To Rachel Reeves, Chancellor of the Exchequer

cc Daniel Tomlinson MP, Exchequer Secretary to the Treasury (XST);

Nicole Newbury, Head of Large Business Tax Compliance, HMRC

Dear Ms. Reeves,

We are writing to call for an investigation into the Shell and Equinor merger to create a massive new joint venture oil producer **Adura, dodging at least £1.3 billion in UK tax revenues** that UK public services desperately need. We also call for **reforms to the UK's tax laws** that would prevent deals that produce such tax advantages.

In December 2024, Shell, the largest UK oil major, and Equinor, Norway's state oil giant, announced that they would join forces to become the **North Sea's biggest oil and gas producer**.[1]

However, the apparent structure of the deal raises serious questions around the firms' real motivations. It will allow Shell to write off significant tax liabilities on its projects against losses and allowances built up by Equinor.[2] For its part, Equinor gains access to income from Shell's operations as it struggles to get major projects - such as the controversial **Rosebank** oil field - off the ground.

Shell has a **long history of exploiting the UK's generous tax system to minimise its tax payments**, a practice that appears to be continuing with its Adura joint venture. The company paid zero tax on North Sea drilling last year, receiving **£12.4 million back from the government** in the form of tax relief for decommissioning and developing new oil and gas fields. The company now aims to place half of a hugely profitable but increasingly mature business that could be exposed to the marginal rate of UK upstream tax, currently 78%, into the joint venture with Equinor.

In contrast to Shell, Equinor's oil and gas production in the North Sea is small and declining rapidly. The company is the majority owner of the **Rosebank** project[3] - the UK's largest untapped oil field[4] and the company's most significant project in the North Sea. But Rosebank's 2023 approval was this year **overturned by the Scottish Court of**

[1] FOR FACT CHECK SEE Shell, Shell and Equinor to create the UK's largest independent oil and gas company, 5 December 2024, available at https://www.shell.com/news-and-insights/newsroom/news-and-media-releases/2024/shell-and-equinor-to-create-the-uk-largest-independent-oil-and-gas-company.html.

[2] FOR FACT CHECK SEE Equinor Annual Report 2024, p. 209, 217. For 2025, Equinor lists tax assets held for sale of $1.717 billion. The company also lists its overall assets held for sale, which includes only its deal with Shell.

[3] FOR FACT CHECK SEE https://www.bbc.co.uk/news/business-66933832

[4] FOR FACT CHECK SEE https://www.ithacaenergy.com/rosebank

Session.[5] Equinor has reapplied[6] to the UK government to develop the project, which if developed could pose a net tax loss of £250 million to the UK Treasury.

Yet while Equinor's production prospects appear troubled, the company does own something of significant value: tax losses. According to Equinor's 2024 annual report it has set aside $1.717 billion (£1.343 billion[7]) of saleable 'tax assets' that can be transferred to Adura and used to offset or write off the company's profits.

The Adura vehicle thus appears to offer benefits to both Shell and Equinor: it helps the Norwegian company gain vital cashflow while helping the British company **dodge taxes** on its profits. By joining forces, the new business can monetise tax reliefs available within the UK's dysfunctional fiscal regime to crystallise losses by a decade or more.

We approached Equinor and Shell for their reaction to our allegations. Equinor said it rejected this analysis and that its reasons for creating Adura were outlined in its 2024 deal announcement, which stated that the new company would be 'more agile, focused, cost-competitive and strategically well positioned to maximise the value of its combined portfolios on the UK Continental Shelf.' Shell declined to comment.

Ahead of the **Autumn Budget,** as the Treasury seeks to **raise tax revenues** and reform the way profits from oil and gas are taxed, it must recognise the Adura merger as a vehicle for mega polluter Shell to **avoid paying its fair share of tax in the coming years** whilst benefiting from using British resources.

The Treasury **must fully investigate** the creation of Adura by Shell and Equinor to **assess the legality of a deal** that appears to conveniently dodge anti-avoidance provisions against **'loss buying.'**

If it is found that current loss-buying restrictions should apply, **Adura should be prevented from inheriting Equinor's tax reliefs.**

Whether or not such restrictions do apply, we implore the UK Government to **immediately strengthen and retroactively apply tax dodging protections to prevent such deals.**

Details on the merger and possible grounds for an investigation are outlined in the attached annex on the grounds outlined below.

We look forward to hearing from you.

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[5] BBC News, New oil and gas field consent was unlawful – judge, 20 January 2025, available at https://www.bbc.co.uk/news/articles/c3e1pw7npklo.

[6] FOR FACT CHECK SEE https://www.bbc.co.uk/news/articles/ce3xzgdqw3ro

[7] Calculation employs average 2024 exchange rate of GBP1.00/USD1.2783, ONS, Average Sterling exchange rate: US Dollar XUMAUSS, available at https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/auss/mret

Yours,

Global Witness

Stop Rosebank

Tax Justice UK

Tax Watch

End Fuel Poverty Coalition

WWF Norway

Greenpeace Norway

Annex

Adura, Tax Dodging, and 'Loss-Buying'

HMRC must ascertain whether Adura violates 'loss-buying' prohibitions under **Section 10/S673** onwards of the Corporation Tax Act 2010, outlined in Company Taxation Manual.[8] If found to have done so, Adura should be barred from inheriting tax assets of at least **£1.3 billion**[9] from current owner Equinor. Whether or not existing loss-buying restrictions apply, the legislation needs strengthening to ensure that this deal, and others like it, cannot be undertaken.

In December 2024, Shell and Equinor announced a proposed joint venture creating a separate company called **Adura**, 50% owned by Shell and 50% owned by Equinor.

Adura would own **almost all of the parents' UK North Sea assets**, including their operating oil and gas drilling projects and the cash they generate, licences that have not yet started drilling, and UK tax credits.[10]

Adura is not, however, simply the merger of two companies' operating assets. **Adura would shelter production income, mostly from Shell's productive assets, against losses built up by Equinor.** The benefit for the company shareholders is to generate more profit from the extraction of hydrocarbons from a declining UK basin. However, the **deal will radically reduce the tax payable to the UK Exchequer** with a material impact on the forecast revenues in the Red Book for the next five years.

The UK licences Shell would bring to Adura currently produce substantial volumes of oil and gas. According to the company, Shell's North Sea operations produce **100,000 barrels of oil equivalent per day** (boe/d) of oil and gas, generating material revenue and profits for its shareholders.[11]

Shell's licenses have also **bucked the trend of North Sea decline.** Production has increased by nearly a third since 2015 and will remain relatively flat over the next five years, according to our analysis of Rystad data. [12]

In contrast, production – and thus revenue – from the licences Equinor would contribute is **small and decreasing.** The company says it currently produces 38,000

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[8] HMRC, CTM06305 - Corporation Tax: loss-buying: introduction, available at https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm06305.

[9] Equinor Annual Report 2024, p. 209, 217. For 2025, Equinor lists tax assets held for sale of $1.717 billion. The company also lists its overall assets held for sale, which includes only its deal with Shell.

[10] Shell, Shell and Equinor to create the UK's largest independent oil and gas company, 5 December 2024, available at https://www.shell.com/news-and-insights/newsroom/news-and-media-releases/2024/shell-and-equinor-to-create-the-uk-largest-independent-oil-and-gas-company.html

[11] Equinor, Equinor and Shell Announce CEO and Chair for Adura, 8 September 2025, available at https://www.equinor.com/news/20250908-ceo-and-chair-for-adura. Rystad Energy, From Shell-Equinor to Repsol-NEO: UK North Sea M&A charts new highs, 15 April 2025, p. 1.

[12] Rystad Energy, Adura Production 2015-2035, exported 7 October 2025. Production analysis includes 1) drilling projects named by Shell and Equinor as part of their deal and 2) projects not named in the deal but listed by Rystad as Adura-owned, where it was possible to identify whether Shell or Equinor were the original owners. A small number of projects could not be identified as previously owned by either company. FOR FACT CHECK SEE 251007 - Rystad - Adura Prod 15-35.xlsx, tab: Totals, B2, D2.

boe/d in the UK.[13] Since 2015, production has **dropped by nearly a half**, from 18.3 million boe/year to 9.9 million boe/year, according to our analysis of Rystad data.[14]

If the company's controversial **Rosebank** project does not go ahead – it was ruled unlawful by The Scottish Court of Session this January[15] – production from Equinor's licensed fields would **drop by a further third come 2030**. Were Rosebank to be approved, Adura would gain additional production income, although this would **peak early in 2031**.[16]

What Equinor does bring to Adura in any event, however, is large tax losses or credits that shelter future profits from UK ringfence taxes.

Equinor's 2024 annual report lists $1.717 billion (£1.343 billion[17]) of 'tax assets held for sale.' It is likely that all or most of these credits would be inherited by Adura for use in the UK as Equinor also lists only one other asset held for sale: **its UK upstream operations.**[18]

It is also likely that these credits are **valuable to Shell in a way they are not to Equinor**. Shell's much larger current production income means the credits can be used more quickly. With its rapidly-decreasing production, Equinor alone would take longer to use its credits, decreasing their value in real terms, or may not be able to use them all in which case the value is lost in absolute terms as well.

This evidence suggests that the main reason behind Adura's establishment may be to help Shell dodge paying taxes on its highly profitable oil extraction business.

By acquiring half of Shell's North Sea assets, Equinor's shareholders obtain an expanded portfolio of producing assets generating material profits. But by acquiring Equinor's productive assets, Shell appears to obtain little of similar value unless the tax credits are weighed in the scales.

Shell and Equinor have not publicly stated that avoiding tax is a reason for Adura's creation. However, similar conclusions have been drawn in both press and expert reports. In April 2025, the Financial Times reported on tax breaks being an **incentive for three recent UK mergers, including Adura:**[19]

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[13] Shell, Shell and Equinor to create the UK's largest independent oil and gas company, 5 December 2024, available at https://www.shell.com/news-and-insights/newsroom/news-and-media-releases/2024/shell-and-equinor-to-create-the-uk-largest-independent-oil-and-gas-company.html

[14] Rystad Energy, Adura Production 2015-2035, exported 7 October 2025. FOR FACT CHECK SEE 251007 - Rystad - Adura Prod 15-35.xlsx, tab: Totals, B3, D3.

[15] https://www.bbc.co.uk/news/articles/c3e1pw7npklo

[16] Rystad Energy, Adura Production 2015-2035, exported 7 October 2025. FOR FACT CHECK SEE 251007 - Rystad - Adura Prod 15-35.xlsx, tab: Total E3 and tab: Data T44.

[17] Calculation employs average 2024 exchange rate of GBP1.00/USD1.2783, ONS, Average Sterling exchange rate: US Dollar XUMAUSS, available at https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/auss/mret

[18] Equinor Annual Report 2024, p. 209, 217. For 2025, Equinor lists tax assets held for sale of $1.717 billion. The company also lists its overall assets held for sale, which includes only its deal with Shell.

[19] Financial Times, North Sea oil deals allow companies to offset billions in tax liabilities, 15 April 2025, available at https://on.ft.com/48HVWyg.

> **"While the deals were driven by strategic reasons including building larger and more flexible companies in a declining oil and gas basin, a number of investment bankers, lawyers and accountants cited the potential for lower taxes as a significant attraction."**

Similarly, while citing different figures than those published by Shell and Equinor, in an April report Rystad Energy concluded:[20]

> **"Equinor has reported tax losses of more than $6 billion as per its 2024 annual report, with the majority of them driven by the UK. Since Equinor does not have significant production in the region, by combining its operations with Shell, which has more than 90,000 boe/d of production, the joint entity will be able to offset taxes."**

UK tax law contains restrictions against tax dodging designed to stop a company from buying another just to use tax credits, a practice called **'loss-buying.'**

Under Section 10/S673 of the Company Taxation Manual, if a company owns tax losses but its actual trade is 'dying,' a second company cannot buy it 'wholly or partly for its unused trading losses rather than solely for the inherent value of its trade or assets.' If HMRC finds that this has occurred, **it can block the transfer of tax credits to the new company**.[21]

It is possible, albeit not certain, that section 10/S673 applies to Shell and Equinor. Equinor's tax losses appear to be a main reason for doing the deal. And while the law does not clearly define when a company's trade is considered 'dying,' Equinor's UK already low production has fallen precipitously since 2015, and if Rosebank is not approved will fall much further still over the next five years. If Adura is formed this year, Equinor's production would constitute nearly a quarter of company's total. Without Rosebank, by 2030, this would drop to 17%.

However, the Company Taxation Manual does define what it means for one company to take ownership of the other: the purchasing company buy **at least 50%** of the second entity.[22] Shell and Equinor have announced that they will each own **exactly 50%** of Adura.

Given the size of the transaction, and the implications for the UK's tax revenues, we are calling on HM Treasury and HMRC to investigate the apparently uneven nature of the Adura deal. In particular, it should be determined whether the deal has been **structured to avoid loss-buying restrictions** by giving Shell only 50% ownership of the successor company, given the comparative value of assets Shell and Equinor bring to Adura.

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[20] Rystad Energy, From Shell-Equinor to Repsol-NEO: UK North Sea M&A charts new highs, 15 April 2025, p. 5.

[21] HMRC, CTM06390 - Corporation Tax: loss-buying: trading activities becoming small or negligible, available at https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm06390; CTM06305 - Corporation Tax: loss-buying: introduction, available at https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm06305.

[22] HMRC, CTM06340 - Corporation Tax: loss-buying: change in ownership, available at https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm06340.

HMRC's Large Business Compliance unit should also seek clarity on why certain UK oil and gas assets were omitted from the deal, including **Shell's Fife NGL plant** and **St Fergus Gas Terminal**[23] to determine whether their exclusion **artificially influenced Adura's ownership percentages.**

If it is found that the deal violates the letter of existing loss-buying provision, **Adura should not be permitted to inherit Equinor's tax losses, conservatively valued to be worth at least £1.3 billion billion.**

Whether or not it is found that the deal violates existing provisions, the Government should take stronger powers to block the exploitative use of tax losses. This should include **new tax avoidance provisions that counter deals deemed to be structured to dodge taxes,** such as replacing the current 50%+ ownership threshold with a **'substantial shareholder' standard.** As is permissible under tax avoidance legislation, such changes should have **retrospective application and be applied to the Adura deal.**

[23] Shell, Shell and Equinor to create the UK's largest independent oil and gas company, 5 December 2024, available at https://www.shell.com/news-and-insights/newsroom/news-and-media-releases/2024/shell-and-equinor-to-create-the-uk-largest-independent-oil-and-gas-company.html