

# Oil and Gas Project: Expert Advisory Group Review Evaluation Report

January 2023

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# 1 EXECUTIVE SUMMARY

This report summarizes the input received from an oil and gas (O&G) expert advisory group (EAG) convened by the Science Based Targets initiative (SBTi). The EAG evaluated specific technical and methodological issues related to the development of an O&G science-based target setting methodology. The conclusions outlined in this report will assist the SBTi in defining the further activities and research needed to progress the methodology.

In 2019, the SBTi initiated its O&G Project to develop methods and guidance to enable science-based target-setting in the sector. The project aims to allow stakeholders, companies, investors, governments and civil society to understand the alignment of O&G companies' emissions reduction targets with the level of transformation required to meet the temperature goals of the Paris Agreement.

Work on the O&G Project continued throughout 2020 and 2021, including publication of [draft guidance](#), a public consultation phase from August to October 2020 and a technical review process from September 2020 to March 2021. The consultation and review raised several key outstanding issues to overcome before guidance can be developed for this sector.

In September 2022, the SBTi published the [O&G Project Interim Report](#),<sup>1</sup> providing more detail on the project to date and detailing the key issues to be evaluated by the EAG.

To help address the remaining issues outlined in the Interim Report, the SBTi appointed Mott MacDonald to convene an EAG in 2022. The aim of the process was to draw on expert knowledge to develop a series of recommendations for the SBTi to help overcome the outstanding issues. The members of the EAG were selected to provide the range of expertise required on the key remaining issues. More details on the selection of the EAG and the final members chosen can be found in Section 2. The EAG conducted its reviews over two months between August and October 2022, consisting of attendance at topic-focused review sessions and population of a tailored evaluation form.

The EAG process provided clarity and recommendations on many of the key outstanding issues. The findings from this process are analyzed and summarized within this report. The EAG review has also highlighted some gaps that may require further work during the next steps of the O&G project. The outcomes of the EAG review are summarized below in order of least to most effort.

## No changes required

Areas where the EAG agrees with the proposed approach in the draft guidance and therefore suggest no further action is required (low effort for resolution):

<sup>1</sup> The Oil and Gas Project was previously called the Oil, Gas and Integrated Energy (OGIE) Project. The project name was changed ahead of the publication of the Interim Report to ensure more widespread understanding of the sectoral focus of the project. The project remit still includes integrated energy companies as defined in Interim Report.

- The SBTi proposes the Well-to-Wheel (WTW) methodology to account for both upstream and downstream emissions from the use of sold products. This methodology requires a progress indicator which relates to products and their energy content, in which there are various accounting approaches which could be used. The EAG agreed that the proposed accounting approach in the draft guidance for measuring energy in sold products is appropriate for the WTW methodology. In addition, the EAG also agreed on the proposed approach to acknowledging the substitution potential of fossil fuels for electricity. As a result, no change is suggested for the WTW methodology.
- There are two accounting methods mentioned within the draft O&G guidance by which product volumes can be calculated along the value chain. The proposed methodology for use by companies in the O&G sector is the net value chain accounting methodology. The chosen accounting methodology is important due to its direct impact on emissions reporting. The EAG agreed with the SBTi's proposed approach (to use net value chain accounting) for scope 3 volume accounting for integrated O&G companies.

### Suggested improvements

Areas where the EAG suggests improvements to the draft guidance and provides direction on what the changes should be (medium effort for resolution):

- Within the draft guidance, O&G companies operating within the downstream sector are only required to set an intensity target to capture demand-side emissions. The EAG suggests that the guidance should include the addition of an absolute emissions target covering these emissions.
- The approach in the draft guidance is to allow for flexibility in which quantitative indicator companies choose to measure progress against their targets. Though little consensus was given on whether flexibility or comparability of company progress indicators is preferable, the EAG suggested that the SBTi could specify a preferred approach to increase consistency across the sector.
- The draft guidance includes a set of figures which explain the scope of applicability of the guidance and detail any exclusions. The EAG agreed that the guidance should be described as covering O&G companies operating within transportation and storage parts of the value chain. However, this is currently excluded from the draft guidance.
- The existing [SBTi Criteria](#) includes a requirement specific to companies that derive less than 50% of their revenue from fossil fuel activities, as these companies are able to set targets under the SBTi Criteria. The requirement is for these companies to set targets for scope 3 use of sold products (USP) emissions (irrespective of total scope 1, 2 and 3 emissions). Given the requirement's applicability to Transmission and Distribution (T&D) companies in the O&G sector, the EAG state a preference for this requirement to be explicitly referenced within the O&G guidance.

## Further evaluation suggested

Areas where the EAG suggests further evaluation is required before further development of the guidance (medium to high effort for resolution):

- O&G companies operating within the midstream sector are only required to set an intensity target for demand-side emissions. There was little consensus on whether also including a requirement to set absolute emissions targets for these emissions would lead to greater climate alignment. This is an avenue the SBTi may consider further before finalizing its stance. Since existing overarching requirements of the SBTi mean that intensity targets must also lead to absolute emissions reductions, the SBTi may consider whether making this overarching requirement more explicit within the O&G guidance would be sufficient.
- As mentioned above, there was little consensus on whether flexibility or comparability of company progress indicators is preferable. It is therefore suggested that SBTi conducts additional research or applies user testing to assess whether retaining flexibility presents a tangible risk to climate alignment.
- Within the draft guidance, the SBTi allows Integrated Energy Companies (IECs) and upstream O&G companies to set targets on supply-side emissions using three different methodologies. One of these is an economic method developed by the Carbon Tracker Initiative, which allocates potential future production, assuming that demand is met by the lowest cost projects available. The EAG recognized that this is a suitable method to set targets. However, it also expressed value in having additional resources and tools to better understand and use this methodology.
- Given the EAG's preference to set disaggregated scope 1, 2 and 3 targets, it is important that existing issues around the lack of available and detailed scenarios to assist with the setting of scope 1 and 2 targets are overcome.
- As noted above, the EAG agreed on the proposed accounting approach for measuring energy in sold products for the WTW methodology. However, further research, justification and information to support this approach would be beneficial additions to the guidance.
- As noted above, the EAG agreed with the proposed approach for scope 3 volume accounting for integrated O&G companies. However, further research and/or guidance addressing the concerns and loopholes outlined by the EAG would add value to the guidance.
- The scope of the draft guidance does not cover the coal value chain. The EAG notes that it would prefer guidance and/or criteria to be provided to cover this industry. However, this would require additions to the guidance as the EAG does not think the current guidance would be suitable for use in the sector as it stands.
- The EAG expressed a desire for the addition of qualitative criteria to the O&G guidance (e.g. criteria on no new fossil fuel capacity, phase down of existing and planned fossil fuel assets and divestment from fossil fuel assets). Note that the SBTi is currently in the process of developing its fossil fuel policy for financial institutions (FIs), which may result in various qualitative criteria.

Any qualitative criteria provided as part of the O&G guidance should align with those proposed for FIs.

Overall, the input from the EAG has provided the SBTi with clear guidance and recommendations to inform subsequent stages of this project. Therefore, the imminent next step in the development of the O&G sector guidance is for the SBTi to consider the findings presented in the report and take actions to resolve areas that need further evaluation.

**Note that future drafts of the O&G guidance may not reflect all outcomes detailed within this report as the SBTi reserves the right to make any final decisions as it progresses through its development process and receives further internal and external consultation.**



## 2 THE EXPERT ADVISORY GROUP PROCESS

### 2.1 Introduction

As noted within the recently published [O&G Project Interim Report](#), the SBTi commenced its O&G sector project in 2019. Since the commencement of the project, the SBTi has developed its [draft guidance](#), which was subject to public consultation and debated within the SBTi's Technical Working Group (TWG). As further noted within the Interim Report, these activities uncovered key outstanding issues that required resolution to further develop the SBTi's O&G sector guidance. To progress with the project, the SBTi commissioned Mott MacDonald to convene an EAG. The EAG conducted an expert review and provided advice and guidance on these topics over the duration of two months in 2022.

It should be noted that the EAG was designed to provide a different function than the previously convened TWG. While the TWG consisted of 20 organizations covering different sector stakeholders, the purpose of the EAG was to provide a more focused input from a smaller group of individuals, concentrating selected expertise around the key outstanding issues. The scope of input from the EAG was therefore specifically for this defined task. This may vary from how EAGs are used in other SBTi projects.

This report builds upon the Interim Report by presenting the findings of the EAG review in the form of suggested actions. While not all issues raised in the Interim Report are addressed here, those where the SBTi solicited additional input from the EAG are included.

### 2.2 Objectives

In August 2022, the SBTi and Mott MacDonald convened an EAG to provide expert advice on a selection of key outstanding issues within the O&G guidance. The objectives of the EAG were to:

- Review the O&G sector draft methods and guidance alongside other key materials made available (such as the Interim Report).
- Advise the SBTi on specific, actionable suggestions for resolution of key issues.

The purpose of this report is to synthesize the outcomes of the EAG process, providing a series of actions that the SBTi could take to further develop the O&G guidance.

### 2.3 Members

The EAG was made up of nine members, balancing expertise relevant to the specific technical and methodological issues identified in the Interim Project Report with a broader strategic appreciation of the requirements of SBTi O&G guidance. The EAG was selected with the aim of securing representation across industry, finance, academia and other independent / analytical organizations,

with expertise across the O&G value chain. When convening the EAG, consideration was given to providing a balance of stakeholder categories, geographical diversity and gender.

The EAG members for the O&G project are:



**Ramiro Fernandez**  
Race to Zero



**Mike Coffin**  
Carbon Tracker  
Initiative



**Laetitia Pirson**  
Ceres



**John Scott**  
Zurich Insurance  
Group



**Heidi Westlake**  
Origin Energy



**Michelle Horsfield**  
Sumitomo Mitsui  
Banking Corporation



**Bobbie Thoman**  
NOCO Energy  
Corporation



**Krista Halttunen**  
Imperial College  
London



**Deborah Gordon  
and colleagues**  
RMI

Note that in some instances, several representatives from the same organization were consulted during the completion of the evaluation form. This was at the discretion of the EAG member.

### Disclaimer

The input provided by the EAG is non-binding. The EAG has not developed or approved the final draft of the guidance and methodologies, which is yet to be developed. The SBTi reserves the right to make any final decisions as it progresses through its development process and receives further internal consultation.

## 2.4 Key activities

The duration of the EAG review process was two months, taking place between August and October 2022. During this time, EAG members were expected to undertake their review and complete an evaluation form. The evaluation form consisted of several questions relating to each of the key outstanding issues requiring resolution. The evaluation form was based on a series of focused, closed questions, supplemented by open questions, with a requirement for accompanying justifications, comments and recommendations. The assessment questions were broadly based around three



elements of the draft guidance: alignment with climate science, feasibility of implementation and clarity of expression. Through exploring each of these elements, the evaluation aimed to narrow down the issues to specific areas and seek recommendations for their resolution.

In addition to completing and returning an evaluation form, EAG members were invited to participate in the following activities:

- An online kick-off session at the beginning of the review period outlining objectives, actions and expectations.
- Two topic-focused discussion workshops which were held towards the end of the review period. The workshops provided an opportunity to discuss key issues with each other and the SBTi, before EAG members finalized their reviews.

The following chapters of this report summarize the outcomes of the EAG review process, providing comments to the SBTi on potential next steps to resolve the outstanding issues. A more detailed overview of the methodology and analysis of responses from the EAG is provided within the appendices.

### 3 SUGGESTED ACTIONS

The analysis of the EAG responses has resulted in several outcomes that the SBTi can action to progress the development of its O&G guidance, summarized in Table 3-1 below. Further detail and justification of these outcomes is available in the report appendices.

The suggested actions are presented purely for consideration based on EAG feedback. During the next steps of the project, the SBTi will follow its usual extensive review and consultation procedures, which may lead to alternative actions being proposed.

Table 3-1: Summary of suggested actions

Topic	Sub-topic	Suggested Actions	Justification
Intensity vs Absolute	Downstream company targets	Climate alignment: Require downstream companies to set demand-side absolute emissions reduction targets.	<p>The EAG indicated a desire for a requirement to set absolute targets reflecting demand-side emissions for downstream companies. It was noted that absolute targets could be a tool to incentivize dialogue with energy consumers to facilitate behavior change.</p> <p>Most of the EAG agree that absolute targets will be feasible to achieve. It was noted that downstream companies have sufficient options to take credible action, without forcing a managed decline business model.</p>
	Midstream company targets	Climate alignment: Further evaluation is required to understand whether an additional absolute target on demand-side emissions will help ensure climate alignment for midstream companies.	<p>There was no consensus on whether the current approach to only require an intensity target for companies operating in the midstream sector will ensure climate alignment. There was also no consensus on whether such a target would be feasible for midstream companies to achieve. Those of the EAG in favor of the absolute target expressed that this would help enable alignment across the value chain and could be a valuable tool for managing scope 3 emissions from refiners.</p>

Topic	Sub-topic	Suggested Actions	Justification
			Those opposing the target expressed that this adds complexity and that midstream companies hold less influence to reduce emissions. A recommendation was provided to introduce a phased approach (moving to absolute targets in the long-term). Noting that existing requirements of the SBTi mean that intensity targets must also lead to absolute emissions, the SBTi may consider whether making this more explicit within the guidance would be sufficient to achieve the aims of explicit absolute targets.
Value Chain Target Location	Least Cost Methodology (LCM)	Climate alignment: The SBTi to consider the recommendations and comments from the EAG to update the resources on the LCM.	The EAG indicated that the LCM approach is a suitable method. However, they suggested it would benefit from further updates and transparency to increase its robustness. Some key areas of feedback include updating the method to consider geopolitical implications and providing transparency over the underlying economic and other assumptions. Various recommendations were provided by the EAG on how to overcome limitations to the method, including some options for alternative target setting.
		Clarity and feasibility: The SBTi to evaluate whether adequate resources exist for companies to utilize the LCM in setting a fair target. The EAG suggested that data sources behind the LCM should be provided and guidance on using this methodology to be as clear as possible (if adequate resources do not exist, the SBTi may wish to consider collaboration with the Carbon Tracker Initiative or other parties).	Most of the EAG disagreed that the guidance provides sufficient detail and clarity on the assumptions and methodological approach of the LCM, with many stating it is not feasible for companies to set LCM supply-side targets using the resources available. The EAG requested that additional detail should be provided on the assumptions and datasets used for the LCM. This could include resources to aid companies setting targets using this methodology (e.g. a calculation sheet).

Topic	Sub-topic	Suggested Actions	Justification
Disaggregation of Targets by Scope	Scope 1 and 2 emissions targets	Climate alignment: The SBTi to require targets to be disaggregated by scope. However, given that the setting of operational scope 1 and 2 targets for upstream and midstream activities is affected by a lack of available and detailed scenarios at present, further evaluation would be required to develop scope 1 and 2 methodologies accordingly.	<p>The EAG had a split opinion on whether the requirement set out in the Net-Zero Standard on combined targets is sufficient to drive the right behavior when applied to O&amp;G companies. However, the EAG expressed a preference toward disaggregating targets by scope, noting that although the Net-Zero Standard allows combined targets, it still requires individual components to be assessed. Importance was therefore placed on the ability for individual components of targets to be made available for review.</p> <p>The EAG had a strong preference away from allowing for flexibility in the methodology to adapt scenarios for scopes 1 and 2, therefore requiring further evaluation to be conducted on finalizing this element of the guidance.</p>
Company Progress Indicators	Flexibility of progress indicators	Climate alignment: Further evaluation is required to understand whether flexibility between company progress indicators would negatively impact climate alignment. If the SBTi chooses to retain flexibility, stating a preferred methodology and company progress indicator would improve clarity.	<p>The EAG had a split opinion on whether maintaining flexibility in the progress indicator would lead to climate alignment. It was noted that allowing for flexibility could mean that overall sector targets are missed. However, some EAG members noted that the SBTi's validation of targets would mitigate against risks of companies setting targets that are not transparent or ambitious enough. Although there was a split opinion, the EAG did agree that directly comparable progress indicators would improve transparency and would not decrease feasibility of setting the targets. It was recommended that flexibility could be retained in the short-term (with clarity on a preferred option) and the guidance could move towards more prescriptive methodologies in the longer term.</p>

Topic	Sub-topic	Suggested Actions	Justification
Accounting Inclusions	Secondary energy accounting	Climate alignment: Secondary energy accounting for the WTW methodology to be retained. However, the SBTi should consider whether further information and/or research is required to support the use of this approach based on EAG recommendations.	The majority of the EAG agreed that the use of secondary energy for measuring energy in products sold is appropriate in the WTW methodology. The EAG agreed with this approach as it is less subject to methodological choices and is easier to integrate into total final consumption than primary energy. However, some EAG members acknowledged limitations of this method and provided various recommendations for consideration that could be undertaken to support the use of secondary energy accounting.
	Partial substitution method	Feasibility: The SBTi to provide or reference suitable assumptions and efficiency factors to assist with using the partial substitution method, which could be used where company or region-specific data is not available.	The top response of the EAG was to agree that the use of the partial substitution method for calculating the energy content of electricity is appropriate in the WTW methodology. However, those in agreement with this approach generally recommended that more information is required to assist companies in using the partial substitution method.
Net vs Full Value Chain Accounting	Net value chain accounting	Climate alignment: Net value chain accounting to be retained, however further evaluation is required to address the concerns and loopholes raised over this approach (see EAG recommendations).	The majority of the EAG agreed that net value chain accounting will lead to climate alignment despite diversion from the Greenhouse Gas Protocol. In addition, the majority also agreed that organizations would be able to collate the required data for this accounting approach.  Benefits of this approach include its ability to align accountability with responsibility. However, there was a split opinion on whether this accounting approach would allow targets to be achieved without real emissions reductions. Concerns were raised, such as misrepresenting true emissions. However, some recommendations were made to mitigate some of these risks.

Topic	Sub-topic	Suggested Actions	Justification
Subsectors Not Currently Covered	Target setting for the coal value chain	Climate alignment: The SBTi to develop guidance and/or recommendations to cover the coal value chain.	There was no consensus among the EAG on whether the draft guidance as is could be extended to the coal value chain. Where the EAG provided comments on this matter, it was indicated that the coal value chain requires its own methodology.
		Climate alignment: No change required to the build-of scenarios (even though they include the coal value chain).	There was a slight agreement that the build-up of scenarios does not need to include the coal value chain and will not impact upon the climate alignment of target setting.
	Target setting for transportation and storage companies	Climate alignment: The SBTi to extend O&G guidance to include companies operating within transportation and storage.	There was little consensus among the EAG on whether the draft guidance as is could be extended to O&G transport and storage companies. However, the most common response was to agree. There was some consensus that midstream companies “can and should” apply the O&G guidance, suggesting this has particular importance when setting intensity targets.
	Relevant criteria for Transmission and distribution (T&D) companies	Clarity: The SBTi to reference its existing requirement for T&D companies’ scope 3 Use of Sold Products (USP) emissions within its O&G guidance.	There was agreement that scope 3 USP emissions are applicable to gas T&D companies, and so the requirement should be explicitly referenced within the O&G guidance. This was noted to be especially important given that the guidance refers to IECs.



Topic	Sub-topic	Suggested Actions	Justification
Other Qualitative Targets	Qualitative target development	<p>Climate alignment: The SBTi to develop its criteria on the following (see suggestions provided by the EAG):</p> <ul style="list-style-type: none"> <li>No new fossil fuel capacity.</li> <li>Phase down of existing and planned fossil fuel assets.</li> <li>Divestment from un-aligned fossil fuel assets.</li> </ul> <p>The SBTi to consider EAG comments and decide on whether these criteria are required or recommended.</p>	<p>There was agreement among the EAG that the guidance should be supplemented by further qualitative criteria:</p> <ul style="list-style-type: none"> <li>No new fossil fuel extraction: it was suggested that qualitative criteria to this effect would be clear and could lead to similar or more beneficial outcomes than the LCM. However, it should be noted that there may still be requirements for some fossil fuel infrastructure and so should be limited to upstream activities. Further recommendations were made to address some of the nuances and concerns.</li> <li>Phase down: EAG members recognized the importance of phase down requirements. However, this should have careful consideration to unintended consequences such as stranded assets from divestment.</li> <li>Divestment: EAG members shared concern around avoiding leakage of emissions from divestment and some recommendations were made on how to navigate this.</li> </ul> <p>It was noted that the SBTi could consider qualitative targets as voluntary, with focus to retain on quantitative targets which could achieve the same impact.</p>
	Qualitative target location	<p>Clarity: Qualitative criteria to be added to the O&amp;G guidance (as opposed to a separate framework).</p>	<p>The majority of the EAG disagreed with the suggestion that the qualitative criteria should be addressed within a separate framework. The EAG commented that obtaining the criteria within the O&amp;G guidance itself would provide clarity and would set a stronger precedence on the position of the SBTi.</p>

## 4 NEXT STEPS

This section provides an overview of recommended next steps for the SBTi to further develop its O&G sector guidance. The SBTi will evaluate the outcomes and recommendations emerging from this report during the next phase of the project and will publish an updated project plan in early 2023. This may include additional public consultation. Further announcements on plans to develop the guidance will be communicated on the SBTi website.

### 4.1 Recommended actions

Emerging from the EAG review are some actions that are likely to require only a small amount of effort in the development of the O&G guidance. These are grouped into two categories, the first is where the recommended outcome is to maintain the approach as it currently stands within the draft guidance, the second details any instances where additions to the draft guidance are suggested but are not expected to involve a significant level of additional effort to achieve.

#### Maintain current guidance

- Maintain the use of secondary energy accounting for the WTW methodology.
- Maintain the use of the partial substitution method.
- Maintain net value chain accounting for the scope 3 USP methodology.

#### Additions to current guidance

- Add a requirement for downstream companies to set demand-side absolute emissions reduction targets.
- State the SBTi's preference regarding company progress indicators.
- Extend the guidance to cover O&G companies operating within transportation and storage.
- Explicitly reference the SBTi's existing criteria on T&D company scope 3 USP emissions (available in its Net-Zero Standard for Corporates) within the O&G guidance.

### 4.2 Areas for further evaluation

The EAG suggests that the SBTi further evaluates some areas to further develop its O&G guidance. These are summarized below.

- **Absolute targets** (specifically to understand whether an additional absolute target on demand-side emissions will help ensure climate alignment for midstream companies).
- **Company progress indicators** (specifically to understand whether flexibility between company progress indicators would negatively impact climate alignment).
- **Least Cost Methodology** (specifically relating to improvement to transparency of assumptions, data availability and tools to assist O&G companies in target setting).

- Development of **scope 1 and 2 methodologies** for the O&G sector.
- Further research, justification and information to support the recommendation of using **secondary energy accounting** for the WTW methodology, including an example of applying primary to secondary transformations for the use of scenarios.
- **Net Value Chain accounting** (to address the concerns and loopholes outlined by the EAG for this approach).
- **Coal value chain** (recommendations for guidance to cover coal value chain).
- **Qualitative criteria** (development of criteria on no new fossil fuel capacity, phase down of existing and planned fossil fuel assets, and divestment from fossil fuel assets). Note that the SBTi is currently in the process of developing its fossil fuel policy for financial institutions (FIs) that will likely result in various qualitative criteria. Any qualitative criteria provided as part of the O&G guidance will need to reflect those proposed for FIs. This will be especially important to help O&G companies signal whether they meet the SBTi requirements FIs are subject to.

## 5 APPENDIX: SUMMARY OF O&G EAG REVIEW METHODOLOGY AND RESULTS

### 5.1 Oil & Gas guidance expert review methodology

The EAG was set up to review the draft methods and guidance - along with the Interim project report, evaluation form and supporting case-studies – and advise the SBTi on the resolution of key issues to enable the guidance to then be further developed. The review took place between August and October 2022. The expert review started with a kick-off session to share key documents and familiarize EAG members with key issues, the evaluation form and case studies. The EAG then had approximately six weeks to complete their evaluation forms. During this time there were two topic-based workshops with key SBTi colleagues, to allow the EAG members to ask questions on and discuss topics of their choice.

#### 5.1.1 Member selection

The EAG was set up to balance expertise relevant to the specific technical and methodological issues identified in the Interim Project Report with a broader strategic appreciation of the requirements of SBTi O&G guidance. Participation in the EAG was on a voluntary basis. The following areas of expertise were targeted when selecting EAG members:

1. Global emissions pathways consistent with 1.5°C, with no or limited overshoot (e.g. IPCC P1, P2 pathways), implications for global carbon budgets and impacts of differing levels of CCS / CDR.
2. Global energy system pathways consistent with 1.5°C (e.g. IEA, IPCC) including roles of O&G across different sectors through to 2050.
3. Approaches to carbon capture and storage (CCS) and removing greenhouse gases (GHGs) from the atmosphere (e.g. BECCS, bioenergy supply and CDR) – including potential deployment rates, limitations and GHG accounting approaches.
4. Detailed knowledge of various allocation methodologies proposed in the SBTi draft methods and guidance paper (e.g. Well-to-Wheel, Least Cost, Sector Decarbonization Approach, etc.)
5. Corporate GHG accounting standards and frameworks, including the GHG Protocol and the SBTi Net-Zero Corporate Standard.
6. Requirements of the investment community, including transition risk (e.g. TCFD), and the potential use and application of the SBTi's standards for mobilizing investment and guiding investment decisions.
7. Requirements of NGO and civil society communities (e.g., transparency, clarity etc.).
8. Integrated energy company operations, business models, emission reporting and transition modes.
9. Upstream O&G operations, business models, emission reporting and transition modes.
10. Midstream O&G operations, business models, emission reporting and transition modes.
11. Downstream O&G operations, business models, emission reporting and transition modes.

A list of potential candidates was created between the SBTi and Mott MacDonald, utilizing the extensive networks of both organizations. The panel structure was broken down into different ‘positions’ to ensure a diverse and representative set of individuals, organizations and skills would be included. There was an expectation that 8-12 members would be selected. For each place, several names were put forward, with priority based on suitability and representation. Candidates were contacted in order of preference until each ‘position’ was filled with a suitable and available individual. In most cases, the priority candidate accepted the position.

### 5.1.2 Members

The EAG was made up of nine members, balancing expertise relevant to the specific technical and methodological issues identified in the Interim Project Report with a broader strategic appreciation of the requirements of SBTi O&G guidance. The EAG was selected with the aim of securing representation across industry, finance, academia and other independent / analytical organizations, with expertise across the O&G value chain. When convening the EAG, consideration was given to providing a balance of stakeholder categories, geographical diversity and gender.

The EAG members for the O&G project include:



**Ramiro Fernandez**  
Race to Zero



**Mike Coffin**  
Carbon Tracker  
Initiative



**Laetitia Pirson**  
Ceres



**John Scott**  
Zurich Insurance  
Group



**Heidi Westlake**  
Origin Energy



**Michelle Horsfield**  
Sumitomo Mitsui  
Banking Corporation



**Bobbie Thoman**  
NOCO Energy  
Corporation



**Krista Halttunen**  
Imperial College  
London



**Deborah Gordon  
and colleagues**  
RMI



Note that in some instances, several representatives from the same organization were consulted during the completion of the evaluation form, this was up to the discretion of the EAG member.

### Disclaimer

The input provided by the EAG is non-binding. The EAG has not developed or approved the final draft of the guidance and methodologies, which is yet to be developed. The SBTi reserves the right to make any final decisions as it progresses through its development process and receives further internal consultation.

### 5.1.3 EAG evaluation form

To inform the expert review, an evaluation form was prepared to provide a structured framework for capturing expert feedback in a way that would result in suggested actions. It comprised a series of both closed and open questions, focused on the key outstanding issues identified in the Interim Project Report. The form included several case studies to illustrate how the proposed O&G guidance would apply to different types of company.

This evaluation form addressed key outstanding issues which the SBTi need to resolve to further develop the O&G guidance. The assessment questions were broadly based around three elements of the draft guidance: alignment with climate science, feasibility of implementation and clarity of expression. Through exploring each of these elements, the evaluation aimed to narrow down the issues to specific areas and seek recommendations for their resolution.

Each topic in the form was typically structured in the following way:

1. The relevant part of the guidance.
2. The issue to which the SBTi seeks resolution.
3. The proposed options for resolution (where applicable).
4. Assessment questions based on a series of focused, closed questions, with a requirement for accompanying justifications.
5. Open response questions for commentary and recommendations.

All members of the EAG returned completed evaluation forms. These were analyzed both through the quantification of the closed questions and thematic analysis of the open responses and justifications. The result of this analysis is detailed in following sections.

### 5.1.4 Role of Mott MacDonald

Mott MacDonald was appointed to support the SBTi to engage and facilitate the expert review of the current draft O&G guidance. Mott MacDonald worked with the SBTi to:



- Produce an Interim Project Report to summarize the progress to date of the SBTi's O&G project.
- Convene and facilitate the EAG.
- Develop hypothetical case studies to assist with EAG review of the draft guidance and methodologies.
- Design an evaluation form to collate structured feedback from the EAG.
- Deliver a final summary report on the outcomes of the EAG review, based on analysis of responses.

## 5.2 Intensity vs. absolute targets

### 5.2.1 Questions posed

As explained within the [Project Interim Report](#), the outstanding issue on this topic concerns whether absolute targets that reflect change in final demand should be required (in addition to intensity targets) to ensure action is aligned with climate science. To resolve this issue, the following challenge statements/ questions were posed, and the opportunity was provided to provide justification and recommendations for each of these questions:

#### Climate alignment

- An intensity target reflecting demand-side emissions is sufficient to ensure climate alignment for O&G companies operating within the midstream sector. Therefore, an additional absolute emissions target reflecting demand-side emissions is not required for the midstream sector. Is an additional absolute emissions target reflecting demand-side emissions required for the midstream sector?
- An intensity target reflecting demand-side emissions is sufficient to ensure climate alignment for O&G companies operating within the downstream sector. Therefore, an additional absolute emissions target reflecting demand-side emissions is not required for the downstream sector. Is an additional absolute emissions target reflecting demand-side emissions required for the downstream sector?
- Are there any other risks to ensuring climate alignment of targets associated with intensity target setting in the guidance as it stands? Could this be mitigated through an additional absolute target requirement? What (other) recommendations would you make to mitigate these risks?

#### Feasibility

- It is not feasible for a midstream company take credible action to meet this target.
- It is not feasible for a downstream company to set an absolute target in addition to an intensity target and take credible action to meet this target.
- Do you have any further comments or recommendations on the feasibility for organizations to set ambitious yet achievable absolute and/or intensity targets?

## Clarity

- Does anything need to be clarified in the guidance to make these targets easier for organizations to understand?

## 5.2.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

### Climate alignment

- There was no consensus among the EAG as to whether an intensity target reflecting demand-side emissions is sufficient to ensure climate alignment for O&G companies operating within the midstream sector. 44% of the EAG agreed and 44% disagreed.
- The top response (44%) of EAG members was to disagree that an intensity target reflecting demand-side emissions is sufficient to ensure climate alignment for O&G companies operating within the downstream sector (33% of the 44% 'somewhat' disagreed). This suggests that an additional absolute emissions target reflecting demand-side emissions is required for the downstream sector would help to ensure climate alignment.

### Feasibility

- The majority (67%) of the EAG disagree that it is not feasible for a downstream company to set an absolute target on demand-side emissions, in addition to an intensity target, and take credible action to meet this target. This supports the conclusion above that a demand-side absolute target should be required for these companies.

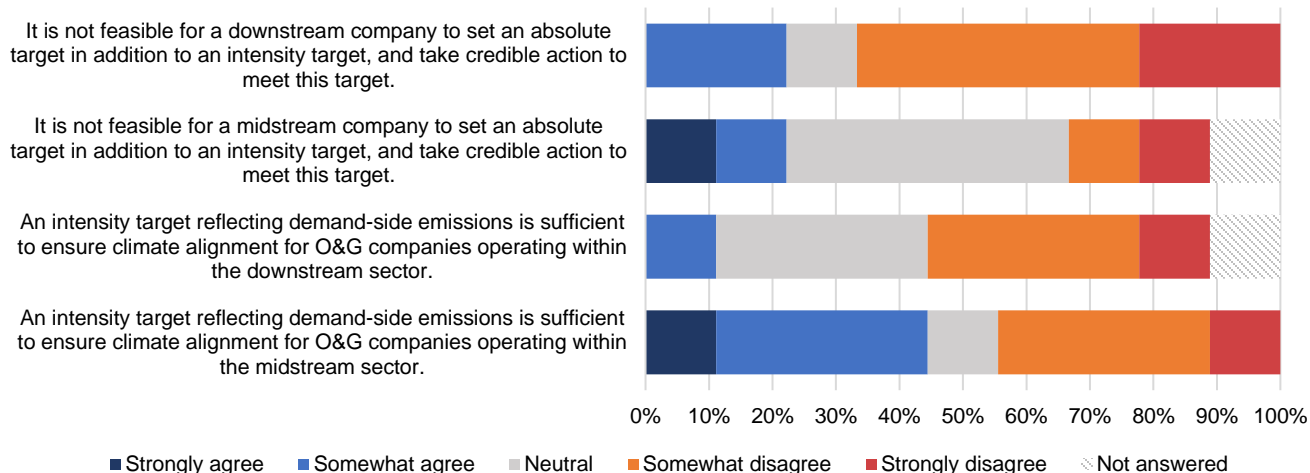


Figure 5-1: EAG results for intensity vs absolute targets

## 5.2.3 Themes of feedback

### Midstream

The response from EAG members on whether to include a demand-side absolute target for midstream companies was split. Those supportive of an intensity target (with no absolute target) stated that the scope of action midstream companies can adopt to influence intensity in the O&G value chain is less restricted than for absolute emission reductions (which could be seen as the responsibility of regulators rather than commercial businesses). The emissions produced by these midstream companies are generally lower compared to downstream companies, and therefore intensity targets should also be adequate to lead to sufficient absolute emissions reductions. It was also noted that omitting this extra absolute reduction target simplifies the guidance, enabling easier and wider adoption by the companies. Furthermore, some EAG members noted that it may be challenging for midstream companies to take credible action to meet such a target. Barriers including market regulations, changing demands for different types of fuel and how refineries are operated, would all need to be accounted for and overcome.

Several EAG members opposed this view, noting that absolute targets are important for scope 3 emission reductions, and would help to enable alignment across the O&G value chain (between upstream, midstream and downstream companies). Additionally, although recognizing that refiners have limited options to transition (through managed decline), setting absolute emissions targets could be particularly useful for managing scope 3 emissions from refiners.

A recommendation was made for a phased approach, whereby intensity targets are acceptable in the short term, followed by absolute targets when viable. It should be noted that the SBTi currently requires intensity targets to result in absolute reductions, which should mitigate some risks associated with not having an absolute emissions target in the short-term.

### Downstream

The EAG was primarily in favor of downstream companies setting absolute emissions targets on demand-side emissions. It was noted that downstream companies have the capacity to offer renewable and bio-based products to achieve emission reductions, however this diversification may not result in absolute reductions. Absolute targets can therefore help guarantee these reductions are made. Additionally, an absolute target could incentivize dialogue with energy consumers to facilitate the required behavior change at a consumer level.

There is a high degree of confidence that most downstream companies have sufficient options and tools to set absolute targets and take credible action to meet the target. Downstream companies should have the capability to garner sufficient influence over fuel supply and the product mix sold to end users to meet absolute targets without a managed decline business model. However, an opposing view from the EAG suggested that the requirement of such absolute targets may drive managed decline, which risks consolidating emissions in a few large downstream operators.

Some challenges to feasibly meeting an absolute target on demand-side emissions noted by the EAG include:

- It is not straightforward to reach absolute emissions reductions in industries where production is expected to dramatically increase (such as petrochemicals).
- While downstream companies have options to reduce demand-side emissions (e.g. by distributing biobased or renewable fuels or providing EV chargers) they lack the same degree of control that they have over operational emissions.

### Providing clearer guidance

It was noted that downstream criteria could be split between oil and gas to increase clarity. In addition, consistency between the unit of measurements used among companies so that is applicable for the end use could also help to streamline the process.

### 5.2.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with developing the guidance.

*Table 5-2: Suggested actions for intensity vs absolute targets*

Suggested Actions	Justification
<p><b>Climate alignment: Require downstream companies to set demand-side absolute emissions reduction targets.</b></p>	<p>The EAG indicated a desire for a requirement to set absolute targets reflecting demand-side emissions for downstream companies. It was noted that absolute targets could be a tool to incentivize dialogue with energy consumers to facilitate behavior change.</p> <p>Most of the EAG agree that absolute targets will be feasible to achieve. It was noted that downstream companies have sufficient options to take credible action, without forcing a managed decline business model.</p>
<p><b>Climate alignment: Further evaluation is required to understand whether an additional absolute target on demand-side emissions will help ensure climate alignment for midstream companies.</b></p>	<p>There was no consensus on whether the current approach to only require an intensity target for companies operating in the midstream sector will ensure climate alignment. There was also no consensus on whether such a target would be feasible for midstream companies to achieve. Those of the EAG in favor of the absolute target expressed that this would help enable alignment across the value chain and could be a valuable tool for managing scope 3 emissions from refiners.</p> <p>Those opposing the target expressed that this adds complexity and that midstream companies hold less influence to reduce emissions. A recommendation was provided to introduce a phased approach (moving to absolute targets in the long-term). Noting that existing requirements of the SBTi mean that intensity targets must also lead to absolute emissions, the SBTi may consider whether making this more explicit within the guidance would be sufficient to achieve the aims of explicit absolute targets.</p>

## 5.3 Value chain target location

### 5.3.1 Questions posed

As explained within the [Project Interim Report](#), the draft guidance stipulates that Integrated Energy Companies (IEC) and upstream energy companies must set an additional target (in addition to a target using the WTW methodology) to cover the extraction of O&G. The guidance currently allows this target to be set using the Least Cost Methodology (LCM) and two other methodologies. The issue of whether to retain flexibility in which method is used, or whether to require that all companies use the LCM (noting there are some methodological issues to be addressed) was presented to the EAG. To resolve this, the following challenge statements were posed, and the opportunity was given to provide justification and recommendations for each:

#### Climate alignment

- The LCM is a robust approach which will lead to climate-aligned supply side targets for IEC and upstream energy companies.
- The LCM approach does not require any changes to the methodology to ensure robust climate alignment.
- If applicable, please provide recommendations on changes required to the LCM methodology.
- Even if any updates are completed as per the above questions, the O&G guidance should retain flexibility in the choice of methodology to set supply-side targets.

#### Feasibility

- It is feasible for IEC and upstream energy companies to set LCM supply-side targets using the existing resources provided by the SBTi.

#### Clarity

- The O&G guidance provides sufficient detail and clarity on the assumptions and methodological approach of the LCM.

### 5.3.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

#### Climate alignment

- The majority (56%) of the EAG agreed that the LCM is robust, however 56% also agree that the methodology requires updates to ensure robust climate alignment.
- Most (56%) EAG members did not answer whether flexibility should be retained, even if updating the LCM to address any concerns that were expressed. However, where EAG members did respond, there was a slight preference towards agreeing that flexibility should be retained (22% agree, 11% disagree).



## Feasibility

- There was a split response (between neutral (38%) and disagreement (33%)) regarding whether the SBTi provides O&G companies with the resources required to help them set targets using the LCM. Likewise, the top response (44%) of the EAG was to somewhat disagree that the guidance provides sufficient detail on assumptions and approaches of the LCM.

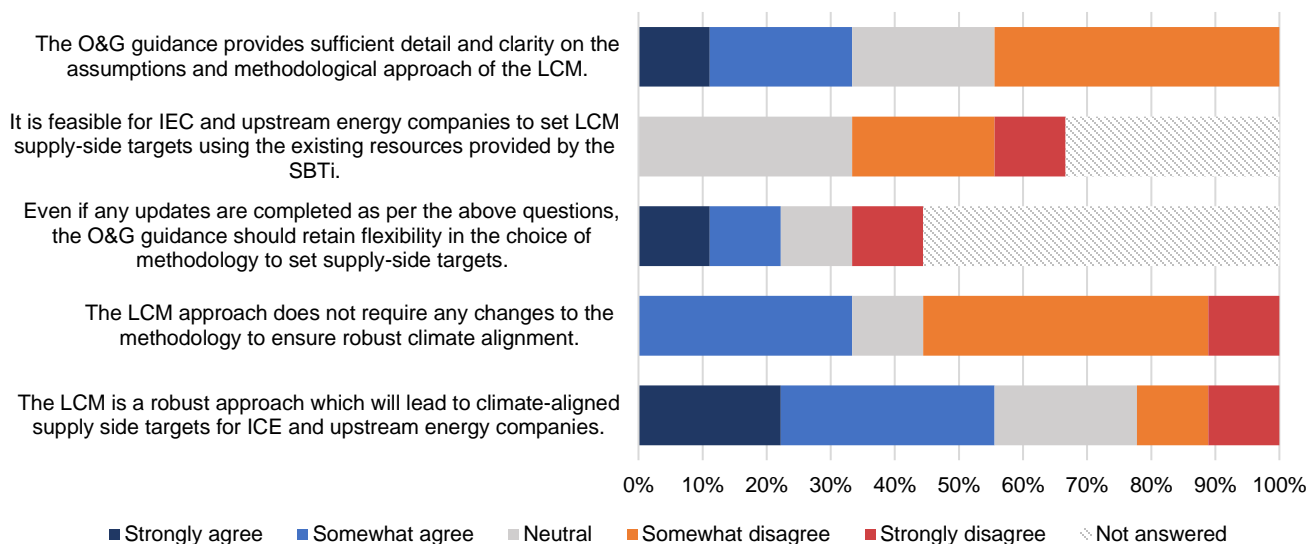


Figure 5-2: EAG results for value chain target location

### 5.3.3 Themes of feedback

#### Geographical considerations

If the SBTi choose to advocate for one method, this should be done in a way that is mindful of its limitations. For example, noting that the LCM functions purely on economics, it was mentioned that parameters, such as the just transition, should also be considered. Another acknowledgement was that the LCM does not consider any geopolitical implications of O&G production. A recommendation was made to consider developing regional and jurisdictional supply and demand curves and carbon budgets.

#### Underlying data

It was noted that data availability is a primary limitation of this method. To overcome this, it was suggested that the SBTi will need to provide access to the data required for O&G companies to carry out the methodology and for interested parties to check the targets. Nevertheless, a primary concern among EAG members was that the underlying data behind this method changes over time, which makes it less robust.



Given that the data behind the LCM is sensitive to shifts in market demand, some EAG members expressed preference toward companies being granted flexibility in the methodology used, unless there is a commitment to continually update and maintain the data. Furthermore, it was suggested by some EAG members that flexibility should be allowed for companies to use their own data and market intelligence where available.

Conversely, some EAG members leaned more heavily towards the SBTi providing the underlying data and specifying one methodology to support comparability. It was stated that having a comparable approach would be preferable, even if this means more frequent updates to the guidance and methodologies being required.

In any case, the SBTi will need to ensure that companies have access to up-to-date data. A **recommendation** was made to also specify how often this should be updated. It is worth noting that an EAG member suggested that while flexibility could be maintained, comparability could be supported through the SBTi disclosing which method it perceives to be the best available at the time of publication.

### Limitations to the LCM

The EAG acknowledged various limitations of the LCM, largely associated with the underlying assumptions of the method. For example, it was noted that the economic assumptions are not very transparent, with more detail requested on the cost assumptions for future investments and other assumptions made by the Carbon Tracker Initiative.

Some **recommendations** were provided as a result:

- Providing a price curve for O&G (plus other products, such as condensate) in the guidance.
- Consider adjusting or setting curves for other parameters to reflect the wider dynamics.
- Including a list of the minimum requirements that need to be met when calculating break-even pricing cost considerations.
- Provide access to a calculation sheet for O&G companies to formulate their target(s).

### Alternative target setting suggestions

Some EAG members expressed alternative solutions on the matter of setting targets to address O&G extraction:

- A suggestion was made to improve clarity on this topic by instead introducing a requirement for no endorsement of new upstream fossil fuel projects.
- However, another EAG member noted that the SBTi should consider an approach that setting upstream targets on O&G projects that will not lead to higher imports and/or production of higher-carbon-intensity barrels by other producers.
- An EAG member suggested that the LCM tool is better placed as a methodology for understanding the bigger picture and to not be a requirement to use this methodology in detail.
- Finally, it was recommended to select a scenario and methodology that aligns with the principle used in the sectoral decarbonization approach (SDA) to convergence allocation.

### 5.3.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

Table 5-2: Suggested actions for value chain target location

Suggested Actions	Justification
<p><b>Climate alignment: The SBTi to consider the recommendations and comments from the EAG to update the resources on the LCM.</b></p>	<p>The EAG indicated that the LCM approach is a suitable method. However, they suggested it would benefit from further updates and transparency to increase its robustness. Some key areas of feedback include updating the method to consider geopolitical implications and providing transparency over the underlying economic and other assumptions. Various recommendations were provided by the EAG on how to overcome limitations to the method, including some options for alternative target setting.</p>
<p><b>Clarity and feasibility: The SBTi to evaluate whether adequate resources exist for companies to utilize the LCM in setting a fair target. The EAG suggested that data sources behind the LCM should be provided and guidance on using this methodology to be as clear as possible (if adequate resources do not exist, the SBTi may wish to consider collaboration with the Carbon Tracker Initiative or other parties).</b></p>	<p>Most of the EAG disagreed that the guidance provides sufficient detail and clarity on the assumptions and methodological approach of the LCM, with many stating it is not feasible for companies to set LCM supply-side targets using the resources available. The EAG requested that additional detail should be provided on the assumptions and datasets used for the LCM. This could include resources to aid companies setting targets using this methodology (e.g. a calculation sheet).</p>

## 5.4 Disaggregation of targets by scope

### 5.4.1 Questions posed

As explained within the [Project Interim Report](#), the outstanding issue on this topic is whether the application of the requirements on disaggregating targets by scope set out within the Net-Zero Standard for Corporates is likely to lead to the right behaviors in the O&G sector, and how to set targets for scopes 1 and 2 using existing scenarios, if required. To resolve this issue, the following challenge statements and questions were posed, and the opportunity was given to provide justification and recommendations for each:

## Climate alignment

- The requirement of the Net-Zero Corporate Standard for combined targets is sufficient to drive the right behavior when applied to O&G companies.
- Are there any other risks to ensuring climate alignment of targets, if requiring combined targets to align with the Net-Zero Standard requirement C26?
- Allowing flexibility in the methodology used to adapt scenarios for scopes 1 and 2 in the O&G industry will likely result in climate-aligned scope 1 and 2 ambitions.

## Feasibility

- The work required to adapt scenarios for scope 1 and 2 ambition setting in the O&G industry is feasible for O&G companies.
- Does a specific scenario adaptation methodology need to be provided in the guidance to make this easier for organizations to implement? If yes, please provide recommendations on the methodologies that should be considered.

## Clarity

- Does anything need to be clarified in the guidance to make this easier for organizations to understand? If yes, please provide recommendations on the clarifications that should be made.

## 5.4.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

### Climate alignment

- There was a split opinion (44% agree, 44% disagree) on whether the requirement set out in the Net-Zero Standard on combined targets is sufficient to drive the right behavior when applied to O&G companies.
- The majority (67%) of the EAG disagree that allowing flexibility in the methodology used to adapt scenarios for scopes 1 and 2 in the O&G industry will likely result in climate-aligned scope 1 and 2 ambitions.

### Feasibility

- There was little consensus (33% of the EAG chose to stay neutral, this was the top response) on whether the work required to adapt scenarios for scope 1 and 2 ambition setting in the O&G industry is feasible for O&G companies.

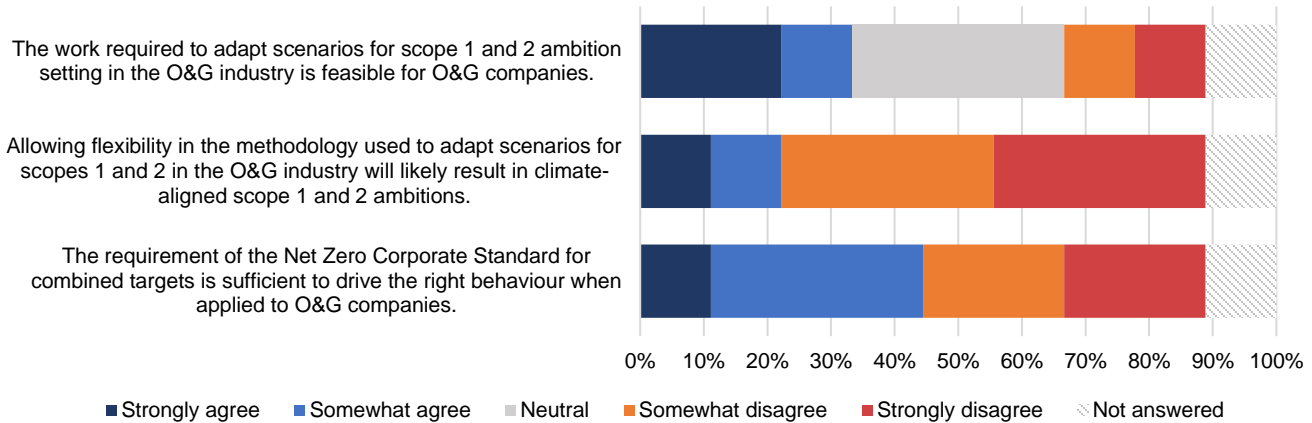


Figure 5-3: EAG results for disaggregation of targets by scope

### 5.4.3 Themes of feedback

#### Preference towards disaggregation

Although some of the responses agreed that the requirement set out in the SBTi Net Zero Standard will drive the right change (i.e. allow combined targets), it was noted that the Standard stipulates that the individual components must be made available to the SBTi for review anyway. This appears to be the greatest driver of those in agreement. This therefore implies:

- It should be feasible for companies to disaggregate the targets and make this public.
- The SBTi will need to adapt the scenarios for scopes 1 and 2 for the O&G industry regardless of whether scopes are aggregated or not.

Several EAG members stated that disaggregating targets by scope is necessary to drive the right behavior, with importance raised to methane in particular being disaggregated due to its different climate impact. This response aligns with the draft guidance, which requests explicit targets are set for scope 1 methane emissions. A further **recommendation** regarding methane emissions was to include a requirement to join the Oil & Gas Methane Partnership (OGMP) 2.0 (expressing that this is the 'gold standard' for measuring and reporting methane emissions). Disaggregation was recognized as important as actionable steps to reduce emissions will be very different for all scopes.

#### Limiting flexibility of scope 1 and 2 methodologies

There was a strong consensus among the EAG that methodologies to adapt scenarios for scopes 1 and 2 in the O&G industry should be prescriptive. Limiting flexibility is especially important when it comes to scope 1 and 2 emissions. Therefore, to reduce the burden for O&G companies and to ensure targets are scientifically sound, the SBTi should stipulate the method, allowing only a parameter level of customization. Nevertheless, it was noted that it is important for the SBTi to publish its O&G guidance, and therefore to make guidance for scope 3 available even if scope 1 and 2 is released afterwards (suggesting that short-term action on scope 3 emissions is a priority in this sector).

## Improvements to clarity

EAG members urged that the guidance should provide further information on adapting scenarios for scopes 1 and 2 for the O&G industry. This will be particularly important if the final approach is to allow for flexibility.

### 5.4.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

*Table 5-3: Suggested actions for disaggregation of targets by scope*

Suggested Actions	Justification
<p><b>Climate alignment: The SBTi to require targets to be disaggregated by scope. However, given that the setting of operational scope 1 and 2 targets for upstream and midstream activities is affected by a lack of available and detailed scenarios at present, further evaluation will be required to develop scope 1 and 2 methodologies accordingly.</b></p>	<p>There was a split opinion on whether the requirement set out in the Net-Zero Standard on combined targets is sufficient to drive the right behavior when applied to O&amp;G companies. However, the EAG expressed a preference toward disaggregating targets by scope, noting that although the Net-Zero Standard allows combined targets, it still requires individual components to be assessed. Importance was therefore placed on the ability for individual components of targets being available for review. The EAG had a strong preference away from allowing for flexibility in the methodology to adapt scenarios for scopes 1 and 2, therefore requiring further evaluation to be conducted on finalizing this element of the guidance.</p>

## 5.5 Company progress indicators

### 5.5.1 Questions posed

As explained in the [Project Interim Report](#), the outstanding issue on this topic is whether it is preferable to achieve comparability between company progress indicators or maintain flexibility in methodology to maximize feasibility. To resolve this issue, the following challenge statements and questions were posed, the opportunity was provided to provide justification and recommendations for each:

#### Climate alignment

- Maintaining a flexible approach will negatively impact upon the climate alignment of targets set through the SBTi.



## Feasibility

- Specifying a particular progress indicator would not limit the feasibility of setting science-based targets through the SBTi for all O&G companies.

## Clarity

- Directly comparable progress indicators would improve the clarity and transparency to ensure that targets set through the SBTi are legitimate.
- Is there a need for further prescriptions on the methodologies for creating indicators and modification of scenarios to improve the comparability between organizations?

### 5.5.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

- **Climate alignment:** The EAG had a split opinion on whether maintaining a flexible approach will negatively impact upon the climate alignment of targets set through the SBTi (44% agreed, 44% disagreed).
- **Feasibility:** Most (67%) of the EAG agreed that specifying a particular progress indicator would not limit the feasibility of setting science-based targets through the SBTi for all O&G companies.
- **Clarity:** The majority (56%) of the EAG agreed that directly comparable progress indicators, would improve the clarity and transparency to ensure that targets set through the SBTi are legitimate.

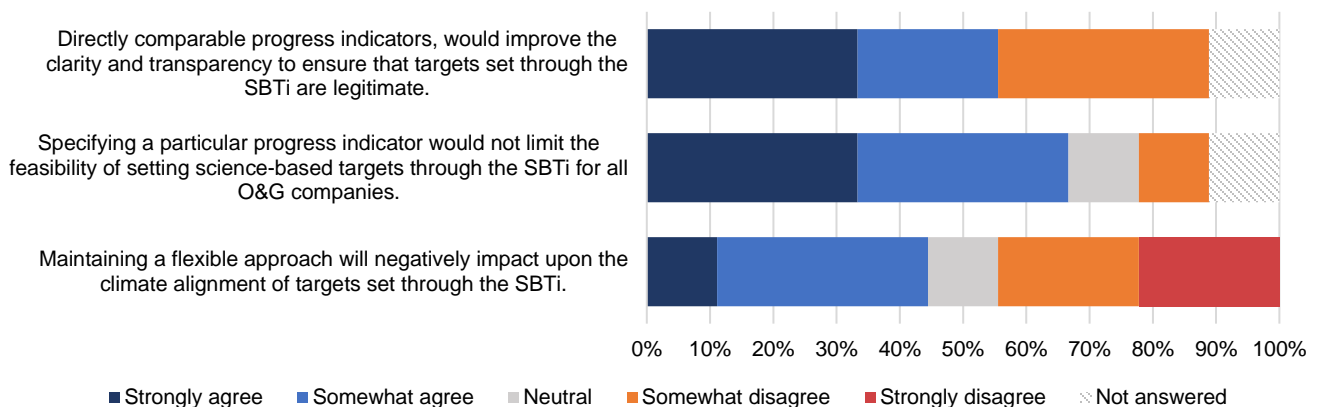


Figure 5-4: EAG results for company progress indicators

### 5.5.3 Themes of feedback

Hesitation towards retaining flexibility was primarily due to a lack of comparability across the sector, and the opportunity this provides to add to existing skepticism around O&G companies reducing



emissions. A risk was stated that allowing for flexibility could mean that overall sector targets are missed. However, several EAG members agreed the SBTi's validation of targets should mitigate the issue of companies setting targets that are not transparent or ambitious enough. EAG members noted that although comparable target setting is desirable, it is not necessary to lead to emission reductions. Instead, it is important to recognize that all O&G companies will require unique approaches that can be facilitated through flexibility and will result in more uptake of science-based targets across the sector.

The following **recommendations** were suggested by EAG members:

- The SBTi to provide more flexibility in the short-term to incentivize adherence, though move towards more prescriptive methodologies in the medium term.
- The SBTi to retain flexibility, but to specify one preferred method.

### 5.5.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

*Table 5-4: Suggested actions for company progress indicators*

Suggested Actions	Justification
<p><b>Climate alignment: Further evaluation is required to understand whether flexibility between company progress indicators would negatively impact climate alignment. If the SBTi chooses to retain flexibility, stating a preferred methodology / company progress indicator would improve clarity.</b></p>	<p>The EAG had a split opinion on whether maintaining flexibility in the progress indicator would lead to climate alignment. It was noted that allowing for flexibility could mean that overall sector targets are missed. However, some EAG members noted that the SBTi's validation of targets would mitigate against risks of companies setting targets that are not transparent or ambitious enough.</p> <p>Although there was a split opinion, the EAG did agree that directly comparable progress indicators would improve transparency and would not decrease feasibility of setting the targets. It was recommended that flexibility could be retained in the short-term (with clarity on a preferred option) and to move towards more prescriptive methodologies in the longer term.</p>

## 5.6 Accounting inclusions

### 5.6.1 Questions posed

As explained within the [Project Interim Report](#), the questions outstanding on this topic are:

- **Energy accounting location:** Whether secondary energy is the appropriate accounting approach for the Well-to-Wheel (WTW) methodology.
- **Electricity accounting:** Whether the partial substitution method is the appropriate approach for the guidance.

To resolve this issue, the following challenge statements and questions were posed, the opportunity was provided to provide justification and recommendations for each:

### Climate alignment

- The use of secondary energy for measuring the energy in products sold is appropriate in the Well to Wheel methodology.
- Are there any other risks to ensuring climate alignment of targets, if requiring the use of secondary energy as the measure of energy in products sold?
- The use of the partial substitution method for calculating the energy content of electricity is appropriate in the Well to Wheel methodology.
- Are there any other risks to ensuring climate alignment of targets, if requiring the use of the partial substitution method for calculating the Well to Wheel carbon intensity of electricity?

### Feasibility

- Is the manipulation of scenarios required using secondary energy feasible for companies setting targets and how would you anticipate they go about this?
- Is the calculation of electricity energy content using the partial substitution method feasible for companies setting targets?

### Clarity

- Does anything need to be clarified in the guidance to make this easier for organizations to understand?

## 5.6.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

- Although one-third of EAG members chose not to answer this question, the majority (56%) of the EAG agreed that use of secondary energy is appropriate for the WTW methodology.
- The top response (44%) of the EAG was to agree that the use of the partial substitution method for calculating the energy content of electricity is appropriate in the WTW methodology.

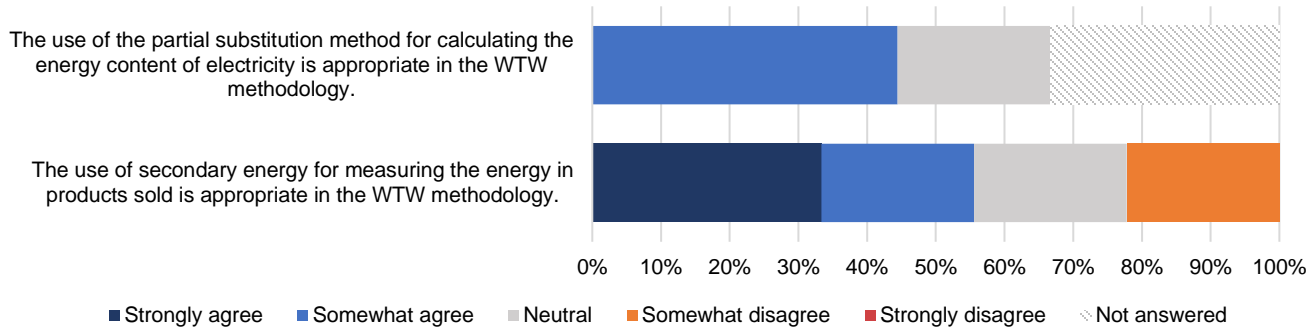


Figure 5-5: EAG results for accounting inclusions

### 5.6.3 Themes of feedback

Regarding **energy accounting location**, the majority of the EAG agreed that secondary energy accounting is appropriate for the WTW methodology because:

- It is less subject to methodological choices than primary energy.
- It is easier to integrate into total final consumption.

However, some benefits of primary energy accounting were also acknowledged, with note given to primary energy allowing for a simplified accounting of energy, including both fossil and renewable energy sources. Where EAG members ‘strongly disagreed’ with the use of secondary energy, this is due to a perceived assumption that O&G products are only used for energy, however in reality some of the products go to chemical manufacturing.

The following **recommendations** were made for consideration by the SBTi:

- Greater thought to be put into differentiating the end use of O&G products.
- The SBTi to follow a similar approach to PCAF, where data integrity requirements increase annually.
- Companies to report on both primary and secondary energy.
- Clear methodologies to be made available for applying primary to secondary transformations for the use of scenarios, supplemented with an example.

Regarding **electricity accounting**, several members of the EAG did not provide further comment beyond their position on agreeing or disagreeing with the use of the partial substitution method. Those that did provide comment generally recommended that under the partial substitution approach the SBTi should provide or reference suitable assumptions and efficiency factors that could be used where company- or region-specific data is not available.

## 5.6.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

Table 5-5: Suggested actions for accounting inclusions

Suggested Actions	Justification
<p><b>Climate alignment: Secondary energy accounting for the Well-to-wheel (WTW) methodology to be retained, however the SBTi should consider whether further information and/or research is required to support the use of this approach based on EAG recommendations.</b></p>	<p>The majority of the EAG agreed that the use of secondary energy for measuring energy in products sold is appropriate in the WTW methodology. The EAG agreed with this approach as it is less subject to methodological choices and is easier to integrate into total final consumption than primary energy. However, some EAG members acknowledged limitations of this method, and provided various recommendations for consideration that could be undertaken/provided to support the use of secondary energy accounting.</p>
<p><b>Feasibility: The SBTi to provide, or reference, suitable assumptions and efficiency factors to assist with using the partial substitution method, which could be used where company or region-specific data is not available.</b></p>	<p>The top response of the EAG was to agree that the use of the partial substitution method for calculating the energy content of electricity is appropriate in the WTW methodology. However, those in agreement with this approach generally recommended that more information is required to assist companies in using the partial substitution method.</p>

## 5.7 Net vs Full value chain accounting

### 5.7.1 Questions posed

As explained within the [Project Interim Report](#), the draft O&G guidance currently recommends net value chain accounting for its scope 3 USP methodology, however concerns were raised in relation to its deviation to the GHG Protocol. To resolve this issue, the following challenge statements and questions were posed, the opportunity was provided to provide justification and recommendations for each:

#### Climate alignment

- Using the net value chain accounting methodology is likely to lead to alignment of targets with climate science despite its deviation from the GHG Protocol methods.
- If full value chain accounting results in a greater quantity of sold products than would otherwise be reported under net value chain accounting, this would negatively impact the climate alignment of absolute targets.

- If full value chain accounting results in a greater quantity of sold products than would otherwise be reported under net value chain accounting, this would negatively impact the climate alignment of intensity targets.
- The requirement for full value chain accounting would mean that calculated emission reductions could be achieved through integration across the value chain, or via other means that do not result in real emissions reductions.
- The requirement for net value chain accounting would mean that emission reductions could not be achieved through integration across the value chain or via other means that do not result in real emissions reductions.
- Are there any other risks to ensuring climate alignment of targets, if requiring net value chain accounting? Could this be mitigated through full value chain accounting? What (other) recommendations would you make to mitigate these risks?
- Are there any other risks to ensuring climate alignment of targets, if requiring full value chain accounting? Could this be mitigated through full value chain accounting? What (other) recommendations would you make to mitigate these risks?

### Feasibility

- It would be feasible for organizations to collate the required data required for net value chain accounting.
- Do you have any comments or recommendations on the feasibility for organizations to undertake net or full value chain accounting?

### Clarity

- There is no room for interpretation of the net value chain methodology that could result in companies misrepresenting their true emissions responsibility.
- Does anything need to be clarified in the guidance to make this easier for organizations to understand?

## 5.7.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

### Climate alignment

- The majority (67%) of the EAG agreed that using net value chain accounting will lead to climate alignment despite diversion from GHG Protocol.
- There was a somewhat split opinion, however 44% of the EAG agreed that the climate alignment of intensity targets would be negatively impacted if full value chain accounting results in a greater quantity of sold products than would otherwise be reported under net value chain accounting. The majority of the EAG (67%) chose not to answer the question regarding its impact on absolute emissions.
- The majority (67%) of the EAG strongly agree that the requirement for full value chain accounting would mean that calculated emission reductions could be achieved through



integration across the value chain, or via other means that do not result in real emissions reductions.

- There was a split opinion (44% agree, 44% disagree) on whether the requirement for net value chain accounting would mean that emission reductions could be achieved through integration across the value chain or via other means that do not result in real emissions reductions.

### Feasibility

- Most (89%) of the EAG agree that organizations would be able to collate the required data for net value chain accounting.

### Clarity

- There was a somewhat split opinion (33% agree, 44% disagree) among the EAG on whether companies could misrepresent their true emissions under net value chain accounting, however a slight leaning towards disagreement with this statement.

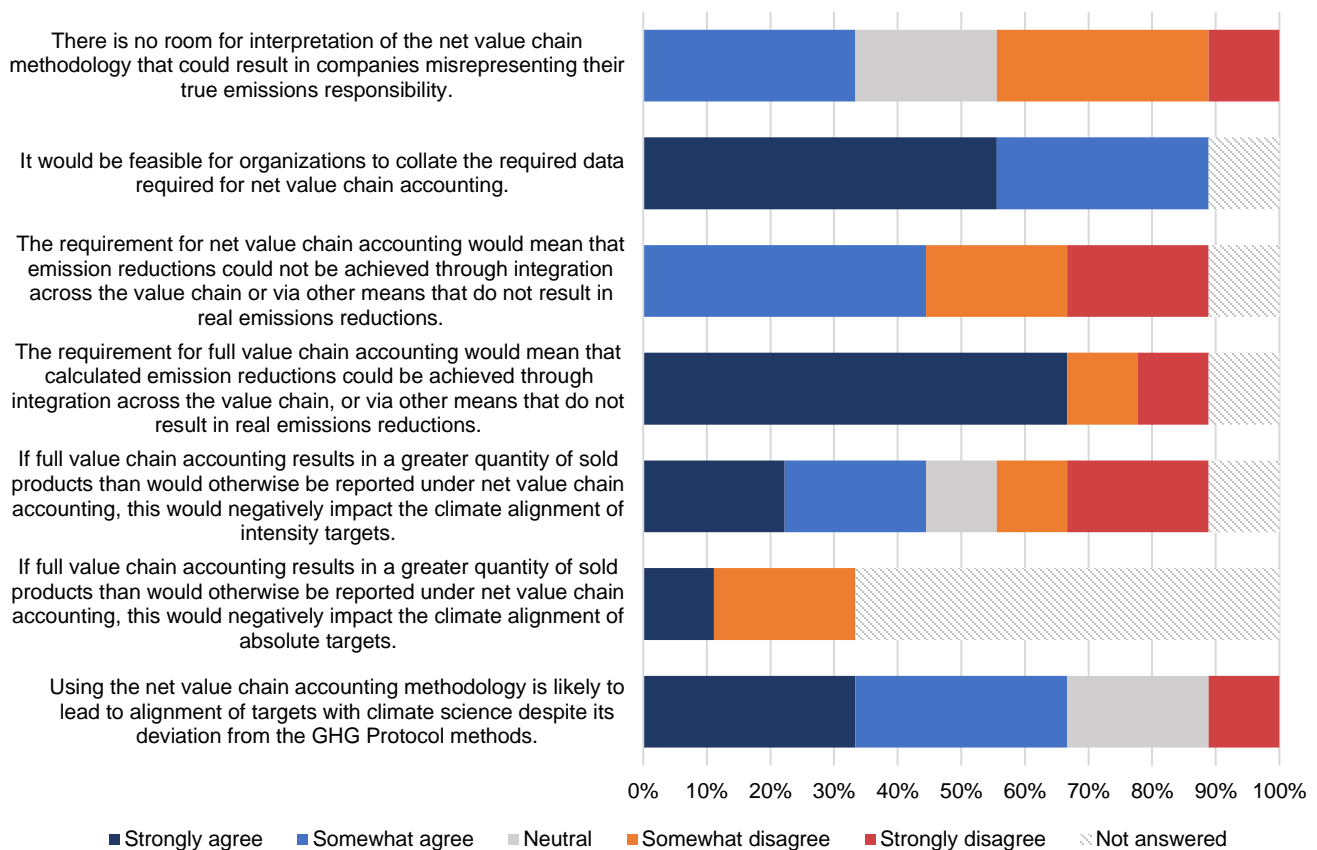


Figure 5-6: EAG results for net vs full value chain accounting

### 5.7.3 Themes of feedback

The EAG offered a great deal of insight into the nuances of the positive and negative implications of using both full and net value chain accounting. This feedback is summarized below.

#### Benefits of the net value chain approach

Several members agreed that the net value chain approach focuses on physical emissions and is therefore more likely to lead to actual reductions. In turn, this reduces the risk of expressing artificial intensity reductions. EAG members in support of this approach mentioned that it places more responsibility on large producers, as opposed to large traders, and therefore aligns accountability with responsibility.

Another point was made that although emission reductions efforts in smaller areas of the business may not be captured using this approach (given that it only accounts for the area of the business with the greatest volume), net value chain accounting only rewards companies for emission reductions across the whole value chain, which is aligned with required climate action.

The net value chain approach was also noted to be feasible, given that this is aligned to what O&G companies already do, though it was noted that full value chain accounting would likely also be feasible.

#### Limitations of the net value chain approach

The following limitations of the net value chain approach were noted:

- This approach would likely underrepresent sectoral emissions levels affected.
- There should be a preference towards alignment to GHG Protocol, for consistency across sectors.
- This approach could allow for shifting of scope 3 USP emissions through organizational changes (e.g. shifting production to a separate entity that is not under its equity control). It is therefore possible to show artificial emissions reductions using this approach.

A recommendation was made for the SBTi to require companies to disclose their decarbonization strategies, including actions for their non-leading segments. It was also recommended to make it clear in the examples that if refining is the largest segment, then this would be the basis for the net value chain, and that upstream production should be reported alongside net value chain production to provide clarity on involvement in primary extraction.

#### Benefits of the full value chain approach

While it is acknowledged that the full value chain approach will over-report volumes compared to reality, it was noted that it is not a goal of the SBTi to accurately report global production volumes and that scope 3 emissions are commonly double counted. Some EAG members expressed that overestimation of emissions is preferable to underestimation. Overestimation of emissions may also help create pressure to reduce these emissions and incentivize companies to work together to ensure emissions estimates are aligned.

Another point of consideration is that ‘for companies with a strong difference in volumes processed per segment, full value chain accounting might ensure that potential expansion of smaller segments is not annihilating the largest segment’s decarbonization efforts.

### Limitations of the full value chain approach

A common concern among EAG members was the full value chain approach leading to more reported emissions than actual emissions of the company. This could result in not being able to set feasible carbon reduction targets, and the potential for overstating emissions reductions.

A recommendation was made to require companies to disclose all elements of the full value chain production (e.g. report on USP for production and imports, as well as reporting on production itself).

### 5.7.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

*Table 5-6: Suggested actions for net vs full value chain accounting*

Suggested Actions	Justification
<p><b>Climate alignment: Net value chain accounting to be retained, however further evaluation is required to address the concerns and loopholes raised over this approach (see EAG recommendations).</b></p>	<p>The majority of the EAG agreed that net value chain accounting will lead to climate alignment despite diversion from GHG protocol. In addition, the majority also agreed that organizations would be able to collate the required data for this accounting approach.</p> <p>Benefits of this approach include its ability to align accountability with responsibility. However, there was a split opinion on whether this accounting approach would allow targets to be achieved without real emissions reductions. Concerns were raised such as misrepresenting true emissions. However, some recommendations were made to mitigate some of these risks.</p>

## 5.8 Subsectors not currently covered

### 5.8.1 Questions posed

As explained within the [Project Interim Report](#), the outstanding issue on this topic is whether the guidance, without additional methodologies, could be applied appropriately to other subsectors, particularly service companies, and transport and storage companies (those that operate pipelines and

shipping), and the coal value chain. To resolve this issue, the following challenge statements and questions were posed, the opportunity was provided to provide justification and recommendations for each:

### Climate alignment

- The SBTi O&G guidance has applicability to **O&G service and logistics companies** as is (no further development required).
- The SBTi O&G guidance has applicability to **O&G transport and storage companies** as is (no further development required).
- The SBTi O&G guidance has applicability to the **coal value chain** as is (no further development required).
- Scope 3 USP emissions are applicable to gas T&D companies and so the SBTi's existing requirement should be maintained within the O&G guidance.<sup>2</sup>
- Since the 1.5°C pathways already generally transition away from coal very rapidly, its inclusion within the build-up of scenarios does not need to be changed.

### Clarity

- The O&G guidance should explicitly reference the above requirement.

## 5.8.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

- Overall, the EAG disagreed (56%) that the guidance as is could be extended to **O&G service and logistics companies**.
- There was little consensus among the EAG on whether the guidance as is could be extended to **O&G transport and storage companies**, however the most common response was to agree (33%).
- There was no consensus among the EAG on whether the guidance as is could be extended to the **coal value chain**, with 33% agreeing and 33% disagreeing. The response from the EAG was neutral (44%) regarding including the treatment of the coal value chain within the build-up of scenarios, with a slight preference towards agreement (22%) that the scenarios do not need to be changed to include coal.
- There was agreement (56%) that scope 3 USP emissions are applicable to gas T&D companies, and so the requirement should be maintained within the O&G guidance. The top response (44%) of the EAG was to agree that this should be explicitly referenced in the guidance to help with clarity.

<sup>2</sup> The SBTi Criteria and Corporate Net Zero Standard sets out the following requirement relating to scope 3 Use of Sold Products emissions (USP): "Companies [that derive less than 50% of their revenue from fossil fuel activities] must set targets for scope 3 category 11 (use of sold products), irrespective of the share of these emissions compared to the total S1+S2+S3 emissions of the company. Separate scope 3 targets may need to be set in this case."

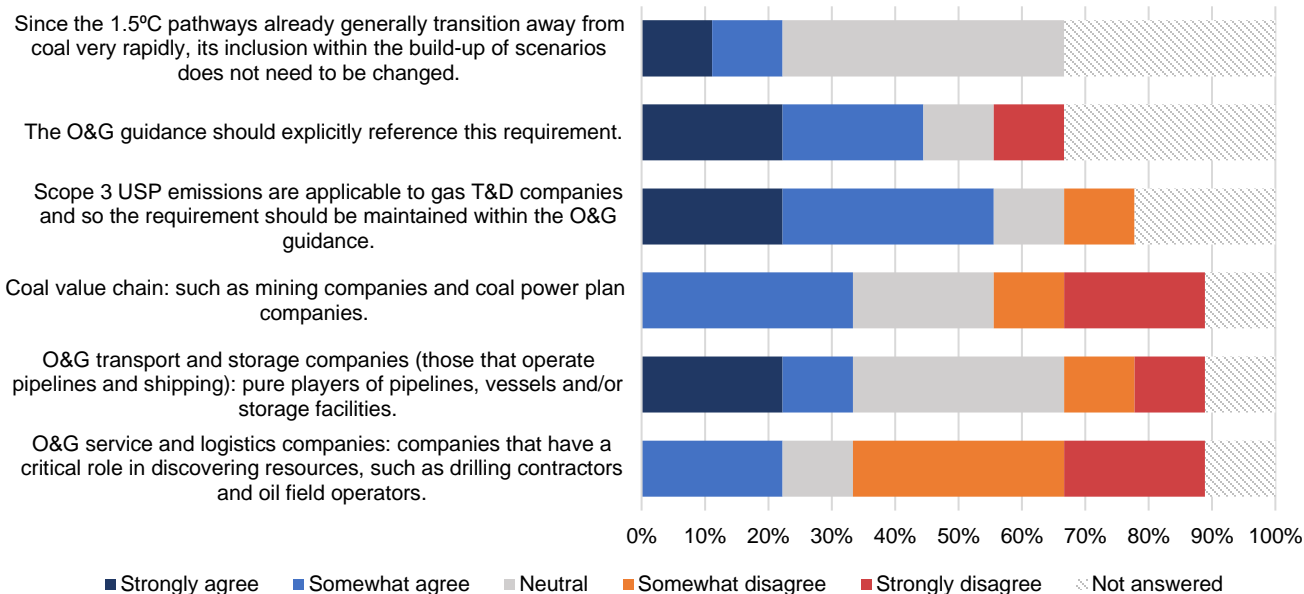


Figure 5-7: EAG results for subsectors not currently covered

### 5.8.3 Themes of feedback

Responses from the EAG on this section of the evaluation form was generally not as comprehensive as other sections, with an average of 20% of multiple-choice questions left unanswered. This indicates that the EAG did not feel as well informed to answer questions on this topic. Nonetheless, some of the themes emerging from the qualitative feedback are presented below.

#### Midstream company inclusion

The EAG indicated that the scope of the guidance as it currently stands works well as it places emphasis on extraction and refining, which some believe to be an important facet of the guidance. Nevertheless, there was some consensus that midstream companies “can and should” apply to the O&G guidance, suggesting this has particular importance when setting intensity targets.

#### Coal value chain

The EAG indicated that the coal value chain requires its own methodology. Some comments expressed that the development of guidance for the coal industry would be relatively straightforward given its similarities to the O&G the value chain and its significance of scope 3 emissions.

#### T&D Scope 3 USP

Though the top response was to retain the existing requirement for T&D companies as set out in the SBTi Criteria and Net-Zero Standard, some EAG members expressed concerns that distribution companies are considered a natural monopoly and may have regulations which limit their flexibility to



achieve these targets. It was also noted that this requirement should only apply if the T&D company own the gas. However, another EAG member expressed that this is important to include, especially if the guidance refers to IECs.

## 5.8.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

*Table 5-7: Suggested actions for subsectors not currently covered*

Suggested Actions	Justification
<b>Climate alignment: The SBTi to develop guidance and/or recommendations to cover the coal value chain.</b>	There was no consensus among the EAG on whether the guidance as is could be extended to the coal value chain. Where the EAG provided comments on this matter, it was indicated that the coal value chain requires its own methodology.
<b>Climate alignment: No change required to the build-of scenarios (even though they include the coal value chain).</b>	There was a slight agreement that the build-up of scenarios does not need to include the coal value chain and will not impact upon the climate alignment of target setting.
<b>Climate alignment: The SBTi to extend O&amp;G guidance to include companies operating within transportation and storage.</b>	There was little consensus among the EAG on whether the guidance as is could be extended to O&G transport and storage companies, however the most common response was to agree. There was some consensus that midstream companies “can and should” apply to the O&G guidance, suggesting this has particular importance when setting intensity targets.
<b>Clarity: The SBTi to reference its existing requirement for T&amp;D companies’ scope 3 USP emissions within its O&amp;G guidance.</b>	There was agreement that scope 3 USP emissions are applicable to gas T&D companies, and so the requirement should be explicitly referenced within the O&G guidance. This was noted to be especially important given that the guidance refers to IECs.

## 5.9 Other qualitative targets

### 5.9.1 Questions posed

As explained within the [Project Interim Report](#), the O&G guidance does not currently have explicit criteria on setting qualitative targets, which could help to address some of the broader contextual issues that the sector is facing (e.g. around divestment and phasing down of existing fossil fuel assets). To

resolve this issue, the following challenge statements and questions were posed, the opportunity was provided to provide justification and recommendations for each:

### Climate alignment

- The O&G guidance should be supplemented by further qualitative criteria. The proposed quantitative targets alone will not ensure climate alignment.
- Qualitative target setting criteria should be addressed in an alternative SBTi framework as opposed to within the O&G guidance itself.
- Should the SBTi provide a criterion that companies must not have plans for new fossil fuel infrastructure development?
- Should the O&G guidance provide a criterion that companies must commit to phase down existing and planned fossil fuel assets?
- Should the SBTi provide a criterion to ensure that divestment does not lead to the continuation of fossil fuel extraction and production?
- Are there any other issues relating to this sector that should be addressed by a qualitative criterion?

### 5.9.2 Quantitative analysis

The key outcomes of the quantitative analysis are as follows:

- There was agreement among the EAG (56%) that the guidance should be supplemented by further qualitative criteria to cover the issues discussed within the evaluation form.
- The majority of the EAG (56%) disagreed that these criteria should be addressed in an alternative SBTi framework.

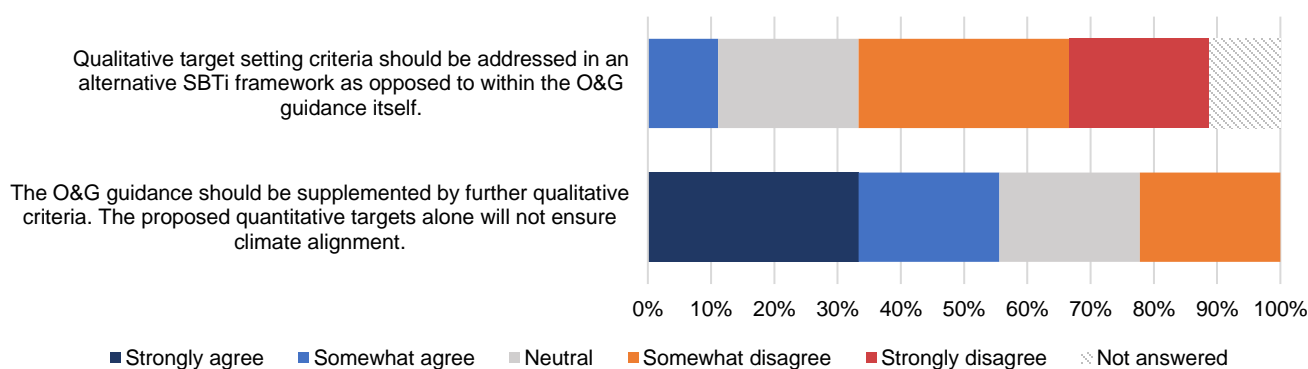


Figure 5-8: EAG results for other qualitative targets

### 5.9.3 Themes of feedback

The majority of the EAG agreed that additional qualitative criteria could beneficially contribute to climate alignment. Regarding where the qualitative target could fall, the EAG expressed that obtaining the target within the O&G guidance itself would set a stronger precedent on the position of SBTi. Some of the emerging themes for consideration include:

#### No new fossil fuel capacity

Several EAG members noted that qualitative targets limiting new fossil fuel extraction and infrastructure development would help to lead to similar or more positive outcomes as the LCM. It was also expressed that this could be a more clear and simple approach of achieving these outcomes. The EAG noted that there may still be requirements for fossil fuel infrastructure (e.g. midstream transportation companies), and therefore this requirement should be restricted to upstream activities.

A **recommendation** was provided that this limitation to new fossil fuel capacity could be addressed through a quantitative proxy (such as an approximation to implied infrastructure capacity utilization based on current capacity and future activity level).

An alternative perspective was provided which suggests that new fossil fuel capacity may be accepted in instances where it is making the process more efficient, as opposed to adding to supply. It should also be noted that nuances exist between what could be expected for different fossil fuels. A **recommendation** was made to make it obligatory for companies to disclose expected projects at an asset level and the expected emissions impact of this. Another **recommendation** was made for companies to justify why any new projects are compatible with a given scenario, linking to global carbon budgets.

#### Phase down of existing and planned fossil fuel assets

Several EAG members recognized the importance of setting requirements for winding down existing assets and/or maximizing the potential of the infrastructure already in place (e.g. infill drilling, hub developments, subsea tiebacks, etc.). However, concerns were shared among EAG members regarding what this could mean for leakage and divestment concerns.

Some **recommendations** were provided:

- To establish a quantitative proxy should as setting targets on CAPEX allocated to fossil vs non-fossil activities.
- To supplement carbon reduction targets with an obligation to disclose how companies plan to achieve their goals.
- To frame the requirement around decommissioning low-producing wells and to phase down assets as opposed to divesting.
- To consider setting just transition criteria for the phase-out of fossil fuels.

#### Divestment from fossil fuel assets

A shared concern among the EAG was how to avoid leakage of emissions from divestment. The EAG agreed that this is a complex issue, with some stating that this may not be feasible in the short-term, or until climate risk is more accurately priced into fossil fuel assets. Nonetheless, recommendations were made to set a requirement to only divest from assets if the purchaser can uphold the same or better climate aligned standards as the original asset holder. This will also require the need to hold the seller accountable to delivering upon its decarbonization goals.

### Voluntary qualitative commitments

Nevertheless, it should be noted that some EAG members expressed a preference towards any qualitative target to be considered as complementary and voluntary, with focus retain on quantitative targets. It was noted that the same impact could be achieved through the proposed quantitative target setting methods (such as the LCM).

### Other qualitative criteria

A **recommendation** was made for the SBTi to set a requirement that any company that is found to obstruct the development of climate policy or spread climate misinformation is automatically disqualified from the SBTi until the situation has been rectified. Similarly, another recommendation was made to require a commitment to stop lobbying for new fossil fuels and/or disclose lobbying activities (e.g. money spent on lobbying versus taking climate action).

An EAG member suggested the requirement for the CEO of companies to sign a statement of intent and provide evidence of actionable steps being planned and budgeted before being eligible for SBTi validation.

An additional recommendation was for the SBTi to provide qualitative indicators on sustainability and justice of transitions.

## 5.9.4 Summary

The table below provides a summary of the conclusions emerging from the EAG process for this topic, with a recommendation on what the SBTi could do to assist with finalizing the guidance.

*Table 5-8: Suggested actions for other qualitative targets*

Suggested Actions	Justification
<p><b>Climate alignment: The SBTi to develop criteria on the following (see suggestions provided by the EAG):</b></p> <ul style="list-style-type: none"> <li>• <b>No new fossil fuel capacity.</b></li> <li>• <b>Phase down of existing and planned fossil fuel assets.</b></li> <li>• <b>Divestment from fossil fuel assets.</b></li> </ul>	<p>There was agreement among the EAG that the guidance should be supplemented by further qualitative criteria:</p> <ul style="list-style-type: none"> <li>• <b>No new fossil fuel extraction:</b> It was suggested that qualitative criteria to this effect would be clear and could lead to similar or more beneficial outcomes as the LCM. However, it should be noted that there may still be requirements for some fossil fuel</li> </ul>

<p><b>The SBTi to consider EAG comments on decide on whether the criteria are required or recommended.</b></p>	<p>infrastructure and so should be limited to upstream activities. Further recommendations have been made to address some of the nuances and concerns.</p> <ul style="list-style-type: none"> <li>• Phase down: EAG members recognized the important of phase down requirements. However, this should have careful consideration to unintended consequences such as stranded assets from divestment.</li> <li>• Divestment: EAG members shared concern around avoiding leakage of emissions from divestment and some recommendations were made on how to navigate this.</li> </ul> <p>It was noted that the SBTi could consider qualitative targets as voluntary, with focus to retain on quantitative targets which could achieve the same impact.</p>
<p><b>Clarity: Qualitative criteria to be added to the O&amp;G guidance (as opposed to a separate framework).</b></p>	<p>The majority of the EAG disagreed that the qualitative criteria should be addressed within a separate framework. The EAG commented that obtaining the criteria within the O&amp;G guidance itself would provide clarity and would set a stronger precedent on the position of SBTi.</p>

## 5.10 Other items raised by the EAG

The opportunity was provided for EAG members to feedback additional comments and recommendations on the overall direction of the O&G guidance document. A summary of the comments raised for the attention of the SBTi (which are not already covered elsewhere in the report) are summarized below.

### Aligning definitions

It was noted that the definition of midstream and downstream companies in the draft O&G guidance is not consistent with other definitions used across the sector. For example, an EAG member suggested that midstream is typically referred to as pipelines and transportation companies, whereas downstream is typically referred to as refining and marketing companies (noting this is the approach taken by Ipieca).

An additional recommendation was made to explore opportunities to align definitions and boundaries with updated API GHG compendium and recognized industry approaches where appropriate.

### Transition mechanisms – Circular Carbon Company



Concerns raised over stating that O&G companies may choose to transition through becoming a circular carbon company. This raised concerns over suggesting that carbon capture and storage technology grants O&G companies a political license to operate, however these technologies are not available at scale and have not advanced significantly to date. It was argued that this transition mode is therefore not a science-aligned recommendation.

### Transition mechanisms – Integrated Energy Company

The following concerns were raised surrounding the term “Oil, Gas and Integrated Energy Company” (OGIE) within the draft guidance:

- Need to carefully consider what qualifies a company to be an IEC (energy companies and ‘new direction’ companies substantially overlap).
- The term OGIE can be seen as confusing, as not all O&G companies aim to become integrated energy companies.
- Several other companies, beyond O&G, should be included if the term IEC is to be used (e.g. companies that generate renewable electricity and then distribute it).
- Allowing O&G companies to transition into Integrated Energy Companies is misleading. A GHG reduction threshold or a low carbon revenue threshold should have to be reached for a company to call itself anything other than O&G.

### Points of detail within the draft guidance

- Clarity required on the following terms: marketing, trading, sold product.
- Clarity required on definitions of emissions sources / scopes and the associated reference to ‘demand’ and ‘supply’.
- The tables under chapter 2 could benefit from emphasizing the urgency (e.g. must, should, could) and restructuring the table, so the target detail is consistently included under target type. More explanation could also be provided underneath or above each table, or to provide this information in a list as opposed to a table.
- When two options are presented, then the language needs to be harmonized between those two options, so the similarities and differences are clear.
- Reference could be made to external resources providing evidence for the suggestions e.g. linking the guidance to the IIGCC’s Net Zero Standard for Oil and Gas Companies)
- Clarity to figures 2 and 3 (p.4 and 5) required as it is not directly clear the red boxes mean ‘outside of scope’.
- Guidance to be made more concise and clearer through more frequent use of bullet points and appendices.

### Other points of feedback

- **Data:** Consider partnerships for developing open data sources to reduce burden and enhance comparability.
- **User testing:** It is important to involve representatives of O&G companies in the development of the guidance to ensure that it can and will be used by companies.

- **Executive summary:** The report would benefit from introducing why climate alignment is being assessed and its importance to the sector.
- **Transferred emissions:** Recommendation to address transferred emissions within the guidance.
- **Removals:** Clarity could be provided on the use of offsets and removals in the guidance.
- **Progress reporting:** Recommendation to provide a requirement of annual (or at least biannual) progress reports, instead of the current recommendation on page 19.