Opinion: Energy companies make false claims about sustainability and should be held to account

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Companies implement corporate social responsibility (CSR) as a way to present an environmentally responsible image and therefore gain legitimacy in the eyes of their stakeholders. But some companies don't actually live up to their claims.

Some businesses claim to be doing good for the environment, but don't. Often they undertake green projects only for marketing purposes or to brand their products. Or they do only what legislation and stakeholder pressure force them to.

But others use CSR to achieve long-term competitive advantages. They see these "sustainable strategies" as a core part of their overall corporate strategy. They align their social commitments with their business objectives. They commit to responsible business practices that reduce their carbon footprint and minimize negative environmental impact.

To understand better the strategic corporate social responsibility, we analyzed relevant studies and theories on CSR strategies. We concluded that companies disclose positive communication while they undertake irresponsible practices. We distinguish two types of CSR strategies:

- those introduced to cope with environmental and social legislation and the stakeholders' pressure (responsive CSR); and

- strategies considering CSR as a differentiation process aligning social, environmental and financial performances.

In a second study, we examined how corporate lobbying could help businesses overcome their irresponsible actions and improve their CSR strategy, specifically after a greenwashing scandal. We explained how this type of incident could bring opportunities to meet stakeholders' calls for action and how lobbying could drive a cleaner market image.

We looked at how big firms such as ExxonMobil, Chevron, Shell and BP in the energy sector use CSR to legitimize their bad practices. An example is posting misleading messaging on the social media about investing in low carbon projects, yet increasing exploration rather than decreasing it.

The energy sector is among the biggest polluters in the world. It produced 73.2% of global greenhouse gas emissions in 2016.

We found that energy companies used CSR projects to mask their environmentally destructive practices. They also misled the public about environmental achievements—a practice referred to as greenwashing. The studies also set out why, and how, civil society can play an active role in promoting sustainable practices.

The studies

Based on a survey of the literature reviewing different methodologies of more than 100 studies, we conclude that it is frequent that businesses in different sectors use elementary strategies to comply with social and environmental regulations. They aim to gain legitimacy in the stakeholders' eyes without making corporate social responsibility a cornerstone of their overall strategy.

Secondly, the studies address how ambiguous claims, sophisticated euphemisms, or pure lies have become frequent in business communication specifically on sustainable and corporate social responsibility activities.

Thirdly, the studies explain how companies accused of greenwashing (misleading the public about environmental achievements) could use the scandals to rethink their social and environmental strategies and introduce effective changes.

Misleading information

Energy companies in 55 countries are committed to the Paris Agreement and a net-zero emission world, aiming at keeping global heating under 1.5℃. But a US congressional investigation that analyzed 200 pages of internal corporate memos found oil giants such as Shell, Chevron and ExxonMobil were paying lip service to the agreement.

We can read, for instance:

"Shell has no immediate plans to move to a net-zero emissions portfolio over our investment horizon of 10-20 years."

According to Richard Wiles, president of the Centre for Climate Integrity, these revelations are "the latest evidence that oil giants keep lying about their commitments to solve the climate crisis and should never be trusted by policymakers."

However, we also argue that there are negative as well as potential positive outcomes from greenwashing.

Negatives and positives

The negative effects of greenwashing, such as misleading and manipulating consumers, avoiding concrete actions and blocking green transition, can be significant.

The continuous exposure to green claims inspired by superficial green branding can shape and establish new social norms. And research has found that, greenwashing can ultimately undermine the establishment of sustainable social norms by eroding trust and credibility in green claims.

But there's the potential for companies to use a negative situation as an opportunity to initiate positive changes. This is particularly the case when stakeholders, policy and market makers and researchers raise awareness of these practices. Consumers can call for more transparency and hold companies more accountable when they misbehave.

The 2015 Volkswagen case is instructive. The US government found "irregularities" in tests measuring carbon dioxide emissions levels affecting thousands of cars produced by the German company. The settlement with the US Environmental Protection Agency pushed the company to invest in electric vehicle infrastructure and technology. Volkswagen has subsequently become a key player in the electric vehicle market.

The public commitment made by companies can also inspire employees to work towards these goals and help to establish a standard for corporate sustainability.

Role of civil society

The outcomes of greenwashing can be heavily influenced by civil society.

In February 2023, the international NGO Global Witness accused one of the largest oil company, Shell, of misleading the US authorities and investors on its green transition. In our study, we conclude that

when consumers become aware of socially irresponsible behavior, their positive identification of the company is interrupted.

Shell disclosed in its 2021 annual report that 12% of its capital expenditure was dedicated to the development of renewable and green energy solutions. However, only 1.5% was used to develop solar and wind sources and power plants. Global Witness found that the company was undertaking climate-wrecking gas projects.

The NGO has lodged a complaint with the Securities and Exchange Commission in the US to investigate Shell's claims.

This is not a unique scandal in which Shell is involved.

A Dutch court in 2021 found Shell's subsidiary responsible for the oil spills between 2004 and 2007 in Nigeria. It ordered the company to pay compensation to the four Nigerian farmers who initiated the lawsuit. Shell's reputation was severely impaired.

The company has pledged to compensate the Nigerian farmers with €15 million and install a leak detection system.

Shell also partnered with an environmental activist think tank, British Cycling to deliver a green image and enhance the acceptance and desirability of its products and services. But, very quickly, British Cycling was accused of greenwashing.

Ordinary citizens have been part of the increase in greenwashing awareness. For instance, they have launched many environmental "name and shame" campaigns against giants. In July 2020, misleading communication by Air France about its CO_2-neutral flights was retweeted multiple times.

Next steps

A carbon footprint can only be evaluated if the consequences and emissions associated with a range of technologies are taken into account. These range from raw material extraction to disposal or recycling. Many renewable energy technologies still rely to some extent on fossil fuels. It is essential to continuously improve their sustainability and efficiency to achieve a low carbon future.

Many businesses are taking advantage of this complexity and marketing to greenwash their business models without making significant changes.

To combat this, the following is needed:

- transparency
- effective regulation
- monitoring
- a genuine and proactive environmental approach to corporate and social responsibility projects.

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