

Corporate Governance, Environmental Crime, and Accountability of International Oil Company Mergers

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Abstract: (Corporate mergers among international oil companies (IOCs) have raised significant concerns regarding environmental protection and corporate governance, particularly in ecologically sensitive regions. This study examines the legal, institutional, and governance structures tasked with safeguarding the environment, highlighting how IOCs have been implicated in environmental crimes such as oil spills, toxic waste dumping, gas flaring, and ecosystem degradation. These harms are most pronounced in resource-rich but governance-weak regions, including the Niger Delta in Nigeria and the Amazon in Ecuador, where communities experience severe health, ecological, and economic impacts during and after mergers and acquisitions (M&A). Drawing on case studies such as the Exxon–Mobil merger (1999), Texaco, Shell–Chevron, and the Total–CNOOC–Tullow transactions in Uganda, the analysis reveals how environmental liabilities are frequently transferred, minimized, or concealed in consolidation processes. The findings underscore failures in governance mechanisms, deficiencies in due diligence, and the limitations of domestic and international legal frameworks in preventing environmental crime. The paper argues for the integration of robust Environmental, Social, and Governance (ESG) standards, stronger corporate governance oversight, and enforceable cross-border accountability mechanisms to ensure transparency, sustainability, and justice in oil-sector consolidations.)

Keywords— (Corporate Governance, Environmental Crime, Oil Industry Mergers, ESG Standards, Environmental Accountability)

1. INTRODUCTION

There has been a defining trend of mergers and acquisitions in the global oil industry for some time. These mergers have defined tendencies of consolidation for resource security, enhance efficiency, and strengthen market power and strategic repositioning in response to volatile energy markets amid geopolitical uncertainty and the energy transition.(1) These mergers are not merely financial maneuvers but structural transformations shaping global supply chains, investment flows, and energy governance, with implications for fossil fuel reliance and renewable adoption. Significantly, while M&A can provide capital for sustainability investments, it also heightens exposure to environmental liabilities across diverse geographies.(2) Environmental risks have often been amplified by mergers and acquisitions magnifying risks such as greenhouse gas emissions, oil spills, and habitat disruption that result in environmental crimes that go unaccounted for by these corporations. UNEP,(3) and INTERPOL report,(4) that environmental crime is now the fourth largest criminal sector globally, growing faster than GDP.

Ideally the Governance structures of IOCs establish oversight, transparency, and stakeholder engagement, ensuring environmental responsibilities are integrated into corporate strategy even during the transition phase. They should ensure sustainability by complying to statutory obligations, linking managerial accountability to pollution control, emissions reduction, and ecological protection.(5) and increasingly embed environmental accountability into fiduciary duties.(6) Nevertheless, the emergency of

Environmental, Social, and Governance (ESG) standards marks a shift toward modern accountability. These ESGs now functions both as a compliance mechanism and a strategic tool, reducing greenwashing risks and embedding sustainability into fiduciary duties and represents a structural transformation of corporate governance, redefining how oil and gas firms measure success in the 21st century (7).

2. METHODOLOGY AND THEORY

This study is underpinned by two theories, the Stakeholder Theory by R. Edward Freeman (13), where he argued that corporations are accountable not only to shareholders but also to regulators, employees, host communities, and the environment. Expanded by scholars such as Donaldson and Preston (14), and Mitchell, Agle, and Wood (15), as a foundational framework for analyzing corporate governance, accountability, and ethical decision-making (16).

The Environmental Justice Theory associated with Robert Bullard (17), and refined by scholars such as Luke Cole (18), and David Schlosberg (19), focusing on the equitable distribution of environmental benefits and burdens, highlighting how marginalized and resource-dependent communities disproportionately suffer environmental harm from extractive activities (20). The Theory is a critical framework for analyzing environmental inequality, regulatory and governance failures, and the adequacy of legal protections afforded to vulnerable and marginalized communities.

Methodologically, the study adopts a doctrinal legal research approach, which is predominantly library-based and involves the systematic analysis of statutes, case law, international treaties, and scholarly commentary to evaluate

how corporate governance and environmental law address environmental harm in IOC mergers (21).

3. ENVIRONMENTAL CRIMES OR VIOLATIONS MOST COMMONLY ASSOCIATED WITH INTERNATIONAL OIL COMPANIES DURING OR AFTER MERGER

Several studies highlight that environmental crimes committed by International Oil Companies (IOCs) represent systemic governance failures that extend beyond isolated incidents, reflecting deliberate negligence, concealment, and weak accountability structures. Chang, Christensen, and McKinley (27), BBC (28), and Morning Star (2024) identify illegal gas flaring, hazardous waste dumping, oil spills, and falsification of Environmental Impact Assessments (EIAs) as pervasive practices that undermine sustainability goals and disproportionately impact vulnerable communities. These violations not only compromise ecological integrity but also expose structural weaknesses in corporate governance and regulatory oversight.

Chang, Christensen, and McKinley (27), and INTERPOL (4) report that illegal flaring and emissions persist despite global commitments such as “Zero Routine Flaring,” largely due to weak enforcement, limited monitoring capacity, and regulatory leniency. BBC (28) further documents cases where firms deliberately breach flaring limits, highlighting how inadequate regulatory frameworks enable repeat offenses. These findings indicate that environmental crimes in the oil sector are not merely operational lapses but often deliberate strategic choices embedded within corporate practice.

Abdul-Baki, Haniffa, and Diab (32), reveal that oil spills are frequently exacerbated by corporate negligence and concealment, with companies underreporting volumes and delaying remediation. Orieso, (33), and Eze, Amaka (34), argue that tort remedies in jurisdictions such as Nigeria are ineffective, as compensation mechanisms are slow, insufficient, or inaccessible, while Egbon & Mgbame, (35), show that stronger liability enforcement in the United States produces better accountability outcomes. These comparative insights highlight how weak governance and regulatory fragmentation perpetuate environmental harm in developing contexts.

INTERPOL (4), UNFSS (36), and UNEP (3), emphasize that toxic waste dumping is driven by profit motives and regulatory gaps, often exploiting loopholes in international treaties such as the Basel Convention. Kotzé (45), and Faure and Peeters (39), note that such practices externalize environmental costs onto marginalized populations, reinforcing social and environmental injustice.

Bondjali (40), and Kisubi (20), document widespread falsification of EIAs, illustrating how IOCs manipulate environmental reporting to downplay ecological damage. In Congo and Uganda, these manipulations are common, reflecting systemic weaknesses in monitoring and enforcement that erode public trust in governance structures.

Bondjali (40), further highlight that complex corporate structures including shell companies, asset transfers, and opaque ownership chains allow IOCs to evade liability, shielding parent companies from responsibility. Martto, Diaz, Hassan, Mannan, Singh, Villasuso, & Baobaid (11), argue that mergers and acquisitions can exacerbate these dynamics, concealing environmental liabilities and undermining ESG principles, thereby perpetuating governance gaps.

Mergers among IOCs create conditions conducive to environmental crime by facilitating liability evasion, obscuring accountability chains, and consolidating corporate power that outpaces regulatory capacity. The Chevron–Texaco legacy in Ecuador illustrates how post-merger structures and transnational litigation strategies shield parent companies from remediation, despite severe and enduring ecological harm (46). When liabilities are transferred to undercapitalized subsidiaries or reframed as “legacy issues,” mergers become instruments for externalizing costs, weakening deterrence, and limiting access to justice.

Environmental crime in merger contexts also emerges through coordinated corporate conduct that suppresses transparency and accountability (47). Analyses suggest that industry-wide strategies to downplay climate and environmental risks can meet thresholds for conspiratorial liability, as exemplified under frameworks such as the U.S. Racketeer Influenced and Corrupt Organizations (RICO) Act. In mergers, joint governance structures, integrated reporting, and complex ownership chains blur responsibility, making it challenging to attribute accountability for unlawful emissions, flaring, or misrepresentation of environmental performance (48).

Finally, Green criminology and state–corporate crime scholarship situate IOC mergers within broader political-economic dynamics that normalize harmful practices. Green criminologists such as Nigel South (49), and Rob White (50), argue that the fusion of corporate interests with permissive regulatory regimes often intensified by neoliberal reforms creates conditions where toxic waste dumping, chronic pollution, and unsafe operations are tolerated or rendered invisible as acceptable collateral for economic consolidation. From a state–corporate crime perspective, Michalowski, & Hardy (51), have demonstrated how regulatory capture and the interpenetration of corporate and state power can diminish accountability and blur legal boundaries, enabling environmental harm to persist unchecked. Mergers amplify these risks by expanding operational footprints, increasing bargaining power, and enabling firms to exploit jurisdictional fragmentation and diffuse accountability across (52).

3.1 Corporate governance structures influence the management of environmental responsibilities and accountability in international oil company mergers

Corporate governance structures are said critically shape the management of environmental responsibilities and

accountability in international oil company (IOC) mergers. Emeka-Okoli, Nwankwo, Otonnah, and Nwankwo (10), argue that governance in the oil and gas sector has traditionally prioritized shareholder value and operational efficiency over environmental stewardship, reflecting the dominance of agency theory in corporate practice, where managers focus on financial returns while broader stakeholder concerns remain marginalized. In contrast, stakeholder theory emphasizes that governance should integrate the interests of all affected parties including host communities, regulators, and ecosystems into corporate decision-making. The failure to adopt such inclusive governance has resulted in persistent underreporting of environmental risks, weak liability disclosure, and the externalization of costs through oil spills, gas flaring, and toxic waste dumping.

Judicial decisions demonstrate that mergers and acquisitions (M&A) often exacerbate governance gaps and weaken accountability for environmental harm. In *Chevron Corp. v. Donziger* (53), Chevron's acquisition of Texaco transferred extensive liabilities for toxic waste dumping in Ecuador, yet U.S. courts blocked enforcement of the \$9.5 billion Ecuadorian judgment, allowing the company to evade accountability through jurisdictional arbitrage. Similarly, in *Exxon Shipping Co. v. Baker* (54), the Supreme Court reduced punitive damages related to the 1989 Exxon Valdez spill, and ExxonMobil's 1999 merger with Mobil diluted reputational and financial consequences, demonstrating how corporate restructuring can minimize liability and shift public attention toward market efficiency rather than environmental responsibility. These cases illustrate a recurring governance concern: without robust oversight and transnational enforcement mechanisms, mergers can serve as instruments to obscure environmental harm, diffuse liabilities, and limit meaningful accountability, leaving affected communities undercompensated and systemic risks unaddressed.

Environmental, Social, and Governance (ESG) standards have emerged as tools to embed sustainability into corporate governance, yet their integration remains uneven. Martto, Diaz, Hassan, Mannan, Singh, Villasuso, & Baobaid, (11) note that ESG principles are often treated as compliance checklists rather than substantive accountability mechanisms, with financial and technical considerations dominating merger negotiations. Weak ESG integration undermines transparency and accountability, leaving communities vulnerable to environmental injustice. According to Environmental Justice Theory (19), governance structures are directed to ensure that all populations particularly marginalized and vulnerable communities are protected from disproportionate environmental burdens. The theory emphasizes that environmental policies and corporate practices should prevent the concentration of ecological harm on disadvantaged groups and promote equitable access to environmental benefits (17). Failure to uphold these principles allows social and environmental inequities to persist, particularly in resource-rich regions with weak regulatory oversight, where

marginalized populations often bear the greatest ecological and health risks.

Mergers and acquisitions (M&A) involving international oil companies (IOCs) should, as a matter of due diligence (8), incorporate robust environmental assessments (9), transparent liability disclosure (7), and strong corporate governance frameworks, with regulators actively enforcing Environmental Impact Assessments (EIAs) and ESG standards to embed sustainability into consolidation processes. In practice, however, empirical evidence demonstrates that environmental violations persist, oversight remains weak (11), liabilities are often shifted between corporate entities (10), and ESG principles are marginalized, reflecting inconsistent corporate governance during many IOC mergers (10).

Recent developments in home-state accountability laws offer potential pathways for reform. France's Duty of Vigilance Law (2017) requires parent companies to establish vigilance plans addressing environmental and human rights risks, with civil liability for non-compliance. In *AFIEGO & Others v TotalEnergies SE. Tribunal judiciaire de Paris* (55), French courts admitted jurisdiction over Ugandan oil projects, compelling Total to produce a risk management plan. This demonstrates that home-state governance frameworks can supplement weak host-state enforcement and strengthen transnational accountability.

Similarly, in *Exxon Shipping Co. v. Baker* (54), the Supreme Court reduced punitive damages related to the 1989 Exxon Valdez spill, and ExxonMobil's 1999 merger with Mobil diluted reputational and financial consequences, demonstrating how corporate restructuring can minimize liability and shift public attention toward market efficiency rather than environmental responsibility. In *Chevron Corp. v. Donziger* (53), Chevron's acquisition of Texaco transferred decades of environmental liabilities in Ecuador, yet U.S. courts blocked enforcement of the \$9.5 billion Ecuadorian judgment, illustrating how mergers enable multinational oil companies to contest accountability across jurisdictions while reframing liabilities as "legacy issues". Similarly, in *Wiwa v Royal Dutch Petroleum Co.* (56), This case arose from Shell's operations in the Niger Delta and alleged complicity in human rights abuses, including the execution of Ken Saro-Wiwa. Brought under the Alien Tort Statute (ATS) in the Southern District of New York, the Second Circuit allowed jurisdiction over Shell's foreign parent companies. Although the case settled for USD 15.5 million, it demonstrated how Shell's joint venture structure with the Nigerian state insulated operational entities from direct liability while litigation targeted parent companies rather than the JV itself.

In *Kiobel v Royal Dutch Petroleum Co.* (57), Kiobel significantly curtailed ATS jurisdiction by limiting extraterritorial application, thereby weakening accountability for abuses linked to Nigerian oil joint ventures. This decision indirectly benefited all IOCs operating through Nigerian JVs, including Shell-Chevron partnerships, by narrowing U.S. courts' reach. In *Bowoto v Chevron Corp.* (58); This case

concerned Chevron's operations at the Escravos terminal in Nigeria and allegations of abuses by Nigerian security forces. The Ninth Circuit rejected ATS liability, holding that Chevron's conduct did not meet the standard for aiding and abetting. The decision illustrates how Chevron, like Shell, relied on security outsourcing and JV arrangements to distance the parent company from on-the-ground harms. The Courts focused on parent-subsidiary control rather than joint venture accountability, allowing environmental harm, gas flaring, and oil spills to be framed as acts of subsidiaries, contractors, or state partners.

Nonetheless, in *Shell Petroleum Development Company of Nigeria Ltd v Farah*, (59), the Nigerian courts held Shell's local subsidiary liable for environmental damage arising from oil spills in the Niger Delta, affirming that operators owe a duty of care to affected communities. However, while the decision recognized corporate responsibility under Nigerian tort law, compensation awarded to victims was minimal, reflecting structural weaknesses in domestic enforcement and remedial frameworks. The case illustrates how liability was confined to the operating subsidiary, thereby insulating the foreign parent company from direct accountability and reinforcing a governance model in which environmental harm in host states is addressed through limited, localized remedies rather than systemic corporate reform.

By contrast, *Okpabi v Royal Dutch Shell Plc*, (60), marked a significant development in transnational environmental accountability. The UK Supreme Court held that a parent company may owe a duty of care to individuals harmed by the operations of its foreign subsidiary where it exercises significant control or assumes responsibility over material aspects of the subsidiary's operations, including environmental and safety policies. Rejecting a formalistic approach to corporate separateness, the Court emphasized factual control and operational influence rather than ownership alone. This ruling enabled Nigerian claimants to pursue litigation against Shell's UK-based parent company in English courts, signaling a shift toward piercing the corporate veil in cases of environmental harm linked to multinational enterprises.

Together, these cases demonstrate the evolution of judicial approaches to environmental accountability in the oil and gas sector. While *Farah* reflects the limitations of host-state litigation in delivering effective remedies for environmental injustice, *Okpabi* illustrates the growing willingness of home-state courts to assert jurisdiction and impose duties of care on parent companies. This jurisprudential shift is particularly significant in the context of mergers, acquisitions, and joint ventures, where complex corporate structures have historically been used to diffuse liability and externalize environmental risks onto vulnerable communities.

4. LEGAL AND REGULATORY FRAMEWORKS ENSURING ACCOUNTABILITY FOR ENVIRONMENTAL MISCONDUCT IN CROSS-BORDER OIL COMPANY MERGERS

Accountability for environmental misconduct in international oil company (IOC) mergers remains fragmented and uneven across jurisdictions, posing significant challenges to sustainability. At the international level, multilateral environmental agreements (MEAs) provide frameworks for compliance but often rely on facilitative mechanisms rather than binding sanctions. For example, The *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal* (61), obliges parties under Article 4(1) to ensure environmentally sound management of hazardous wastes and, under Article 4(2)(e), prohibits exports to countries lacking adequate disposal facilities. However, its compliance and liability mechanisms under the 1999 Basel Protocol are largely facilitative, limiting deterrence. Similarly, The *Paris Agreement*, (62) requires parties under Article 4 to prepare and submit nationally determined contributions, but its Article 15 compliance mechanism is explicitly "non-adversarial and non-punitive," weakening enforcement against corporations that exploit regulatory gaps in resource-rich but governance-weak states.

Domestic and transnational litigation has attempted to address these enforcement gaps. In Nigeria, *Shell Petroleum Development Company of Nigeria Ltd v Farah*, (59) imposed liability for oil spills, although compensation was minimal. In *Okpabi v Royal Dutch Shell Plc* (60), the UK Supreme Court held that Nigerian claimants could sue Shell's parent company in England, recognizing that parent companies owe a duty of care when exercising significant control over subsidiaries. In Ecuador, the Supreme Court upheld a \$9.5 billion judgment against Chevron for Texaco's toxic dumping, but enforcement was blocked in the United States in *Chevron Corp v Donziger* (53), illustrating the limitations of judicial accountability when corporate liabilities cross borders. These cases collectively show that while courts can pierce corporate veils and hold parent companies liable, effective enforcement often depends on jurisdictional reach and political will.

Emerging home-state accountability mechanisms offer new avenues to strengthen oversight. France's *Loi n° 2017-399 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre* (Duty of Vigilance Law) requires parent companies with more than 5,000 employees in France or 10,000 worldwide to implement vigilance plans identifying and mitigating environmental and human rights risks. Article 2 establishes civil liability for failure to comply. This framework was applied in *AFIEGO & Others v TotalEnergies SE* (55), where Ugandan NGOs challenged Total's Tilenga and EACOP projects. The French court's acceptance of jurisdiction demonstrates that home-state laws can supplement weak host-state enforcement, extend accountability across borders, and compel proactive corporate governance.

Scholars advocate for even stronger liability regimes, including the recognition of *ecocide* as an international crime. Proposed amendments to the Rome Statute of the International Criminal Court define *ecocide* as “unlawful or wanton acts committed with knowledge that there is a substantial likelihood of severe and either widespread or long-term damage to the environment,” potentially placing corporate officers and directors at risk alongside individuals responsible for genocide or crimes against humanity (63).

Despite these developments, enforcement gaps persist, as IOCs often use mergers, acquisitions, and joint ventures to minimize or obscure liabilities. The Exxon–Mobil merger of 1999 diluted reputational damage from the *Exxon Valdez* spill, while Chevron reframed Texaco’s liabilities in Ecuador as “legacy issues” and resisted enforcement through international arbitration. Similar strategies are observed in joint ventures, where shared ownership can diffuse responsibility for oil spills and gas flaring.(64) Strengthening accountability therefore requires embedding liability survival clauses in petroleum agreements, mandating environmental bonds and escrow accounts, and ensuring independent monitoring and public disclosure to prevent environmental harm from being externalized (65).

Overall, accountability mechanisms for IOCs are evolving from weak facilitative frameworks toward more robust judicial and legislative tools. However, enforcement remains inconsistent, and corporations continue to exploit jurisdictional and regulatory gaps. For countries such as Uganda, where oil exploration in the Albertine Graben threatens wetlands and communities, robust domestic laws, combined with transnational accountability mechanisms such as the Duty of Vigilance Law and potential recognition of *ecocide*, are essential to ensure environmental sustainability and prevent “liability dumping.”

5. THE EFFECTIVENESS OF THE LEGAL AND INSTITUTIONAL FRAMEWORK

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Effect of mergers on corporate policies and practices related to environmental compliance, sustainability, and ESG reporting

Mergers and acquisitions (M&A) in the international oil sector significantly influence corporate policies and practices relating to environmental compliance, sustainability, and ESG reporting. Empirical evidence suggests that M&A events can both enhance and undermine environmental governance, depending on how liabilities, corporate culture, and regulatory obligations are managed (66).

Mergers often introduce complex corporate structures that shift or obscure environmental responsibilities. For instance, the Exxon–Mobil merger of 1999 allowed Exxon to manage liabilities arising from the 1989 *Exxon Valdez* spill through litigation settlements, insurance, and trust funds, while

reputational risks were diluted by Mobil’s comparatively cleaner environmental record (26). In this case, ESG considerations were subordinated to financial and operational efficiency goals, illustrating how corporate restructuring can weaken the integration of environmental compliance into strategic decision-making (11). Similarly, Chevron’s acquisition of Texaco in 2001 enabled the transfer of decades-long environmental liabilities in Ecuador, with enforcement contested in U.S. courts (46). Post-merger, Texaco’s environmental impacts were reframed as “legacy issues,” while sustainability rhetoric was selectively deployed to protect the company’s market reputation (67). These examples demonstrate that mergers can prioritize liability minimization and shareholder interests over genuine environmental accountability.

At the same time, mergers can create opportunities to integrate more systematic ESG frameworks, especially when driven by investor pressure, regulatory expectations, or reputational risk management. The consolidation of resources allows companies to implement standardized ESG reporting protocols, centralize environmental management systems, and allocate budgets for sustainability initiatives. Studies show that ESG integration during mergers correlates with improved risk assessment and long-term firm resilience, particularly when boards of directors actively embed environmental risk into fiduciary duties (11). However, in practice, ESG reporting often remains symbolic or checklist-driven, focusing on compliance rather than substantive accountability. Financial and operational considerations frequently dominate merger negotiations, leaving sustainability initiatives under-resourced or inconsistently applied across merged entities(10).

Mergers also affect corporate culture, which has a direct bearing on environmental practices. Studies indicate that post-merger integration can weaken established environmental policies when the acquiring company’s culture prioritizes production efficiency over environmental stewardship. Conversely, firms with proactive ESG strategies can use mergers as a platform to harmonize environmental policies across subsidiaries, improve disclosure transparency, and implement independent monitoring mechanisms (16).

Legal and regulatory environments further shape the post-merger approach to ESG and environmental compliance. Home-state accountability laws, such as France’s Duty of Vigilance Law (2017), compel merged corporations to conduct comprehensive risk assessments and publish vigilance plans, while transnational litigation (55), holds companies accountable for environmental impacts abroad. These pressures encourage IOCs to integrate ESG standards into governance and reporting, yet the effectiveness of these mechanisms depends on enforcement rigor, regulatory alignment, and corporate commitment to sustainability.

Overall, mergers can both strengthen and weaken corporate environmental policies and ESG practices. When mergers are leveraged primarily to minimize liabilities or obscure responsibilities, environmental compliance and

sustainability are compromised. Conversely, when mergers are accompanied by proactive integration of ESG frameworks, transparent reporting, and board-level commitment, they offer an opportunity to institutionalize environmental stewardship across larger organizational structures. For regulators, investors, and civil society, the critical challenge is ensuring that mergers do not become mechanisms for liability dumping or symbolic ESG reporting, but instead promote genuine compliance, sustainability, and accountability.

6. FINDINGS

The study finds that mergers and acquisitions (M&A) in international oil companies (IOCs) significantly influence environmental compliance, sustainability, and corporate accountability, often with mixed outcomes. Key findings include:

- i. *Governance Gaps and Liability Shifting:* M&A frequently exacerbate governance weaknesses, enabling corporations to shift or obscure environmental liabilities. Cases such as the Exxon–Mobil merger (1999) and Chevron’s acquisition of Texaco (2001) demonstrate how mergers can dilute reputational and financial consequences while reframing long-standing environmental harms as “legacy issues”.
- ii. *Impact on ESG Integration:* While mergers present opportunities to standardize ESG practices and sustainability initiatives, in practice, integration often remains symbolic or compliance-oriented. Financial and operational considerations dominate, leaving genuine environmental stewardship inconsistent across merged entities.
- iii. *Effect on Vulnerable Communities:* From the perspective of Environmental Justice Theory, governance structures that fail to protect marginalized populations perpetuate inequities. These communities disproportionately bear the ecological and social burdens of oil operations, as evidenced in Nigeria (Shell–Chevron joint ventures), Ecuador (Texaco/Chevron), and Uganda.
- iv. *Judicial and Legal Mechanisms:* Courts and transnational litigation have partially mitigated these gaps. Landmark cases, including *Okpabi v. Royal Dutch Shell Plc*, *AFIEGO & Others v. TotalEnergies SE*, and *Chevron Corp. v. Donziger*, illustrate that parent company liability can extend across borders, though enforcement is often constrained by jurisdictional and political limitations. Home-state laws, such as France’s Duty of Vigilance Law (2017), show promise in strengthening accountability.
- v. *Corporate Culture and Practices:* Mergers affect organizational culture and operational priorities. When acquisitions prioritize efficiency and shareholder value, environmental compliance and

ESG practices are weakened. Conversely, mergers that integrate ESG frameworks into governance and reporting can institutionalize sustainability, improve transparency, and enhance long-term resilience.

- vi. *Policy Implications:* Without binding domestic and transnational accountability mechanisms, IOCs can use mergers to externalize costs, evade liability, and marginalize ESG commitments. Strengthening accountability requires proactive governance reforms, including liability survival clauses, mandatory environmental bonds, independent monitoring, and integration of sustainability into board-level fiduciary duties.

7. CONCLUSION AND RECOMMENDATIONS

The study concludes that while M&A can provide opportunities for enhanced ESG integration and sustainability, they often perpetuate environmental risk, weaken accountability, and exacerbate inequities, especially when corporate governance prioritizes financial returns over ecological and social responsibilities. Transnational legal frameworks, home-state laws, and robust domestic regulation are essential to ensure that IOC mergers do not become vehicles for environmental harm or liability dumping.

The study recommends a multi-level approach combining domestic legislation, home-state accountability, international law, and corporate governance reform. Only through coordinated action can mergers in the oil sector foster sustainability, enforce environmental justice, and prevent the exploitation of regulatory gaps.

- i. *Strengthen Domestic Regulatory Frameworks:* Host countries, especially emerging oil economies, should develop and enforce robust environmental laws that mandate comprehensive Environmental Impact Assessments (EIAs), pollution control standards, and liability management during mergers and acquisitions. Legal instruments should include liability survival clauses, environmental bonds, and mandatory remediation funds to prevent companies from shifting or minimizing obligations.
- ii. *Enhance Home-State Accountability Mechanisms:* Countries where IOCs are headquartered should adopt and enforce laws requiring transnational environmental responsibility. Laws similar to France’s Duty of Vigilance Law (2017) should be replicated or expanded to ensure parent companies are legally accountable for environmental and social harms caused by subsidiaries abroad. Courts should have jurisdiction to enforce risk management and remediation obligations across borders.

- iii. *Integrate ESG into Core Governance Practices:* Boards of directors should embed ESG considerations into fiduciary duties, ensuring that environmental and social risks are assessed, disclosed, and monitored during and after mergers. ESG reporting must move beyond symbolic compliance to become binding, transparent, and independently audited, linking executive compensation to verified sustainability outcomes.
- iv. *Institutionalize Environmental Justice Principles:* IOC mergers should explicitly incorporate environmental justice considerations, protecting vulnerable and marginalized communities from disproportionate ecological harm. Community engagement, equitable compensation, and participatory monitoring must be standard in post-merger operational frameworks.
- v. *Promote Transnational Legal Harmonization:* International frameworks such as the Basel Convention and proposals to recognize ecocide as an international crime should be strengthened and complemented by enforceable sanctions. Harmonization of environmental liability standards across jurisdictions will reduce opportunities for IOCs to exploit regulatory gaps and avoid accountability.
- vi. *Independent Oversight and Transparency Mechanisms:* Establish independent monitoring bodies, civil society participation, and public reporting platforms to track environmental compliance in mergers. Transparency initiatives should require full disclosure of environmental liabilities, ongoing remediation efforts, and ESG performance to ensure corporate accountability.
- vii. *Capacity Building and Institutional Support:* Host states should invest in technical, legal, and regulatory capacity to oversee mergers and enforce environmental compliance. Training regulators, strengthening courts, and collaborating with international institutions will mitigate risks of liability dumping and environmental degradation.
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