

CARBON REPORTING IN THE OIL AND GAS SECTOR

Recently SLR have seen a significant increase in Oil and Gas companies' efforts to comply with carbon emissions reporting. This has been led by some of the largest and highest-profile companies publishing their CO₂ emissions figures and setting ambitious net-zero targets. In addition, the UK Government has increased the number of businesses required to disclose carbon and energy information under UK legislation. Below is a summary of how this legislation may impact on your business and how understanding your carbon emissions can benefit your business.

What are the legal requirements?

For UK incorporated companies, Streamlined Energy and Carbon Reporting (SECR) legislation requires large companies (those with two of the following: turnover above £36m, a balance sheet total of more than £18m, over 250 employees) to disclose energy consumption and associated carbon emissions within their company annual reports. The level of reporting is more stringent for companies which are publicly listed.

For both listed and unlisted companies, the report must contain; a comparison with the previous year's emissions and energy consumption, a statement of the methodology applied in calculating the emissions, and a summary of energy reduction activities undertaken during the year.

Companies which are listed on either the main market of the LSE, the NYSE, the NASDAQ, or in a European Economic Area State, are required to report the following information:

- Global Scope 1 and Scope 2 carbon emissions, and emission intensity ratio
- Global energy consumption
- The proportion of energy consumption and emissions generated in the UK

For Oil and Gas companies, Scope 1 emission sources would typically include fuel consumed during production processes, transportation fuel, 'fugitive' emissions from gas flaring, leaks and venting. Scope 2 would typically include emissions from the generation of purchased electricity.

The legal requirements are reduced for large companies not quoted on the main markets listed above (for example, private companies or those listed on the Alternative Investment Market), in that they will have to report UK (as opposed to global) Scope 1 and 2 Emissions, emission intensity ratio, and energy consumption.

What must be reported?

As well as meeting the legal minimum requirements, an emission statement should be a true reflection of a business' operational emissions. If, for example, a company is only required by law to publish UK emissions, but its operations are primarily overseas then it may wish to include the emissions associated with these operations if there is investor pressure to do so. Oil and Gas companies publicly disclosing their carbon emissions have generally reported global operational emissions associated with; production, transport, flaring, leakage (Scope 1), and purchased electricity (Scope 2). The company may also wish to estimate 'Scope 3' emissions i.e. those emissions associated with the consumption of the oil and gas extracted.

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Are there additional benefits of Carbon Reporting?

As well as ensuring legal compliance, understanding corporate carbon emissions allows companies to prepare for future carbon taxation schemes, helps identify and address emission 'hot-spots', save money through energy efficiency improvements, and attract investment by demonstrating a robust carbon reduction strategy to ease the Energy Transition journey. Companies can use this information to measure and publicise their progress towards carbon reduction targets such as net-zero, and build investor confidence by reporting to accredited schemes such as the Carbon Disclosure Project (CDP) and the Task Force on Climate Related Financial Disclosures (TCFD).

How can SLR help?

SLR's Oil and Gas Advisory team has been a trusted technical and commercial advisor to the Oil & Gas industry since 1997. Additionally, SLR's Carbon and Energy Management team has been helping companies across a range of industries to measure, manage and report their carbon emissions and energy consumption. SLR can build a 'bottom up' approach, tailored to the unique circumstances of your company. We can advise on your legislative and strategic requirements, the cost-effective measurement of your carbon footprint, the development of carbon reduction targets, the implementation of efficiency measures and the use of appropriate reporting schemes to publicise your plans and progress. The combination of SLR expertise means that we understand the Oil and Gas industry, and we can provide commercially and financially sensible solutions for your business.

If you need any assistance or require further information, then please contact;

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