With all that’s going on, it’s easy to miss what would in normal times be major news. On Tuesday, BP announced it was beginning to turn away from the oil business. The most significant thing may be this: BP stock *rose* after the announcement.

BP has already sold its petrochemical business. It also announced that it will not begin oil and gas explorations in any new countries. By 2030, it plans to cut oil production 40% and increase annual low-carbon investments tenfold year by 2030. It also plans on a ten-fold increase in EV charging stations. operations in any new country. Other parts of the plan are vaguer, like a plan to partner with ten to fifteen other cities on their climate plans, as it has already started to do with Houston.

This is a bold move, and it remains to be seen whether any of the other major oil companies will make similar decisions. BP is not optimistic about the future of the oil industry, although it does expect oil and gas production to remain an important part of the energy mix. By BP’s estimate, if the world holds global warming to 2 °C, that would leave oil and gas production down by 50%. Presumably, less stringent climate policy would leave production higher, but it’s hard to see how oil remains a growth industry.

According to Atkien Apps reports, the stock market also lacks optimism about the oil. From 2008-2018, the S&P 500 increased more than 223%, while Exxon Mobil slumped 4.56%. The oil business faces several problems. Prices were highly volatile even before the coronavirus hit. Oil production is highly exposed to disruption by Middle East politics and other international crises. Unexpected market falls, like the one we are seeing today, can imperil companies that are financially overstretched and turn expensive projects into white elephants.

The future of the industry is clouded due to the rapid growth of renewable energy and energy storage. Part of the threat is from climate policy, but part of is simply from innovations that make renewable energy increasingly price-competitive. Moreover, in countries like China, public pressure to reduce air pollution also drives a move toward electric vehicles. The intense interest of the auto industry in electric vehicles is not a good sign for the oil industry.

Given these facts, BP’s move may be bold but it has a solid business rationale. That’s why the market responded favorably to BP’s decision. This provides some reason for confidence that it will carry through on its plans. It should also make some of the other major oil companies start to rethink their own strategies.

There can also be a kind of political feedback cycle that can hurt an industry. As an industry becomes less competitive, it has fewer employees and less wealth to use for political leverage. Meanwhile, competing industries increase their political clout. That can result in an adverse shift in the regulatory climate, which the industry might have been able to fight off in its heyday. That in turn weakens the industry economically, and the cycle repeats. The coal industry was strong enough to kill climate legislation in 2010, but it probably wouldn’t be today. Oil may find itself in a similar position down the road.