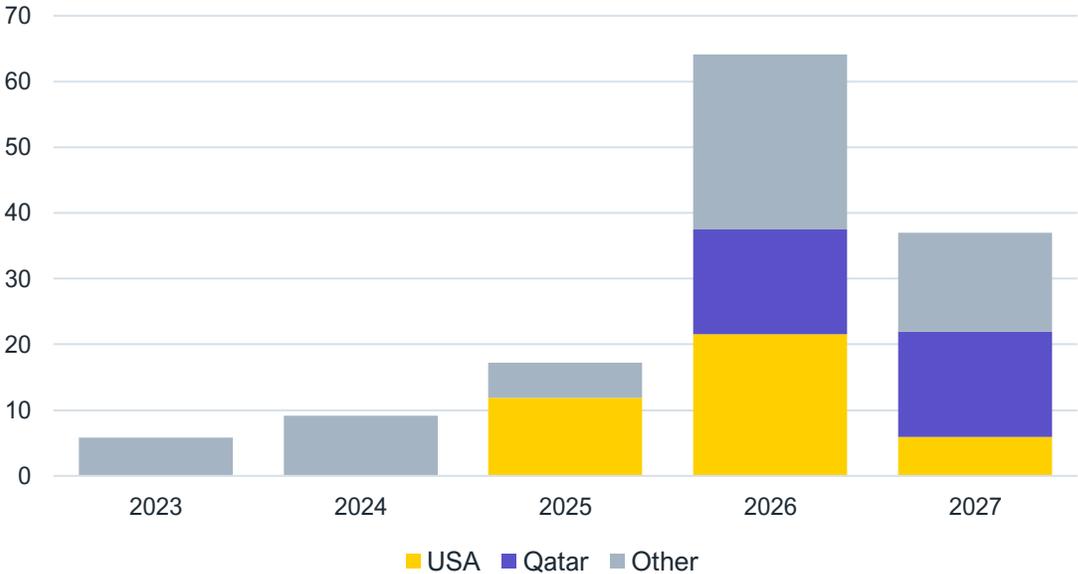
⁸¹ S&P Global, Dow Jones U.S. Oil & Gas Index. Accessed on 30 May 2023. IEEFA Calculations.

A looming supply glut

IEEFA’s [Global LNG Outlook 2023-2027](#) report identified a likely upcoming glut in global LNG markets: “After several years of weak supply growth, IEEFA anticipates that the global LNG market will see a tidal wave of new projects come online starting in mid-2025. The wave will likely crest in 2026, with the addition of 64 million metric tons of annual liquefaction capacity —the most in the history of the global LNG industry. These supply additions will boost global liquefaction capacity by roughly 13% in a single year. Liquefaction projects targeting in-service after 2026 may be entering a much smaller demand pool than bullish market forecasts anticipate. As new supply floods the market, today’s tight markets may give way to a multiyear supply glut, which would ultimately mean lower-than-anticipated prices, smaller netbacks, tighter margins, and lower profits for LNG exporters when liquefaction projects finally come online.”⁸²

This is particularly problematic at a time when large uncontracted volumes of supply are expected to flood the market. Uncontracted volumes from Qatar are expected to increase from zero in 2023 to 68 million tonnes a year (MTPA) by 2028 due to a combination of expiring LNG contracts from existing capacity and unsigned LNG capacity from the additional capacity. The unsigned volumes will account for 49% of Qatar’s LNG production capacity in Qatar and the U.S. by that date.⁸³

Figure 2: Forecast Liquefaction Capacity Additions (MTPA) 2023-27⁸⁴



Source: IEEFA estimates from S&P Global Commodity Insights, International Gas Union, news reports and company announcements

⁸² Institute for Energy Economics and Financial Analysis. [Global LNG Outlook 2023-2027](#). Page 5.

⁸³ Columbia Center on Global Energy Policy. [Qatar’s Contract Quandary](#). 26 April 2023.

⁸⁴ Institute for Energy Economics and Financial Analysis. [Global LNG Outlook 2023-2027](#). Page 8.

Conclusion: a problematic inconsistency

While Macquarie Group presents itself as a leader in the global transition to net zero emissions by 2050, its oil and gas investments are inconsistent with the 1.5°C goal. In particular:

- Macquarie Group has nearly A\$5 billion invested via shares and bonds in high-growth oil and gas companies responsible for gigatonnes of emissions from new developments in coming years;
- After joining two net zero alliances, Macquarie Group issued loans to, and took major stakes in, oil and gas companies with aggressive expansion plans, and;
- Contrary to the Big 4 banks, Macquarie Group adopted an emissions *intensity* target, which does not require it to reduce its oil- and gas-financed emissions in absolute terms.

To align its investments with the global goal of 1.5°C, Macquarie Group will need to start focusing not only on increasing its green investments, but also on decreasing its investments in fossil fuel expansions.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

About the Authors

Amandine Denis-Ryan

Amandine is a recognised expert in net zero emissions transitions across the economy. She led the development of the first domestic net zero emissions pathway for Australia and subsequent updates, which are considered to be the reference for Paris-aligned pathways and used by business, finance and government organisations. She has worked with and advised many organisations on the strategy, investment and risk implications of the energy transition. adeniryan@ieefa.org

Saurabh Trivedi

Saurabh Trivedi is a research analyst with IEEFA. His focus is on analysing global investment flows into clean energy and fossil fuel sectors with a specific attention to debt investment. He also analyses the role of innovative sustainable finance investments in transitioning Indian fossil fuel companies to clean energy. strivedi@ieefa.org

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