

Incentivizing Continuous Improvement of ESG Practices Through Independent Certification

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Summary

Independent certification to environmental, social and governance (ESG) standards can provide a mechanism to recognize responsible energy producers and operators while incentivizing improvements in company practices and providing more transparency within the sector.

The EO100™ Standard for Responsible Energy Development is one of the leading ESG standards that is gaining traction particularly on the certification of the natural gas supply chain within North America. Company practices are evaluated by an independent third-party through a comprehensive assessment, making the standard truly independent of the evaluation process.

The hallmark of the EO100™ certification program is the focus on continuous improvement. It is this commitment to continuous improvement that drives better industry performance and supports the energy transition while advancing low carbon economy objectives.

Overview of the EO100™ Standard for Responsible Energy Development

The EO100™ Standard for Responsible Energy Development is the foundation of the EO system. Developed through a three-year, multi-stakeholder consultation process, it provides a framework for implementing and verifying enhanced environmental, social and governance (ESG) performance, greater transparency, more accountability, and better outcomes for local stakeholders in energy development projects.

The EO100™ Standard is based on five universal principles that consolidate and align globally recognized management systems, performance and reporting indicators, and industry guidelines:

1. Corporate Governance, Transparency & Ethics
2. Human Rights, Social Impact & Community Development
3. Indigenous People's Rights
4. Occupational Health & Safety; Fair Labor & Working Conditions
5. Climate Change, Biodiversity & Environment

Certification and Continuous Improvement Requirements

Site-level certification of a company’s practices against the EO100™ standard is confirmed through an independent third-party assessment that evaluates performance on over 500 performance targets (metrics). After achieving certification, a Certified Unit (or site) achieves a grade and that, along with scores on each of the 5 Principles of the standard, is published in a public summary report. Achieving certification is not the end of the process but really the beginning. An Operator must commit to continuous improvement and develop an action plan to close the gaps in performance noted in the assessment report. An Operator is required to increase the score of the Certified Unit each year over the course of a 3-year certification; progress is verified annually by the independent assessment body.



Incentivizing Methane and GHG Emissions Reductions

The EO100™ Standard, in addition to many other areas with ESG impacts, contains best practices regarding methane and overall greenhouse gas disclosures and management including:

- Reporting and disclosure of methane intensity for each segment of the natural gas value chain that the Certified Unit operates within (production, gathering/boosting and processing);
- Reporting and disclosure of greenhouse gas intensity for each segment of the natural gas value chain that the Certified Unit operates within (production, gathering/boosting and processing), enabling quantification of carbon intensity of supply chains;
- Employing best management practices to control methane emissions such as implementing a comprehensive LDAR program, elimination of routine and non-routine gas venting, ensuring flares are operating properly by use of monitoring devices and installing no-bleed pneumatic devices; and
- Incentivizing energy efficiency projects to reduce GHG intensity of scope 1 and 2 emissions.

Through the continuous improvement process, Operators are encouraged and incentivized to improve their methane and greenhouse gas management and reduce emissions. To achieve higher scores, Operators must implement more stringent best practices to manage emissions, such as joining the Oil and Gas Methane Partnership (OGMP 2.0), showing year over year reductions in flaring and GHG intensity, or quantifying scope 3 emissions within their upstream and downstream supply chains.

Market-Based Mechanisms

There are proven examples of the market for certified natural gas and indications of premium prices being awarded to responsible energy producers. As the market for certified gas evolves, buyers will likely pay a higher premium for gas with a higher grade on the EO100™ Standard or with more segments of the supply chain certified thus encouraging further continuous improvement in areas such as methane emissions management, greenhouse gas intensity reductions and community engagement processes. Certification to a high standard provides the assurance to the market that the Operators that they are investing in are committed to continuously improving their practices and working towards lower and lower methane and GHG emissions.

References

To learn more about the EO100™ Standard for Responsible Energy Development please visit energystandards.org