

**TPT** Transition Plan  
Taskforce

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# Oil & Gas Sector Guidance

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April 2024



# Acknowledgements

The drafting of this guidance was led by the TPT Oil & Gas Working Group, with oversight from the Sector Guidance Co-Chairs and input from the wider TPT Delivery Group, Steering Group, and the TPT working groups on nature, adaptation, and just transition, as well overall support from the TPT Secretariat.

## The TPT would like to thank:

- the Co-Chairs of the Working Group: **Vanessa Havard-Williams** and **Bruce Duguid** (EOS at Federated Hermes Limited); and
- the Co-Chairs of the Sector Guidance Workstream: **Julie Baddeley** (Chapter Zero) and **David Harris** (London Stock Exchange Group)

The TPT would also like to thank the members of the TPT Oil & Gas Working Group and their teams:

**Fiona Maclean**, and **Aaron McDougall**, Amundi

**Andy Ross**, CDP

**Owen Tutt**, EOS at Federated Hermes Limited

**Dan Gardiner**, The Institutional Investors Group on Climate Change (IIGCC)

**Tara Schmidt** and **Kevin Treco**, Lloyds Banking Group

**Adrien Rose** and **Dr Krista Halttunen**, Oxford Sustainable Finance Group

**Chandra Gopinathan**, Railpen

**Steffen Kram** and **Christopher Vernon**, Banco Santander S.A

**Valentin Jahn**, Transition Pathway Initiative (TPI)

**Aarti Ramachandran**, UBS

In addition, the following individuals and their teams provided valuable input, including reviewing drafts of the guidance: **Gregorio Giorgi** and **Maggie Luebs** (Barclays), **Matthew Duhan**, **Matthew King** and **Alan Haywood** (bp), **Amy Owens** (Carbon Tracker), **Laetitia Pirson** and **Vladimir Proaño** (Ceres), **Jennifer Driscoll** and **Sherry Englande** (ExxonMobil), **Phil Delaney** (Financial Conduct Authority), **Ronan Hodge** and **Charlie McLellan** (Glasgow Financial Alliance for Net Zero), **Mark Manning** (Grantham Research Institute, London School of Economics and Political Science), **Kirstie Wright** (Harbour Energy), **Emelia Holdaway** and **Coco Wong** (HSBC), **Joanne Edgeler** (North Sea Transition Authority), **Alexandre Brito** and **Fernanda Bianchini Egert** (Petrobras), **Paul Schreiber** and **Henri Her** (Reclaim Finance), and **James Vaccaro** (Re:Pattern).

Members of the TPT Steering Group and Delivery Group are listed on the **TPT website**.

The TPT would also like to thank members of the TPT Secretariat Sector Guidance team:

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**Nathan Chan** (Banks)

**Saad Moazam** (Oil & Gas)

**Sasha Polikarpova** (Asset Managers, Asset Owners)

**Abigail Bernabe** (Sector Summary)

**Alexander Schlatter** (Sector Summary)

In addition, the TPT thanks the wider TPT Secretariat team for their work to support this guidance and the wider TPT work programme:

**Dr Ben Caldecott** (Co-Head)

**Kate Levick** (Co-Head)

**Jacques Morris** (Team Leader)

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**Helen Civil**

**Sophie Collerton**

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**Max Rose**

**Kate Ryan**



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# ABOUT THE TPT

The United Kingdom (UK) has set itself ambitious and legally binding targets to cut greenhouse gas (GHG) emissions to net zero by 2050, with binding interim targets. The UK has also pledged at UN climate negotiations to cut emissions by at least 68% by 2030.<sup>1</sup>

In October 2021, the UK government published the Greening Finance Roadmap, signalling that it intends to strengthen new and existing sustainability reporting requirements for companies, including publication of climate transition plans.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy. The Chancellor also set out that the UK will move towards making publication of transition plans mandatory.

The Transition Plan Taskforce (TPT) was launched by HM Treasury in March 2022 with a mandate to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy. In addition, the TPT has been tasked to engage with non-UK governments and regulatory networks to

support conversations on how to build common baselines and principles for transition planning.

This has included the Financial Stability Board, the International Organization of Securities Commissions (IOSCO) and the Network for Greening the Financial System (NGFS), as well as the G7, G20, UNFCCC and the Coalition of Finance Ministers for Climate Action. The TPT's Disclosure Framework complements, and builds on, the ISSB's final Standards IFRS S1<sup>2</sup> and S2<sup>3</sup> and draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning.

In the 2023 Green Finance Strategy, the UK government committed to consult on introducing requirements for the UK's largest companies to disclose their transition plans if they have them.<sup>4</sup> In addition, the Financial Conduct Authority (FCA) has signalled its intention to consult on strengthening requirements for transition plan disclosures in line with the TPT Disclosure Framework, alongside its consultation on implementing UK-endorsed ISSB Standards.<sup>5</sup>

In January 2024 the TPT's mandate was extended to 31 July 2024, with the possibility of a further 3-month extension in order to contribute to the work of the new Transition Finance Market Review.

**At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy.**

1) See **UK Climate Change Act 2008** and the **UK's Nationally Determined Contribution**, as updated September 2022.

2) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

3) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

4) UK Government, **Mobilising green investment: 2023 green finance strategy**, 2023.

5) Financial Conduct Authority (FCA), **Primary Market Bulletin 45**, 2023.

# 1. INTRODUCTION

## The TPT's Sector Guidance

In October 2023, the TPT published the final **Disclosure Framework** and a **suite of Implementation Guidance**. Preparers of transition plans should first read these products.

The TPT's Terms of Reference also gave the TPT a mandate to produce sectoral guidance for both financial sector and real economy companies. To deliver this the TPT has published two types of sector guidance to complement the TPT Disclosure Framework: the TPT Sector Summary and the TPT Sector Deep Dives.

The TPT Sector Summary was published online in October 2023 and was open for comment until 24 November 2023. This Guidance provides a high-level overview of decarbonisation levers and metrics & targets for an extensive number of financial and real economy sectors, leveraging existing third-party guidance. An updated version of the TPT Sector Summary was published in April 2024.

The TPT Sector Deep Dive Guidance provides sector-specific guidance for preparers to interpret the Disclosure Framework for a small number of sectors. In its **Status Update** in July 2023, the TPT confirmed these sectors as:

- **Asset Managers;**
- **Asset Owners;**
- **Banks;**
- **Electric Utilities & Power Generators;**
- **Food & Beverage;**
- **Metals & Mining;** and
- **Oil & Gas.**

These sectors were chosen given each sector's GHG emissions, its need for (or its provision of) transition finance in the UK context, and the quality of existing guidance available in the market. In making its selection the TPT sought to identify sectors for which additional guidance would be beneficial in kick-starting transition plan disclosures, while also identifying opportunities to leverage existing sectoral guidance and consolidate it into the context of the Disclosure Framework.

In November 2023, the TPT published the Sector Deep Dive Guidance for consultation. The consultation ran until 29 December 2023. This document is the final version of this Guidance.

The materials produced by the TPT reflect a synthesis of best practice at the time of publication. They do not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the Oil & Gas Guidance is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in Oil & Gas Guidance should be understood to require the disclosure of commercially sensitive information.

# How this Guidance fits within the suite of TPT Guidance

In October 2023, the TPT published its final **Disclosure Framework**, as part of a wider suite of Implementation Guidance, including:

- Guidance to help preparers **explore the disclosure recommendations**, including case studies;
- Guidance on **the transition planning cycle**, including case studies;
- Technical mapping to the final **Climate-Related Disclosures standard (IFRS S2) issued by the International Sustainability Standards Board (ISSB)** and the **TCFD's Recommendation and Guidance**;
- A comparison of the TPT Disclosure Framework to the **European Sustainability Reporting Standards (ESRS)**; and
- **Legal considerations for preparers of transition plans using the TPT Disclosure Framework.**

On 9 April 2024, the TPT published the suite of final Sector Deep Dive alongside:

- **Opportunities and challenges relating to the use of private sector transition plans in emerging markets and developing economies**; and
- the final **Transition Planning Cycle Guidance** document which includes new content on adaptation.

The TPT Working Groups on Adaptation, Just Transition and Nature, and the TPT Advisory Group on SMEs, also published advisory papers on 9 April 2024. These papers are independent of the core suite of TPT documents:

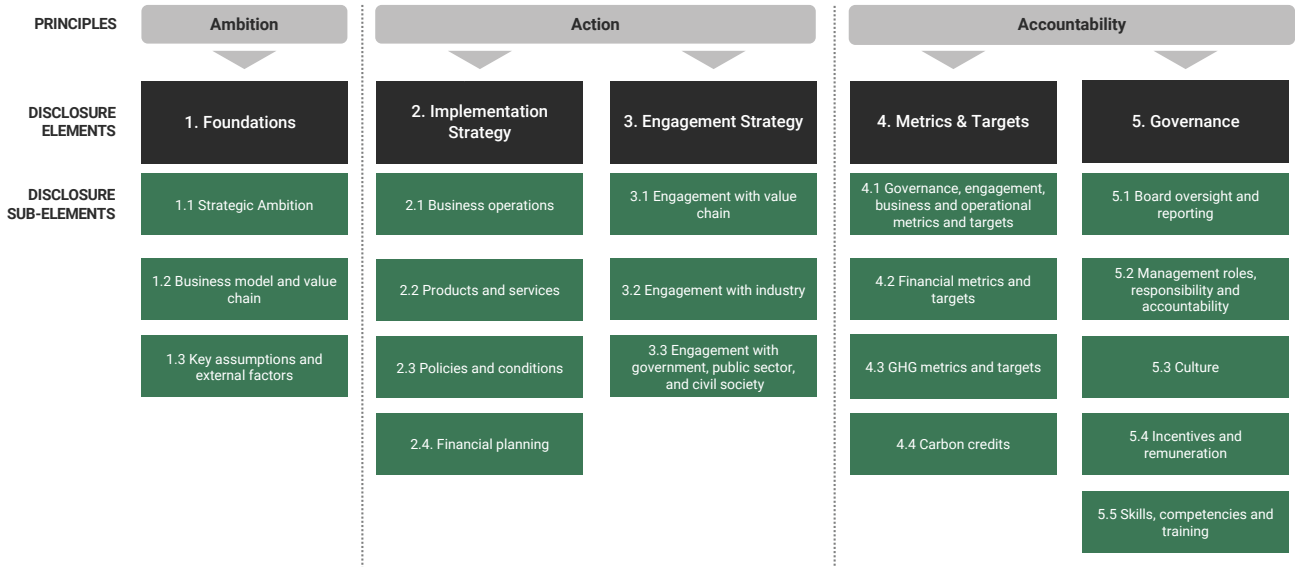
- **Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensive Transition Planning approaches**, an advisory paper from the TPT Adaptation Working Group;
- **The Future of Nature in Transition Planning**, an advisory paper from the TPT Nature Working Group;
- **Putting people at the heart of transition plans: key steps and metrics for issuers, an advisory paper from the Just Transition Working Group**; and
- **Considerations on SMEs and transition plans**, an advisory paper from the SME Advisory Group.

The Disclosure Framework contains the foundational disclosure recommendations which apply to all sectors, as shown in Figure 1. It is designed to complement, and build on, the ISSB's final Standards IFRS S1<sup>6</sup> and S2,<sup>7</sup> as well as drawing on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning and uses the same core components and structure. This means that the TPT Framework and GFANZ are both part of an aligned, consistent effort to support the development of private sector transition plans.

Preparers should first read the Disclosure Framework to understand the TPT's key concepts.

6) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023

7) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.



**Figure 1:** The TPT Disclosure Framework

This Oil & Gas Guidance adds further depth and detail for preparers of transition plans that are operating in the Oil & Gas sector.

Part One of this Guidance (Introduction) introduces the sector context and how the Guidance is to be used alongside the Disclosure Framework and wider TPT Guidance. Part Two (Interpreting the Disclosure Framework for the Oil & Gas sector) provides suggestions of disclosures and further guidance and resources for entities to consider.

The hierarchy of TPT guidance within the overall transition plan disclosures landscape is set out in Figure 2. In jurisdictions where ISSB Standards are to be adopted, preparers will likely begin by consulting IFRS S1 and S2 for wider climate and sustainability disclosures. IFRS S2 contains disclosure requirements relevant to transition planning. The TPT Disclosure Framework then complements, and builds on, ISSB. The TPT’s suite of Implementation Guidance, as well as transition plan guidance materials published by GFANZ, may further help preparers develop their plans. The Oil & Gas Guidance then interprets the Disclosure Framework for the Oil & Gas sector.





## The Transition Plan Disclosures Landscape: how preparers can use the outputs of ISSB, GFANZ, and TPT

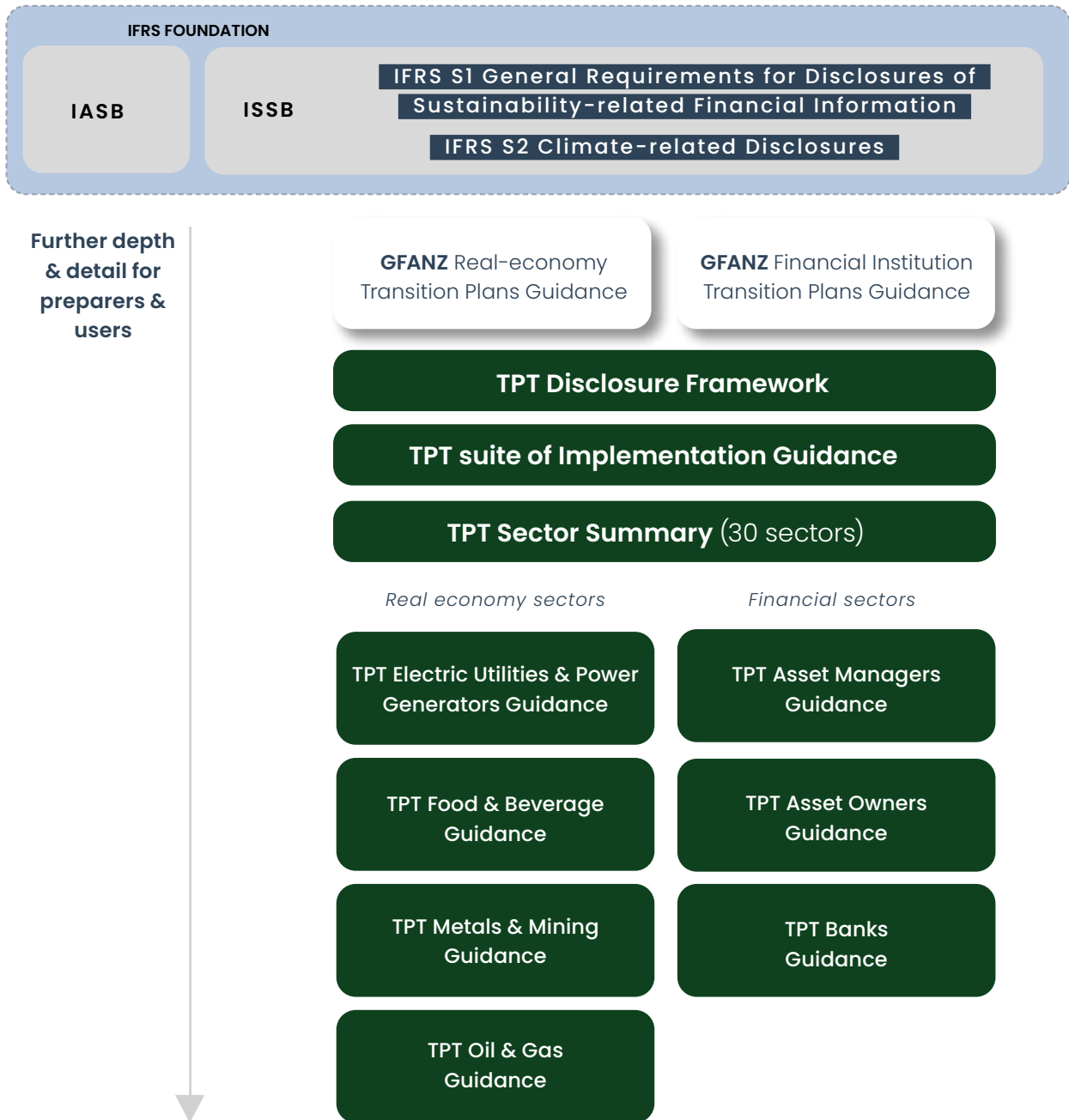


Figure 2: The Transition Plan Disclosures Landscape

# Using the Oil & Gas Guidance to interpret the Disclosure Framework

The TPT Disclosure Framework (see Figure 1) breaks down five Elements into 19 Sub-Elements, each of which is supported by Disclosure Recommendations. Where Recommendations are introduced using “**shall**”, this indicates that the TPT views these as relevant disclosures for all good practice transition plans, subject to a materiality assessment. Some Sub-Elements also contain examples of additional disclosures that an entity may consider, but which may not be relevant to all entities. These are introduced using “**may**” or “**e.g.**” and are not intended to be comprehensive. This means an entity may consider disclosing other information under these Sub-Elements.

Part Two of this Guidance supports preparers and users to interpret the Disclosure Framework by setting out suggestions of disclosures that entities “**should consider disclosing**”. None of the suggestions in this Guidance replace the Disclosure Recommendations in the Disclosure Framework; they are complementary and intended to help preparers interpret the Disclosure

Framework. As in the Disclosure Framework, suggested disclosures are not intended to be comprehensive, and an entity may consider disclosing other information under these Sub-Elements where deemed material to the decisions of primary users of the entity’s general purpose financial reports. These suggestions of disclosures are accompanied by further considerations and references to external guidance that preparers may find useful, titled “**When disclosing, an entity may additionally consider:**”.

The TPT Disclosure Framework and Sector Guidance, including this Oil & Gas Guidance, use the ISSB’s definition of a climate-related transition plan, and apply the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB’s General Requirements standard (IFRS S1)<sup>8</sup> (see Appendix 1: Reporting of transition plans in the **TPT Disclosure Framework**). In addition to including transition plan disclosures as part of its general purpose financial reports, the TPT regards it as good practice for an entity periodically to publish its transition plan in a single standalone document that sits alongside its general purpose financial reports.

Photo, Niklas Jeromin, Pexels.com

<sup>8</sup> International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

# Sector Context

The production and combustion of oil and gas is a major contributor to global greenhouse gas (GHG) emissions. In 2022, the production, transport and processing of oil and gas accounted for 15% of energy-related global GHG emissions, while the use of oil and gas contributed a further 40%.<sup>9</sup> The sector therefore faces disruption from the transition to a low GHG emissions, climate-resilient economy.

Demand for oil and gas is expected to reduce due to the energy transition, with the International Energy Agency (IEA) forecasting that oil and gas demand will peak before 2030 based on policy settings in 2023 alone.<sup>10</sup> Demand from some sectors, such as from road transport, electricity generation and heating, is expected to fall more rapidly. Residual demand for petrochemicals and non-energy uses is expected, though circularity trends and changing fertiliser practices may impact this.<sup>11</sup> Furthermore, the importance of transition away from fossil fuels in energy systems in a just,

orderly and equitable manner was recognised by governments at COP28.<sup>12</sup>

The Oil & Gas sector can play a key role in the transition, both by significantly reducing emissions from its own operations, and realising opportunities by developing new low GHG emissions products and services. In the IEA's Net Zero Emissions by 2050 (NZE) scenario, emissions from oil and gas operations fall 60% by 2030.<sup>13</sup> Tackling methane emissions is key to delivering this reduction, alongside eliminating non-emergency flaring, electrification and other measures. The sector can also leverage its financial resources, project development and engineering capabilities to scale low GHG emissions products and services. Offshore wind, hydrogen, bioenergy, carbon capture, utilisation and storage, electric vehicle charging, plastics recycling and geothermal all offer synergies with the existing expertise of the Oil & Gas sector.<sup>14</sup>



Photo, Clyde Thomas, Unsplash.com

9) International Energy Agency (IEA), **Emissions from Oil and gas Operations in Net Zero Transitions**, 2023.

10) International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

11) Carbon Tracker, **Navigating Peak Demand**, 2023.

12) United Nations Framework Convention on Climate Change (UNFCCC), **First global stocktake decision text**, 2023.

13) International Energy Agency (IEA), **Emissions from Oil and gas Operations in Net Zero Transitions**, 2023.

14) International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

Managing transition and physical climate-related risks in the Oil & Gas sector will be challenging. Continued investment in new oil and gas production creates risks of assets becoming “stranded” by reduced demand or prices, though this risk may be mitigated by restricting new oil and gas development. Under the IEA NZE scenario, no new long lead time upstream conventional projects would need to be approved for development and, even with this, around USD 400 billion of exploration costs in the upstream sector become stranded.<sup>15</sup>

At the same time, the sector must remain resilient to the changing climate. Physical risks vary by value chain stage and by geography. For example, permafrost thawing may affect pipelines, whilst lack of access to water may limit refining.<sup>16,17</sup> The changing climate also presents risks to the decommissioning of assets which may give rise to additional and unforeseen costs if these are not considered in strategic and operational planning.<sup>18</sup> Consequently, climate resilience will be an important factor in the design of decommissioning strategies, as well as decisions about which assets to operate and which to retire.

The transition of the Oil & Gas sector will have implications for the 12 million workers it employs,<sup>19</sup> as well as the communities and countries in which it operates. The sector should work with governments

to provide for, and reskill, workers impacted by the phase-out or closure of GHG intensive assets. Governments and the Oil & Gas sector, particularly national oil companies, will also need to manage any declines in oil and gas revenues and the risk of stranded assets impacting both entities’ and governments’ finances.<sup>20</sup> The sector may also work with governments, communities and other sectors to address energy security and energy poverty concerns, and design plans that increase access to low GHG emissions energy through the transition.

The Oil & Gas sector already has significant impacts and dependencies on the natural environment and its transition will create new risks and opportunities.<sup>21</sup> Liabilities may occur during decommissioning, including where inadequate site rehabilitation leaves soil and water contaminated, or where offshore structures are abandoned, resulting in issues such as marine pollution or damage to fisheries. Transition into low-carbon business areas should also implement safeguards for the natural environment. For example, using second or third generation biofuel feedstocks will reduce competition with food crops and conversion of natural ecosystems. Nature-based solutions may also play a role, for example, in replenishing water basins affected by withdrawals for oil refining or hydrogen production.

Photo, Zbynek Burival, Unsplash.com

<sup>15</sup> International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

<sup>16</sup> International Petroleum Industry Environmental Conservation Association (IPIECA), **Addressing adaptation in the oil and gas industry**, 2013.

<sup>17</sup> Antoniou et al., **Adapting Oil & Gas Infrastructures to Climate Change**, Pipeline Technology Journal, 2020.

<sup>18</sup> Acclimatise, **Oil and Gas: Understanding the implications of adaptation to climate change**, 2009.

<sup>19</sup> International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

<sup>20</sup> Natural Resource Governance Institute (NRGI), **Riskier Bets, Smaller Pockets**, 2023.

<sup>21</sup> Taskforce on Nature-Related Financial Disclosures (TNFD), **Draft sector guidance – Oil and gas**, 2024.

# Scope of the TPT Oil & Gas Guidance

The scope of this Oil & Gas guidance is aligned to the IFRS industry descriptions for the Oil & Gas sector.<sup>22</sup> This guidance divides Oil & Gas activities into three value chain segments (upstream, midstream and downstream), including the activities as shown in Figure 3.

UPSTREAM	DOWNSTREAM			
Exploration & Production	Refining	Petro-chemicals	Distribution	Retail & Marketing
MIDSTREAM				
Transportation & Storage	Physical trading		Financial trading	

**Figure 3:** The Oil & Gas Value Chain. Activities included within the scope of the Oil & Gas Guidance are coloured dark grey, while out of scope activities are coloured light grey.

**Upstream (IFRS Exploration & Production)**<sup>23</sup> Entities that explore for, extract, or produce energy products such as crude oil and natural gas. Entities in this segment develop conventional and unconventional oil and gas reserves; these include, but are not limited to, shale oil and/or gas reserves, oil sands, and gas hydrates. Activities in this segment include the development of both onshore and offshore reserves.

**Midstream (IFRS Midstream)**<sup>24</sup> Entities involved in the transportation or storage of natural gas, crude oil, and refined petroleum products. Midstream natural gas activities involve gathering, transport, and processing of natural gas from the wellhead, as well as the removal of impurities, production of natural gas liquids, storage, pipeline transport, and shipping, liquefaction, or regasification of liquefied natural gas. Midstream oil activities include the transport of crude oil and refined products over land, using a network of pipes and pumping stations, as well as trucks and rail cars, and over seas and rivers via tanker ships and barges. Entities that operate bulk stations and terminals, as well as those that manufacture and install storage tanks and pipelines, are also included within this segment. In addition, this guidance considers oil and gas trading activities (physical and financial) to be included within the midstream value chain segment.

**Downstream (IFRS Refining & Marketing)**<sup>25</sup> Entities that refine petroleum products, market oil and gas products, or operate petrol stations and convenience stores, all of which comprise the downstream operations of the oil and gas value chain.

This Oil & Gas Guidance does not address oil and gas services, financial trading, distribution, and petrochemical activities, due to differences in the business models of these activities. Entities are recommended to refer to other available guidance for these activities, including the TPT Sector Summary for Chemicals<sup>26</sup> and Gas Utilities & Distributors.<sup>27</sup>

In addition, this Oil & Gas guidance considers low-carbon activities that an entity may diversify into as part of the transition. Where an entity plans to diversify into low and zero carbon electricity generation, it may consider referring to the TPT's Electric Utilities & Power Generators Guidance.<sup>28</sup>

22) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures**, 2023.

23) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 11 - Oil & Gas Exploration & Production**, 2023.

24) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 12 - Oil & Gas - Midstream**, 2023.

25) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 13 - Oil & Gas - Refining & Marketing**, 2023.

26) Transition Plan Taskforce (TPT), **Sector Summary: Chemicals**, 2024.

27) Transition Plan Taskforce (TPT), **Sector Summary: Gas Utilities & Distributors**, 2024.

28) Transition Plan Taskforce (TPT), **Electric Utilities & Power Generators Sector Guidance**, 2024.

Photo, Charlie Hang, Unsplash.com



## Sub-Elements of the Disclosure Framework addressed in this Guidance

The Disclosure Framework sets out 19 Sub-Elements supported by a series of Disclosure Recommendations. While entities are expected to disclose against all Sub-Elements, only 13 were selected for sector-specific interpretation in this Guidance. Sub-Elements were selected considering the scope for additional sector specificity to build on the Disclosure Framework, and the breadth and depth of existing sector-specific guidance.

For Sub-Elements where additional sector-specific guidance is provided, this may only apply to some Disclosure Recommendations of the Disclosure Framework. Suggestions for disclosures and additional considerations are not intended to be comprehensive. An entity should disclose other information under these Sub-Elements where deemed appropriate.

The Disclosure Recommendations in the Disclosure Framework for the remaining 6 Sub-Elements were deemed not to require further sector-specific detail or interpretation. No additional sector-specific guidance has been provided for these Sub-Elements.

The Sub-Elements selected for interpretation in this Guidance are set out in Figure 4 below.

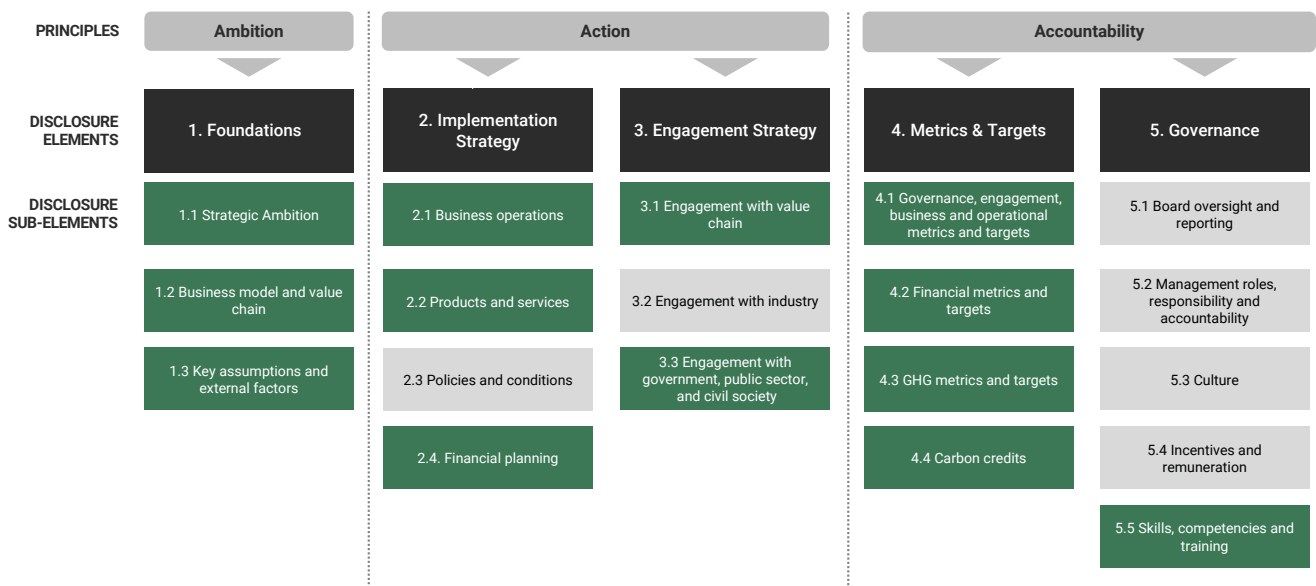


Figure 4: Sub-Elements selected for interpretation in this Guidance

# A strategic and rounded approach to Oil & Gas transition plans

The TPT Disclosure Framework recommends that entities, including Oil & Gas entities, take a strategic and rounded approach to transition planning, considering three inter-related channels:

1. **Decarbonising the entity:** Emissions from oil operations accounted for 67% of the sector's Scope 1 and 2 emissions in 2022, with gas operations accounting for 33%.<sup>29</sup> Rapid reductions in these emissions can be achieved, with the IEA identifying five key levers: reducing methane emissions, eliminating non-emergency flaring, electrifying upstream facilities, equipping carbon capture, utilisation and storage (CCUS), and expanding the use of low-emissions electrolysis hydrogen in refineries.<sup>30</sup> Furthermore, tackling Scope 3 emissions from the combustion of oil and gas by customers will be crucial, given these account for 80% of the lifecycle emissions of oil and 85% of the lifecycle emissions of gas. Reductions in Scope 3 emissions can be achieved by ensuring oil and gas it produces is used with CCUS and by reducing oil and gas production as demand shifts.<sup>31</sup> Scope 3 emissions intensity may also be reduced by increasing the production and sale of low-carbon energy.
2. **Responding to the entity's climate-related risks and opportunities:** The Oil & Gas sector faces significant transition risks, including declining market demand for oil and gas, carbon pricing, and litigation risk. In addition, oil and gas infrastructure operates in diverse, and often extreme, climatic conditions and will face increased physical risks across the value chain due to the changing climate. Strategic transition plans can enable Oil & Gas entities to manage these physical and transition risks and realise opportunities.<sup>32,33</sup> Oil & Gas entities may pursue a strategy of managed decline of upstream production to reduce transition risk, whilst differentiating production by ensuring that assets have low break-even costs and low emissions intensities. In addition, an entity may diversify into new activities (e.g. low-carbon fuels and critical minerals), allowing them to realise opportunities in emerging clean energy value chains. Physical risks may inform decisions about which assets to operate and which to retire, as well as decommissioning strategies. This is because the changing climate has the potential to result in additional costs during the decommissioning of assets, such as higher flood protection requirements for decommissioned sites.<sup>34</sup>
3. **Contributing to an economy-wide transition:** By reshaping its business model, the Oil & Gas sector could play a major role in accelerating the transition to a low-GHG emissions, climate-resilient economy. The sector is well-positioned to use its financial capital, project development and engineering capabilities to scale the technologies, infrastructure and materials needed for the transition. In addition, existing oil and gas infrastructure may be repurposed to facilitate the transition, for example refineries can be converted for biofuels, depleted fields used for carbon storage, and service stations used for electric vehicle charging. Furthermore, the Oil & Gas sector has an expansive customer base that it can engage with to develop the market for low-GHG emissions products and services. However, in 2022 less than 1% of global clean energy investment came from the Oil & Gas sector,<sup>35</sup> so the sector will have to significantly scale-up clean energy investment if it is to contribute substantially to the economy-wide transition.

29) International Energy Agency (IEA), **Emissions from Oil and gas Operations in Net Zero Transitions**, 2023.

30) International Energy Agency (IEA), **Emissions from Oil and gas Operations in Net Zero Transitions**, 2023.

31) International Energy Agency (IEA), **Emissions from Oil and gas Operations in Net Zero Transitions**, 2023.

32) International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

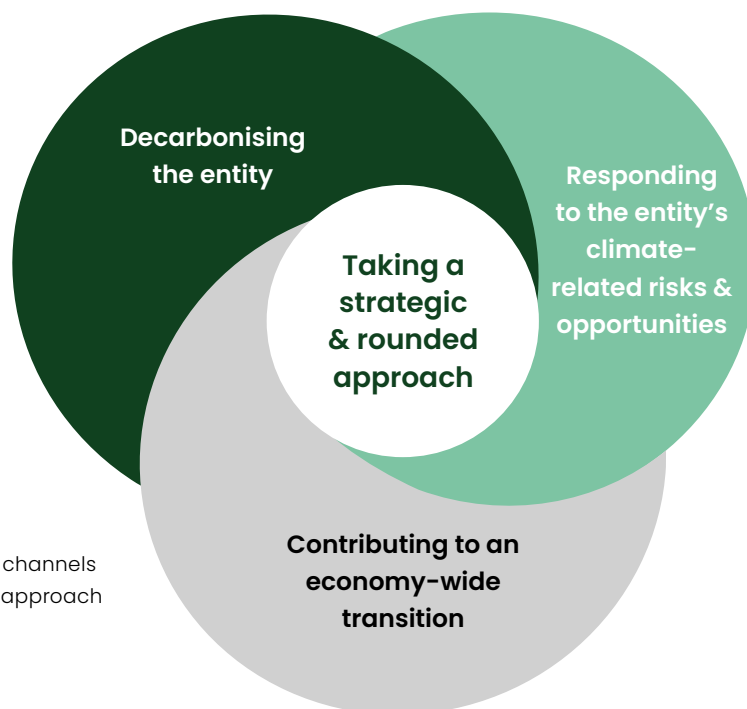
33) Carbon Tracker, **Navigating Peak Demand**, 2023.

34) Acclimatise, **Oil and Gas: Understanding the implications of adaptation to climate change**, 2009.

35) International Energy Agency (IEA), **The Oil and Gas Industry in Net Zero Transitions**, 2023.

Considering all three inter-related channels in designing their transition plan can help Oil & Gas entities to protect and enhance long-term value, and to avoid the unintended consequences of an approach which exclusively focuses on achieving GHG emissions or adaptation targets within an entity's own operations and portfolio.

Taking a strategic and rounded approach helps Oil & Gas entities consider a wide range of decarbonisation levers available to them and, where possible, avoid a strategy of 'paper decarbonisation', which is characterised by actions that are taken to green an entity's balance sheet in a way that may not necessarily contribute to the actual decarbonisation of the economy.



**Figure 5:** Three inter-related channels for a strategic and rounded approach

## Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment

The Disclosure Framework sets out how disclosures relating to climate-resilience, nature and society are part of a transition plans. Sub-element **1.1 Strategic Ambition** of the TPT Disclosure Framework states:

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

The TPT Disclosure Framework recommends that an entity shall disclose whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities. **(see DF 1.1.b)**.

This section outlines how these impacts and dependencies may occur in the Oil & Gas sector. This can inform specific disclosures under **1.1 Strategic Ambition**.



## Impacts and dependencies: the natural environment

The transition plans of entities in the Oil & Gas sector may impact, and depend on, the natural environment and many of the ecosystem services it provides. For example, the sector's transition will include significant investment in large infrastructure projects including in renewable energy, carbon capture and storage and hydrogen production, as well as the decommissioning of existing oil and gas assets. Many of these activities could have adverse and unintended impacts on nature, such as habitat degradation and loss. Similarly, efforts to strengthen the resilience of an entity's infrastructure to the increasing pressures of a changing climate may depend on ecosystem services such as natural flood, storm and heat protection. The impacts and dependencies of an entity's transition plan may give rise to both nature-related risks and opportunities. For example, the destruction of ecosystems due to large-scale infrastructure development may increase vulnerability to extreme weather events and amplify water stress.

Entities in the Oil & Gas sector may find that they can mitigate these risks and create opportunities for the entity by taking steps to mitigate their impacts or to actively work to reverse the loss of nature. For example, as assets are decommissioned, entities may find opportunities to create positive impact on local natural environments, such as by supporting the creation of new protected biodiversity areas when exploration activities end.<sup>36</sup> An entity may find that it can address these risks and leverage opportunities by taking steps to mitigate their impacts or actively work to reverse the loss of nature.

The TPT therefore recommends that entities disclose whether and how they identify, assess and take into account the impacts and dependencies of their transition plan on the natural environment, and pursue their objectives and priorities in a manner that safeguards the environment. See Figure 6 for an illustrative example of impacts and dependencies of an Oil & Gas entity's transition plan on the natural environment.

In doing so, entities in the Oil & Gas sector may find it helpful to refer to the:

- Exploring Natural Capital Opportunities, Risks and Exposure's (ENCORE) *ENCORE tool*;<sup>37</sup>
- International Union for Conservation of Nature's (IUCN) *Renewable energy and nature resources*;<sup>38</sup>
- Science-based Targets Network's (SBTN), *Target-setting Tools and Guidance* (see Materiality Screening Tool under Step 1: Assess);<sup>39</sup> and
- Taskforce on Nature-related Financial Disclosures' (TNFD), *Guidance on the identification and assessment of nature-related issues: The LEAP approach*,<sup>40</sup> and *Draft sector guidance – Oil and gas*.<sup>41</sup>

Photo Andrew Coelho, Unsplash.com

36) The Energy and Biodiversity Initiative, **Integrating Biodiversity Conservation into Oil & Gas Development**, 2023.

37) Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE), **ENCORE tool**, website as of 2024.

38) The International Union for Conservation of Nature (IUCN), **Renewable energy and nature** website as of 2024.

39) Science Based Targets Network (SBTN), **Step 1: Assess**, website as of 2024.

40) Taskforce on Nature-related Financial Disclosures (TNFD), **Guidance on the identification and assessment of nature-related issues: The LEAP approach**, 2023.

41) Taskforce on Nature-Related Financial Disclosures (TNFD), **Draft sector guidance – Oil and gas**, 2024.

## Impacts and dependencies: stakeholders, society, and the economy

Transition plans of entities in the Oil & Gas sector may impact and depend on its stakeholders (e.g. its workforce, value chain counterparts, customers, and local communities), society (e.g. NGOs, interest groups, and the public) and the economy (e.g. through job displacement and affordability of energy).

For example, a significant decline in oil and gas production over the coming decades may cause job losses, stranded communities and changing skill requirements. At the same time, the continued acceleration in the deployment of renewables, biofuels, and other clean technologies may create new growth prospects for workers, communities, and suppliers. Similarly, the success of an entity's transition plan may depend on the availability of skills, as well as societal and political support for key transition policies.

These impacts and dependencies of an entity's transition plan may give rise to social risks and opportunities. For example, they might expose the entity to risk of community opposition, as well as reputational and political risks. An entity may find that taking a just transition approach to transition planning, (e.g. by taking action to provide energy access, security and affordability throughout the transition or upskilling and retraining their workforce for a net zero economy) can mitigate these risks and create new opportunities.

The TPT therefore recommends that Oil & Gas entities disclose whether and how they identify, assess and take into account the impacts and dependencies of their transition plan, and pursue their objectives and priorities in a manner that captures opportunities and avoids adverse impacts for stakeholders and society. See Figure 6 for an illustrative example of impacts and dependencies of an Oil & Gas entity's transition plan on stakeholders, society and the economy.

In doing so, entities in the Oil & Gas sector may find it helpful to refer to:

- Ipieca's *Just transition literature review*;<sup>42</sup>
- The Council for Inclusive Capitalism's *Just Transition Framework for Company Action*;<sup>43</sup>
- World Benchmarking Alliance's *Oil and Gas Benchmark*; and<sup>44</sup>
- World Resources Institute's *Just Transitions in the Oil and Gas Sector: Considerations for Addressing Impacts on Workers and Communities in Middle-Income Countries*.<sup>45</sup>

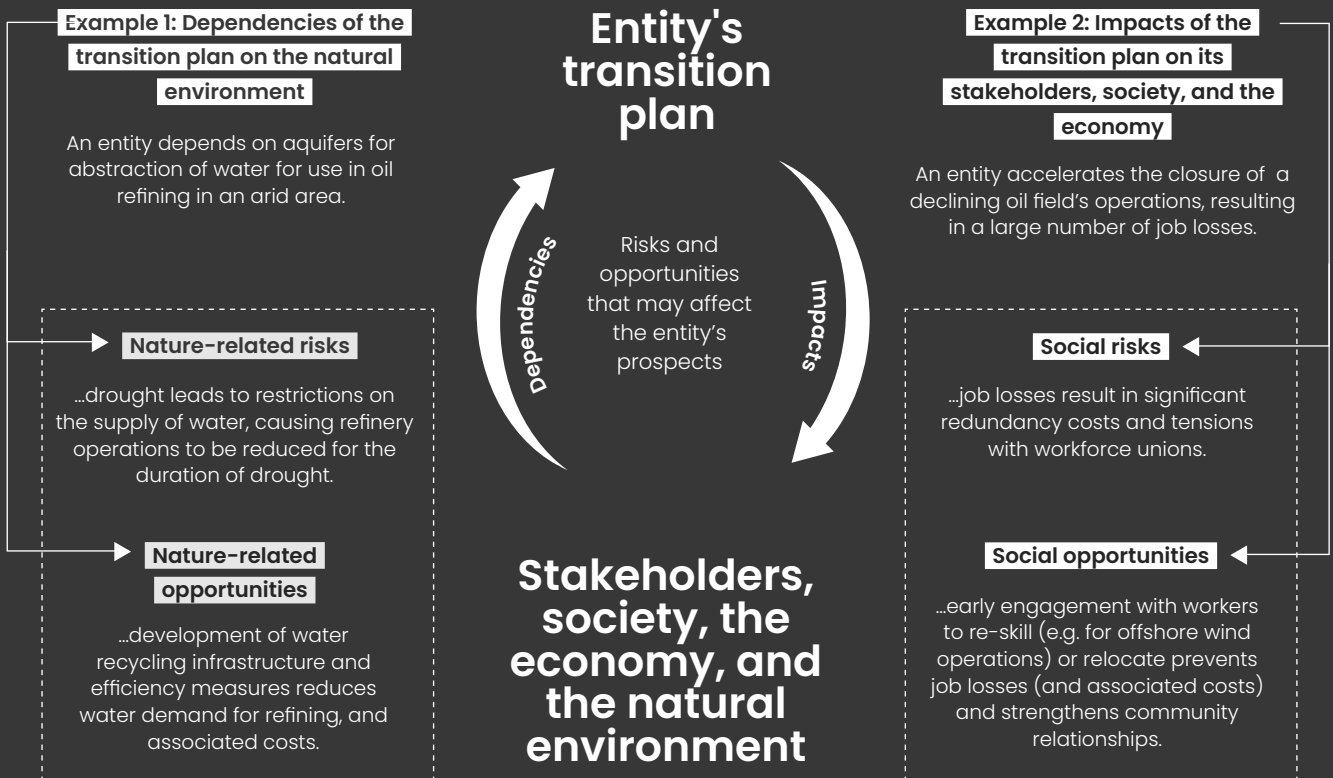
Photo, Nathan Anderson, Unsplash.com

42) Ipieca, *Just transition literature review*, 2022.

43) The Council for Inclusive Capitalism, *Just Transition Framework for Company Action*, 2021.

44) World Benchmarking Alliance, *Oil and Gas Benchmark*, 2023.

45) World Resources Institute (WRI), *Just Transitions in the Oil and Gas Sector: Considerations for Addressing Impacts on Workers and Communities in Middle-Income Countries*, 2023.



**Figure 6:** Illustrative example of impacts and dependencies of an Oil & Gas entity's transition plan on its stakeholders, society, the economy, and the natural environment, that may give rise to sustainability-related risks and opportunities.

## 2. INTERPRETING THE TPT DISCLOSURE FRAMEWORK FOR THE OIL & GAS SECTOR

Preparers should first read the Disclosure Framework which provides Disclosure Recommendations for each Sub-Element.

The Oil & Gas Guidance uses the ISSB's definition of a climate-related transition plan and applies the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB's General Requirements standard (IFRS S1).<sup>46</sup>

Sector-specific guidance is not provided for all Sub-Elements of the Disclosure Framework. Where additional sector-specific guidance is not provided, the following statement is included **"No additional sector-specific guidance is provided for this Sub-Element"**.

For Sub-Elements for which additional sector-specific guidance is provided, additional guidance may only be provided for some of the Sub-Element's Disclosure Recommendations. Cross-references to Disclosure Recommendations included in the Disclosure Framework are provided in the format **"(see DF 1.1.a)"**.

The additional sector-specific guidance is not intended to be comprehensive. An entity should disclose other information and consider other resources where deemed appropriate.

### 1. Foundations

#### Sub-Element

#### 1.1 Strategic Ambition

An entity shall disclose the **Strategic Ambition** of its transition plan, setting out its objectives and priorities for responding and contributing to the transition towards a low-GHG-emissions, climate-resilient economy, and doing so in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- its objectives and priorities in relation to each of the following value chain segments, where applicable **(see DF 1.1.a)**:
  - o upstream – including the exploration and production of conventional and unconventional (e.g. oil sands, fracking) oil and gas;
  - o midstream – including the transportation and storage of oil and gas products, and physical trading activities;<sup>47</sup> and
  - o downstream – including the processing, refining, marketing, and sale (to business and retail customers) of oil and gas products;<sup>48</sup>
- its objectives and priorities to phase-down and phase-out any unabated fossil fuel-related activities **(see DF 1.1.a.i, 1.1.a.ii, 1.1.a.iii)**, including any associated short-, medium-, and long-term targets and milestones it has set to measure progress **(see DF 1.1.e)**;
- the role of any new or planned oil and gas exploration and production investment and activity within its **Strategic Ambition (see DF 1.1.a.i, 1.1.a.ii, 1.1.a.iii)**; and

<sup>46</sup>) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

<sup>47</sup>) Financial trading activities are out of scope of this Oil & Gas Guidance.

<sup>48</sup>) Petrochemicals and distribution activities are out of scope of this Oil & Gas Guidance.

- its objectives and priorities for enhancing its resilience to the changing climate and responding to climate-related risks (**see DF 1.1.a.ii**), this may include in relation to:
  - o stranded assets;
  - o litigation;
  - o transferred emissions;
  - o former or sold assets; and
  - o access to financial and capital markets.

#### **When disclosing, an entity may additionally consider:**

When disclosing its objectives and priorities disaggregated by each stage of the value chain in which it operates, an entity may refer to the **Scope of the TPT Oil & Gas Guidance** section within this guidance (see page 13).

When defining its objectives and priorities for reducing its Scope 1, 2, and 3 GHG emissions, an entity may refer to:

- the IEA's *Emissions from Oil and Gas Operations in Net Zero Transitions*, which is part of the 2023 World Energy Outlook;<sup>49</sup>
- The *Oil & Gas Decarbonisation Charter* (OGDC), which was launched at COP28.<sup>50</sup>

When defining its objectives and priorities, an entity may consider the compatibility of its objectives and priorities with the role that the Oil & Gas sector will play in decarbonising the countries in which it operates.

When disclosing the extent to which it has taken into account and aligned with any external requirements, commitments, science-based targets, transition pathways, roadmaps, or scenarios, an entity may consider:

- Nationally Determined Contributions – for example, the UK's commitment to reduce economy-wide GHG emissions by at least 68% by 2030, compared to 1990 levels;<sup>51</sup>
- national policy targets and commitments – for example, the UK's legal commitment to reduce GHG emissions by at least 100% of 1990 levels by 2050;<sup>52</sup>
- implementation measures/commitments – for example, interim targets defined in the UK's Sixth Carbon Budget;<sup>53</sup>
- decarbonisation pathways – for example, the IEA's *Net Zero Emissions Scenario*<sup>54</sup> and the TPI's *Sectoral Decarbonisation Pathways* for the Oil & Gas sector;<sup>55</sup> and
- national adaptation strategies.

When disclosing whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities, an entity may find it helpful to refer to the **Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment** section within this guidance (see page 16).

49) International Energy Agency (IEA), **Emissions from Oil and Gas Operations in Net Zero Transitions**, 2023

50) COP28, **Oil & Gas Decarbonization Charter**, 2023

51) **UK's Nationally Determined Contribution**, updated September 2022

52) UK Government, **The Climate Change Act**, 2008.

53) Climate Change Committee (CCC), **Sixth Carbon Budget**, 2020

54) International Energy Agency (IEA), **Net Zero Emissions Scenario**, website as of 2024

55) Transition Pathway Initiative (TPI), **Sectoral Decarbonisation Pathways**, 2022

## 1.2 Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain.

### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about how it anticipates its business activities to change including, where applicable (**see DF 1.2.a**):
  - o upstream oil and/or gas operations;
  - o midstream oil and/or gas operations;
  - o downstream oil and/or gas operations;
  - o physical trading of oil, gas, and other commodities;
  - o managed phaseout of unabated oil and/or gas assets;
  - o the provision and/or use of carbon capture, utilisation and storage (CCUS);
  - o the provision and/or use of carbon dioxide removal (CDR);
  - o low-carbon fuels production; and
  - o low- and zero-carbon electricity generation;
- information about whether and how any new oil and gas exploration and/or production assets align to the **Strategic Ambition** of its transition plan, including information about the location and projected (absolute and intensity) GHG emissions over the operating life of any new asset(s) (**see DF 1.2.a**); and
- whether and how non-operational assets, joint ventures and other minority interests are addressed within its **Strategic Ambition**, and the approach taken to include these within its GHG emissions inventory (**see DF 1.2.a**); and
- information about its approach towards assessing the alignment of non-operated assets, joint ventures and minority interests with its **Strategic Ambition** (**see DF 1.2.a**).

### When disclosing, an entity may additionally consider:

When disclosing the current and anticipated strategic changes to its business model and value chain, an entity may consider:

- Acclimatise's *Oil and gas: understanding the investment implications of adapting to climate change*,<sup>56</sup> and
- the IEA's *The Oil and gas Sector in Energy Transitions*<sup>57</sup> and *Emissions from Oil and Gas Operations in Net Zero Transitions*.<sup>58</sup>

Where an entity plans to diversify into low- and zero-carbon electricity generation, it may consider referring to the TPT's Electric Utilities & Power Generators Sector Guidance.<sup>59</sup>

<sup>56</sup>) Acclimatise, **Oil and gas: understanding investment implications of adapting to climate change**, 2009.

<sup>57</sup>) International Energy Agency (IEA), **The Oil & Gas sector in energy transitions**, 2020.

<sup>58</sup>) International Energy Agency (IEA), **Emissions from Oil & Gas operations in net-zero transitions**, 2023.

<sup>59</sup>) Transition Plan Taskforce (TPT), **Electric Utilities & Power Generators Sector Guidance**, 2024.

### 1.3 Key assumptions and external factors

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- the nature of the key assumptions that it uses and external factors on which it depends, and their implication for the achievement of the **Strategic Ambition**, at a regional or global level, which may include (**see DF 1.3.a**):
  - o oil and gas demand and pricing;
  - o GHG emissions pricing (including methane pricing);
  - o low-carbon fuels demand and pricing;
  - o low- and zero-carbon electricity demand and pricing;
  - o the expected role CCUS and CDR measures, including assumptions relating to permanence/leakage;
  - o taxes (including carbon border taxes), allowances, and reliefs;
  - o its reliance on mature and less mature technologies (and associated technological developments) and related infrastructure readiness, specifically considering the role of CCUS and CDR technologies; and
  - o availability of natural resources.

#### When disclosing, an entity may additionally consider:

When considering the decarbonisation trajectory of the global economy, relevant geographies and/or the Oil & Gas sector, an entity may consider internationally recognised scenarios including the IEA's *World Energy Outlook*.<sup>60</sup> In addition, an entity may refer to regional or national government sectoral pathways or roadmaps (e.g. the UK's commitment to decarbonise its power system by 2035).<sup>61</sup>

When disclosing the timeframes over which any key assumptions and external factors are expected to occur, an entity may consider describing whether its decarbonisation trajectory may be non-linear. For example, an entity's decarbonisation trajectory may be impacted if it were to bring new operations online, or responsibly close an operation. Similarly, actions taken to reduce emissions (e.g. fleet replacements) may occur in a non-linear fashion.

When disclosing the nature of any key assumptions it uses or external factors on which it depends related to any technological developments, an entity may describe to what extent any diversification plans and operational emissions reductions are dependent on the advancement and deployment of technology, and whether the entity itself or a third party is developing the technology.

When disclosing the nature of any key assumptions it uses or external factors on which it depends related to its reliance on mature and less mature technologies, an entity may consider the technology readiness levels (TRL) provided by the IEA, including delineating between its use of Prototype (TRL 4-6), Demonstration (TRL 7-8), Early Adoption (TRL 9-10), and Mature (TRL 11) technologies.<sup>62</sup> Broadly, mature technologies are those that are available and economically viable today, while less mature technologies are those which may not be available and/or are economically unviable.

60) International Energy Agency (IEA), **World Energy Outlook**, 2023.

61) UK Government, **UK's Nationally Determined Contribution**, 2022.

62) Taskforce on Nature-related Financial Disclosures (TNFD), **Guidance on the identification and assessment of nature-related issues: the LEAP approach**, 2023.

When disclosing information about its dependency on the availability of natural resources, an entity may consider assumptions about the future availability of water (e.g. for its operations) and land (e.g. for applying natural capital solutions / nature-based solutions). This may include reference to nature-related dependencies, and associated risks and opportunities identified which an entity may identify using the Taskforce on Nature-related Financial Disclosures' (TNFD) LEAP process.<sup>63</sup>

## 2 Implementation Strategy

### Sub-Element

#### 2.1 Business operations

An entity shall disclose information about the short-, medium- and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic Ambition** of its transition plan.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about the short-, medium-, and long-term actions an entity is taking, or planning to take, in its business operations in relation to its production processes or equipment, by asset. This may include **(see DF 2.1.a.i)**:
  - reducing methane emissions;
  - eliminating non-emergency flaring and venting;
  - electrifying operational facilities with low- and zero-carbon electricity;
  - expanding the use of low-emissions hydrogen in refineries;
  - providing and/or using CCUS;
  - providing and/or using CDR;
  - installing infrastructure to produce low-carbon fuels and
  - installing infrastructure to generate low- and zero-carbon electricity;
- information about any short-, medium-, and long-term workforce adjustments that it is taking or plans to take in its business operations, including the protection, training, relocation, and/or reassignment of workers whose skills are not aligned to its future business operations **(see DF 2.1.a.ii)**;
- information about any current and anticipated changes relating to the entity's facilities and other physical assets. This may include **(see DF 2.1.b)**:
  - acquisitions;
  - decommissioning;
  - and/or managed phase-out of unabated GHG-intensive assets or related activities;
  - responsible divestment; and
  - climate-proofing new and existing sites.

63) Taskforce on Nature-related Financial Disclosures (TNFD), **Guidance on the identification and assessment of nature-related issues: the LEAP approach**, 2023.



### When disclosing, an entity may additionally consider:

When disclosing information about the short-, medium- and long-term actions it is taking or plans to take to embed the Strategic Ambition of its transition plan in its business operations, an entity may consider guidance including:

- for reducing methane emissions, the *OGMP 2.0*,<sup>64</sup>
- for decommissioning, acquisitions and divestments, the Environmental Defense Fund's *Transferred Emissions Climate Principles for Oil & Gas Mergers and Acquisitions* which outlines good practice in asset-related emissions reduction target setting and data transfer, including guidance for vendor due diligence, maintenance or improvement of asset focused emissions targets and decommissioning obligations;<sup>65</sup>
- for the managed phase-out of unabated GHG intensive assets, GFANZ's *The Managed Phaseout of High-emitting Assets*, which provides guidance on topics such as phase-out timing and how to ensure an orderly and just transition;<sup>66</sup>
- for addressing physical and transition risks, Ipieca's *Assessing adaptation in the oil and gas industry*,<sup>67</sup> the Environment Agency's *Onshore oil and gas: examples for your adapting to climate change risk assessment*,<sup>68</sup> and UNEP-FI's *Climate Risks in the Oil and Gas Sector*.<sup>69</sup>

## 2.2 Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan.

### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about any current and anticipated actions, including timelines, to change its portfolio composition (by revenue) and market-share associated with **(see DF 2.2.a)**:
  - o low-carbon fuels;
  - o low- and zero-carbon electricity;
  - o the provision of CCUS; and
  - o the provision of CDR;
- information about any current or anticipated actions, including timelines, to change its portfolio composition towards lower GHG-intensity oil and gas products **(see DF 2.2.a)**;
- information about any current or anticipated actions, including timelines, to change its portfolio of products to include or increase the sale of carbon credits (e.g. generated from DAC) **(see DF 2.2.a)**;
- information about any impacts that changing its portfolio of products and services may have on its customers (e.g. the accessibility and affordability of low-carbon alternatives) and the natural environment (e.g. biodiversity loss arising from the development of nature-based solutions) **(see DF 2.2.a)**;

64) Oil & Gas Methane Partnership (OGMP), **The Oil & Gas Methane Partnership 2.0**, 2020.

65) Environmental Defense Fund (EDF), **Transferred emissions: how risks in oil and gas M&A could hamper the energy transition**, 2022.

66) Glasgow Financial Alliance for Net Zero (GFANZ), **The Managed Phaseout of High-emitting Assets**, 2022.

67) International Petroleum Industry Environmental Conservation Association (IPIECA), **Addressing adaptation in the oil and gas industry**, 2013.

68) Environment Agency (EA), **Onshore oil and gas: examples for your adapting to climate change risk assessment**, 2023.

69) United Nations Environment Program Finance Initiative (UNEP-FI), **Climate Risks in the Oil and Gas Sector**, 2023.

**When disclosing, an entity may additionally consider:**

When disclosing information about any actions to change its portfolio of products or services, an entity may consider guidance including the IEA's *The potential of digital business models in the new energy economy*, which outlines how digital business models can support the deployment of innovative technologies and create new revenue streams.<sup>70</sup>

When disclosing any underlying taxonomy, tools, methodologies, or definitions used to classify products and services, an entity may consider disclosing its use of:

- legislative taxonomies (e.g. the EU Green Taxonomy);<sup>71</sup>
- market-based methodologies (e.g. ACT's *Sector Methodology for Assessing Low-Carbon Transition Oil and Gas*,<sup>72</sup> and IIGCC's *Net Zero Standard for Oil and Gas*);<sup>73</sup>
- proprietary classifications or taxonomies, with details provided of underlying methodologies.

When disclosing information about any current and anticipated actions to change its portfolio of products and services, disaggregating by energy and non-energy products.

**Sub-Element****2.3 Policies and conditions**

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

70) International Energy Agency (IEA), **The potential of digital business models in the new energy economy**, 2022.

71) European Union (EU), **EU Technical Expert Group on Sustainable Finance, Taxonomy Report: Technical Annex**, 2020.

72) Assessing Low-Carbon Transition (ACT), **ACT Sector Methodology Assessing low-Carbon Transition Oil & Gas**, 2021.

73) Institutional Investors Group on Climate Change (IIGCC), **Net Zero Standard for Oil and gas**, 2023.

## 2.4 Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan<sup>74</sup> on its financial position, financial performance and cash flows<sup>75</sup> over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.<sup>76</sup>

### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- its current and committed investment plans, by value chain segment, required to achieve its **Strategic Ambition**, including in relation to any **(see DF 2.4.a)**:
  - upstream oil and/or gas operations;
  - midstream oil and/or gas operations;
  - downstream oil and/or gas operations;
  - physical trading of oil, gas, and other commodities;
  - responsible retirement and managed phase-out of unabated oil and/or gas assets;
  - the provision and/or use of CCUS;
  - the provision and/or use of CDR;
  - low-carbon fuels production;
  - low- and zero-carbon electricity generation;
  - applying CCUS to its operations;
- information about how assessments of climate related (transition and physical) risks inform how the entity is resourcing, and plans to resource, new projects **(see DF 2.4.a)**;
- information about how the entity is resourcing, or plans to resource, any support provided to employees whose current skillsets, responsibilities and projects are not aligned with its **Strategic Ambition** (e.g. investment for any necessary employee retraining, relocation and reassignment) **(see DF 2.4.a)**;
- information about whether and how climate related risks (transition and physical) have been considered in the estimates of decommissioning costs **(see DF 2.4.b)**;
- how it expects the implementation of its transition plan to affect the target internal rate of return (IRR) for its value chain segments, including the break-even price, methodology, and any underlying assumptions for the relevant product or service to achieve the stated target IRR **(see DF 2.4.c)**; and
- information about how it expects the implementation of its transition plan to affect its financial position, financial performance, and cash flows, and how this might be affected by changes in key assumptions and external factors (e.g. the sensitivity of oil and gas reserve valuations and/or refining capacity to a range of future price scenarios) **(see DF 2.4.c)**.

### When disclosing, an entity may additionally consider:

In determining the effects of its transition plan on its financial position, financial performance and cashflows, an entity may consider the conclusions of any scenario analysis that it has conducted. In particular, scenario analysis may be used to derive expectations or assumptions about financial effects, including revenue streams, asset values, value-at-risk measures, cost estimates of adaptation and mitigation actions, changes to cost of capital, as well as their likely timing.

74) Please note that 2.4.c is not intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

75) For entities in the financial sector, this should cover the financial performance of the entity itself and not its investment or lending portfolio.

76) This Sub-Element should be regarded as distinct from the Disclosure Recommendations under Sub-Element **4.2 Financial metrics and targets**. Under **2.4 Financial planning**, the focus should lie on demonstrating that the entity has integrated the transition plan into its financial planning and disclosing expected financial effects. Under Sub-Element **4.2 Financial metrics and targets**, on the other hand, the entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

### 3 Engagement Strategy

#### Sub-Element

#### 3.1 Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about engagement activities that it is undertaking, or plans to undertake, in order to achieve its **Strategic Ambition** which may include engagement activities with its (**see DF 3.1.b**):
  - o suppliers (e.g. oilfield equipment);
  - o service providers (e.g. oilfield service providers);
  - o customers;
  - o original equipment manufacturers (OEMs) in downstream sectors (e.g. automotive, aerospace);
  - o joint ventures (including non-operated joint ventures); and
  - o partnerships, partners and other minority interest holders;
- information about current or planned engagement activities with its suppliers and service providers, including if it is engaging with the contracted entity with regards to transition planning (**see DF 3.1.b**);
- information about any current or planned engagement activities with customers (e.g. aviation sector) by value chain segment to drive demand, market presence and sales of its products and services and whether and how this is consistent with its **Strategic Ambition (see DF 3.1.b)**;
- information about any current or planned engagement activities in relation non-operated joint ventures (i.e. in which the entity has a financial interest but not operational control), to encourage alignment with its **Strategic Ambition (see DF 3.1.b)**. This may include engagement activities in respect of:
  - o the operation of the asset; and
  - o the transportation, refining and marketing of the oil and gas products;
- information about how the traceability of its products informs engagement activities with its suppliers and customers to achieve its **Strategic Ambition (see DF 3.1.b)**, including how far value chain traceability extends for each of its products; and
- information about any escalation processes or criteria in place (e.g. tender processes, certification requirements, and exclusion criteria) to ensure responsible sourcing and manage instances where engagement activities do not lead to the desired changes (**see DF 3.1.c**).

**When disclosing, an entity may additionally consider:**

In defining any engagement activities with its customers, suppliers or service providers, an entity may refer to the engagement strategies and activities identified in ACT's *Oil & Gas Methodology*.<sup>77</sup>

When identifying key groups of stakeholders in its value chain and the nature of its relationships with those stakeholders, an entity may consider mapping its stakeholders (particularly with reference to commercial relationships). Stakeholders may include oil and gas service providers (e.g. drilling services), midstream providers (e.g. shipping or pipeline services), major suppliers of upstream oil and gas to an entity's downstream activities, major customers in different sectors (e.g. airlines or the chemicals sector), original equipment manufacturers in related sectors (e.g. for automotive or aerospace) financial traders and finance providers (e.g. investors, banks and insurance). For each key stakeholder group, the entity may disclose:

- which topics it is engaging on;
- how it is engaging, including any partnerships formed, incentive programmes or investment support to achieve its Strategic Ambition; and
- for suppliers, any existing climate-related baseline criteria incorporated in the entity's supplier sourcing strategy.

<sup>77</sup>) Assessing Low-Carbon Transition (ACT), *Oil & Gas Methodology*, 2021

## Sub-Element

**3.2 Engagement with industry**

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

## Sub-Element

**3.3 Engagement with government, public sector, communities and civil society**

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

**When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:**

- information about any direct and indirect engagement activities with government, regulators, and public sector organisations, communities and civil society that it is taking, or plans to undertake, to achieve its **Strategic Ambition**, which may include in relation to (see DF 3.3.b):
  - o fossil fuel and other relevant subsidies;
  - o new assets/installation;
  - o ongoing operations;
  - o managed phase-out;
  - o closure/repurposing;
  - o affordability and accessibility of alternative products and services; and
  - o adaptation and climate resilience; and
- information about any direct and indirect activities with Indigenous Peoples and Local Communities, considering principles of Free and Prior Informed Consent (FPIC) that it is undertaking, or plans to undertake, to achieve its **Strategic Ambition** and uphold high social and environmental standards (see DF 3.3.b).

**When disclosing, an entity may additionally consider:**

An entity may consider industry best practice standards and guidance for stakeholder engagement and consultation (including with indigenous peoples and local communities). This may include:

- the UN Declaration on the Rights of Indigenous People;<sup>78</sup>
- International Finance Corporation's *Performance Standards on Environmental and Social Sustainability*;<sup>79</sup> and
- Equator Principles' *EP4 Principle 5*.<sup>80</sup>

An entity may consider *The Global Standard on Responsible Climate Lobbying* which provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels.<sup>81</sup>

78) United Nations (UN), **Declaration on the Rights of Indigenous People**, 2008.

79) International Finance Corporation (IFC), **Performance Standards on Environmental and Social Sustainability**, 2012.

80) Equator Principles, **EP4**, 2020.

81) Climate Lobbying, **Global Standard on Responsible Climate Lobbying**, 2022.

## 4 Metrics & Targets

### Sub-Element

#### 4.1 Governance, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about any **engagement** metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan (**see DF 4.1.a, 4.1.b**):
  - the percentage of its value chain (by Scope 3 emissions or cost/revenue) covered by engagement activities;
  - any transition-related targets that it has included in contracted deliverables with its suppliers and service providers;
- information about any **business and operational** metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan (**see DF 4.1.a, 4.1.b**), including current and expected:
  - production volumes by product type over the short- and medium-term for each of its Upstream and Midstream value chain segments;
  - sales volumes by product type over the short- and medium-term for its Downstream value chain segment; and
  - capacity and production of low-carbon products by product- type over the short-, and medium-term;
- the total energy sold externally (including fossil fuels and any other energy products), consistent with boundaries set for emissions disclosure (**see DF 4.1.a**), including its methodology for calculating fossil-fuel equivalence of renewable energy (**see DF 4.1.c**).

#### When disclosing, an entity may additionally consider:

When disclosing any operational and business metrics related to safeguarding the natural environment, an entity may consider resources including the United Nations Conference on Trade and Development's *Core Indicators for Sustainability and SDG Impact Reporting: Training Manual*<sup>82</sup> and the International Union for Conservation of Nature's (IUCN) *IUCN Red list of threatened species*.<sup>83</sup>

<sup>82</sup> United Nations Conference on Trade and Development (UNCTAD), **Core Indicators for Sustainability and SDG Impact Reporting: Training Manual**, 2023.

<sup>83</sup> International Union for Conservation of Nature (IUCN), **IUCN Red list of threatened species**, 2023.

#### 4.2 Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector, and strategy, that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

##### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about any capital expenditure metrics and targets it uses in relation to **(see DF 4.2.a)**:
  - upstream oil and/or gas operations, including long-lived fields;
  - midstream oil and/or gas operations;
  - downstream oil and/or gas operations;
  - physical trading of oil, gas, and other commodities;
  - responsible retirement and managed phase-out of unabated oil and/or gas assets;
  - low-carbon fuels production;
  - low- and zero-carbon electricity generation;
  - provision and/or use of CCUS;
  - provision and/or use of CDR;
- information about any research and development (R&D) spend metrics and targets it uses, both in total and disaggregated by R&D spend, in relation to **(see DF 4.2.a)**:
  - fossil fuels;
  - low-carbon technologies (including low-carbon fuels and low- and zero-carbon electricity generation);
  - GHG neutralising measures; and
  - any other emerging technologies.

##### When disclosing, an entity may additionally consider:

In disclosing any capital expenditure metrics and targets for oil and/or gas, an entity may consider disaggregating its metrics and targets by any: maintenance of existing fields, expansion of existing fields, exploration for new fields, or development of new fields.

When defining any financial metrics and targets, an entity may consider ACT's *Oil and Gas Sector Methodology* which includes guidance on measuring an entity's growth in sales of low-carbon products and services compared with a benchmark.<sup>84</sup>

<sup>84</sup>) Assessing Low-Carbon Transition (ACT), *Oil & Gas Sector Methodology*, 2021.



### 4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about any metrics and targets it uses for reducing its absolute gross GHG emissions for Scopes 1 and 2 (**see DF 4.3.a**) and gross GHG emissions intensity for Scopes 1 and 2 (**see DF 4.3.e**) disaggregated by:
  - value chain segment (upstream/midstream/downstream); and
  - countries that it operates in;
- information about any metrics and targets it uses for reducing methane emissions, including asset-level metrics and targets (**see DF 4.3.c**);
- information about any metrics and targets it uses for reducing absolute gross GHG emissions for Scope 3 (**see DF 4.3.f, 4.3.k and 4.3.l**) and gross GHG emissions intensity for Scope 3 (**see DF 4.3.f, 4.3.k and 4.3.l**) for each of the following GHG protocol categories:
  - Scope 3 Category 1 (purchased goods and services);
  - Scope 3 Category 3 (fuel and energy-related activities);
  - Scope 3 Category 4 (upstream transport and distribution);
  - Scope 3 Category 9 (downstream transport and distribution)
  - Scope 3 Category 10 (processing of sold product emissions);
  - Scope 3 Category 11 (use of sold products);
  - Scope 3, Category 15 (investments) to capture non-operated joint ventures, subsidiaries, or affiliate entities (where an operational approach has been taken);
- information about any metrics and targets it uses for increasing carbon dioxide removal (**see DF 4.3.m**), including:
  - the volume of GHG emissions removed;
  - the longevity of stored emissions, including associated leakage rates; and
  - the proportion of the entity's total GHG emissions to be captured and stored.

#### When disclosing, an entity may additionally consider:

When defining any GHG emissions metrics and targets, an entity may consider the *IFRS S2 Climate-related Disclosures* for the Oil & Gas sector for its Exploration & Production,<sup>85</sup> Midstream,<sup>86</sup> and Refining & Marketing<sup>87</sup> activities.

When defining its GHG emissions metrics and targets, an entity may consider guidance including the:

- ACT's *Oil and Gas Sector Methodology*, which includes guidance on emissions metrics including trends in past Scope 1 and 2 emissions intensity, trends in future Scope 1 and 2 emissions intensity and emissions lock-in.<sup>88</sup>
- IIGCC's *Net Zero Standard for Oil & Gas*,<sup>89</sup>
- TPI's *Methodology report: Management Quality and Carbon Performance*, which provides an assessment of GHG metrics and targets,<sup>90</sup> and
- GRI's *Sector Standard for Oil and Gas*, which provides suggested disclosures on climate adaptation, resilience and transition, including reporting on the emissions potential for proven and probable reserves.<sup>91</sup>

An entity may consider disclosing whether it is a member of The Oil and Gas Methane Partnership 2.0 (OGMP 2.0) and whether it uses the *OGMP Reporting Framework* to report methane emissions.<sup>92</sup> This framework provides five reporting levels to determine maturity of methane reporting, ranging from level 1 where emissions are reported at an asset or country level, to level 5 where emissions are reported at a site level and disaggregated by source type using specific emissions factors and activity factors. An entity may consider disclosing which OGMP methane reporting level their reporting is aligned to.

When defining any Scope 1 and 2 targets, an entity may consider using lifecycle analysis, hotspot analysis, or similar tools to identify which assets, activities and processes are the most emissions intensive. This may also inform any Scope 3 targets in relation to upstream emissions associated with purchased oil and gas.

85) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 11 – Oil & Gas – Exploration & Production**, 2023.

86) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 12 – Oil & Gas – Midstream**, 2023.

87) International Financial Reporting Standards (IFRS), **IFRS S2: Industry-based Guidance on implementing Climate-related Disclosures: Volume 13 – Oil & Gas – Refining & Marketing**, 2023.

88) Assessing Low-Carbon Transition (ACT), **Oil and Gas Sector Methodology (version 2.0)**, 2021.

89) Institutional Investors Group on Climate Change (IIGCC), **Net Zero Standard for Oil and Gas**, 2023.

90) Transition Pathway Initiative (TPI), **TPI's methodology report: Management Quality and Carbon Performance**, 2023

91) Global Reporting Initiative (GRI), **GRI 11: Oil and Gas Sector 2021**, 2021.

92) The Oil and Gas Methane Partnership (OGMP), **The Oil & Gas Methane Partnership 2.0**, 2020

#### 4.4 Carbon credits

An entity shall disclose information about its current and planned use of carbon credits to achieve the **Strategic Ambition** of its transition plan, and report on the use of carbon credits on at least an annual basis.

##### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- an explanation of why the entity is employing carbon credits and the extent to which, and how, the entity relies on the use of carbon credits to achieve the **Strategic Ambition** of its transition plan (**see DF 4.4.a**), disaggregated by:
  - o inset credits (from within its corporate value chain); and
  - o offset credits (from beyond its corporate value chain);
- if the entity sells carbon credits, the number of credits sold (**see DF 4.4.b**) and information about:
  - the split between inset credits sold to entities in its value chain versus offsets sold beyond its value chain (**see DF 4.4.e**); and
  - whether any inset credit purchases are double counted in its Scope 1 and 3 emissions inventories (**see DF 4.4.g**).

##### When disclosing, an entity may additionally consider:

Inset credits are from within an entity's corporate value chain, whilst offset credits are from beyond its corporate value chain. Any entity may consider the *GHG Protocol Land Sector and Removals Guidance* for further information on inset credits and offset credits.<sup>93</sup> An explanation of why it is using inset or offset credits may reference whether a mitigation hierarchy has been employed to inform if and where inset and offset credits are used.

When disclosing information about any use and sale of carbon credits, an entity may consider guidance by the Voluntary Carbon Market Integrity Initiative (VCMi),<sup>94</sup> and the Integrity Council for the Voluntary Carbon Market (ICVCM), in particular the *Core Carbon Principles (CCPs)*.<sup>95</sup>

When disclosing any other factors necessary to understand the credibility and integrity of any carbon credit used, an entity may consider disclosing assumptions regarding the additionality and permanence of the removal, including leakage rates. In addition, an entity may consider disclosing whether any biological carbon removal and/or storage results in any increased exposure to physical climate risk (e.g. an increase in the prevalence of wildfires when trees are used as a natural carbon sink).

<sup>93</sup> The Greenhouse Gas Protocol (GHG Protocol), **Land Sector and Removals Guidance**, 2023.

<sup>94</sup> Voluntary Carbon Market Integrity Initiative (VCMi), **Publications**, as of 2024.

<sup>95</sup> Integrity Council for Voluntary Carbon Markets (ICVCM), **The Core Carbon Principles**, as of 2024.

## 5 Governance

### Sub-Element

#### 5.1 Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

### Sub-Element

#### 5.2 Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

No additional sector-specific guidance is provided for this Sub-Element.

### Sub-Element

#### 5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

### Sub-Element

#### 5.4 Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its remuneration and incentive structures with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this Sub-Element.

### 5.5 Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain and build the appropriate skills, competencies and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

#### When interpreting the Disclosure Framework for the Oil & Gas sector, an entity should consider disclosing:

- information about any anticipated changes to the composition of the workforce (including contractors) in order to achieve its **Strategic Ambition**, with specific reference to any change in the technical roles required (**see DF 5.5.b**);
- information about any training and/or education its management and wider workforce is taking or plans to take to achieve its **Strategic Ambition**, with clear reference to operational and business model changes across each of the below business areas (where applicable) (**see DF 5.5.b**):
  - reducing methane emissions;
  - eliminating non-emergency flaring and venting;
  - electrifying operational facilities with low- and zero-carbon electricity;
  - expanding the use of low emissions hydrogen in refineries;
  - equipping oil and gas processes with CCUS;
  - provision and/or use of CDR;
  - installing infrastructure to produce low-carbon fuels; and
  - installing infrastructure to generate low- and zero-carbon electricity.

# Glossary

Term	Definition
<b>carbon capture, utilisation and storage (CCUS)</b>	Involves the capture of CO <sub>2</sub> , generally from large point sources such as power generation or industrial facilities that use either fossil fuels or biomass as fuel. If not being used on-site, the captured CO <sub>2</sub> is compressed and transported by pipeline, ship, rail or truck to be used in a range of applications, or injected into deep geological formations such as depleted oil and gas reservoirs or saline aquifers. <sup>96</sup> The Oil & Gas industry can be both a user and a provider (e.g. to large industrial customers, such as cement) of CCUS products and services.
<b>carbon dioxide removals (CDR)</b>	Anthropogenic activities that remove CO <sub>2</sub> from the atmosphere and store it durably in geological, terrestrial, or ocean reservoirs, or in products. For example, nature-based solutions such as reforestation or peatland restoration, or direct air capture (DAC). Bio-energy with carbon capture and storage or direct air capture with storage are considered as CDR, as these processes lead to permanent removal of CO <sub>2</sub> from the atmosphere. <sup>97</sup>
<b>climate resilience</b>	<p>At the <b>entity-level</b>: the capacity of an entity to adjust to climate-related changes, developments, or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments, and uncertainties.<sup>98</sup></p> <p>At the <b>systems-level</b>: the capacity of interconnected social, economic, and ecological systems to cope with a hazardous event, trend, or disturbance, responding or reorganising in ways that maintain their essential function, identity, and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning, and/or transformation.<sup>99</sup></p>
<b>decommissioning</b>	A process consisting of the removal of industrial installations and any relevant structures that have come to the end of their productive life in a certain industry and the subsequent restoration of the industrial site to its previous status. <sup>100</sup>
<b>entity</b>	An organisation that voluntarily chooses, or is required by law, to prepare a general purpose financial report.

96) International Energy Agency (IEA), **Carbon Capture, Utilisation and Storage**, 2023.

97) Intergovernmental Panel on Climate Change (IPCC), **Carbon Removal AR6 Factsheet** 2023.

98) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.

99) Intergovernmental Panel on Climate Change (IPCC), **Sixth Assessment Report, Impacts, Adaptation Vulnerability. Annex II**, 2022.

100) Organisation for Economic Co-operation and Development (OECD), **An overview on the decommissioning process in the oil & gas sector**, 2016.

<b>general purpose financial reports</b>	Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about: (a) buying, selling, or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures. <sup>101</sup>
<b>greenhouse gases (GHGs)</b>	The six gases listed in the Kyoto Protocol: carbon dioxide (CO <sub>2</sub> ); methane (CH <sub>4</sub> ); nitrous oxide (N <sub>2</sub> O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF <sub>6</sub> ). <sup>102</sup>
<b>just transition</b>	The just transition involves anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning.
<b>life cycle assessment (LCA)</b>	Process of evaluating the effects that a product has on the environment over the entire period of its life thereby increasing resource-use efficiency and decreasing impacts. <sup>103</sup>
<b>inset credit</b>	Quantified mitigation outcomes of projects or broader interventions which are credited for GHG claims to be transferred between entities, and which are generated from projects or interventions that reduce emissions or increase removals inside the reporting entity's value chain. Credited GHG reductions or removal enhancements are quantified using project or intervention accounting methods, which quantify systemwide GHG impacts relative to a counterfactual baseline scenario or performance benchmark that represent the conditions most likely to occur in the absence of the mitigation project that generates the credit. <sup>104</sup>
<b>less mature technologies</b>	Technologies that may not be available and/or are economically unviable. In this guidance, it is suggested that entities consider use the IEA's technology readiness levels (TRL) to define the maturity of technologies <sup>105</sup>

101) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

102) The Greenhouse Gas Protocol (GHG Protocol), **GHG Protocol Glossary**, accessed 2024.

103) European Environment Agency (EEA), **EEA Glossary**, as of 2024.

104) The Greenhouse Gas Protocol (GHG Protocol), **Land Sector and Removals Guidance (Draft for Pilot Testing and Review)**, 2022.

105) International Energy Agency (IEA), **ETP Clean Energy Technology Guide**, 2023.

<b>low-carbon electricity generation</b>	Electricity generated from low emissions fuels, these can be grouped into gaseous fuels (biogases, hydrogen and synthetic methane) and liquid fuels (liquid biofuels, ammonia and synthetic liquid hydrocarbon fuels). They can be produced from plants, which absorb CO <sub>2</sub> from the atmosphere as they grow, or through industrial processes powered by renewables or other low-emission energy sources. <sup>106</sup>
<b>low-carbon fuels</b>	These can be grouped into gaseous fuels (biogases, hydrogen and synthetic methane) and liquid fuels (liquid biofuels, ammonia and synthetic liquid hydrocarbon fuels). They can be produced from plants, which absorb CO <sub>2</sub> from the atmosphere as they grow, or through industrial processes powered by renewables or other low-emissions energy sources. <sup>107</sup>
<b>managed phase-out</b>	A net-zero aligned approach for the operation and financing of a high-emitting asset with clear commitments around its retirement. This managed phase-out may also form part of a company's strategy, where it operates high-emitting assets, in support of an orderly and just transition. Managed phase-out contributes to emissions reductions by phasing out high-emitting assets before the end of their normal operating lives. <sup>108</sup>
<b>material information</b>	In the context of sustainability-related financial disclosures, information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity. <sup>109</sup>
<b>mature technologies</b>	Technologies that are available and economically viable today. In this guidance, it is suggested that entities consider use the IEA's technology readiness levels (TRL) to define the maturity of technologies. <sup>110</sup>
<b>nature-based solutions</b>	Leverage nature and the power of healthy ecosystems to protect people, optimise infrastructure and safeguard a stable and biodiverse future. <sup>111</sup>
<b>natural environment</b>	(a) Plants, wild animals and other living organisms; (b) their habitats; and (c) land (except buildings or other structures), air, and water, and the natural systems, cycles, and processes through which they interact.
<b>net zero</b>	Setting corporate net zero targets aligned with meeting societal climate goals means: (a) reducing Scopes 1, 2 and 3 emissions to zero or a residual level consistent with reaching net zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and (b) neutralising any residual emissions at the net zero target date – and any GHG emissions related to the atmosphere thereafter. <sup>112</sup>

106) International Energy Agency (IEA), **Low-Emissions Fuels**, 2023.

107) International Energy Agency (IEA), **Low-Emission Fuels**, 2023.

108) Glasgow Financial Alliance for Net Zero (GFANZ), **The Managed Phaseout of High-emitting Assets**, 2022.

109) International Financial Reporting Standards (IFRS), **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**, 2023.

110) International Energy Agency (IEA), **ETP Clean Energy Technology Guide**, 2023.

111) International Union for Conservation of Nature (IUCN), **International Union for Conservation of Nature and Natural Resources**, 2023.

112) Science Based Targets Initiative (SBTi), **Corporate Net-Zero Standard**, 2023.



<b>offset credit</b>	Quantified mitigation outcomes of projects or broader interventions which are credited for GHG claims to be transferred between entities, and which are generated from projects or interventions that reduce emissions or increase removals outside the reporting entity's value chain. Credited GHG reductions or removal enhancements are quantified using project or intervention accounting methods, which quantify systemwide GHG impacts relative to a counterfactual baseline scenario or performance benchmark that represent the conditions most likely to occur in the absence of the mitigation project that generates the credit. <sup>113</sup>
<b>physical risks</b>	Risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. <sup>114</sup>
<b>physical trading</b>	A physical trader (firm or individual) buys and sells commodities delivering physically from producers, to consumer or processors. A trader may also engage in storing, blending or refining commodities to meet customer specifications and maximise their profit. Financial trading refers to any other business of entering into, buying of, or selling of contracts to deliver financial trade. <sup>115</sup>
<b>reserves</b>	Quantities of oil and gas anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. <sup>116</sup>
<b>transition risks</b>	Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. <sup>117</sup>
<b>value chain</b>	The full range of activities, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources, and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption, and end-of-life. Relevant activities, resources and relationships include those in the entity's operations, such as human resource; those along its supply, marketing, and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical, and regulatory environments in which the entity operates. <sup>118</sup>
<b>zero-carbon electricity generation</b>	Electricity generated from zero-carbon emitting sources, these can include renewable energy sources (e.g. wind and solar), and other sources (e.g. nuclear).

113) The Greenhouse Gas Protocol (GHG Protocol), **Land Sector and Removals Guidance (Draft for Pilot Testing and Review)**, 2022.

114) Taskforce on Climate-related Financial Disclosures (TCFD), **Recommendations of the Task Force on Climate-related Financial Disclosures**, 2017.

115) Getting Physical, **What is Physical Trading**, 2019.

116) North Sea Transition Authority (NSTA), **Glossary of Terms**, 2023.

117) Taskforce on Climate-related Financial Disclosures (TCFD), **Recommendations of the Task Force on Climate-related Financial Disclosures**, 2017.

118) International Financial Reporting Standards (IFRS), **IFRS S2 Climate-related Disclosures**, 2023.



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