

## PRESS RELEASE

# Notre Affaire à Tous and Sherpa ask the Autorité des Marchés Financiers (AMF) to verify the accuracy of Total's financial information regarding climate risks

Paris, 28 May 2020 - Notre Affaire à Tous and Sherpa have reported to the French Financial Markets Authority (AMF) potential contradictions, inaccuracies and omissions in Total's financial documents and recent public communications regarding climate risks. The organisations consider that the company bases its financial communication on uncertain assumptions that do not sufficiently reflect the financial risks related to the dependence of its business model on hydrocarbons, nor the risks of a possible asset impairment. The regulator is empowered to verify the truthfulness of the financial information disclosed by Total with respect to climate risks.

On 28 January 2020, [our NGOs and 14 local authorities took Total to court](#) on the basis of the French Law on the Duty of [Vigilance](#) and Article 1252 of the French Civil Code. Total's failing energy transition is not helping to curb global warming and thus contributes to the risk of serious and irreversible violations of our fundamental rights.

In addition to environmental and social damage, climate change also entails significant financial risks for businesses, especially those in the fossil fuel sector. In order to achieve the objectives of the Paris Agreement, significant reductions in world oil and gas production are necessary according to the various reports of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA).

The Carbon Tracker Initiative (CTI) estimates that 20 to 70% of Total's investments are inconsistent with scenarios that limit the temperature below 2°C.<sup>1</sup> This financial risk is now a concern for some of Total's shareholders. A group of eleven investors who filed a shareholder resolution on April 15 on climate change said they were "*concerned about the risk of depreciation of Total's stranded assets, whose value and business model depend heavily on the fossil fuel reserves it manages*".<sup>2</sup> In fact, in 2018, 95% of the Group's investments were in the

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<sup>1</sup> Carbon Tracker Initiative, "2 degrees of separation", 2018 ; "Breaking the Habit", 2019

<sup>2</sup> <https://isr.meeschaert.com/wp-content/uploads/sites/20/2020/04/CP-depot-de-resolution-Total-FINAL.pdf>

hydrocarbons sector.<sup>3</sup> In 2030, only 20% of investments should be dedicated to low-carbon electricity.<sup>4</sup>

For **Notre Affaire à Tous**: "*The collapse of the oil price linked to covid-19 brings to light the toxicity of dependence on hydrocarbons and pushes the company to the brink of the abyss. A significant shortfall is to be noted in the short term, and due to the accelerating decarbonisation of the transport sector, it is likely that the price of oil will never return to previous levels. The company would therefore no longer be able to generate the revenues needed to carry out its own transformation. Nowhere is this risk detailed publicly.*"

More specifically, our organisations report the following points to the AMF:

- Total seems to rely on overly optimistic oil price projections to justify a limited risk of impairment of its oil assets.
- Total does not provide any information on the consistency of its investments with decarbonization scenarios as the Carbon Tracker Initiative does.
- Total's recent announcements<sup>5</sup> that it has an ambition allegedly "*in line with the objectives of the Paris Agreement*" are disputed by many analysts and would therefore be likely to mislead investors as the risk of stranded assets remains.
- Finally, we wonder about the prospects for dividend payments in a situation where the price per barrel is well below the targets announced by Total and where a large proportion of oil companies have decided to reduce their dividends.<sup>6</sup>

For **Sherpa**, "*Total's business model is clearly exposed to current and future climate change policies. The company must now be transparent about the reality of its strategy and the risks it represents for its investors. The AMF, which has recently strengthened its monitoring of the financial risks associated with climate change, has a particular responsibility to verify the truthfulness of this information and, in the event of breach, to sanction the company.*"

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<sup>3</sup> Total, DDR 2018, p. 68.

<sup>4</sup> Note that the term "low-carbon electricity" used by Total does not exclude the generation of electricity from gas, a fossil fuel with high methane emissions. Déclaration conjointe de Total S.A. et des représentants d'investisseurs membres de la coalition Climate Action 100+, 5 mai 2020.

<sup>5</sup> <https://www.total.com/fr/medias/actualite/total-se-dote-dune-nouvelle-ambition-climat-pour-atteindre-la-neutralite-carbone>

<sup>6</sup> According to an article published prior to the coronavirus crisis, Total and other oil companies would even pay dividends every year to their shareholders in excess of their available cash to avoid disinvestment. Total's decision to maintain its dividend distribution appears all the more problematic as its competitors seem to have taken note of the economic and climate crisis: Shell has thus divided its dividends by three.