

The Three Disruptors Adamantine Foundations 2

by Tisha Schuller

In the face of massive disruption, we in the oil and gas industry find ourselves at a crossroads. We can follow the path of least resistance, fighting for the energy status quo. Or we can choose to be the disrupting force ourselves, taking on the mantle of energy leadership. In the first Foundations essay, [Oil and Gas Leadership: The Framework for Moving from Disrupted to Disruptor](#), I made the case that our current strategies no longer work, and we must shift our mindset to engage proactively with the disruptions underway. In this essay, we look at the three disruptors with which the oil and gas industry must reckon immediately:

1. **Rise of the millennials** — our greatest opportunity *and* social risk;
2. **Activism's efficacy** — the anti-oil-and-gas ripple becoming a wave of mainstream expectation; and
3. **Racial equity and justice** — the societal expectation that we will address these issues and never go backwards.

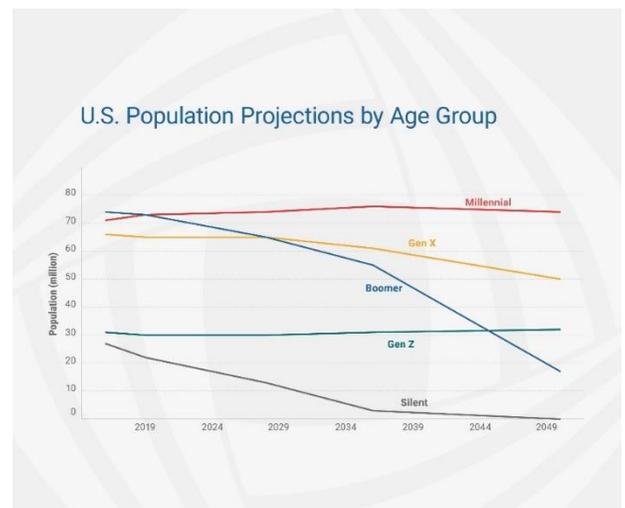
These disruptors did not appear overnight, and they are not a result of the 2020 election or the COVID-19 pandemic. They took at least several years and in some cases decades to grow into the existential threat to the oil and gas industry they are today.

We will look at the trends behind each disruptor, how these trends will play out for our industry, in what ways they upset our status quo thinking, and where we need to go from here.

Disruptor 1: Rise of the Millennials

Without our really noticing, the millennial generation has become the greatest social force since the baby boomers came of age. From now through at least 2050, this cohort is poised to dwarf every other generation in raw numbers (see Figure 1). Millennials — born between 1981 and 1996 — are now between 25 and 40 years old. They have become most relevant generation to oil and gas leaders because:

- They dominate population in raw numbers;
- They are hitting their prime in civic, political, and business leadership;
- They are most concerned about both climate and oil and gas; and
- They are skeptical of business.



As described in [The Gamechangers Playbook](#) and [Adamantine's Millennial Report](#), millennials are redefining risk to the oil and gas industry. Here is a snapshot of why it matters:

- Millennials now match baby boomers in the number of eligible voters, and they are more likely to lean Democrat;
- Political affiliation is now tied to concerns about climate and opposition to the oil and gas industry; and
- Millennials base their relationship with businesses on those businesses' societal impact, including their ethical actions.

Under a business-as-usual scenario, most millennials can be expected to oppose oil and gas and be concerned about climate. This opposition poses a risk because millennials will increasingly dominate relevant leadership roles; therefore, you should expect your interactions with investors, permitting authorities, elected officials, and community leaders to be increasingly informed by millennials' viewpoint on energy and climate.

Without a novel strategy to engage millennials, oil and gas companies can expect their relationships with stakeholders to deteriorate. We tend to fall back on several areas of conventional thinking when it comes to millennials:

- "We were all liberal when we were young. They are naïve, and they will grow out of it."
- "Millennials do not have the experience to wield paradigm-shifting influence on society writ large."
- "They are upending the social order and need to wait their turn."
- "We — not they — set the rules for engagement."
- "They are advancing ahead of their time, which is unfair to the generations that came before them."
- "They clearly do not understand how hard it is to meet the expectations of our business and our industry."

We must throw out our *conventional* critiques and embrace the overwhelming data showing that millennials are coming into relevance and taking on increasingly important leadership roles. They are here. They are changing the world around us *right now*.

This should not be a reason to disengage or write off the millennial generation. They are not just external stakeholders: They are also the future of the workforce. The millennial workforce represents our best hope — our secret weapon — to engage with a skeptical generation of emerging investors and leaders. We will talk about that more in Foundations 3.

Disruption 2: Activism Efficacy

Anti-fossil-fuel environmental activism used to be easy to dismiss. No longer. In the last decade, support for oil and gas has becoming increasingly politically polarized by party and tied to climate change. In many ways, concern over climate has become both (1) a proxy for being liberal and (2) synonymous with opposition to fossil fuels, including oil and gas and the practice of hydraulic fracturing, or fracking. Even with these ties to political identity, concern over climate is growing among all people in the United

States. Further, as we discussed in the previous disruptor, the millennial generation is growing in political relevance and at the same time is increasingly concerned about climate and opposed to oil and gas.

The result is *activism gone mainstream*. Calls for a “fossil-free energy future” and making “climate a top political and economic priority” are now front and center in any energy conversation. Business, political, regulatory, or community discussions happening anywhere in the country will have climate and decarbonization on the agenda. This development has blurred the lines between activism and activities that directly affect your business — such as investor priorities and receiving your project permit approvals.

In [The Gamechanger’s Playbook](#), I look at how this trend has played out in five arenas:

- **Pressure from and on investors:** There has been a focused activist campaign targeting BlackRock, the largest asset manager in the world. They have named their effort *BlackRock’s Big Problem*. In the last year, BlackRock has made several bold commitments, including participating as a founding member of the Task Force on Climate-related Financial Disclosure (TCFD) and communicating new climate-driven portfolio company expectations in 2021. Other mainstream investors are also making bold statements about their climate and ESG priorities. As noted by Goldman Sachs’ Michelle Della Vigna, “Climate change shareholder resolutions have doubled in the past 5 years, but more importantly shareholder support [of those resolutions] has tripled.”
- **Aspirational policy, regulations, and legal challenges:** The idea of the Green New Deal vaulted all of us in the United States into an unprecedented climate conversation. Energy and climate are now a permanent part of U.S. leadership vocabulary and initiatives. Momentum is growing from states and Congress to decarbonize, and it will not slow down. Take New York, for instance. Following the state’s aspirational climate legislation, New York Governor Andrew Cuomo denied a permit for the Williams Northeast Supply Enhancement pipeline, saying the pipeline did not align with New York’s climate goals.
- **Directional indicators from oil and gas majors:** Oil and gas companies are making decarbonization commitments, focusing on R&D, and increasingly taking positions to support a price on carbon in the United States. The [Climate Leadership Council](#), an international policy institute that is promoting a carbon dividends framework as a climate solution, has gained significant industry support. Founding members of the Council include BP, ConocoPhillips, ExxonMobil, Shell, and Total.
- **Divest movement:** Organizations are increasingly announcing their intention to remove investments from fossil fuels. In 2018, New York City announced its intention to divest its \$194 billion in pension funds of fossil fuels. Organizations are also feeling the pressure, as groups from the Canadian Medical Association to the American Federation of Teachers have passed resolutions encouraging and empowering further divestment action. This movement is accelerating and is fueling pressure on regulators and communities to oppose oil and gas projects.
- **Pressure from and on the tech sector:** In May 2020, Google announced that they would no longer make artificial intelligence (AI) tools for new oil and gas clients, citing ethical concerns. Greenpeace, along with Amazon and Microsoft, had challenged the company, stating that their work for the oil and gas sector undermines their carbon commitment.

These five arenas show the overall trend — public pressure to move away from fossil fuels is increasing. Investors and policymakers around the world who have prioritized climate perceive their job as more than implementing pragmatic sidebars. They seek to drive both innovation and the marketplace in dramatic ways, even though no pathway to zero carbon emissions currently exists.

Disruptor 3: Racial Equity and Justice

The summer of 2020 saw the angst of the pandemic subsumed by the movement for racial justice. In the United States, leaders across our society began speaking out, proposing policies, and making commitments to participate in change.

The racial equity and justice movement is important on so many levels. The movement is broad and deep and will be enduring. In addition to affecting every level of civic society, it will impact numerous business drivers and social risks that oil and gas leaders care about, including:

- **Investors' expectations of portfolio companies:** Like companies everywhere, investment firms of all sizes and persuasion are talking about their own commitments to racial justice, company diversity, and their culture of inclusivity. Dave Nadig, CIO and Director of Research at ETF Trends, put it this way on CNBC: “They [investors and financial advisors] want to understand how to present ESG to their clients. They want to be able to have that conversation. And the honest truth here is that there’s always a catalyst. The catalyst right now is what we’re seeing in terms of the Black Lives Matter movement and the social unrest issues.”¹
- **Oil and gas company statements:** Companies are condemning racism and going a step further by charting their own path for the future. Southern Company CEO Tom Fanning was an early leader in meaningful communications about company culture and racism. In his statement, he went beyond a condemnation of racial inequity and looked to the future, “We will not treat this as an event, but rather a long-term continuum of engagement centered on listening, talking, and learning in order to achieve sustained institutional improvement.”
- **Expectations interwoven with environmental and climate justice:** Environmental and climate justice are going mainstream. Environmental groups are getting the message from their boards, funders, and workforces that their leadership, base of support, and work issues aren’t representative of the diverse public. As those groups address the issues that racial justice and equity activists are highlighting, that pivot will affect stakeholder pressure on your company. Environmental groups across the political spectrum have made statements both denouncing racism and pledging to improve diversity and inclusivity in their ranks. In addition, climate is already embedded in growing sectors of the social justice and racial equity movement.

This work is central to our humanity. Further, it is intrinsic to our shared future. As the country diversifies and millennials ascend into their prime, our legitimacy as civic leaders will be based on whether we get this right. Your efforts to take on racial equity, justice, and inclusion head-on — no matter how imperfect — must begin immediately. This is not extra work; it’s precisely leadership work.

Where Do We Go from Here?

We began Adamantine Foundations 1 with the recognition that the new dichotomy of *Both of These Things Are True* requires a new conversation. The oil and gas industry must increasingly engage with a skeptical public looking to a different energy future — one that is high tech, decarbonized, and environmentally sustainable. We cannot meaningfully influence these conversations until we participate in them. To do so well, we must become students — of both the dueling mindsets and the three disruptors explored in this Foundations essay. Ultimately, we must use these insights to drive game-changing disruptions ourselves — a process we will look at in Adamantine Foundations 3.

If you are interested in a deeper dive into all of this material, check out my latest book, *The Gamechanger's Playbook*.

ⁱ Neuwirth, A. (2020, June 8). *Dave Nadig Talks Protests And ESG Investing On CNBC*. ETF Trends. <https://www.etftrends.com/dave-nadig-talks-protests-and-esg-investing-on-cnbc/>