

Milieudefensie et al. v. Royal Dutch Shell

Case Overview

Milieudefensie et al. v. Royal Dutch Shell (Netherlands)

case number: C/09/571932 / HA ZA 19-379 (District Court of The Hague).

a. Description:

This case was brought by environmental groups (including farmers and agricultural workers impacted by climate change) against Shell, alleging that the company's operations contributed to climate change and violated human rights due to environmental harm. The plaintiffs argued that Shell's contribution to global warming endangered communities worldwide, including agricultural regions vulnerable to extreme weather.

b. Location and Date:

- Location of procedures: The Hague, Netherlands
- The case was filed in April 2019, with a ruling given in May 2021.
- Latest decision given in: November 2024.

Reflection questions

- How transparent are you with your stakeholders about the impact of your daily tasks to the company's short- and long-term goals?
- Do you have an evaluation system in place for the goals of your business decisions (long term vs. short term)?
- How do you handle situations where there is a conflict between profitability and sustainability commitments?
- If a conflict of interest arises, how can you address it openly and ethically?
- Are you willing to be transparent about errors and take steps to correct them rather than covering them up?

Impact

1. **Outcome:** In a landmark ruling, the Court ordered Shell to reduce its CO2 emissions by 45% by 2030. This was a historic decision, holding a private corporation legally responsible for its impacts on climate change. The Court later overturned the decision, however still imposing Shell with the obligation to counter the effects of climate change.
2. **Judgements/Penalties:** The order of CO2 emissions reduction by 45% by 2030 according to the court's first instance decision would have forced Shell to limit fossil fuel production and forgo new investments. Shell appealed the ruling in 2022, but the plaintiffs warned that failure to act could expose Shell's board to personal liability. According to the latest judgement held by the Hague Court of Appeal in November 2024, Shell indeed does have an obligation to counter the dangerous effects of climate change. However, the Court simultaneously dismissed Milieudefensie's initial claims, quashing the first instance decision on the basis that the social standard of

care under Dutch law, does not amount to a specific obligation on Shell to reduce its emissions by 45% by 2030.

Integrity Issue

Specific concern:

- The case raises questions about whether and to what extent multinational corporations like Shell can be held responsible for the global environmental harm caused by their operations. Shell was argued to contribute significantly to climate change, which conflicts with its public image and claims of supporting climate action.
- One major integrity issue is the mismatch between Shell's climate promises and its actual environmental actions. The court ruled that Shell's plans and policies were insufficiently aligned with the Paris Agreement's 1.5°C goal, calling into question the company's sincerity in addressing climate change.
- One of the integrity concerns in this case involved Shell's historical contributions to climate change. While the court ruling focused on future emission reductions, it left unresolved the question of responsibility for past emissions and the damage already caused.
- The recent judgment in *Milieudefensie et al. v. Royal Dutch Shell* by the Hague Court of Appeal (November 2024) has potential implications for corporate integrity concerning environmental responsibilities. While the court overturned the earlier order that required Shell to cut its emissions by 45% by 2030, it still emphasized that companies bear a duty to address climate risks and align their operations with international climate goals like the Paris Agreement.
- The latest (November 2024) ruling reinforced that addressing climate change is tied to fundamental human rights, such as the right to life and family life. For companies of all sizes, this introduces an ethical obligation to consider how their practices impact these rights, even indirectly.
- The judgment highlighted that companies are expected to mitigate climate risks proportionately to their impact on global emissions. Integrity issues may arise if companies are perceived as evading these responsibilities or implementing superficial climate strategies (greenwashing) rather than substantive actions.

Related SDGs:

- **SDG 12: Responsible Consumption and Production**
The environmental impact of Shell's actions highlights concerns about corporate transparency, sustainable business practices, and responsible production.
- **SDG 3: Good Health and Well-being:**
Shell's emissions contribute to severe health risks, affecting SDG 3, which aims to ensure healthy lives and promote well-being for all.
- **SDG 13: Climate Change**
Shell, as a major oil and gas company, contributes substantially to global GHG emissions, especially carbon dioxide (CO₂) and methane. These emissions are

among the main drivers of global warming, increasing atmospheric temperatures and disrupting climate systems.

Public Response

The court's ruling highlighted a conflict between shareholder interests and public interests. Shell's duty to maximize shareholder returns was brought into tension with its social responsibility, raising concerns about how businesses should balance these often-conflicting goals with integrity. Lastly, organizations like Milieudefensie, expressed disappointment related to the November 2024 judgement, viewing it as a setback for the global climate movement. Environmental activists argued that the judgment shifts the responsibility back onto governments and soft law frameworks, potentially delaying necessary action by large emitters.

Learnings:

Key takeaways:

- Businesses must set specific, measurable, and actionable targets for reducing their carbon footprint or similar sustainability goals. However, to avoid greenwashing accusations, companies need to align their efforts with said promises.
- Misrepresenting or overstating sustainability efforts can lead to reputational damage and legal risks.
- Ignoring environmental and social responsibilities can lead to litigation and reputational harm.
- Lack of clarity in interim goals reduces transparency.

Impact on sustainability:

- Corporations must take concrete, measurable actions to reduce their greenhouse gas emissions. It is not enough to make long-term, vague commitments. Companies must set clear interim targets that lead to the achievement of the long-term goals.
- Companies are expected to innovate and invest more heavily in clean energy technologies and reduce their dependence on non-renewable energy sources.
- The case demonstrates that economic growth should no longer be based on activities that worsen climate change or degrade the environment.
- Seemingly small mistakes such as lack of transparency affect business operations on the long run. Mindfulness needs to be attained on the effects of company' actions on vulnerable communities and taking responsibility for mitigating those impacts.

Applying Learnings in Your Organization

- Integrate the SMART Model (specific, measurable, accurate, realistic and timely feasible) for setting goals into your core business strategy and continuously track progress to ensure transparency for both interim, and long-term targets.
- Avoid making false claims about the environmental impact of your company' actions. Communicate transparently with all stakeholders to uphold integrity.
- Establish clear consequences for unethical behavior, such as concealing mistakes or failing to be transparent.
- Provide employees with frameworks that encourage them to evaluate decisions and accomplished tasks based on ethical and integrity considerations.
- Create employee recognition programs that specifically reward transparency, accountability, and ethical decision-making. Recognizing those who consistently act with integrity reinforces the importance of these behaviors.

- Companies must view climate action as not just environmental stewardship but as a human rights obligation.
- The latest ruling may have softened Shell's immediate obligations, but it affirmed that companies can still be held accountable for failing to act on climate risks.

References

Case information:

- [Milieudefensie et al. v. Royal Dutch Shell plc. - Climate Change Litigation \(climatecasechart.com\)](https://climatecasechart.com/cases/milieudefensie-et-al-v-royal-dutch-shell-plc.-climate-change-litigation/)
- [Milieudefensie -v- Shell – the Hague Court of Appeal upholds Shell's appeal | Addleshaw Goddard LLP](https://www.addleshawgoddard.com/news/milieudefensie-v-shell-the-hague-court-of-appeal-upholds-shell-s-appeal)

Journal article:

- [Friends of the Earth Netherlands \(Milieudefensie\) v Royal Dutch Shell in: Chinese Journal of Environmental Law Volume 5 Issue 2 \(2021\) \(brill.com\)](https://www.brill.com/journals/1567-4127/issue/2021-2)

Video:

- [Shell stopt met olie?! \(youtube.com\)](https://www.youtube.com/watch?v=...)

International news:

- [Shell appeal against landmark climate ruling kicks off in Dutch court \(ft.com\)](https://www.ft.com/content/...)