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Shell dumps wind, solar and hydro power in favour of biofuels

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Shell will no longer invest in renewable technologies such as wind, solar and hydro power because they are not economic, the Anglo-Dutch oil company said today. It plans to invest more in biofuels which environmental groups blame for driving up food prices and deforestation.

Executives at its annual strategy presentation said Shell, already the world's largest buyer and blender of crop-based biofuels, would also invest an unspecified amount in developing a new generation of biofuels which do not use food-based crops and are less harmful to the environment.

The company said it would concentrate on developing other cleaner ways of using fossil fuels, such as carbon capture and sequestration (CCS) technology. It hoped to use CCS to reduce emissions from Shell's controversial and energy-intensive oil sands projects in northern Canada.

The company said that many alternative technologies did not offer attractive investment opportunities. Linda Cook, Shell's executive director of gas and power, said: "If there aren't investment opportunities which compete with other projects we won't put money into it. We are businessmen and women. If there were renewables [which made money] we would put money into it."

Shell said biofuels fitted its core business of providing fuels, logistics, trading and branding. Cook added: "It's now looking like biofuels is one which is closest to what we do in Shell. Wind and solar are interesting [but] we may continue to struggle with other investment opportunities in the portfolio even with big subsidies in many markets. We do not expect material investment [in wind and solar] going forward."

The company also confirmed that it would increase its dividend payments this year by about 5% to $10bn.

Friends of the Earth (FoE) criticised Shell for freezing investment in renewables such as wind in favour of biofuels. "Shell is backing the wrong horse when it comes to renewable energy – biofuels often lead to more emissions than the petrol and diesel they replace," the campaign group said.

Until recently, Shell's investment in wind power featured prominently in its corporate advertisements. FoE said the company's move heralded a slightly more honest approach. "Shell is at least being a bit more honest about the fact they are a fossil fuel company. It has seen the limitations of the greenwash it was putting out a few years ago."

Shell has about 550 megawatts of wind farm capacity around the world, enough to power a city the size of Sheffield when the wind blows. Last year, it pulled out of the 1,000MW London Array project, the joint venture to build what would be the world's largest offshore wind farm, in the Thames Estuary. Former project partner E.ON has yet to decide to continue with the £3bn investment needed.

Outgoing chief executive Jeroen van der Veer admitted that the company had suffered some "technology baths" in the past when it backed unprofitable technologies. "We don't do it [renewables] all."

The company has predicted that by 2025, 80% of energy will come from fossil fuels and 20% from alternative energy sources. Yet it is spending just over 1% of its budget on alternative technologies. Over the past five years, only $1.7bn of the $150bn it has invested has gone towards alternative energies.

Cook pointed out that at one stage the company only invested 1% of its budget on liquefied natural gas, which is now a big part of its business. "You have to start somewhere," she said.Van der Veer also admitted that Shell's overall R&D budget would "fall a bit" as the company focused on the most promising technologies and in the wake of the oil price slump.

The company said it would raise debt levels to maintain dividend payments and its spending programme. Van der Veer insisted that energy demand in the long term was strong and oil prices would recover. "The problem is you don't know when the long term starts."