European Oil Giants Consider Shifting Their Listings to the U.S.

TotalEnergies and Shell are contemplating the advantages of listing shares in the United States to strengthen what they say are low market valuations.

By Stanley Reed

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Two European energy giants, TotalEnergies of France and Shell of Britain, are considering moving their stock listings to New York, as pressure mounts for them to improve their valuations, which lag their American counterparts.

Shifting their listings to the United States would be a blow to European exchanges, where they are among the largest listed companies.

In the past, it would have been almost unthinkable for TotalEnergies, one of France's most prominent companies, to consider moving its primary share listing from Paris. But the company's chief executive, Patrick Pouyanné, discussed considering such a shift to analysts recently.

"There was a discussion with the board," Mr. Pouyanné said on a recent call to discuss earnings. "We all agreed that we have to seriously look at it."

Shell, Europe's largest energy company, has said it might consider a similar move. But a shift is not currently on the table, said Wael Sawan, chief executive of the company, which recently moved its headquarters from The Hague in the Netherlands to London, where it is the largest listed company by market value.

Any move would reflect the almost irresistible lure of the United States as a center of energy production and innovation as well as investment.

The United States has become the world's leading oil producer and exporter of liquefied natural gas. Europe's petroleum production, by contrast, is in decline, and many European governments are skeptical about the oil and gas industry, which remains crucial to global energy supplies despite concerns over climate change. The Biden administration's Inflation Reduction Act may also confer an advantage to the United

States in cleaner energy technologies like hydrogen and electric vehicles.

A key factor in making these companies restless is the large differential in the valuation that investors are willing to pay for the energy giants based in the United States compared with their European counterparts.

A Shell gas station in London. The company recently moved its headquarters from The Hague in the Netherlands to London. Sam Bush for The New York Times

The two largest American energy companies, Exxon Mobil and Chevron, enjoy share price to earnings ratios, a valuation metric, that are at least a third higher than those of European rivals, according to a recent study by Giacomo Romeo, an analyst at the investment bank Jefferies. The debate over listing in New York is “becoming a key topic” among investors, he said in a note to clients.

A lower stock valuation not only ego is deflating for executives, it also puts these companies at a disadvantage in using their shares to participate in a wave of industry consolidation. Exxon Mobil, for instance, recently bought Pioneer Natural Resources, a major shale drilling company, for $60 billion, while Chevron reached a deal to pay $53 billion for Hess, though legal issues over Guyana are complicating the sale. Their European peers have largely been left on the sidelines.

The European companies have come to view steps like listings in the United States as a potential way to bolster their valuation and close the gap with rivals. Mr. Pouyanné, for instance, said that the number of North American shareholders in TotalEnergies was growing, but large investors faced hurdles in putting money into the French company's shares, including time differences with the European markets and fluctuating foreign-exchange rates.

But any move could face pushback. Already France's finance minister, Bruno Le Maire, has vowed to fight a move by TotalEnergies. "I'm here to make sure that doesn't happen," he said.

It would be hard to overstate the importance of TotalEnergies to France. The company is a key domestic energy supplier and a major overseas investor, and it is leading France's transition to lower carbon energy through investments in solar and wind power and other cleaner technologies.

A move by Shell seems more logical in some respects. It is one of the largest foreign investors in the United States, with more capital there than in any other country.

A Shell chemical and refining complex in Deer Park, Texas. Shell has more capital invested in the United States than in any other country. Brandon Thibodeaux for The New York Times

Shell has suffered a series of setbacks in Europe in recent years, including a court ruling that said it needed to speed up its climate change efforts. There are also questions about whether the London Stock Exchange, which has lost favor since Brexit, is the right place for a large company like Shell, which has a market value of about $232 billion.

How effective a move to the United States would be in closing the valuation gap is also open to question. Mr. Romeo of Jefferies said that shifting primary listings alone might not be enough to eliminate the differential, adding that companies might also need to move their headquarters to be included in U.S. index funds, something Mr. Pouyanné has said he would not do.

Mr. Sawan has said that he thinks Shell shares are cheaper than they should be. Yet he is focusing on efforts to bolster the shares through better financial performance and higher rewards for investors. If that effort does not pay off, Shell might look at a move.

“We have a duty of care to look at all opportunities to bridge that valuation,” he told analysts on Thursday.

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