IFRS Foundation Columbus Building
7 Westferry Circus Canary Wharf
London, E14 4HD United Kingdom

Dear Chair Faber and Vice-Chair Lloyd,

Thank you for the opportunity to comment on the International Sustainability Standards Board's (ISSB) Exposure Draft IFRS S2 Climate-related Disclosures and in particular the ISSB Oil & Gas Industry-based disclosure requirements outlined in:

- Volume B11—Oil & Gas–Exploration & Production (page 90-92);
- Volume B12—Oil & Gas–Midstream (page 108);
- Volume B32—Electric Utilities & Power Generators (297-299); and
- Volume B34—Gas Utilities & Distributors (page 335-336).

We the undersigned financial institutions, representing $___ trillion in assets under management and advice, submit the following comments to encourage improved reporting standards for oil and gas methane emissions that would provide comparable, company-specific, and decision-useful information for investors.

As a powerful greenhouse gas more than 80 times more potent over a 20-year time horizon than carbon dioxide, methane is driving over 30% of manmade warming seen today[1] and presents significant climate-related financial risks to oil and gas companies and broader financial portfolios. However, we are concerned that the current draft standards for estimating and disclosing methane emissions limit the ability of investors and other stakeholders to effectively assess these risks. In particular, under the draft ISSB Oil & Gas industry standards:

1) **Methane is reported in aggregate CO_2e, rather than by constituent gases**, which potentially underestimates methane's short term climate impact, may misidentify company-specific risk exposure, and obscures differential performance assessment across companies.[2]
2) **Methane is reported without information on data quality**, which undermines investor confidence in the credibility of company disclosures as peer-reviewed scientific research indicates that traditional emissions factor based reporting of methane systematically underestimates and mischaracterizes real-world emissions, [3] [4] [5] and resultant financial risk.

[1] https://www.ipcc.ch/report/ar6/wg1
[2] Metrics EM-EP-110a.1 (upstream) and EM-MD-110a.1 (midstream), point 3, states that: "The percentage of gross global Scope 1 GHG emissions from methane emissions shall be calculated as the methane emissions in metric tons of carbon dioxide equivalents (CO2-e) divided by the gross global Scope 1 GHG emissions in metric tons of carbon dioxide equivalents (CO2-e)."
[3] https://storage.googleapis.com/edfbiz_website/Oil%20Gas%20Methane/Hitting%2Bthe%2BMark_Investor%2BGuide.pdf
[4] https://www.science.org/doi/full/10.1126/science.aar7204?siteid=sci&keytype=ref&ijkey=42lcrJ%2FvdyyZA
[5] https://acp.copernicus.org/articles/21/6605/2021/acp-21-6605-2021.pdf

To address these concerns, we propose the following enhancements to the ISSB Oil & Gas Industry-based disclosure requirements:

Volume	Metric	Category	Unit of measure
B11 (upstream) B12 (midstream) B32 (power utilities) B34 (gas utilities)	Volume of methane emissions	Quantitative	Metric tons methane
B32, B34	Share of GHG emissions from methane	Quantitative	Percentage
B11	Methane intensity	Quantitative	% methane emitted / either marketed natural gas or energy content of marketed product
B12	Methane intensity	Quantitative	% methane emitted / either transported natural gas or energy content of transported product
B32	Methane intensity	Quantitative	% methane emitted / either natural gas combusted or energy content of combusted product
B34	Methane intensity	Quantitative	% methane emitted / either delivered gas or energy content of delivered product
B11, B12, B32, B34	Membership in OGMP 2.0	Binary	Yes/No
B11, B12, B32, B34	Average OGMP 2.0 reporting level	List	1-5 and Gold Standard reporting

For additional details, please see [Appendix 1: Recommendations for Enhancing ISSB Oil & Gas Standards] and [Appendix 2: Commentary - The Role of OGMP in Improved Methane Data Quality].

We encourage ISSB to integrate these changes to improve the comparability, specificity, and decision-usefulness of the standards.

Signed,

___

Appendix 1: Recommendations for Enhancing ISSB Oil & Gas Standards

Recommendation 1: Add a methane volume disclosure in tons of methane

For clarity and comparability, as well as to provide a clear basis for year-on-year comparisons, methane emissions should be disclosed in tons of methane as well as in percentage of total carbon dioxide equivalent emissions. Shell's 2021 Sustainability Report provides a clear example of such disclosure.

- *For metrics EM-EP-110a.1 (upstream) and EM-MD-110a.1 (midstream) this methane volume disclosure should be added to the existing "percentage methane" metric.*

Moreover, in contrast with the upstream and midstream standards, there is no methane disclosure requirement for IF-EU-110a.1 (power utilities) and no GHG disclosure requirement at all for IF-GU-420a.2 (gas utilities). Methane disclosure should also be required for these sectors given research showing the potential for emissions across the supply chain. [6] [7] [8]

- *For metric IF-EU-110a.1 (power utilities) and IF-GU-420a.2 (gas utilities), both "percentage methane" of total greenhouse gas emissions and methane emissions in tons of methane should be included.*

Recommendation 2: Add a methane intensity measure

Methane intensity allows investors to compare relative performance among companies in managing and reducing emissions and associated financial risk of this climate pollutant.[9] Intensities could be represented as:

- *For upstream, % methane emitted / marketed natural gas OR energy content of marketed product*
- *For midstream, % methane emitted / transported natural gas OR energy content of transported product*
- *For power utilities, % methane emitted / natural gas combusted OR energy content of combusted product*
- *For gas utilities, % methane emitted / delivered natural gas OR energy content of delivered product*

Recommendation 3: Add indicator of membership in OGMP 2.0 and average methane measurement level under OGMP 2.0 (1-5 and Gold Standard)

Understanding the quality of disclosed methane emissions data is critical to assess company management of this pollutant, yet ISSB's methane disclosures do not provide information on whether reported data is estimated with emissions factors or direct measurement based quantification.

- *As discussed in Appendix 2 below, OGMP 2.0 is the leading standard for methane measurement. Companies who have joined OGMP 2.0 commit to improving methane measurement quality over time by using rigorous direct measurement protocols. Membership of OGMP 2.0 is a highly useful metric for investors to assess the integrity of a company's methane measurement framework.*
- *OGMP's measurement levels provide insight into the nature and quality of a company's methane disclosures. Levels 1-3 provide increasingly granular emissions factor based reporting, while the reconciliation of the direct measurement based Levels 4 and 5 in OGMP "Gold Standard" reporting provides the highest assurances of data integrity.*

[6] https://www.edf.org/media/new-aircraft-measurements-once-again-detect-high-levels-methane-permian-basin
[7] https://pubs.acs.org/doi/pdf/10.1021/acs.est.0c00437
[8] https://pubs.acs.org/doi/full/10.1021/acs.est.9b01875
[9] https://pubs.acs.org/doi/abs/10.1021/acs.estlett.0c00907

Appendix 2: Commentary - The Role of OGMP in Improved Methane Data Quality

1. Why methane risk is material risk to investors

Methane, the main component of natural gas, is a potent greenhouse gas over 80 times more powerful than carbon dioxide in its first two decades after release. Methane from human sources is estimated to be responsible for more than a third of today's warming.[10] Attesting to the importance of methane's climate impact, over 100 countries representing two thirds of the global economy signed the Global Methane Pledge in 2021. Investors are particularly focused on the financial impacts of company-specific methane exposure. For example in 2021, Diversified Energy's share price suffered a 21% decline following the publication of a Bloomberg article highlighting methane leakage from its operations.[11]

2. Shortcomings of how methane is currently disclosed

While a growing number of oil and gas companies report methane emissions data, many current disclosures lack clarity and specificity on methane emissions volumes and intensity, as well as clear descriptions of the methods used to estimate the methane emitted. Clearer and more reliable disclosures are required to ensure a comprehensive, credible, and standardized approach to address this systemic climate and financial risk.[12] [13]

Without high quality data, companies can mischaracterize methane emissions from their assets and potentially and misallocate capital to less cost-effective mitigation opportunities.[14] If unaddressed, this data gap may threaten companies' and investors' ability to identify and effectively mitigate emissions and risk.

Furthermore, investors need this data to meet their own climate disclosure obligations, some of which are mandated in different parts of the world, and to meet host of voluntary commitments such as Glasgow Financial Alliance for Net Zero, Net Zero Asset Owners Alliance, and the Net Zero Asset Managers Alliance.

3. The role of OGMP in improved methane data quality

The Oil and Gas Methane Partnership 2.0 (OGMP), managed by the United Nations Environment Programme (UNEP), has emerged as the leading standard for oil and gas methane emissions disclosure. Over 80 companies with assets on five continents, representing 50% of the world's oil and gas production, have joined the Partnership. This also includes over 20% of global natural gas transmission and distribution pipelines, more than 10% of global storage capacity and nearly 15% of global LNG terminals. Major investors including Blackrock have backed the initiative, while IIGCC references OGMP as an indicator of company methane emissions data quality in its Net Zero Standard for Oil and Gas.

OGMP represents a step change in the quality of methane emissions reporting for the oil and gas industry as participating companies are committing to regularly measure their methane emissions across all assets using rigorous, direct measurement based standards rather than desktop based emission factors.

Given widespread support for the OGMP framework and the need for better data quality to address methane risk, investors would benefit from the inclusion of data on OGMP membership and reporting levels into financial climate risk disclosure metrics.[15]

---

[10] https://www.ipcc.ch/report/ar6/wg1
[11] https://www.bloomberg.com/news/articles/2021-10-12/diversified-energy-falls-most-in-20-weeks-volume-quadruples
[12] https://www.nature.com/articles/d41586-021-02287-y
[13] https://www.blackrock.com/uk/larry-fink-ceo-letter
[14] https://business.edf.org/files/TRP_Case_Study.pdf
[15] https://ec.europa.eu/info/news/oil-and-gas-industry-commits-new-framework-monitor-report-and-reduce-methane-emissions-2020-nov-23_en