



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Oil and Gas Standard Development

Terms of Reference

November, 2023

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1. INTRODUCTION

1.1 About the SBTi

The Science Based Targets initiative (SBTi) drives ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas (GHG) emissions reduction targets.

It was formed as a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), the World Wildlife Fund (WWF), and the We Mean Business Coalition. The SBTi's goal is to enable companies worldwide to do what climate science requires of the global economy: to halve emissions by 2030, and achieve net-zero before 2050. We develop criteria and provide tools and guidance to enable businesses and financial institutions to set GHG emissions reduction targets in line with what science tells us is needed to keep global heating below 1.5°C.

1.2 About this Terms of Reference

This Terms of Reference describes the key information related to the Oil and Gas Standard development project. The project will be carried out according to the *Procedure for Development of SBTi Standards*.

2. BACKGROUND

The combustion of fossil fuels continues to be, by far, the largest global source of the greenhouse gas (GHG) emissions that are driving climate change. A major contributor to these emissions is the oil and gas sector, which consists of companies active in the exploration, extraction, processing, transport, refinement, and marketing of crude oil, natural gas, and their subsequent products. Oil and gas are used primarily to generate energy in the power sector, industrial sectors, and for transport. However, these same materials have significant non-energy applications as well, such as feedstocks for chemical processes.

Oil and gas related operations contribute 15% of global energy related emissions¹, excluding the indirect emissions from the use of sold products. A major portion of these emissions are leaks and releases of methane gas, which is the main component of natural gas. In addition to methane emissions, the sector uses a significant amount of energy, via both direct combustion, and the consumption of electricity to drive industrial processes. This is especially concentrated in refining activities, wherein significant energy is required to convert crude oil into marketable products. The transport of oil and gas products also contributes to its overall emissions footprint².

¹ CDP, (2022). "CDP Technical Note: Guidance methodology for estimation of Scope 3 category 11 emissions for oil and gas companies." Available at:

https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/470/original/CDP-Scope-3-Category11-Guidance-Coal.pdf?1479754257

² IEA (2023), Emissions from Oil and Gas Operations in Net Zero Transitions, IEA, Paris
<https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transitions>, License: CC BY 4.0

When the scope 1, 2, and 3 impacts of the oil and gas sector are combined, it becomes clear that rapid and substantial reductions in the consumption of these products across all global economic sectors is required in order to limit global temperature rise to 1.5°C. For this reason, the SBTi will develop a sector specific-standard for the oil and gas sector, that will establish the minimum criteria required for companies to set science-based targets that are aligned with a 1.5°C level of ambition.

3. OBJECTIVES

The objective of Oil and Gas Standard development is to establish a sector-specific standard that will apply to companies operating in the oil and gas sector to detail the minimum criteria to be followed to set 1.5°C-aligned science-based climate targets.

4. Scope

The SBTi develops specific standards at the sectoral level, based on a sectoral classification which is under development. This classification will break the broader energy sector into several sectors within, or adjacent to, the fossil fuel supply value chain, including coal production, oil and gas production, and utilities.

The SBTi is prioritizing the development of an Oil and Gas Standard to meet the pressing need for companies in this sector to establish science-aligned climate targets. Timelines for standard-development projects for the rest of the energy sector (including a revision of current guidance on electric utilities, and gas utilities /distribution) will be released in line with the SBTi's technical work plan.

This project aims to deliver an Oil and Gas Standard that contains minimum required criteria, recommendations and guidance for the companies operating in the production of oil and gas to set 1.5°C-aligned science-based emission reduction targets across scopes 1, 2 and 3. The project will also deliver the target-setting tools to assist companies in setting the targets. The detailed sectoral boundaries, applicable activities to be covered, and exclusions from the scope are still to be developed and will be described in the standard.

4.1. Geographic application

The Oil and Gas Standard will be open for use by organizations headquartered and with emissions and activities anywhere in the world that are active within the oil and gas sector.

5. NEED FOR THE OIL AND GAS STANDARD

The SBTi is undertaking Oil and Gas Standard Development because combustion of products from the oil and gas sector accounts for a significant portion of global GHG emissions, and therefore the companies that produce them must align with 1.5°C compliance pathways. Scope 1 and 2 of oil and gas companies are also substantial, due to the high amount of energy required to extract, process,

and transport oil and gas products, as well as direct leaks and releases to the atmosphere of methane. An oil and gas sector target-setting standard is an essential part of SBTi sectoral standards and has been a priority of the SBTi for several years.

When implemented, the Oil and Gas Standard will address a gap in the SBTi's sector-specific standards by allowing companies in this highly impactful sector to set targets. In the absence of such a standard, the SBTi has stopped accepting commitments or targets from companies in the oil and gas sector.

6. RELATED STANDARDS AND INITIATIVES

The SBTi is part of a growing ecosystem of standards and initiatives addressing corporate climate change action from different angles. SBTi recognises the value of harmonizing its work with other actors in this ecosystem.

There are a range of initiatives which map out the business model transitions that corporates will need to undertake to achieve their science-based targets, such as the Assessing low-Carbon Transition (ACT) initiative, the Race to Zero, the Transition Planning Taskforce (TPT) and the Transition Pathway Initiative (TPI). The Greenhouse Gas Protocol's (GHGP) corporate standards provide global frameworks for corporations to calculate base-year greenhouse gas inventories and annual inventories thereafter, as they monitor performance against their science-based targets.

Within the scope of Oil and Gas Standard development, the following organizations are relevant to the scope of the project. This list is not intended to be exhaustive of all initiatives in this subject area.

- [TPI](#) publishes benchmark CO₂ equivalent (CO₂e) intensity pathways that cover scope 1, 2, and scope 3 category 11 (use of sold products) from energy products sold externally in grams of CO₂e per megajoule of energy sold.
- [The Oil and Gas Methane Partnership 2.0 \(OGMP 2.0\)](#) is the United Nations Environment Programme's flagship oil and gas reporting and mitigation programme. OGMP 2.0 is the only comprehensive, measurement-based reporting framework for the oil and gas industry that improves the accuracy and transparency of methane emissions reporting.
- [The Oil and Gas Climate Initiative \(OGCI\)](#) is a CEO-led initiative comprised of 12 of the world's leading energy companies, producing around a third of global oil and gas. It provides a forum to share best practice on reducing GHG emissions and develops collaborative initiatives with a wide range of partners to accelerate the energy transition.
- [The Carbon Tracker Initiative](#) is an independent financial think tank that carries out in-depth analysis on the impact of the energy transition on capital markets and the potential investment in high-cost, carbon-intensive fossil fuels. This includes regular reports that assess and rank the climate goals of some of the largest publicly traded oil and gas companies.

- [The International Investors Group on Climate Change \(IIGCC\)](#) has published, among other resources, a Net Zero Standard for Oil & Gas which aims to help investors to assess alignment of oil and gas companies' transition plans with a 1.5 °C climate scenario.
- [The Energy Transitions Commission \(ETC\)](#) is an organization that aims to help the world achieve net-zero emissions by 2050, while ensuring economic growth and social development. The ETC consists of leaders from various sectors, such as energy, industry, finance, and civil society, who collaborate to develop solutions and strategies for the low-carbon transition. The ETC conducts research and analysis on the technical, economic, and social aspects of the energy transition, and provides guidance and tools for policymakers, businesses, and investors.

7. SUSTAINABILITY OUTCOMES

In 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C above pre-industrial temperatures to avoid the catastrophic impacts of climate change. Business has a vital role to play in driving down greenhouse gas emissions and building the resilient, zero-emissions economy we urgently need. This action must be grounded in science. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

SBTi's theory of change identifies that the corporate emissions reductions needed to achieve our global climate goals can be achieved through the '*diffusion of innovations*' theory. This posits that 10 to 25% of a system's members must adopt an innovation to trigger rapid adoption by the other members. SBTi works with the assumption that 20% – one fifth – of businesses setting science-based targets in a particular territory or sector equals critical mass. That's the tipping point at which it becomes increasingly difficult for other businesses to do nothing, and more and more join the race to the top.

A key criterion the SBTi uses in prioritizing projects therefore is the impact the project will have in addressing greenhouse gas emissions from key sectors or activities. To that end, the Oil and Gas Standard development will address the production of oil and gas, which are among the largest contributors of global GHG emissions. The most important sustainability issues within the scope of the Oil and Gas Standard development are the GHG emissions associated with the continued production and use of crude oil, natural gas, and their subsequent products. The Oil and Gas Standard will establish criteria for companies operating in the sector to follow to allow them to set credible, robust, and science-based climate targets.

8. GOVERNANCE STRUCTURE

This project will be developed through a transparent and inclusive multi-stakeholder process following the high-level governance structure described in this section, ensuring extensive opportunities for external feedback. The SBTi will act as convening agent and project manager in this process.

The Oil and Gas Standard Development project will be supported by the following actors:



See Annex A for a detailed explanation of the composition, appointment, commitment, roles and responsibilities in the project development, and role in the decision-making process for each stakeholder group.

8.1 Decision-making responsibilities

Below is a summary of decision-making responsibilities for standards development and revision, according to the *Procedure for Development of SBTi Standards*.

For further information, please consult the *Procedure for Development of SBTi Standards* document, which sets out the decision-making process that will apply to this project.

Project Group	Decision-Making Responsibility
Board of Trustees	<ul style="list-style-type: none"> Formal adoption of the final Standard, upon recommendation by the Technical Council
Technical Council	<ul style="list-style-type: none"> Approval for new and revised standards, and major projects, including: <ul style="list-style-type: none"> Approval of public consultation drafts Approval of final drafts
Executive Leadership Team - Chief Technical Officer	<ul style="list-style-type: none"> Approval of interim external-facing deliverables, for example, the Project Terms of Reference, Public Consultation Feedback Report, etc. Approval of documents to be shared with the Technical Council
Expert Advisory Group	<ul style="list-style-type: none"> The EAG is consulted periodically on the development of the project, but is not a governing body and does not have approval over decisions and deliverables. General input, advice, agreement and contentious issues within the EAG shall be recorded, and main opposing views and rationales noted.
Heads of Teams within Technical Department	<ul style="list-style-type: none"> Supports the Project Team in making the relevant day-to-day decisions in conducting the project Approval of internal-facing deliverables Approval of documents to be shared with the CTO
Working Group	<ul style="list-style-type: none"> The Working Group is consulted throughout the development of the project, but is not a governing body and does not have approval over decisions and deliverables. General input, advice, agreement and contentious issues within the Working Group shall be recorded, and main opposing views and rationales noted.
Project Team	<ul style="list-style-type: none"> The Project Team makes day-to-day decisions on how to conduct the project, but does not have final approval over decisions and deliverables.

9. TIMELINE

The proposed timeline for Oil and Gas Standard Development is shown below. This includes project deliverable milestones and dates for engagement.

	~ Duration (months)	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Key
<i>Development of Project Terms of Reference</i>		[Grey bar]					Public consultation period
<i>Development of Standard and Tools</i>		[Grey bar]			[Grey bar]		Internal item
<i>Review of consultation documents by Technical Council</i>				[Yellow bar]			Milestone
<i>Public Consultation Round 1</i>	2				[Red bar: 60 days]		
<i>Review of Public Consultation Round 1 Feedback</i>					[Grey bar]		
<i>Public Consultation Round 2</i>	1				[Red bar: 30 days]		
<i>Review of Public Consultation Round 2 Feedback</i>						[Grey bar]	
<i>Pilot testing of Standard</i>	1.5					[Red bar: 6 weeks]	
<i>Technical Council Approval</i>						[Yellow bar]	
<i>Board Adoption</i>						[Yellow bar]	

10. RISK MANAGEMENT

- a) Factors that could have a negative impact on the ability of the Oil and Gas Standard Development to achieve its outcomes

Risk	Mitigation measure
Lack of availability of credible, detailed emissions scenarios for the sector.	The SBTi will continually monitor new and existing models, pathways, and emissions scenarios that may inform the standard.
Insufficient adoption by the sector in setting targets.	<ul style="list-style-type: none"> The SBTi, through its Engagement and Impact teams, will continue to inform companies of the benefits of setting SBTs. The SBTi will include industry actors in our EAG to ensure sectoral input in the development process.
Lack of expertise to inform development of ambitious, credible emissions pathways.	The SBTi will engage relevant experts through internal expertise, (paid) outsourced expertise, our EAG and via the public consultation process.
Inability to establish criteria for all key segments of the sector.	Via our scoping process, the SBTi will map the critical sector activities to be included and will ensure criteria are developed to facilitate target setting on these activities.

- b) Unintended consequences that could arise from the implementation of the Oil and Gas Standard development.

Risk	Mitigation measure
Adoption of the standard does not lead to actual emissions reductions in the sector.	The SBTi is following a theory of change whereby this sector is tackled from the point of view of financial institutions (through FI target-setting guidance), demand (through sector standards) and supply. This corporate standard directly tackles the last of these three (and indirectly contributes to the first two). The SBTi will follow our robust stakeholder engagement process to ensure the standard is credible, ambitious, and adequate to ensure it leads to actual emissions reductions.

11. ENGAGEMENT

12.1 How to engage?

The SBTi values stakeholder input to inform the development of its technical outputs. There are a variety of channels through which stakeholders can engage with and input into the development of Oil and Gas Standard Development.

There will be an open call for applications to the EAG.

The Oil and Gas Standard Development will go through a minimum of two rounds of public consultation and a period of pilot testing. The first consultation will last for a duration of 60 days and the second consultation will last for a duration of 30 days. During the consultation period, stakeholders will have the opportunity to submit feedback to the consultation questionnaire via a survey. These resources will be available on the [sector webpage](#). A summary of the feedback results will be publicly available. Stakeholders are also welcome to submit feedback using the 'Project Feedback Form'. This form can be used to submit feedback on any SBTi project, or project resource, at any stage of development. The pilot testing phase will involve volunteer organizations utilizing the draft standard to identify challenges for implementation, gather practical feedback, and to ensure the criteria, target setting tool, and guidance are clear and applicable.

Through the Oil and Gas Standard development process, the Project Team will host webinars to update stakeholders on the development process and provide a detailed overview of the standard, once complete. Planned dates for webinars are to be determined.

Stakeholders can stay up to date with the Oil and Gas Standard development process and planned events by monitoring the SBTi's website for updates, signing up for the SBTi newsletter, and following the SBTi on X and LinkedIn.

For general queries relating to Oil and Gas Standard development and how to engage please contact info@sciencebasedtargets.org.

12.2 Who should engage?

The Oil and Gas Standard development team welcomes input from the following stakeholders:

- Corporates and Financial Institutions
- Governments and regulators
- Civil society organizations
- Associations and technical experts
- Academics and research institutions
- All other stakeholders with an interest in this project development

12. LANGUAGES

All documents relating to the Oil and Gas Standard development, including consultation drafts, will be published in English (this is the SBTi working language). Translations into additional languages may be considered.