Will Energy Ever Be the Same Again?

As recently as the year 2013, the largest publicly traded corporation in the world was an oil company. Exxon Mobil had a market capitalization well north of $400 bln at the time, which was quite the feat considering there were no trillion-dollar companies in the world yet. Fast forward eight years and the landscape at the top of the corporate world is unrecognizable. There are currently four US companies worth more than a trillion dollars, one of them even worth more than two, and all of those are technology companies. Another few from the US and China are close to that mark, and those too are there thanks to the technological solutions they provide. The only exception is the Saudi Arabian state-owned oil enterprise, Saudi Aramco, but it would be unfair to compare it to any of the above. The fact that Exxon Mobil is no longer the most valuable company in the world is not in itself sensational or extraordinary, rises and falls are natural phenomena observed in the financial markets. Yet Exxon's recent expulsion from the Dow Jones Industrial Average Index, an exclusive club of some of the 30 most important corporations of the US, shows how much the oil and other fossil fuel industries have retreated during the last decade (Lee, 2020). Exxon Mobil is currently worth around $200 bln, or 40% less than what it was worth in 2013, a common theme amongst the biggest oil companies of the world such as British Petroleum, Shell or Gazprom. While oil has been the single most important product in the world over the last 100 years, responsible for the wealth of most of the richest people of that time, a simple glance at the Forbes Billionaires most recent list shows that the heyday of oil is long gone: 7 of the world's top 10 richest people are the men behind the Amazons and Teslas of our world and most of them are also quite concerned about the widespread usage of fossil fuels (Forbes, 2021) (Milman & Rushe, 2021).

The necessity of powering the rapid industrialization of the world during the last two centuries resulted in the boom of the oil industry. Oil became the single most important commodity in the world, with major economies reliant on its production and export, and the rest of the world reliant on its import in order to produce anything else or simply move from point A to point B. As we head into a more conscious and responsible production and consumption environment, the usage of fossil fuels has become one of the hottest topics in the world. The Paris Climate Agreement, for one, "a legally binding international treaty on climate change" aimed at limiting the global warming, was signed by 196 parties in 2015 (UNFCCC, 2016).

As governments, regulators, and most importantly customers incentivize more responsible production through various channels, we are witnessing tectonic shifts in most industries, the most notable of which is the aforementioned oil industry, and the fossil fuels industry overall. The biggest oil companies are divesting, according to various accounts, somewhere around $100 bln of their oil and gas assets, looking more and more into alternative energy sources such as wind and solar (Guldbrandsøy, 2020). Yet oil companies are not the only ones facing pressure to act responsibly. Most recently, two of the UK's biggest banks, Barclays and HSBC, have come under scrutiny for their apparent failure to comply with the Paris agreement. Barclays received a warning from 16 corporate clients managing more than $3 trillion of funds to rethink its approach towards financing fossil fuel extraction projects (Parker, 2021). An online survey by ICM Unlimited showed that 1 in 8 customers of Barclays and its rival HSBC, or roughly 3 million customers, would consider switching banks when shown the facts and figures of the two banks' activities over the past few years related to fossil fuel financing (MarketForces, 2021). Interestingly, none of the top four fossil fuel extraction financing banks, all of which are US-based, have faced similar problems yet (Collinson, 2020). Some Chinese banks are currently facing backlash for their apparent involvement in projects linked to deforestation in south-east Asia, Brazil and Africa (Shepherd & Hale, 2021). Pandora, the world's largest jewelry brand, is shifting towards artificially created lab-grown diamonds in its production line, gradually planning to stop selling mined diamonds. Those lab-grown diamonds are of the same quality and characteristics as the mined diamonds, according to the company, but represent a more ethical and conscious product (Valinsky, 2021).

As oil and gas industries find themselves in the hot seat of the climate debate, another complementary industry trying to navigate the new, socially responsible and planet-friendly environment is the automobile industry. The reason why a company producing less than 1% of the vehicles sold in the world is worth twice more than any other motor vehicle manufacturer is the fact that the company produces solely electric vehicles. Tesla's meteoric rise over the last few years to the position of the most valuable car manufacturer is a testament of the price differential between the stocks of traditional car manufacturers and those that emphasize conscious and responsible production and utilization of their products. Most, if not all major corporations including Toyota, Volkswagen and Ford now offer electric vehicles alongside their traditional gasoline-powered models. Even one of the most luxurious supercar manufacturers, Lamborghini, announced that all of its vehicles will be hybrid quite soon, signaling another step towards a more sustainable future of transportation (Valdes-Dapena, 2021).

Investors, as pointed out by the incomprehensible difference between the value of Tesla and the rest, are also shifting towards more sustainable investment strategies, trying to stay ahead of the curve of government regulations and customer demands. There is a belief that electric vehicles and renewable energy overall are the future, so if an energy sector company were to ever climb to the top of the corporate world again, it is highly unlikely to be an oil producer.

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