



Barbara Strozziiaan 336
1083 HN Amsterdam
The Netherlands
info@gssb.globalreporting.org

Item 04 – GSSB Project Proposal for an Oil and Gas Sector Standard

For GSSB discussion

Date	22 January 2019
Meeting	7 February 2019
Project	Development of a Sector Standard for the oil and gas sector. This is one of three project proposals and one of two pilot sector projects proposed by the Standards Division for the Sector Program.
Description	<p>This document sets out the draft project proposal to develop an Oil and Gas Sector Standard, for GSSB discussion and approval to send to the GRI Board and Stakeholder Council for feedback.</p> <p>After feedback from the GRI Board and Stakeholder Council has been received and incorporated, the Standards Division will present the proposal for final approval on 7 March 2019, in accordance with the Due Process Protocol.</p>

This document has been prepared by the GRI Standards Division. It is provided as a convenience to observers at meetings of the Global Sustainability Standards Board (GSSB), to assist them in following the Board's discussion. It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard-setting body of GRI. For more information, visit www.globalreporting.org.

Project background

This project proposal sets out an overview of the objectives and scope for developing an Oil and Gas Sector Standard. It is submitted to the GSSB for discussion and approval to send for review to the GRI Board and Stakeholder Council. Once feedback from the GRI Board and Stakeholder Council has been considered and incorporated, the proposal will be presented to the GSSB for final approval.

This project proposal is for one of two proposed pilot projects for the Sector Program. This sector project will deliver an Oil and Gas Sector Standard that identifies and describes the sector's significant impacts and stakeholder concerns from a sustainable development perspective.

The project follows the [Due Process Protocol](#), the implementation of which will be overseen by the Due Process Oversight Committee (DPOC).

Oil and Gas

The GRI Standards Division has identified the oil and gas sector as a high-priority sector from a sustainable development perspective. The sector is recommended for project prioritization in the GSSB workplan.

Sector description: The oil and gas sector provides a basic societal need (energy) as well as raw materials for products such as specialty chemicals, polymers, and petrochemicals. The sector encompasses a broad value chain that includes exploration, production, refining, transport, equipment, and services. It serves utilities, chemicals, transportation, and industry and provides energy for commercial and residential use.

Economic value: According to the International Trade Centre (ITC), global exports for mineral fuels and associated fuel products totaled USD 1.9 Trillion in 2017.¹

Rationale for prioritization

Producing a Sector Standard can help oil and gas companies understand their role in sustainable development, promoting positive changes in transparency and accountability in the sector. Transparency enables a much-needed discussion on the sustainable future of the sector among a wide array of stakeholders, including companies, investors, civil society, policymakers, academia, the general public, and other stakeholders.

The impacts of the oil and gas sector have been widely documented by intergovernmental organizations such as the Organisation for Economic Co-operation (OECD), the International Labour Organization (ILO), the UN Development Programme, and the UN Conference on Trade and

¹ International Trade Centre, [International trade in goods – Exports 2001-2017](#), accessed 9 November 2018.

32 Development (UNCTAD), as well as by numerous civil society groups, such as Greenpeace, Center
33 for Biological Diversity (CBD), the Natural Resources Defense Council (NRDC), and Global Witness.²

34 Below is a sample of economic, environmental and social impacts that have been documented for the
35 oil and gas sector. These are provided to give a first indication of the scope of issues covered by the
36 proposed project. However, as the issues recommended for inclusion within an Oil and Gas Sector
37 Standard will be determined by a multi-stakeholder process in accordance with the [Due Process](#)
38 [Protocol](#), the issues may diverge from those contained within this project proposal.

39 **Economic Impacts:** The United Nations Development Programme (UNDP), the International
40 Finance Corporation (IFC), and IPIECA have highlighted the oil and gas sector's potential to fuel
41 economic growth through job creation and the provision of critical infrastructure and services,
42 including in developing countries where these needs are high.³ However, the OECD has identified
43 corruption and lack of transparency as hindering sustainable development in the oil and gas sector.⁴

44 **Environmental Impacts:** Products of the oil and gas sector are directly implicated in climate
45 change, and the sector will require fundamental changes in its business model to transition to a low-
46 carbon economy. The Intergovernmental Panel on Climate Change (IPCC) has issued a special report
47 stating that far-reaching system-level transitions must occur amounting to net zero emissions by 2050
48 to keep global warming below a 1.5°C threshold, which has significant implications for the oil and gas
49 sector.⁵

50 Beyond emissions, the World Bank Group, IPIECA, and the IFC have identified ocean acidification,
51 waste, water and biodiversity impacts as significant for the oil and gas sector.⁶ Moreover, the United
52 Nations Environmental Programme has identified the oil and gas sector as a major source of air, land
53 and soil, and marine pollution globally.⁷ Furthermore, IPIECA has identified a broad range of impacts
54 on marine life from oil spills, including impacts on plankton, fish, marine mammals, birds, and shoreline
55 and coastal habitats.⁸ Environmental impacts of oil and gas production may persist through
56 decommissioning and closure of hydrocarbon fields.⁹

57 **Social Impacts:** Oil and gas activities are often in developing countries with potentially significant
58 gaps in worker protections. In addition, the sector has widespread impacts on communities globally.
59 Shift and the Institute for Human Rights and Business have identified the human rights of workers,

² See, for example, [OECD Due Diligence Guidance for meaningful stakeholder engagement in the extractives sector](#), 2015, accessed 9 November 2018; ILO [website](#), accessed 9 November 2018; UNDP, [Mapping the Oil and gas industry to the Sustainable Development Goals: An Atlas](#), accessed 18 December, 2018; UNCTAD, Commodities at a Glance, [Special Issue on Shale Gas](#), 2018, accessed 9 November 2018; Greenpeace [website](#), accessed 9 November 2018; NRDC Center for Biological Diversity [website](#), accessed 9 November 2018; NRDC [website](#), accessed 9 November 2018; and the Global Witness [website](#), accessed 9 November 2018.

³ UNDP, IFC and IPIECA, [Mapping the oil and gas industry to the sustainable development goals](#), 2017, accessed 9 November 2018.

⁴ OECD, [Corruption in the Extractive Value Chain: Typology of risks, mitigation measures and incentives](#), OECD Development Policy Tools, 2016, accessed 9 November 2018, and [OECD Foreign Bribery Report: An analysis of the crime of bribery of foreign public officials](#), 2014, accessed 9 November 2018.

⁵ IPCC, [Global Warming of 1.5 °C](#), 2018, accessed 18 December 2018.

⁶ IPIECA, IFC and UNDP, [Mapping of the oil and gas industry to the sustainable development goals](#), 2017, accessed 9 November 2018.

⁷ UN Environment, [Towards a Pollution-free Planet](#), 2018, accessed 9 November 2018.

⁸ IPIECA, [Impacts of oils spills on marine ecology](#), 2015, accessed 9 November 2018.

⁹ World Bank Oil, Gas and Mining Policy and Operations Unit, [Towards Sustainable Decommissioning and Closure of Oil Fields and Mines: A toolkit to assist government agencies](#), 2010, accessed 9 November 2018.

60 forced labor, sexual harassment or violence against community members, land rights and resettlement
61 issues, indigenous rights, occupational health and safety, and security practices as relevant social issues
62 for the oil and gas sector.¹⁰

63 **Sector-relevant reporting initiatives:** The oil and gas sector is subject to diverse voluntary
64 reporting initiatives and principles, including but not limited to the *OECD Due Diligence Guidance for*
65 *Meaningful Stakeholder Engagement in the Extractives Sector*, the International Finance Corporation (IFC)
66 *Performance Standards on Environmental and Social Sustainability*, the Extractives Industry Transparency
67 Initiative (EITI), and IPIECA's *Oil and gas industry guidance on voluntary sustainability reporting*.¹¹ The
68 work of these organizations as well as others provides a broad foundation for building a common
69 understanding of the sector's impacts.

70 **GRI G4 Reports data:** Sustainability reporting is an established practice in the oil and gas sector.
71 Data pulled from the GRI reports database on 4 January 2019 indicates that 742 G4 reports from
72 2014-2017 have been registered for Energy companies. GRI's sector program can support these
73 reporters and help to encourage new reporters by providing a user-friendly point of entry for oil and
74 gas companies to report on their impacts.

75 Project objectives and scope

76 **Objectives:** The primary objectives of this project are to:

- 77 • identify and describe the oil and gas sector's significant impacts and stakeholder expectations,
78 from a sustainable development perspective;
- 79 • provide evidence and authoritative references for these.

80 The resulting Sector Standard will provide context and clarity to oil and gas companies on issues that
81 are considered material for their sector.

82 It is anticipated that this project will generate insight during the process itself on the feasibility of
83 developing reporting requirements, recommendations, and/or guidance for the sector. Any additional
84 content on management approaches is to be compatible for organizations to use together with *GRI*
85 *103: Management Approach*.

86 Issues identified within this project for which no corresponding GRI Standard exists are to be assessed
87 and prioritized by the GSSB for future GRI Standards development.

88 **Responsibilities:** A multi-stakeholder Project Working Group will be formed to contribute to the
89 identification and description of significant impacts for the oil and gas sector, in accordance with the
90 [Due Process Protocol](#). The Project Working Group will be responsible for developing

¹⁰ Shift and Institute for Human Rights and Business, [Oil and gas sector guide on implementing the UN Guiding Principles on Business and Human Rights](#), 2013, accessed 9 November 2018.

¹¹ [OECD Due Diligence Guidance for meaningful stakeholder engagement in the extractives sector](#), 2015, accessed 9 November 2018; IFC [Performance Standards on Environmental and Social Sustainability](#), accessed 9 November 2018; EITI [website](#), and IPIECA, [Oil and gas industry guidance on voluntary sustainability reporting](#), 3rd ed., accessed 9 November 2018.

91 recommendations for the Sector Standard, the GRI Standards Division will draft the text, and the
 92 GSSB will have oversight and final approval over the Sector Standard before its release.

93 **Scope:** The Standards Division recommends 'Oil and Gas' as the name for the covered sector and
 94 recommends that this sector project include oil, gas and coal exploration and production, refining,
 95 drilling, equipment and services, storage, and transport activities. These business activities are cross-
 96 referenced against external classifications systems GICS, ICB, and ISIC in Table I below. The
 97 Standards Division will seek to recruit Project Working Group members with the appropriate
 98 expertise to make recommendations on content for these business activities.

99 Table I: Proposed Sector Key for the Oil and Gas Sector Project

Classification Standard	Classification No.	Classification Name
GICS	10101010	Oil & Gas Drilling
	10101020	Oil & Gas Equipment & Services
	10102010	Integrated Oil & Gas
	10102020	Oil & Gas Exploration & Production
	10102030	Oil & Gas Refining & Marketing
	10102040	Oil & Gas Storage & Transportation
	10102050	Coal & Consumable Fuels
ICB	60101000	Integrated Oil & Gas
	60101010	Oil: Crude Producers
	60101015	Offshore Drilling & Other Services
	60101020	Oil Refining and Marketing
	60101030	Oil Equipment & Services
	60101035	Pipelines
	60101040	Coal
ISIC	B5	Mining of coal and lignite
	B6	Extraction of crude petroleum and natural gas
	B91	Support activities for petroleum and natural gas extraction
	C192	Manufacture of refined petroleum products

100

101 If during content development the Project Working Group determines that the proposed constituents
 102 of the sector need revision (e.g. it becomes clear that some subgroup of the sector is not covered
 103 within content development as expected), the Project Working Group can recommend changes to
 104 this sector key for the GSSB's consideration, to ensure that the sector name and key accurately
 105 reflect the contents developed.

106 Next Steps

107 Table 2 below summarizes anticipated dates for project milestones. Table 3, which follows, shows the
108 anticipated project timeline. However, scheduling changes may occur over the course of the project,
109 due to approval processes or other circumstances, which may extend the timeline of this sector
110 project.

111 Table 2: Sector Project Milestones

Summary Milestones	Due Date
GSSB approval of Sector Pilot Project Proposal and Terms of Reference	7 March 2019
Commencement of Pilot Project: Appointment of Project Working Group	Call for nominations for Project Working Group on 25 March 2019
GSSB approves Project Working Group membership via electronic vote	26 May 2019
GSSB approves draft Sector Standard for public exposure (pilot project)	21 November 2019
Public comment period	9 December 2019 – 8 March 2020
GSSB approves final draft of Sector Standard (pilot project)	June 2020

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113 Table 3: Estimated Timeline for Oil and Gas Sector Project

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GSSB

Task Name	Start Date	Completion Date	Days	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
GSSB approves pilot project proposal and terms of reference	07-Mar-19	07-Mar-19	0	◆															
Open call for Project Working Group	25-Mar-19	24-Apr-19	30		■														
Recruitment for Project Working Group	25-Apr-19	16-May-19	21			■													
GSSB approval of Project Working Group membership (electronic vote)	26-May-19	26-May-19	0			◆													
Content development by Project Working Group	1-Jul-19	31-Oct-19	122					■	■	■	■								
GSSB approval of exposure draft	21-Nov-19	21-Nov-19	0									◆							
Public comment period	9-Dec-19	08-Mar-20	90										■	■	■	■	■		
Analysis of public comments and revision of draft	9-Mar-20	07-Jun-20	90													■	■	■	■
GSSB approval of final standard	21-Jun-20	21-Jun-20	0																◆

Discussion doc

The Standards Division invites the GSSB to:

1. provide feedback on the project **objectives and scope**;
2. recommend **organizations or experts** that could be invited to join the Project Working Group;
3. approve this proposal to send to the Board and Stakeholder Council for feedback, or explain what amendments would be needed for this approval.

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Discussion document - This document does not represent an official position of the GSSB