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[www.ofi-am.fr](http://www.ofi-am.fr)

# OFI AM LAUNCHES A PROGRAMME TO REDUCE ITS INVESTMENTS IN THE OIL AND GAS INDUSTRY

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**The OFI Group has decided to launch a pro-active drive to gradually scale back its investments in oil and unconventional gas mining companies and achieve the goal of ZERO investment in the oil industry by 2050.**

A race against time has begun to meet the target set out in the Paris Agreement to limit global warming to less than 2°C by 2100, with 2050 being the first milestone when the aim is to achieve greenhouse gas (GHG) neutrality, i.e. “zero net emissions”.

This deadline may seem far off, but the measures that need to be taken are urgent and we all need to step up to protect our planet’s future and that of humankind.

Investments will be reduced as rapidly as possible, but the process will be gradual so as to secure a just transition and avoid the risk of economic disruption.

This is because our economies are still heavily dependent on oil and gas, which are not only limited resources but also big emitters of GHG. And although we cannot reasonably expect to live without hydrocarbons altogether (this would radically endanger our economies), we still need to do better and ensure that our production processes are as virtuous as possible with respect to the environment and humankind.

Not all forms of hydrocarbons are the same. A distinction needs to be made between conventional oil, which simply needs to be drilled; unconventional oils and gases, such as shale oil and bedrock; and tar sands and heavy oils, which are extracted using hydraulic fracking techniques that are far more complex and emit more methane (methane is among the most powerful greenhouse gases and experts claim it is responsible for around one quarter of global warming).

Oil and gas mining in the Arctic or in deep waters, meanwhile, may pose no imminent danger but does imply greater risk because of the extreme operating conditions involved. It could have a considerable impact on biodiversity and irreversible repercussions in the event of an incident such as an oil spill.

OFI AM has thus decided to gradually exclude oil and unconventional gas companies from its portfolios, starting with those using the most controversial mining techniques owing to their adverse impact on the environment.

*“By adopting a policy to gradually exclude oil and unconventional gas mining companies, OFI AM is also anticipating risks and protecting its clients from possible asset impairments that could arise at some stage in the future, depending on the different potential scenarios”,* points out Jean-Marie Mercadal, Deputy Chief Executive Officer and Chief Investment Officer at OFI AM.

This aim is to take both a responsible and pragmatic approach.

It is a responsible approach because OFI AM intends to encourage oil and unconventional gas companies to adopt best practices and work towards the GHG reduction target set out in the Paris Agreement aimed at limiting global warming.

It is also a pragmatic one because OFI AM is aware that oil and gas production, based on what we know today and the possible alternatives, remains crucial to the global economic equilibrium.

*“This new investment policy will also involve the active engagement of OFI AM’s SRI team, which will be crucial in inciting companies to improve their practices for the sake of the environment and humankind”,* adds Alain Pitous, Head of Responsible Finance at OFI AM.

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## CONSEQUENTLY,

OFI AM has established a timeline and priorities for its investment policy so that it can already begin to reduce its investments in oil and unconventional gas companies, in accordance with the Sustainable Development Scenario (SDS) established by the IEA (International Energy Agency) as well as the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

The programme will include 3 stages:

**1 - Full withdrawal from shale oil & gas and tar sands by 2030.**

- a. 1<sup>st</sup> stage: exclusion of companies that generate over 10% of their revenue from mining shale oil & gas and tar sands, starting from 2020.
- b. 2<sup>nd</sup> stage: exclusion of companies that generate over 5% of their revenue from mining shale oil & gas and tar sands, starting from 2025.
- c. 3<sup>rd</sup> stage: full withdrawal by 2030 at the latest.

**2 - Full withdrawal from companies that invest in Arctic or deepsea drilling by 2040.**

- a. 1<sup>st</sup> stage: exclusion of sector companies that launch new exploration projects in the Arctic or in deep waters, starting from 2030.
- b. 2<sup>nd</sup> stage: full exclusion of companies drilling for oil and gas in the Arctic or in deep waters, starting from 2040.

**3 - Full withdrawal from the oil industry by 2050.**

- a. 1<sup>st</sup> stage: OFI AM will gradually reduce its positions starting from 2040. Thresholds to be defined.
- b. 2<sup>nd</sup> stage: full withdrawal from the industry by 2050 at the latest.

Companies with official plans to pull out of the oil industry and/or achieve carbon neutrality by 2050, as approved by the Science Based Targets (SBT) initiative, will remain eligible for inclusion in OFI AM's investment portfolios, except for companies that mine shale hydrocarbons and tar sands. It is worth noting that we will not scale up any existing investments until such commitments have actually materialised.

Conventional gas mining companies: thresholds and deadlines to be defined depending on supply and demand, the aim being to remain pro-active but also pragmatic.

Green bonds issued by companies in the industry will also remain eligible.

This policy applies to all open-ended CIUs managed directly by OFI Asset Management and will be suggested systematically to clients who entrust a management mandate to us.

OFI AM may adjust its policy if scientific progress makes it possible to speed up our withdrawal plans.

*"We are adopting this policy to downsize our investments in the oil and unconventional gas industry just months after bringing in our thermal coal exclusion policy; it thus adds even more substance to our pro-active and concrete commitment to climate issues",* concludes Jean-Pierre Grimaud, Chief Executive Officer of the OFI Group.

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### ***About OFI Group***

Incorporated in 1971, OFI Asset Management is one of the most important French asset management companies with 72 billion Euros in assets under management at end June 2020.

The Group has honed its expertise in both collective management and discretionary management, in listed and unlisted assets, and offers a range of solutions and services tailored to a diverse range of investor profiles.

OFI Asset Management is one of the biggest independent SRI Asset Manager on the French market and is backed by two large institutional groups, Macif and Matmut, that provide a solid shareholder base and is anchored in the social economy.

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