FINANCIAL TIMES

Persistent gender gap plagues the energy sector

Energy Source **Energy sector**

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Plus, after Manchin scuttled 'Build Back Better', what's next for Biden's clean energy plans?

'It's not just the oil and gas sector that is struggling to get talent. The whole of energy is struggling,' said Katie Mehnert, chief executive of ALLY Energy © LOIC VENANCE/AFP via Getty Images

Myles McCormick, **Derek Brower** and **Amanda Chu** 14 HOURS AGO

Three things to start:

- The boss of America's biggest natural gas producer told us that boosting exports of the fuel could be the "biggest green initiative on the planet".

- The European energy crisis rumbles on: soaring prices are causing liquefied natural gas cargoes to reroute to the continent, while millions of British households could face a more than 50 per cent increase in their energy bills.

- And yesterday's Venture Global LNG's new sales agreement is another sign of the tightening energy relationship between China and the US.

Welcome back to Energy Source. Today's first note is on the dearth of women in energy — a self-defeating shame, given studies show that companies with more women perform better.

Meanwhile, Joe Biden's energy and climate overhaul was left in pieces after the moderate Democratic senator Joe Manchin said he would not support the president's Build Back Better bill.

Manchin's decision means the legislation in its current guise is effectively dead — dealing an enormous blow to the White House. What this means for Biden's energy plans is the subject of our second note. Data Drill is on buybacks in the American oil patch.

Thanks for reading. We'll be back in your inboxes on Thursday.

Why are there so few women in oil and gas?

The oil and gas industry has stepped up efforts to recruit and retain women — and for good reason. The more women in positions of leadership, the better a company performs, according to studies. And yet female participation in the sector remains low.

A new report by the World Petroleum Council and the Boston Consulting Group found that despite a surge in diversity and inclusion policies, the percentage of women in the oil and gas industry remained unchanged since 2017. The figure stands at 22 per cent, even though women make up 47 per cent of the US workforce.

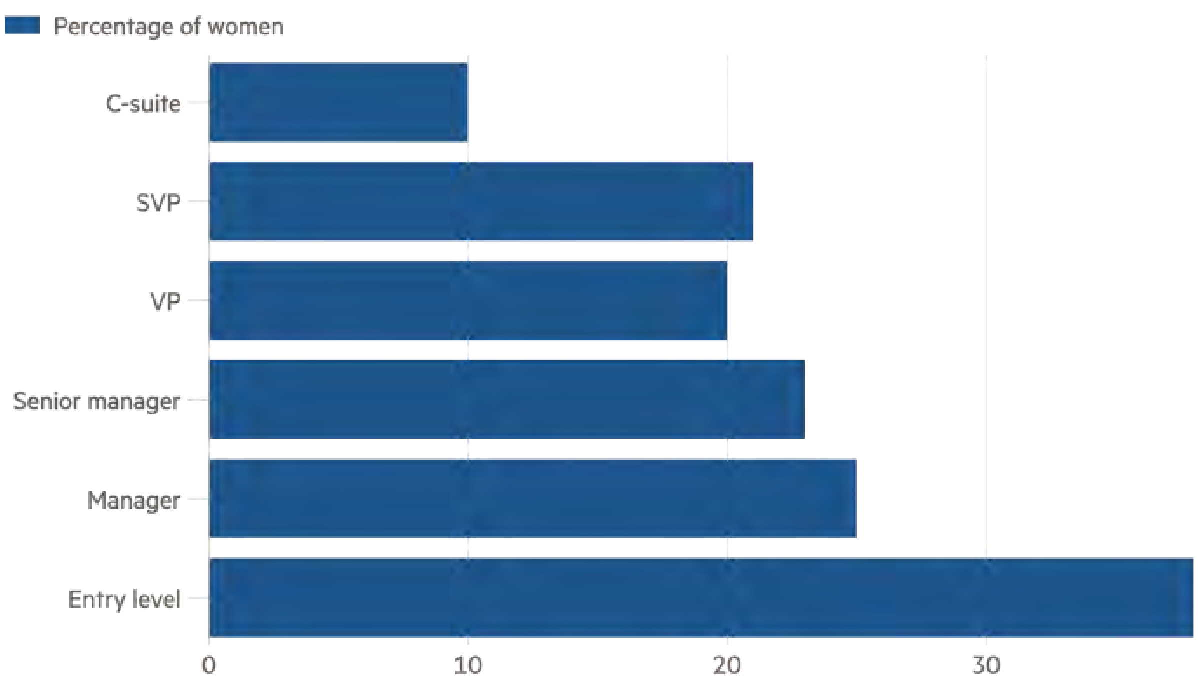
> "This industry, I think, above many others is the one that really needs to have the diverse talent that is going to lead to innovation because of the global energy challenge," said Leslie Beyer, chief executive of the Energy Workforce and Technology Council, in Houston.

The energy transition, coupled with the volatility caused by recent price crashes, poses a recruitment problem for the oil and gas industry, as workers retire and jobs look less attractive to outsiders. LinkedIn's October workforce report found that job departures in energy and mining have increased nearly 30 per cent since 2019, with migration into the field decreasing 4 per cent.

"It's not just the oil and gas sector that is struggling to get talent. The whole of energy is struggling . . . We're not teaching kids young enough about energy so we have a healthy pipeline," said Katie Mehnert, chief executive of ALLY Energy, formerly Pink Petro, a firm that works with companies on diversity and inclusion.

Gender diversity gets worse higher up the ladder. While women make up 38 per cent of the entry-level workforce in oil and gas, they only make up 10 per cent of the C-suite, according to the 2021 Women in the Workplace report by McKinsey.

Representation of women falls up the oil and gas corporate ladder



Source: McKinsey
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Almost 40 per cent of women pointed to unfair evaluations and promotions as career obstacles, according to the WPC and BCG report. Over a third cited lack of mentoring, sponsorship, and support from senior leaders.

More flexible work options would help recruit and retain women, who disproportionately shoulder childcare and household responsibilities. The Energy Workforce and Technology Council found that over two-thirds of oil and gas companies had no flexible work programmes. Over 95 per cent had no child care available and over 40 per cent lacked paid family leave.

"I know so many women who have had to leave the workforce or they just had to move to a different type of job where they can have more flexibility," said Anna Thauberger, president of the Women in Oil and Gas Association of Colorado. Thauberger said work-from-home options would be "absolutely huge and vital" in promoting gender diversity.

Women point to lack of support and gender biases as obstacles to career advancement

Sources: World Petroleum Council, Boston Consulting Group
© FT

Data show that investments in gender diversity pay off. A report by S&P Global Market Intelligence found that companies with female executives have higher profits and stock performances. As investors increasingly weigh ESG measurements, gender diversity will become a larger component of valuations.

"Our entire workforce is in a transition, and if the companies in the energy industry are able to attract women and diverse talent, then we're just going to be much stronger," Beyer said. *(Amanda Chu)*

RIP BBB

Joe Biden ran for the US presidency promising the most ambitious energy and climate reforms in the country's history.

He pledged to "marshal a historic investment" that would transform the US power sector and spark a transition away from fossil fuels. Not only would he slash American greenhouse gas emissions and combat climate change, but his plan would be the "biggest job creation and economic opportunity engine of the 21st century", employing millions in the process.

That ambition has been blown apart after Joe Manchin, the moderate Democratic senator from West Virginia, ruled out support for the $1.75tn "Build Back Better" bill.

> "I cannot vote to continue with this piece of legislation. I just can't. I've tried everything humanly possible. I can't get there," Manchin told Fox News on Sunday. "This is a 'no' on this legislation."

The legislation would have invested heavily in social spending and tackling climate change, as well as increasing taxes on the wealthy and big companies. Manchin, who has been in negotiations with the White House for six months, said he could not reconcile the "mammoth" bill with his concerns about inflation and debt.

What does this mean for energy and climate?

Build Back Better would have been the largest single green energy investment in history. An unprecedented $555bn would have been pumped into clean energy, primarily in the form of tax credits for renewables.

Without the legislation, the president's commitment to reduce US emissions to half of 2005 levels by the end of the decade would be left in jeopardy, according to Rhodium Group, a consultancy.

Manchin maintains the energy transition is already "well under way" anyway — driven by economic factors — and rushing a shift to new sources could leave the country overly dependent on intermittent sources of power.

In a statement following his Fox interview, Manchin warned the increased reliance on renewables would "risk the reliability of our electric grid and increase our dependence on foreign supply chains".

He cited Texas as one example of what would be in store if the energy transition happened too quickly — even though studies have shown it was primarily the failure of natural gas supplies, not renewable energy, that exposed Texans to the fatal consequences of last year's snowstorm.

Manchin's state, West Virginia, is a big producer of coal and gas — fossil fuels that stand to lose out in a shift to electricity generated from wind and solar. He had already successfully gutted the bill of its most sweeping climate provision, the Clean Energy Performance Program that would have nudged utilities into going green.

The outcome will cheer fossil fuel lobbyists. As Mike Sommers, head of the American Petroleum Institute, told me in Houston recently, the industry had successfully fought to kill the CEPP but was still unhappy with remaining elements of the bill. Had it gone to a vote in its current form, he said, the industry would have pushed senators to sink it.

So what now?

All Republican senators plan to vote against passage of Build Back Better, so without Manchin's support it is effectively dead.

But Democrats made it clear they would redouble efforts to bring the renegade senator on board in the new year.

Nancy Pelosi, Democratic speaker of the House, said it was "disappointing" that the bill would not be passed by the end of 2021, but added: "We are hopeful that we will soon reach agreement so that this vital legislation can pass as soon as possible next year."

Analysts suggested a repackaging of the clean energy tax credits could allow another route to enactment.

"These provisions will be resurrected next year in another legislative context and most are still likely to become law in some form," said Paul Bledsoe at the Progressive Policy Institute.

Senate majority leader Chuck Schumer yesterday vowed to fight on to pass a slimmed down version of Build Back Better. In a letter to colleagues, he said: "We are going to vote on a revised version of the House-passed Build Back Better Act — and we will keep voting on it until we get something done."

He faces an uphill battle. Analysts at Clearview Energy Partners, a Washington consultancy, put the odds of the bill passing at "less than 50 per cent, but still non-trivial".

(Myles McCormick)

Data Drill

Oil companies will buy back a record $15bn of shares in 2022, predict IHS Markit and Wood Mackenzie.

EOG Resources makes up nearly a third of total projected buybacks, with $5bn announced for next year, according to IHS Markit.

"There's been a long tail of shale and tight oil companies that have never really bought back shares in a meaningful amount," said Alex Beeker, analyst at Wood Mackenzie. "I think what makes [2022] very different is that almost every company has announced a modest buyback programme in addition to variable dividend."

Shale companies' pledges to limit capital investment in favour of returning cash to shareholders is the main driver of the buyback surge. Higher oil prices have brought a windfall for producers.

According to data from Rystad Energy, third-quarter dividend payments increased 70 per cent from the previous quarter.

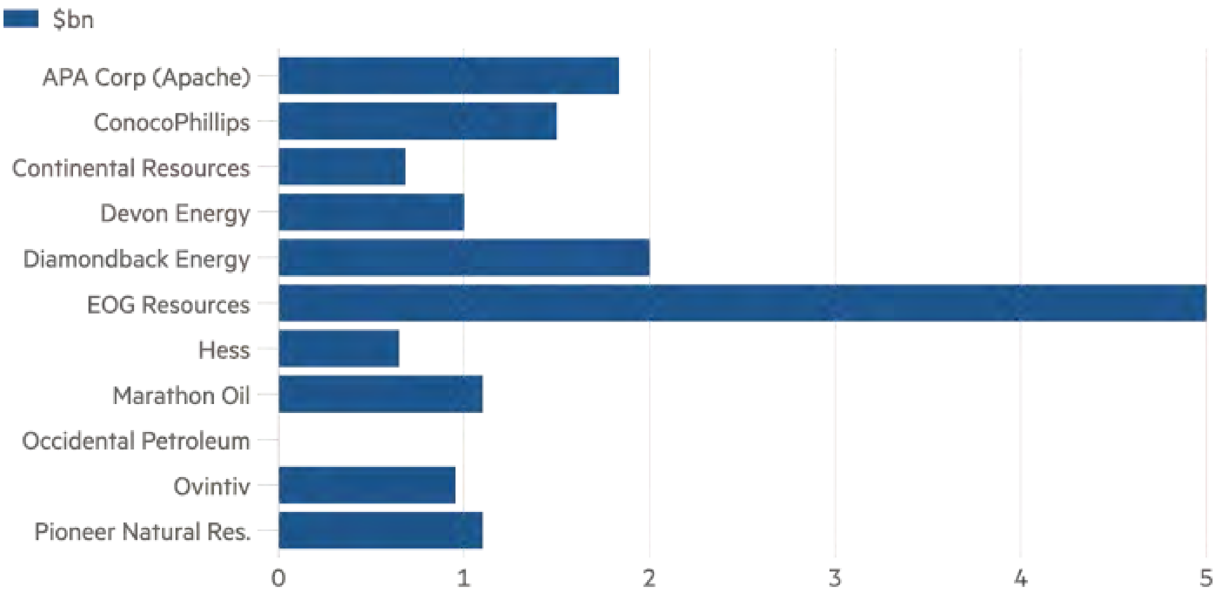
Given that many shale equities remain cheap, the buyback programmes may pique the interest of investors who fled the sector in recent years.

> "We calculated at these prices, a lot of companies will be paying above the 10 per cent total dividend yield next year, which could get a lot of interest from a generalist investor," Beeker said.

(Amanda Chu)

Over $15bn in buybacks has been announced by the largest US oil companies

Announced repurchase programs of large US oil-focused exploration and production companies



Source: IHS Markit
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Power Points

- Activist investors are increasingly targeting oil supermajors to buckle down on climate.
- Qatar will invest €85m in a Rolls-Royce-led nuclear reactor programme.
- No silver bullet will decarbonise the shipping industry, says a Finnish manufacturing chief.
- Italy's energy transition minister has a blunt message for the country's solar and wind opposition.
- Warmer winters can be just as catastrophic as scorching summers, say scientists. (The Guardian)

Energy Source is a twice-weekly energy newsletter from the Financial Times. It is written and edited by Derek Brower, Myles McCormick, Justin Jacobs and Emily Goldberg.