

The Ugly Truth Behind Shell PLC: Reaping Record Profit by Greenwashing

Gökçe Sinem ERBUĞA¹
Gülşah ATAĞAN²

Received: 05.11.2024, Accepted: 24.12.2024
10.5281/zenodo.14631823

Abstract

British oil giant Shell plc is often associated with scandals. The company's bad reputation began in 2004 by inflating its existing reserves. While the previous scandal hasn't been forgotten yet, it caused an unprecedented environmental disaster in Nigeria. Shell, which attaches great importance to environmental concerns on paper, cannot give a good test in practice. This research examines the concept of greenwashing examined with a special emphasis on Shell. In this study, evidence regarding the greenwashing activities carried out by Shell was presented and it was aimed at determining the effect of greenwashing activities behind the company's record profit.

Keywords: Accounting Manipulation, Greenwashing, Climate Change, Environmental Crime, Green Accounting

JEL Codes: M49, P18, K42

1. Introduction

In the 1970s, with the political discourses on environmental problems, problems related to climate change began to be discussed with security effects and theories. In the 1980s, after the emergence of environmental problems that would affect all nations, such as the depletion of the ozone layer in the stratosphere and global warming, the issue of climate security became more debatable. Since the 1990s, the international community has taken steps to prevent this problem with studies such as the Kyoto Protocol, the Copenhagen Protocol and the Paris Climate Agreement.

¹ Asst. Prof. Dr., Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Department of Accounting and Finance, gokce.erbuga@deu.edu.tr, ORCID: 0000-0003-1604-4668

² Prof. Dr., Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Department of Accounting and Finance, gulsah.ugurluel@deu.edu.tr, ORCID: 0000-0003-4147-0562

The development of climate policies in the EU, in parallel with the world, started with the publication of the first report of the International Panel on Climate Change (IPCC) in the 1990s. This report initiated formal negotiations to create an international agreement on climate change, underlining that climate change is a challenge with global consequences and requires international cooperation. Accordingly, the leaders decided to balance greenhouse gas emissions by 2000 under the United Nations Framework Convention on Climate Change (UNFCCC). Later, following the agenda 21 Program adopted at the Rio de Janeiro Earth Summit in 1992, the European Economic Community and its members signed the UN Convention on Biological Diversity and the Framework Convention on Climate Change. However, the most important step towards climate change was taken with the adoption of the Kyoto Protocol in 1997, which set specific targets and deadlines for reducing global greenhouse gas emissions.

Although many steps were taken in the international arena against the phenomenon of climate change from 1979 to 2010, The United Nations Framework Convention on Climate Change and the entry into force of the Kyoto Protocol are among the most important initiatives to combat global warming and climate change.

Within the framework of the Kyoto Protocol, the EU made a commitment to reduce greenhouse gas emissions by 8% compared to 1990 during the first commitment period between 2008 and 2012. This target is shared between Member States in the framework of a legally binding burden-sharing agreement that sets individual emissions targets for each Member State. On May 31, 2002, the EU and its Member States ratified the Kyoto Protocol. Ten countries expected to join the EU in 2004 ratified the Kyoto Protocol and set targets for themselves between 6% and 8%. By fulfilling the commitments made within the framework of the first Kyoto Protocol period, the EU reduced its greenhouse gas emissions by 18% by 2012. Within the scope of the second term commitment covering the years 2012 to 2020, it promised to reduce its emissions by 20% in 2020 compared to 1990.

In addition to financial and economic crises and epidemics, climate change is one of the factors that have increasingly threatened the world in the last century. The landslides, frosts, floods, droughts, heavy rains, unpredictable irregular increases and decreases in cold and hot days encountered since the industrial revolution are directly or indirectly associated with climate change. Recent studies are seen as inevitable if global warming exceeds the 1.5°C limit between 2030 and 2052, and if greenhouse gas emissions continue as they are, it is predicted that many balances will be upset with many living species.

Greenhouse gases are the main factor causing global warming, and therefore unusual earth movements due to climate change. CO₂ emission, the most effective greenhouse gases, is the result of rapid and uncontrolled industrialization in the world. In the calculations made in 1994, it was determined that the hottest period in the last 1200 years of world history was experienced in the 50-year period between 1937-1987. These determinations and concrete indicators also herald the chain of irreversible

disasters that greenhouse gas emissions will cause if they cannot be brought under control.

Greenhouse gases do not prevent the sun's rays from reaching the earth, but they prevent excessive cooling by preventing the loss of heat accumulated during the day at night. This situation, which provides the natural greenhouse effect in the atmosphere, is caused by the increase of greenhouse gases above the tolerable limits.

If there were no greenhouse gases in the atmosphere, the global temperature would be -18 degrees on average, not allowing life (Fighting Climate Change under the leadership of the EU, 2010: 4). Factors such as the excessive use of fossil fuels and the destruction of forests after the Industrial Revolution disrupted the increased balance of greenhouse gases consisting of about a dozen different elements.

The first international initiative on global warming was the "Human and Environment Conference" held in Stockholm, Sweden, in 1972 under the auspices of the UN. In the same year, the UN Environment Program (UN Environment Program UNEP) was established. Seven years after the first conference, the second conference on climate was convened by the World Meteorological Organization on 12-13 February 1979 in Geneva. This Conference was followed by the Villach Conferences in 1985 and the Toronto Conferences in 1987. The IPCC (The Intergovernmental Panel on Climate Change) was established in 1988 and published its first report in 1990. The second broadly attended conference on climate and global warming was also held in Geneva in 1990. In the Conference in 1990, for the first time, important decisions were taken to combat global warming and climate change.

There are ever closer links between climate change mitigation, development pathways and the pursuit of sustainable development goals. Development pathways largely drive GHG emissions and hence shape the mitigation challenge and the portfolio of available responses. The co-benefits and risks of mitigation responses also differ according to stages of development and national capabilities. Climate change mitigation framed in the context of sustainable development, equity, and poverty eradication, and rooted in the development aspirations of the society within which they take place, will be more acceptable, durable and effective.

Effective and equitable climate policies are largely compatible with the broader goal of sustainable development and efforts to eradicate poverty as enshrined in the UN 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), notwithstanding trade-offs in some cases. Taking urgent action to combat climate change and its impacts is one of the 17 SDGs (SDG13). However, climate change mitigation also has synergies and/or trade-offs with many other SDGs. There has been a strong relationship between development and GHG emissions, as historically both per capita and absolute emissions have risen with industrialization. However, recent evidence shows countries can grow their economies while reducing emissions. Countries have different priorities in achieving the SDGs and reducing emissions as informed by their respective national conditions and capabilities. (IPCC, 2022:70)

2. The Historical Background of Sustainability

Sustainability is the expression used to describe the relationship between the environment, people and the responsibilities of the present generations for future generations.

Sustainability introduces a concept that requires a change in thinking without reducing the quality of life. The essence of this change is to get rid of being a consumer society and aim for environmental management, social responsibilities and economic solutions that are universal solidarity.

The environmental and ecology movement, which was triggered by the perception of the extent of damage to the environment in the 1960s, reached an international dimension in the 1970s and led to the establishment of the World Environment and Development Commission by the United Nations (UN) in 1983.

At the United Nations Conference on the Human Environment (Stockholm) held in 1972, the relationship between environment and development was mentioned and the idea that these two issues do not contradict each other, even support each other, was comprehensively discussed for the first time.

The most important result of the Stockholm Conference in terms of global environmental policies is the attention to the globality of environmental problems and the point that these problems can be overcome with solutions to be sought together, regardless of developed or underdeveloped countries. In the final declaration of the conference, it was stated that every human being has the right to live in a healthy environment and to participate in decisions regarding environmental protection.

The concept of sustainable development was defined in the report "Our Common Future", published in 1987 by the World Commission on Environment and Development, which was established by the United Nations in 1983. The main problematic of the report was determined as "the sacrificing of the existing inconsistencies between environment and development for the sake of economic development".

The Stockholm Conference held in 1972 and the "Report on Our Common Future" published in 1987 laid the groundwork for the United Nations Conference on Environment and Development (UNCED) held in 1992 in Rio De Janeiro, the capital of Brazil. The main purpose of this conference, which is also called the Rio Conference or the "Earth Summit" because it was held with the participation of 178 countries, was to evaluate the developments in the past 20 years and to determine the policies for the future.

The concept of sustainable development is defined in the Brundtland report as 'development that meets the needs of the present without compromising the ability of

future generations to meet their own needs. The main criteria/characteristics that are still valid on sustainability have also been determined by Brundtland. These are as follows.

- 1) Integration of conservation and development,
- 2) Satisfaction with basic human needs,
- 3) Other opportunities for intangible human needs,
- 4) Social justice and egalitarian future process,
- 5) Support and respect for cultural diversity,
- 6) Feeding self-confidence and social self-preparation for determination,
- 7) Maintaining ecological integrity.

Although the history of the idea of sustainable development goes back to earlier times than today, it has recently come to the fore with increasing environmental concerns. Sustainable development is not just an environmental concept. In addition to the environmental dimension, the social, economic and energy dimension complements sustainable development.

The Brundtland (1987), Rio (1992) and Johannesburg (2002) conferences are the historical background for measuring sustainable development. While the Brundtland report conceptualizes sustainable development, the Rio and Johannesburg conferences focus on measuring sustainable development. Since 1987, many researchers at universities, environmental organizations, national governments and international organizations have made many suggestions, proposals and studies to measure sustainable development. It is possible to classify the criteria developed to measure sustainable development as economic, social and environmental criteria according to the problem they focus on.

3. Green Accounting – Greenwashing

“Recently green is the new black.”

Due to the devastating environmental pollution caused by industrial production activities in the world, the public has begun to realize environmental problems more and more (Chen, 2011). As a result, more firms tend to accept environmental protection as a social responsibility (Lee, 2009). As environmental concerns quickly become a mainstream issue as a result of global warming today, more visionary companies are looking to take advantage of green opportunities.

Therefore, the increase in green consumers has had a significant impact on CSR initiatives and corporate environmental performance. Within the CSR movement, green marketing and the company's need for ethical and ecological behavior are now firmly entrenched.

There are five reasons for companies to adopt green marketing:

1. utilizing green opportunities.
2. increasing corporate images.
3. raising product value.
4. enhancing competitive advantages; and

5. complying with environmental trends (Chen, 2008).

With the revival of green marketing, the phenomenon of greenwashing is becoming more and more common. Greenwashing is defined as deliberately misleading or deceiving consumers with false claims about a company's environmental practices and impact (Nyilasy et al. 2014:694).

Sustainable production and consumption have become a necessity for companies in today's world. But not all companies are rewarded for being “green” or environmentally conscious. Companies claiming to be sustainable are often scrutinized more closely by the government, competitors and consumers. This is expected to deter companies from advertising their sustainable goals and practices, but many companies continue to compete on the basis of sustainability.

To satisfy social environmental concerns in business operations, companies must be sustainable and socially responsible. Companies can make misleading statements at the point that they provide environmentally friendly goods/services with the concern of being sustainable.

Today, by introducing new products/services or accessing new markets, companies can create new climate-compatible revenue streams (green revenues). The concept of green revenue has revealed the concept of “greenwashing”. Greenwashing speaks of efforts by a company/organization to present themselves as sustainable rather than minimizing their environmental impact. With the increase of green markets, followed by greenwashing, trust problems have emerged (Nyilasy et al., 2014:695).

Greenwashing controversies have been around since 1986, when the term was coined by Jay Westerveld, A field biologist and activist, in an essay in which he criticized the hotel industry's practice of promoting the reuse of towels to ‘save the environment’ while having a poor environmental policy concerning other aspects of its business (Seele and Gatti, 2017:239).

Today, although greenwashing has gained currency in academic literature, both in reports and other communications, there is no universally accepted definition of the term. Many researchers use greenwashing as defined in the Oxford English Dictionary as 'disinformation spread by an organization in order to present an environmentally responsible public image' (Zharfpeykan, 2021:2212).

In recent years, social activists, and especially environmental activists, have expressed concerns about corporate deception. The emergence of the terms "greenwashes" and "blue wash" (which washes away the reputation of the United Nations) reflects the growing concern that at least some companies are creatively managing their reputations with the public, financial community and regulators to conceal fraud. With titles such as *Global Spin: Institutional Attack on Environmentalism*; *Tackling Big Business: Combating Greenwash, Infiltration, and Other Types of Corporate Bullying*; *Greenwash: The Truth Behind Corporate*

Environmentalism reveals that Royal Dutch/Shell, Mobil Corporation, Dow Chemical, and many other familiar Fortune 500 companies employ complex strategies and counter-strategies that serve to divert focus and attention (Laufer, 2003:255).

The term, named “blue wash” because of the color of the United Nations flag, was used by the World Summit in 2002 to denote a greenwashing of humanitarian issues such as poverty eradication, disaster relief and human rights. However, some researchers do not distinguish between green washing and blue washing and assign a broader meaning to green washing. According to them, greenwashing is also related to social and economic issues (Seele and Gatti, 2017:240).

There are many examples of this situation: The world's leading ozone depleting company gains a reputation for leadership in ozone protection. A company that emits a huge greenhouse gas advocates a precautionary approach to global warming. A major pesticide manufacturer is trading in a very dangerous pesticide that has been banned in many countries. A petrochemical company uses environmentally damaging waste as raw material for another hazardous process and prides itself on making a very important recycling. Another multinational giant is destroying virgin rainforests, replacing them with monoculture plantations and calling the project "sustainable forest development."

European Union researchers and national consumer protection authorities have found that many of the green claims on companies' websites in 2020 are false, exaggerated and even potentially illegal. 47 percent of the 322 sustainable companies that were the subject of the research were evaluated as deceptive and 37 percent as suspicious. Most of these companies belong to the clothing and textiles, household goods, cosmetics and personal care industries.

Unfortunately, the green demand that has been on the agenda lately, as well as the reactions from the government and shareholders have also put more pressure on companies, thus making them more vulnerable to the sustainability fraud known as greenwashing.

In recent years, companies have been misleading stakeholders and consumers through the so-called "greenwashing" and as a result, they have begun to receive negative attention in global media channels. Instead of sustainable priorities, companies often try to present themselves as specifically sustainable, with targeted advertising and PR work. In particular, the share of "green" companies in financial investments that seem environmentally friendly is increasing very strongly, which increases the risk of greenwashing.

Good corporate governance is required to reduce the reputational risk posed by greenwashing and related claims. A review of the company's current processes and controls is essential to prevent greenwashing. This will help determine how effective they are in maintaining the company's reputation and sustainable success.

Green washing can also be called “corporate camouflage”. (Michelon, 2016:3) The concepts of fraud and greenwashing are often confused. Fraud consists of intentional deception and false statements. Surprisingly, much greenwashing is not actively misrepresentation but rather selective disclosure of positive information about a company's environmental or social performance, not fully disclosing negative information on these dimensions in order to create an overly positive corporate image.

A clearer difference between fraud and greenwashing is the pattern of communication where firms either say nothing or only say positive things. Lying by omission is much easier for CSR than financial reporting, given that financial reporting has been made mandatory and is more generally harmonized (such as with International Financial Reporting Standards, while CSR is generally (though not universally) voluntary. What is illuminating, however, is the degree to which greenwashing otherwise matches fraud. (Kurpierz, Smith, 2020:1079) Greenwashing is functionally a subset of fraud.

From a legal point of view, greenwashing involves allegations of fraud related to environmental, social & governance (ESG) matters around misconduct or misstatements.

Although there are new rules and regulations that affect corporate disclosures, there will always be those who bend or violate the rules willingly or unwillingly. One of the expected trends in the future will be litigation related to Misreported ESG issues. In the corporate investigations area, an increase in appointments investigating violations is expected as sustainability reporting issues arise alongside more traditional fraudulent financial reporting.

An interesting perspective from a fraud investigator's perspective would be to see how the image of greenwashing will evolve in the years to come and whether it will be treated with the same disinterest as some accounting misstatement scams have been.

When discussing greenwashing within the fraud context, it is easier to contextualize the drivers in the fraud triangle. It is simply because the fraud triangle shows the conditions that produce fraud on three clusters, namely pressure, opportunities, and rationalization. As greenwashing is a specific form of fraud, red flags can emerge as warning signs (Sandha and Kurniawati, 2022:34).

In sum, greenwashing speaks for efforts by a company or organization to present themselves as sustainable rather than actually minimizing their environmental impact, or in other words, it is called to appear more environmentally friendly than it is.

4. Greenwashing Implications: Evidence From Shell Plc

4.1. Materials and Methods

In this study, it was aimed to determine the effect of greenwashing actions on the profitability of the companies, and in this direction, an in-depth evaluation of the Shell plc company was carried out. In order to create a comprehensive, in-depth and multifaceted understanding of greenwashing, the Shell plc company was examined as a case study within the scope of the study. “Case study”, which is one of the qualitative research methods, is frequently used in many social science fields from sociology to anthropology (Priya, 2021:94; Zainal, 2007). In the study, “instrumental case study” was chosen as the research method. The “instrumental case study” method is used to provide a comprehensive assessment of a particular subject and to create a more detailed and broad understanding of that subject (Crowe et al., 2022:1). In this direction, firstly, fraudulent acts committed by Shell plc were determined. It is said that the company has committed greenwashing actions other than financial fraud. Then, in the next stage, the greenwashing actions of the company, which is also the subject of the study, were selected and the data related to these events were collected.

Qualitative research methods such as document analysis were used to evaluate the case within the scope of the study. In document analysis, which includes research, examination and interpretation of both electronic and physical documents, these documents may be in writing, as well as being found and obtained in social media or digital media. In order to develop a holistic understanding of the case, news of fraud in important newspapers about Shell plc was carefully scanned. In these sources, besides financial information about Shell, non-financial information about Shell's greenwashing activities is also given. Today, users of financial information realize the importance of non-financial information belonging to businesses and want to see them as well. It is very important for investors whether the companies they decide to invest in meet both the expectations and demands of society. In addition, investors evaluate the extent to which companies can respond to changes in their natural and social environments using non-financial information (PwC, 2021).

4.2. Shell Plc Case

4.2.1. Pre-Greenwashing Process of Shell

British oil giant Shell plc is often associated with scandals. First, the company's bad reputation began in 2004 when Shell executives lied to its shareholders. In order to increase its value in the EU markets, it caused a great scandal as a result of inflating its existing reserves and showing them much more than it did. As of 2004, it has been determined that the current reserves of the company are almost 25 percent higher. In the internal investigation carried out to investigate the incident in depth, it was revealed that the financial affairs manager of Shell plc had known about the incident for almost two years but had made no attempt to prevent or reveal it. Regarding the issue, the US Petroleum Markets Supervisory Board won the case it filed against Shell plc. This

accounting fraud perpetrated by Shell as a result of the lawsuit is considered as one of the most serious accounting scandals in England since the 1980s.

With 2004, a difficult period has been entered for the Royal Dutch/Shell Group of Companies. This period caused Shell, which was trying to gain a competitive advantage in the oil and gas sector, which is a very competitive sector, to fight an extremely aggressive competitive war. Shell signified one of the biggest accounting scandals in the UK, when it was first discovered that Shell's apparent reserves were much higher than it actually was in the beginning of January 2004, and later it was determined that this inflation was not real. According to the data announced in 2004, there is a decrease of approximately 23% in the 19.5 billion barrels of oil reported at the end of 2002 (Brinded, 2003:3). With the subsequent 1.4 billion decline in apparent reserves, the overall reduction amounted to roughly 33%. At the beginning of 2004, Shell shares faced a 17% decrease compared to the FTSE world oil and natural gas index in line with the developments (Harris, 2004:21).

Accordingly, Shell was forced to reduce its proved (proven) oil and gas reserves 4 times over time. This situation led to the beginning of a turbulent period for Shell, causing it to abandon the conservative policies it had already followed and follow a more aggressive path. However, beyond this, the development that causes a major problem for the company is the activities of upper-level managers who try to achieve unrealistic targets that are extremely difficult or impossible to achieve, and the throne wars that take place between managers during these activities. Managers attempted to fraudulently make up reserve deficiencies in order to meet unrealistic targets for the company's reserves and reserve funds. When all these tense developments between managers occurred, the resignation of many senior managers (C-level), including the CFO, was expected. At the end of the process, Shell was fined 151 million US dollars for irregularly showing the full deficiency in its reserves (Larcker et al., 2013: 1-2).

Before the middle of 2004, the reserve scandal broke out, and it was decided to establish a board of directors within the company to comprehensively inspect this scandal (Larcker et al., 2013:2). However, the main goal of this board of directors was not to solve the crisis by focusing on the underlying causes of the reserve scandal, but to determine how the company would get out of this situation with the least damage (Redman, 2005). Accordingly, in the letter written by Chairman Lord Oxburgh, it was emphasized that the management should take steps by making an assessment on three main issues. These are: simplifying and simplifying board structures, how to improve decision-making and accountability processes, and how and how an effective leadership style should be developed within a holistic approach (Shell, 2005). In addition, it is stated how internal controls should be carried out over time within the company and how the internal audits regarding reserve control were updated accordingly. Accordingly, it is necessary to ensure that both the internal audit and the audit committee function more effectively in a more autonomous structure. In addition to this, it was decided that the auditors and their activities would be prevented from

operating through intermediaries, and that they would operate directly under the umbrella of the supervisory board (Larcker et al., 2013).

Accounting manipulation, which can cause large decreases in companies' stock prices and even company bankruptcies, has shaken even Shell, which is one of the leading companies in the world, which is called conservative due to the most rooted, largest and economically followed policies and strategies. Shell, which showed approximately 24% more visible oil and gas reserves at the beginning of 2004, had to pay fines of more than 150 million dollars to regulatory agencies in the USA and the UK (Grant and Visconti, 2006: 362).

4.2.2. Greenwashing Claims

In 2007, Shell's motto "*Don't throw anything away. There is not away*" and the logo it changed (Lyon and Montgomery, 2015:226) are accepted as signs that Shell has adopted an understanding of being a more environmentally friendly company. (Krafft and Saito, 2015:3). However, this effort by Shell to appear environmentalist caused it to be the focus of reactions in the same year. In 2007, The Guardian accused the company of falsely misleading advertising. Moreover, complaints were made in the UK on the grounds that there was a discrepancy between the environmental performance that Shell was trying to project and its actual performance. It has been decided by the Advertising Standards Authority (ASA) to ban Shell's advertising within the UK (Seele and Gatti, 2015:240). While the previous scandal is not yet forgotten, the world oil giant Shell plc caused an unprecedented environmental disaster in the town of Bodo in the Niger Delta in the southern region of Nigeria between 2008-2009.

With the two separate oil spills of Shell plc, the legal battle of the Bodo people, who make their living from fishing and shellfish, has also started. Of course, the only reason why the case in question occupied the world's agenda was not only the size of the environmental disaster caused by the oil spill. While many oil spills occur in the Niger Delta every year, very critical environmental problems are observed in the region. In addition, environmental degradation caused by negative externalities caused by Shell, which is the most important oil producer in the geography in question, causes both health problems and high poverty rates (Princewill and Shveda, 2022). Although Shell later admitted that it had made false statements about the oil spills it caused, it was at the center of criticism for not being honest at the very beginning of the incident. Besides that, it was observed that irregular punctures and leaks occurred at the bottom of the existing pipes in the examinations made in the oil pipeline. It has been determined that these leaks are caused by corrosion because of improper construction of the pipes as a result of detailed research. The oil spills were deemed by Shell plc to be due to operational failure of the pipelines.

There is a wide audience claiming that Shell plc, which multiplied the size and cost of the disaster, exhibited completely irresponsible and unethical behavior throughout this process. Although the United Nations stated that it will take decades (almost 30 years) for the damaged areas to recover, Shell plc did not intervene early

and went through the cleaning process as soon as possible. The news about Shell plc did not end there. Also, allegations were made that Shell plc bribed Nigerian officials for approximately \$1.1 billion during the purchase of an oil field in the same region.

As a result of the lawsuit, it was decided that Shell would pay \$3,300 for each of the nearly 16,000 victims who filed suit against Shell plc, as well as paying roughly \$30.5 million to the government of Niger to clean up the pollution caused by the oil spill. However, developments concerning the subject left many question marks over minds. First of all, the fact-finding report prepared by the UN is financed by Shell plc which caused the destruction. This situation has led to the questioning of the report prepared and thus the reliability and transparency of the institution by many followers of the case.

Friends of the Earth International (FoEI), which was established in 1969 and is considered an international network in cooperation with various local environmental organizations in 73 countries, has compiled the accounting and environmental scandals of Shell plc. In line with the FoEI's allegations, Shell has been subject to various accusations. The most notable of these allegations are (FoEI, 2018):

- Shell engages in anti-climate lobbying activities and spends approximately \$22 million annually on these activities.
- Shell's massive destruction of the Niger Delta caused great economic damage to locals and also Shell was very slow to take responsibility.
- Shell avoids taxes.
- Shell bribes local government officials to acquire new oil fields.

Another greenwashing claim defended against Shell is that the company's investments in natural gas investments are shown as renewable (green) energy expenditures, making false statements to investors and misleading them (The Washington Post, 2023).

In 2011, Shell once again drew attention to paying bribes to Nigerian government officials to acquire the Deepwater oil field in the Niger delta for a payment of approximately US\$1.3 billion. According to rumors regarding the said purchase, more than \$1 billion was paid to many Nigerian politicians, old and new, and this bribe paid through shell companies was laundered (The Economist, 2018a). According to the research report prepared by the US-based Resources Development Consultancy (RDC), it is stated that Shell is engaged in fraudulent and illegal economic activities in order to keep the revenue from the purchased oil field away from Nigeria. In addition, it is claimed that illegal cash flows are carried out by conducting corrupt transactions and that the people of Niger suffer great financial losses as a result of these transactions (Husseini, 2018).

While defending that it is a company with high environmental concerns and awareness regarding the greenwashing allegations made against it, Shell claims that it will produce less fossil waste and more renewable energy. However, on the other hand, there are voices rising towards Shell in the middle of 2023 as it has taken a step back

on the cuts it has made in oil production. The company's hosting of the Capital Markets Day held in New York on June 14, 2023, but stating that it will keep oil production at the current level for ten years has brought along criticisms. It was noteworthy that the company said that it has made good progress towards its goal of being net-zero emissions by 2050, and that it remains committed to climate sensitivity. Company executives stated that they aim to achieve a balanced transition to renewable energy and that they have allocated a budget of approximately US\$ 15 billion to provide project financing for low-carbon solution systems in this direction. However, these promises of Shell are seen as a new greenwashing attempt (Meredith, 2023).

As stated within the scope of Capital Markets Day, the company's cash flows from its operations (CFFO) have increased by approximately 30% to 40%, while the amount of dividend paid per share is expected to increase by 15% in the 2nd quarter of 2023 (Shell, 2023a). In its presentation at this organization, the company emphasized that it would strive to strengthen its credibility in the eyes of the society and maintain its position by giving more importance and value to social, environmental and governance issues than ever before (Chen, 2023).

In the presentation made, it is foreseen that maintaining oil production for a while more stable will cause an extra carbon emission of roughly 29 million tons per year on average. This estimated amount is almost equal to the amount of carbon gas Denmark produces in a year. If it continues in this way, the amount of carbon produced by Shell by 2030 will be equivalent to the annual emission amount of Spain, which is one of the countries that cause the most pollution within the borders of Europe.

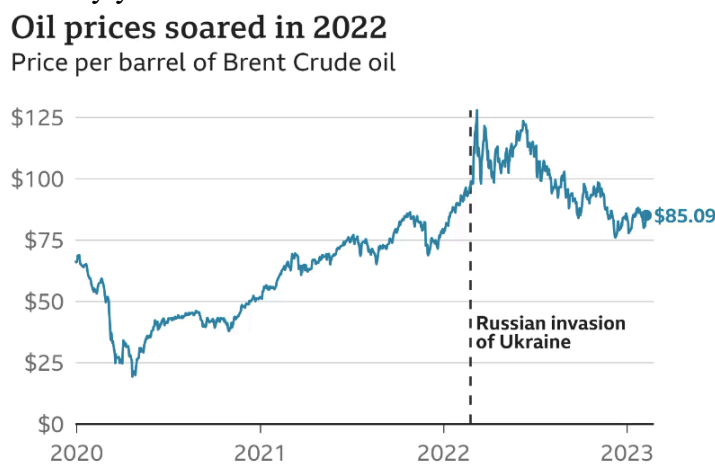
Therefore, many actors expect Shell to withdraw this decision for all humanity and the planet. In addition, this decision, announced by Shell in the presentation it made within the scope of Capital Markets Day, was announced to the public at a time when the company made record profits in 2022. This proves that Shell has not kept its promise to reduce oil and gas production by 2030, in line with its sustainable development goals, and that this promise is not true. It is considered an unacceptable greenwashing act that Shell achieved record profits in the period following the climate crisis, and as a result, continued fossil fuel production and use by paying dividends to its partners. It is extremely necessary for Shell to transfer this record profit to green investments that will provide renewable energy production (Kirk, 2023).

4.2.3. Reporting Historical Profit by Shell Plc

Especially in the last year, with the outbreak of war between Ukraine and Russia, there has been a noticeable increase in oil prices around the world. While a year has passed in the Ukraine-Russia war, the restrictions on oil owned by the Russian government of Western countries and the sanctions such as export limits, restrictions and ceiling prices imposed on the Russian government have further deepened the crisis in the energy market and caused the balance in the oil market to be turned upside down. As many countries in the European Union put Russia at a disadvantage with the sanctions they imposed, the country, which is the second largest oil producer in the world, faced significant and heavy economic sanctions for both oil and gas exports.

Both the economic sanctions imposed on Russia by the western countries and the views and expectations that Russia will respond to these investments in a double way have led to various rumors in the global oil markets in the world. While these rumors were making market players nervous, they also caused oil prices to climb to record levels. In the light of these developments, the barrel of Brent oil reached its highest value in the last 15 years, breaking a record in March. However, on the other hand, when it came to the end of 2022, demand-based expectations replaced the concerns about supply, and therefore, the barrel price of Brent oil decreased by roughly half compared to December of the same year (Graphic1).

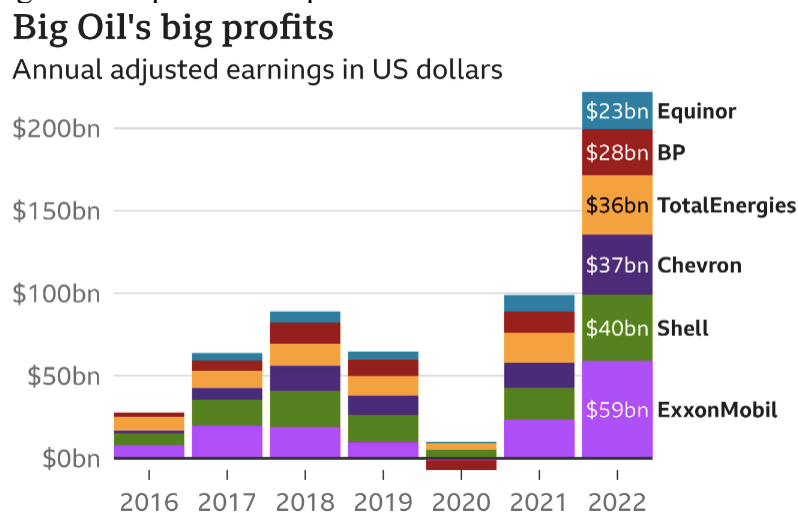
Graph 1. Oil prices by year



Source: Reuters Graphics

Due to the ongoing war between Ukraine and Russia, energy companies have started to make very high profits (Graphic 2).

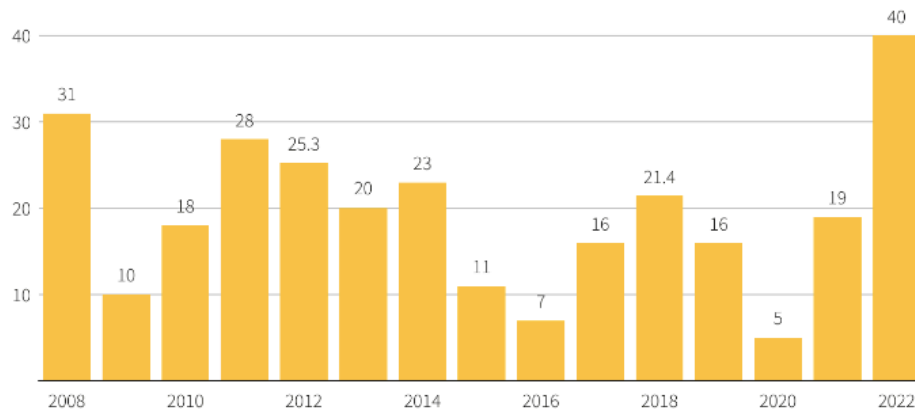
Graph 2. Big Oil Companies with profits



Source: BBC analysis of company reports

So much so that Shell reported the highest profit in its history for more than 115 years in this period. The record level of profit that Shell has achieved is mostly due to its gas activities, and it has doubled the profit in 2022 compared to 2021 (Graphic 3). With a profit of US\$ 39.9 billion in 2022, the previous record of profit in 2008 (approximately US\$ 28.4 billion) was broken. Shell, which has reached the highest profitability level of all time, has stated that it will realize a 15% increase in the dividends it will distribute, as well as emphasizing that it will realize a buyback that will reach 4 billion dollars (The Washington Post, 2023; Nicholson, 2022).

Graph 3. Shell Plc’s Annual Profit (billion US \$)



Source: Reuters Graphics

Unlike oil giants such as Devon Energy, Chevron, Exxon Mobil and Chesapeake Energy, which it describes as major US fuel oil companies, Shell offers not only oil but also a renewable energy source alternative, while in US companies it is seen that all company activities are carried out directly with oil (Graphic 2). Therefore, even though Shell's position is more environmentally friendly compared to its American competitors, this stance is not enough for environmental investors who are sensitive to the environment and keep climate change on their agenda very seriously. Although Shell's wind energy and electric vehicle investments are seen as green steps on paper, these investments are considered as typical examples of greenwashing since they have not been implemented. In addition, the fact that the company is leaving the wind panel project it is carrying out and this separation is due to the low profitability created by the wind panels strengthens the beliefs in the minds of the investors that Shell has green-washed.

On the other hand, the fact that natural gas investments directed to Shell are shown under the energy expenditure item in the financial reports and Shell is accused of deceiving investors in this direction forms the basis of another greenwashing claim against Shell. In the official reports prepared by Shell, it is claimed that the gas investments it has made are handled under the title of renewable energy in violation of the law and regulations.

5. Results And Ongoing Debates On Shell

Friends of the Earth International (FoEI), an international network in cooperation with various local environmental organizations in 73 countries, has compiled the accounting and environmental scandals of Shell plc (2018). Another greenwashing claim defended against Shell is that the company's investments in natural gas investments are shown as renewable (green) energy expenditures, making false statements to investors and misleading them (The Washington Post, 2023). In line with the FoEI's and other allegations, Shell has been subject to various accusations.

Despite all this, Shell states that honesty, integrity and respect for humanity are the basis of their activities and that they carry out their activities within this framework. In addition, it is emphasized that according to the current General Business Principles, Code of Conduct and Ethics and Compliance Handbook of the company, all managers and employees are obliged to behave in accordance with the rules, regulations, and laws. Due to increasing environmental problems and public awareness, many stakeholders are more aware of environmental consideration (Chen & Chang, 2012:505) Over the past decade, stakeholders like investors, governments, and corporate customers are increasing the pressure on companies to disclose information about their environmental performance and for environmental-friendly products (Kim & Lyon, 2015:706). In line with this expectation, Shell claims that all its employees and the activities carried out by these employees are carried out by considering these social and environmental sensitivities.

Within its Powering Progress Strategy, Shell claims to prioritize environmental concerns such as biodiversity, plastic waste management, monitoring and maintaining air and water quality by keeping the circular economic approach in the foreground. In this direction, Shell states that it adopts the understanding and perception of being respectful to nature (Shell Global, 2023).

According to Shell, the increase in energy prices, the high performance of Shell in the industry in which it operates, and the reductions in both its expenses and taxes play a role in the record level of its profit (Frost, 2022). However, the reason behind Shell's record profits is the rising oil prices, as well as the fact that it carries out many actions that are against the rules, regulations and laws. The fact that companies producing fossil fuels are making record levels of earnings, as well as escalating the current climate crisis without turning to renewable sources, increases the anger towards companies. It is planned to impose additional taxes on these companies, such as Shell, which is managed with an understanding that company partners, shareholders and investors get richer without considering environmental sensitivity.

Although Shell has paid close to £1.5 billion in unplanned tax payment to the UK and EU, both climate activists and union leaders find this payment quite insufficient to compensate for Shell's irresponsible activities. It is emphasized that Shell's record profit in 2022 should be taxed more fairly and that the tax revenue to be obtained should be used in a renewable energy step on a global scale. Polisano, one of

the Greenpeace activists, argues that Shell's profit is due to climate destruction, and that global warming and the resulting natural disasters will harm every human being on a global scale in order to achieve record profits. In addition, it is stated that the record-level profits obtained by Shell should be subject to a current and new carbon tax for companies, and that the tax that companies must pay for each 1 ton of carbon dioxide gas emitted should be increased 5 times by 2030 (Forrest, 2023).

Ostensibly, Shell's Business Principles were communicated to all stakeholders, both internal and external, so that these parties were informed about Shell's principles. In other words, Shell had a responsibility for all partners, consumers, the actors they cooperate with and the whole society, and was operating with this awareness. Likewise, Shell had a strong image in society as a conscious and highly corporate company that was aware of its responsibilities. Shell argued that it aims to operate in a way that minimizes investor risks by considering all aspects of sustainable development (social, economic and environmental). According to Shell, aiming to provide the best service quality to its customers by operating in a fair and honest competitive environment, conducting business processes in a safe and healthy manner, constitutes the most fundamental element of their mission (Taylor, 2006: 182). Shell accepts Business Integrity as the basic principle and advocates that it adopts honesty and justice at every step. It is clearly defended in company reports that all of the activities carried out by the company are carried out in an ethical and fair manner and are always open to audit (Shell Report, 2001:25). There are two separate sections in the report regarding bribery and reporting.

Although Shell attaches great importance to environmental concerns on paper, it cannot give a good test in practice. This situation constitutes a typical example of unethical and sometimes criminal acts, which are expressed as greenwashing in literature.

Shell Plc, which attaches great importance to environmental concerns on paper, cannot give a good test in practice. This situation constitutes a typical example of unethical and sometimes criminal acts, which are expressed as greenwashing in literature.

Today, the increasing population and the enormous increases in the waste caused by this population, the decreases in air, water and soil quality caused by the intense population growth, and scarce resources have brought sustainability to the forefront in the field of business as in every other field. In this direction, the phenomenon of green management perception was born (De Freitas Netto et al., 2020:1-2).

6. Conclusion

Today, the increasing population and waste caused by this population, the decreases in air, water, and soil quality, and scarce resources have brought sustainability to the forefront. In this direction, the phenomenon of green management perception was born (De Freitas Netto et al., 2020:1-2). At the same time, the emergence of green markets has created a pressure on

businesses to be environmentally sensitive and responsible, and thus the phenomenon of greenwashing has emerged (Majláth, 2017). For this reason, companies define themselves as more sustainable and environmentally friendly due to the increase in market value, high reputation, influencing investors, etc. and make misleading statements with the concern of being sustainable.

The basis of greenwashing is the use of environmental sensitivity as marketing and advertising material. In addition, within the scope of greenwashing, companies/organizations display fake environmentalist behaviors and images. It can be expressed as the work done by companies/organizations to cover up or camouflage the catastrophic damage they cause to the environment (Yıldız ve Kırmızıbiber, 2019:567).

In recent years, greenwashing transactions of very large and corporate world brands have been encountered frequently. Greenwashing generally leads to fraudulent reporting; therefore, there are a vast number of structural similarities between fraud models and greenwashing models. The main factor that helps businesses to greenwash is that, unlike regulated, independently audited, structured and mandatory financial reports, sustainability reports are mostly voluntary, unstructured, exempt from mandatory audit and unregulated (Kornreich & Thewissen, 2022). This gives businesses freedom to explain what they want and follow the standards they want (Yu et al., 2020:3).

REFERENCES

- AB Öncülüğünde İklim Değişikliği ile Mücadele. (2010). *Lüksemburg: Avrupa Birliği Resmi Yayınlar Ofisi*.
- Brinded, M. (2003). Managing Director of Shell Transport. Annual Report and Accounts 2003. The “Shell” Transport & Trading Company plc.
- Chen, Y.S. (2008). The Driver Of Green Innovation And Green Image – Green Core Competence, *Journal of Business Ethics*, 81(3), 531-543.
- Chen, Y.S. (2011). Green Organizational Identity: Sources And Consequence, *Management Decision*, 49(3), 384-404.
- Chen, Y. & Chang, C. (2012). Enhance Green Purchase Intentions. *Manag Decis.* 50(3):502–520.
- Chen, Y. (2023). Shell Makes Risky Pitch For The Middle Ground. Retrived from <https://www.reuters.com/breakingviews/shell-makes-risky-pitch-middle-ground-2023-06-14/> (13/08/2023).
- Crowe, R. K., Probst, Y. C., Norman, J. A., Furber, S. E., Stanley, R. M., Ryan, S. T., ... & Okely, A. D. (2022). Foods And Beverages Provided In Out Of School Hours Care Services: An Observational Study. *BMC Public Health*, 22(1), 1-9.
- De Freitas Netto, S. V., Sobral, M. F. F., Ribeiro, A. R. B., & Soares, G. R. D. L. (2020). Concepts And Forms Of Greenwashing: A Systematic Review. *Environmental Sciences Europe*, 32(1), 1-12.

- European Sustainable Development Network Report 202. (2021). Retrived from <https://www.sdgindex.org/reports/europe-sustainable-development-report-2021/> (15/06/2023)
- FoEI (Friends of the Earth International). (2018). Retrived from <https://www.foei.org/eight-shell-scandals/#:~:text=According%20to%20Amnesty%20International%2C%20Shell,probably%20aware%20of%20these%20atrocities> (21/05/2023).
- Forrest, A. (2023). Shell's Record Profits More Than Double UK's Climate Funding. Retrived from <https://www.independent.co.uk/news/business/shell-profits-energy-prices-gas-b2274211.html> (21/07/2023).
- Frost, R. (2022). Shell Profits Almost Triple As Energy Prices Soar. Would A Windfall Tax Hold Oil Giants Accountable?. Retrived from <https://www.euronews.com/green/2022/05/04/what-is-a-windfall-tax-and-why-are-campaigners-calling-for-one-after-record-fossil-fuel-pr> (21/07/2023).
- Grant, R. M., & Visconti, M. (2006). The Strategic Background To Corporate Accounting Scandals. *Long Range Planning*, 39(4), 361-383.
- Harris, C. (2004). Shell Accounts Get Signed Off at Last, *Financial Times*, 25 May. Retrived from <https://royaldutchshellplc.com/2004/05/25/shell-accounts-get-signed-off-at-last/> (01/07/2023).
- Husseini, T. (2018). Nigeria Sues Shell And Eni For \$1.092 Bn Over Alleged Corruption. *Offshore Technology*, 13, 2018.
- Kim, E. & Lyon, T. (2015). Greenwash vs. Brownwash: Exaggeration And Undue Modesty In Corporate Sustainability Disclosure. *Organ Sci* 26(3):705–723.
- Kirk, A. (2023). Shell To Announce 'Climate-Wrecking' U-Turn That Would See Carbon Emissions Equivalent To Denmark Sent Into The Atmosphere. Retrived from <https://www.globalwitness.org/en/press-releases/shell-to-announce-climate-wrecking-u-turn-that-would-see-carbon-emissions-equivalent-to-denmark-sent-into-the-atmosphere/> (11/07/2023)
- Kornreich, M., & Thewissen, J. (2022). How Does Greenwashing Affect Firm Value? Empirical Analysis From Stock Market Reaction And Companies' Performance. https://dial.uclouvain.be/downloader/downloader.php?pid=thesis%3A36587&datastream=PDF_01&cover=cover-mem
- Krafft, J., & Saito, R. (2015). Greenwashing An Experimental Study About The Effects Of Misleading And Deceptive Environmental Claims In Advertising.
- Kurpierz, J. R., & Smith, K. (2020). The Greenwashing Triangle: Adapting Tools From Fraud To Improve CSR Reporting, *Sustainability Accounting, Management and Policy Journal*, 11(6), 1075-1093.
- Larcker, D. F., Lawson, R., & Tayan, B. (2013). *Royal Dutch/Shell: A Shell Game With Oil Reserves-Governance Overhaul After Scandal (B)*; Case Number: CG-17 (B) Publication Year: 2009.

- Laufer, W. S. (2003), Social Accountability and Corporate Greenwashing, *Journal of Business Ethics*, 43:253-261.
- Lee, K.H. (2009). Why And How To Adopt Green Management Into Business Organizations?: The Case Study Of Korean Smes In Manufacturing Industry, *Management Decision*, 47(7), 1101-1021.
- Lyon, T. P., & Montgomery, A. W. (2015). The Means And End Of Greenwash. *Organization & Environment*, 28(2), 223-249.
- Majláth, M. (2017). The Effect Of Greenwashing Information On Ad Evaluation. *European Journal Of Sustainable Development*, 6(3), 92-92.
- Meredith, S. (2023). Oil Giant Shell Posts Sharp Drop In Second-Quarter Profit On Weaker Commodity Prices. Retrived from <https://www.cnbc.com/2023/07/27/shell-q2-earnings-2023.html> (19/07/2023)
- Michelon, G., Pilonato, S., Ricceri, F. and Roberts, R.W. (2016). Behind Camouflaging: Traditional And Innovative Theoretical Perspectives In Social And Environmental Accounting Research, *Sustainability Accounting, Management and Policy Journal*, 7(1), 2-25.
- Nicholson, K. (2022). Why Are Shell's Profits So High When We're In An Energy Crisis?. Retrived from https://www.huffingtonpost.co.uk/entry/why-are-shell-oil-and-gas-profits-high-energy-crisis_uk_635a39a5e4b0cf522df4ef23 (29/07/2023)
- Nyilasy, G., Gangadharbatla, H., & Paladino, A. (2014). Perceived Greenwashing: The Interactive Effects Of Green Advertising And Corporate Environmental Performance On Consumer Reactions. *J Bus Ethics* 125(4):693–707.
- Princewill, N., & Shveda, K. (2022). Shell Escaped Liability For Oil Spills In Nigeria For Years. Then Four Farmers Took Them To Court—And Won. CNN.
- Priya, A. (2021). Case Study Methodology Of Qualitative Research: Key Attributes And Navigating The Conundrums In Its Application. *Sociological Bulletin*, 70(1), 94-110.
- PwC. (2021). Management Of Non-Financial Information: Corporate Value Creation Insights From Advanced Case Studies. Retrived from <https://www.pwc.com/jp/en/knowledge/thoughtleadership/non-financial-information-management.html> (01/07/2023)
- Redman, C. (2005). Shell Rebuilds Itself. Retrived from <http://shellnews.net/weekseven/boardmember15feb05.htm> (01/07/2023).
- Sandha, O., A., Kurniawati, C., P. (2022). Sustainability Fraud: Greenwashing, *Asian Journal Of Government Audit*, April, 30-41.
- Seele, P., & Gatti, L. (2017). Greenwashing Revisited: In Search Of A Typology And Accusation-Based Definition Incorporating Legitimacy Strategies. *Business Strategy And The Environment*, 26(2), 239-252.

- Shell. (2005a). Unification of Royal Dutch and Shell Transport. https://www.zbw.eu/econis-archiv/bitstream/11159/69136/1/EBP073186422_0.pdf
- Shell. (2023a). Shell plc Capital Markets Day 2023. <https://www.shell.com/investors/investor-presentations/capital-markets-day-2023.html>
- Shell Global. (2023). Code of Ethics. Retrived from <https://www.shell.com/about-us/our-values/code-of-ethics.html#:~:text=At%20Shell%2C%20we%20share%20a.with%20relevant%20laws%20and%20regulations> (21/05/2023).
- Taylor, B. (2006). Shell Shock: Why Do Good Companies Do Bad Things?. *Corporate Governance: An International Review*, 14(3), 181-193.
- The Economist. (2018). Two Oil Majors Face Trial Over A Controversial Deal In Nigeria. Retrieved From <https://www.economist.com/business/2018/03/01/two-oil-majors-face-trial-over-a-controversial-deal-in-nigeria> (17/06/2023).
- The Shell Report 2001. (2001). People, planet and profits. Retrieved form https://www.shell.com/sustainability/transparency-and-sustainability-reporting/sustainability-reports/_jcr_content/root/main/section/list/list_item.multi.stream/1657185130114/6a8cd4fb3d0186c6c166400778d49b764647da29/shell-sustainability-report-2001.pdf (17/06/2023).
- The Intergovernmental Panel on Climate Change Report – IPCC, 2022. (2022). Summary for Policymakers. Retrived from <https://edoc.unibas.ch/91322/> (28/07/2023).
- The Washington Post. (2023). Oil Giant Shell Accused Of 'Greenwashing' And Misleading Investors. Retrieved From <https://www.washingtonpost.com/politics/2023/02/01/oil-giant-shell-accused-greenwashing-misleading-investors/> (21/05/2023).
- United Nations. (1998). Kyoto Protocol to The United Nations Framework Convention On Climate Change.
- United Nations Task Team on Social Dimensions of Climate Change. (2011). The Social Dimensions of Climate Change. The United Nations Task Team on Social Dimensions of Climate Change.
- United Nations Paris Agreement. (2015). United Nations. United Nations Treaty Collect, 1-27.
- Yıldız, E., & Kırmızıbiber, A. (2019). Yeşil Aklamanın Yeşil Marka Değeri Üzerindeki Etkileri: Otomobil Markaları Üzerine Bir Uygulama. *Gümüşhane Üniversitesi İletişim Fakültesi Elektronik Dergisi*, 7(2), 566-584.
- Yu, E. P. Y., Van Luu, B., & Chen, C. H. (2020). Greenwashing In Environmental, Social and Governance Disclosures. *Research In International Business and Finance*, 52, 101192.

Zainal, Z. (2007). Case Study as A Research Method. *Jurnal Kemanusiaan*, 5(1).

Zharfpeykan, R. (2021). Representative Account or Greenwashing? Voluntary Sustainability Reports in Australia's Mining/Metals and Financial Services Industries, *Business Strategy And The Environment* 30, 2209-2223.