



i/c/a/c/ Instituto de Contabilidad y
Auditoría de cuentas



ASEPUC
Asociación Española de Profesores
Universitarios de Contabilidad

**ESTUDIO ICAC-ASEPUC
(Convocatoria 2024)**

Report on the draft European sustainability reporting standards for the oil and gas sector

This publication is available exclusively in electronic format on the website **www.icac.gob.es**.

REPORT ON THE DRAFT EUROPEAN SUSTAINABILITY
REPORTING STANDARDS FOR THE OIL AND GAS SECTOR

NIPO: 223-25-014-8

Published by: Accounting and Auditing Institute (Instituto de
Contabilidad y Auditoría de Cuentas - ICAC)
(Ministry of Economy, Trade and Enterprise)
Huertas, 26 - 28014 MADRID

M^a Lourdes Arco Castro
Raquel Garde Sánchez
M^a Victoria López Pérez (Coordinator).
Sara Rodríguez Gómez



ICAC-ASEPUC Agreement (2023-2027)

(Resolution of 25 September 2023, of the Accounting and Auditing Institute)

This Study meets the specific relevance criteria for the disclosure of matters affecting the application of accounting and auditing standards and the exercise of the powers assigned to the ICAC, as well as the timeliness of its objectives, both in terms of their nature and scope.

The ICAC does not guarantee the accuracy of the data included in the Study.

To promote public dissemination, these papers are made available on the ICAC website: www.icac.gob.es/categorias-publicaciones

The opinions expressed in this Study reflect exclusively the views of the authors and should not be attributed to the Accounting and Auditing Institute.



List of
sections

SECTION 1 Introduction	9
SECTION 2 Context of the oil and gas sector. Special reference to the Spanish framework	11
SECTION 3 The draft standard for the oil and gas sector	16
SECTION 4 Report on the non-financial disclosures by the most significant Spanish oil and gas undertakings in accordance with the ESRS Oil & Gas draft dated 26-06-2024	40
SECTION 5 Final considerations	69
Bibliography	72



Contents

1. Introduction	9
2. Context of the oil and gas sector. Special reference to the Spanish framework	11
3. The draft standard for the oil and gas sector	16
3.1. Objective and structure of this standard	17
3.2. Scope of application	19
3.3. Sustainability matters most relevant to the sector	19
3.4. Disclosure Requirements (DRs)	19
3.4.1. ESRS 2 General disclosures	20
3.4.2. Cross-topical sector disclosure requirements	20
a) OG 1. Mapping of operational sites	22
b) OG 2. Oil and gas reserves	23
c) OG 3. Industrial hazards	23
d) OG 4. Closure of assets	24
3.4.3. Environmental Disclosures	25
a) ESRS E1 - OG Climate Change	27
b) OG 5. Carbon capture and storage	29
c) ESRS E2 - OG Pollution	29
d) ESRS E3 - OG Water and marine resources// OG6. Metrics of water and marine resources	29
e) ESRS E4 - OG Biodiversity and ecosystems	30
f) ESRS E5 - OG Circular Economy	31
3.4.4. Social Disclosures	31
a) ESRS S1 - OG Own workforce	33
b) OG 7. Work stoppages	34
c) ESRS S2 - OG Workers in the value chain	34
d) ESRS S3 - OG Affected communities	34
e) OG 8. Security personnel	35
f) OG 9. Engagement with affected communities and grievance mechanisms	36
g) ESRS S4 - OG Consumers	37
3.4.5. Governance Disclosures	37
a) ESRS G1 - OG Business Conduct	38
b) OG 11. Transparency about contracts and licences	38
c) OG 12. State aid and competition	38
d) OG 13. Beneficial ownership	38
e) OG 14. Oil and gas purchased from states	39
f) OG 15. Cybersecurity	39
4. Report on the non-financial disclosures by the most significant Spanish oil and gas undertakings in accordance with the ESRS Oil & Gas draft dated 26-06-2024	40
4.1. Scope and sample	40
4.2. Analysis of disclosures by oil and gas undertakings operating in Spain: Disclosure and application requirements	41
4.3. <i>General disclosures</i>	42
a) Conclusions on material matters and disclosed information (ESRS 2. IRO 2. OG)	42
b) Activity indicators (ESRS2. SBM1. OG)	42
4.4. <i>Cross-topical sector disclosures</i>	43
a) OG 1. Mapping of operational sites	43

b) OG 2. Oil and gas reserves	43
c) OG 3. Industrial hazards	44
d) OG 4. Closure of assets	45
4.5. <i>Environmental disclosures</i>	46
a) ESRS E1 - OG Climate Change	46
b) OG 5. CO2 abatement	49
c) ESRS E2 - OG Pollution	51
d) ESRS E3 - OG / OG 6. Water and marine resources	52
e) ESRS E4 - OG Biodiversity and ecosystems	54
f) ESRS E5- OG Circular Economy	55
4.6. <i>Social disclosures</i>	55
a) ESRS S1 - OG Own workforce	56
b) OG 7. Work stoppages	56
c) ESRS S2 - OG Workers in the value chain	57
d) ESRS S3 - OG Local Communities	58
e) OG 8. Security personnel	59
f) OG 9. Engagement with affected communities and grievance mechanisms	60
g) OG 10. Human rights and environmental defenders	62
4.7. <i>Governance disclosures</i>	63
a) ESRS G1 - OG Business conduct	63
b) OG 11. Contracts and licences	64
c) OG 12. State aid and competition	64
d) OG 13. Beneficial ownership	65
e) OG 14. Oil and gas purchased from states	66
f) OG 15. Cybersecurity	66
4.8. Conclusions	67
5. Final considerations	69
Bibliography	72

List of tables and figures

Table 1.	Breakdown of primary energy consumption in Spain	14
Table 2.	Structure of the draft standard for the oil and gas sector	16
Table 3.	Disclosure requirements under ESRS 2 General disclosures	20
Table 4.	Cross-topical disclosure requirements	21
Table 5.	Environmental disclosure requirements	26
Table 6.	Social disclosure requirements	32
Table 7.	Governance disclosure requirements	37
Table 8.	DRs and ARs related to climate change and undertakings that meet requirements	49
Table 9.	DRs and ARs related to CO ₂ abatement and undertakings that meet these requirements	50
Table 10.	DRs and ARs related to pollution and undertakings that meet these requirements	52
Table 11.	DRs and ARs on water and marine resources and undertakings that meet these requirements	53
Table 12.	DRs and ARs on biodiversity and undertakings that meet these requirements	55
Table 13.	DRs and ARs on circular economy and undertakings that meet these requirements	55
Table 14.	DRs and ARs related to the workforce and undertakings that meet these requirements	56
Table 15.	DRs and ARs related to work stoppages and undertakings that meet these requirements	57
Table 16.	DRs and ARs related to workers in the value chain and undertakings that meet these requirements	57
Table 17.	DRs and ARs related to local communities and undertakings that meet these requirements	59
Table 18.	DRs and ARs related to security personnel and undertakings that meet these requirements	60
Table 19.	DRs and ARs that address engagement with communities and grievance mechanisms and undertakings that meet these requirements	61
Table 20.	DRs and ARs on environmental and human rights defenders and undertakings that meet these requirements	62
Table 21.	DRs and ARs on business conduct and undertakings that meet these requirements	64
Table 22.	DRs and ARs on contracts and licenses and undertakings that meet these requirements	64
Table 23.	DRs and ARs on state aid and competition and undertakings that meet these requirements	65
Table 24.	DRs and ARs on beneficial ownership and undertakings that meet these requirements	66
Table 25.	DRs and ARs on oil and gas purchased from states and undertakings that meet these requirements	66
Table 26.	DRs and ARs on cybersecurity and undertakings that meet these requirements	67
Figure 1.	Consumption of petroleum products (2003-2022)	12
Figure 2.	Consumption of LNG in Spain in GWh since 2010	13
Figure 3.	Preferences for consumption of petroleum products in Spain 2022	13

1 Introduction

Sustainability-related regulation in Europe has evolved and expanded significantly over the past decade. Directive 2014/95/EU introduced the obligation for large undertakings and groups to disclose non-financial information. This directive was transposed into Spanish law through Law 11/2018, which amended the Commercial Code, the revised text of the Capital Companies Act, and the Audit Law. Subsequently, the directive was amended by the Corporate Sustainability Reporting Directive (2022/2464/EU), which sets out a timeline for different types of undertakings (large undertakings, listed small and medium-sized undertakings — SMEs —, and parent undertakings of large groups) to include in a dedicated section of the management report the information necessary to understand their impacts on sustainability matters, as well as how those matters affect the undertaking's development, performance and position.

The content to be disclosed on sustainability matters has also evolved. Initially, there was no obligation to apply a specific reporting framework. A number of commonly used frameworks were referenced, and Spanish regulation recommended the use of the Global Reporting Initiative (GRI) guidelines. However, undertakings were free to apply whichever framework they deemed most appropriate to their objectives. In 2021, the European Financial Reporting Advisory Group (EFRAG) was mandated to develop draft European Sustainability Reporting Standards (ESRS) to be applied by undertakings. These standards were eventually adopted and published in Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards. The regulation was published in the Official Journal of the European Union on 31 December 2023.

Following the adoption of the general ESRS applicable to all undertakings, work commenced on the development of sector-specific standards and standards for listed SMEs, including sectors with potentially significant sustainability impacts. One such sector is oil and gas, which is the focus of this report. The draft ESRS for the oil and gas sector is currently under development, with the validation phase scheduled for the end of 2024.

The development of the sustainability reporting standards and related disclosure requirements has followed a phased approach. The initial phase focused on drafting cross-cutting and topical standards applicable across all sectors. These standards have been adopted, and undertakings already subject to the Non-Financial Reporting Directive are required to apply them starting in 2025, in respect of the 2024 financial year. The obligation to apply the ESRS will gradually be extended to other undertakings and sectors as EFRAG finalises and submits further standard proposals for adoption.

In this context, adoption of the draft sector-specific standard for oil and gas is scheduled for the fourth quarter of 2024. Several working drafts have been developed in succession in order to arrive at a version suitable for public consultation and to begin the approval process leading to its submission to the European Commission.

The oil and gas sector operates within a specific context shaped by a range of factors, which may influence its expected future development. In this regard, a brief overview of these factors is provided, insofar as they are considered relevant in the context of the disclosure requirements and the timelines for their implementation.

The following section presents the elements included in the draft standard, based on the latest version available, which was discussed on 17 September 2024, and contextualises the references considered during its development, as reported by the working group responsible for the draft. All disclosure requirements and application requirements are presented, including both the mandatory

provisions and the non-mandatory proposals contained in the draft, which affect the majority of application requirements.

The third section of this report analyses the current state of sustainability reporting by the main undertakings in the oil and gas sector in Spain, using the mandatory items proposed in the draft as a reference, in order to assess the potential implications of implementation and the effort it may entail for undertakings in the sector. The items reviewed in the undertakings analysed and the results for each requirement are presented.

Finally, a number of concluding considerations on the draft are set out.

2 Context of the oil and gas sector. Special reference to the Spanish framework

The oil and gas industry comprises undertakings engaged in the exploration and development of petroleum and natural gas deposits, as well as in their production, refining, distribution and marketing. Some undertakings are active in only part of the value chain, while others operate across all phases, from upstream exploration and extraction, through midstream transport and storage, to downstream refining and final distribution.

The oil and gas industry includes the global processes of exploration, extraction, refining, transport (often by tankers, oil pipelines and gas pipelines), and the commercialisation of products derived from oil and gas. The largest volume of products in the industry are diesel, petrol and, to a lesser extent, gas. Oil is also the raw material for many chemical products, including pharmaceuticals, solvents, fertilisers, pesticides and plastics.

This industry divides its activity into three clearly differentiated phases. According to the activity carried out, operations can be classified into three groups, which are set out in the proposed standards applicable to the sector:

- Upstream: Exploration and production
- Midstream: Transport and storage
- Downstream: Refining and marketing

a) Upstream

This is the first phase in the value chain. The upstream sector includes the search for potential underground or offshore oil and gas fields, the drilling of exploratory wells and, subsequently, the drilling and operation of the wells that recover and bring crude oil and/or raw natural gas to the surface. The processes involved may have an environmental impact, as they can involve underground explosions to observe the seismic response of the ground. In addition to conventional techniques, non-conventional techniques must also be considered, including the mining and extraction of oil sands, shale oil and gas, deepwater exploration and hydraulic fracturing (fracking), among others. Fracking techniques, for example, require high water consumption, can pose seismic risks that may alter ecosystems and, in general, generate a significant quantity of waste — contaminated drilling muds.

b) Midstream

The midstream phase includes transport operations by various means: oil pipelines and gas pipelines, ships, trucks or trains, as well as storage and distribution. The greatest risks associated with the activities in this phase of the value chain may be spills.

c) Downstream and services

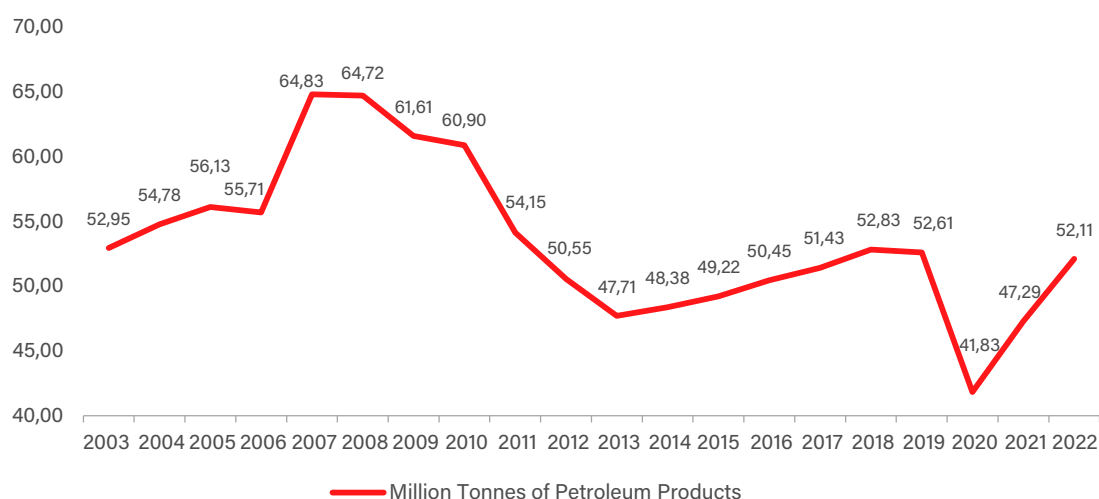
The downstream sector commonly refers to the refining of oil and the processing and purification of raw natural gas, as well as to the marketing and distribution of products derived from crude oil and natural gas. These include products such as petrol, liquefied petroleum gas, kerosene, jet fuel, diesel, heating fuel, fuel oils, lubricants, waxes, asphalt, and petrochemicals.

Lastly, there is the oil and gas services sub-sector, which comprises support activities and equipment provision across the sector's value chain.

Oil is vital for many industries and is of major importance for sustaining the industrial sector in its current configuration and is therefore a critical concern for many countries. In 2023, global primary energy consumption increased by 2%. Oil remained the main source, followed by natural gas and coal. These fuels accounted for 82% of global energy consumption, although consumption patterns are not uniform. Thus, oil consumption ranges from a minimum of 32% in Europe and Asia to a maximum of 53% in the Middle East.

In Spain, the trend in the consumption of petroleum products can be seen in Figure 1.

//// **FIGURE 1** Consumption of petroleum products (2003-2022)

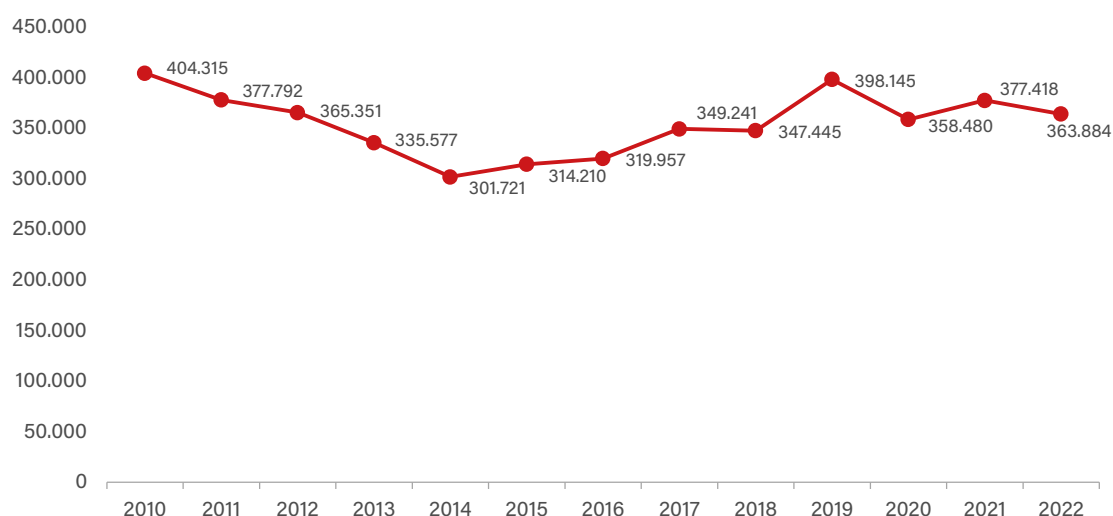


↑ Source: www.cores.es

Consumption is closely linked to periods of stability and crisis. From 2008 to 2013, sales fell, and from that point onward, they began to rise again, although without reaching 2007 levels. Later, in 2020, the impact of the COVID-19 pandemic can be observed.

The other fuel used in Spain is liquefied gas. Figure 2 shows the consumption of LNG (Liquefied Natural Gas) in Spain in recent years.

//// **FIGURE 2** Consumption of LNG in Spain in GWh since 2010

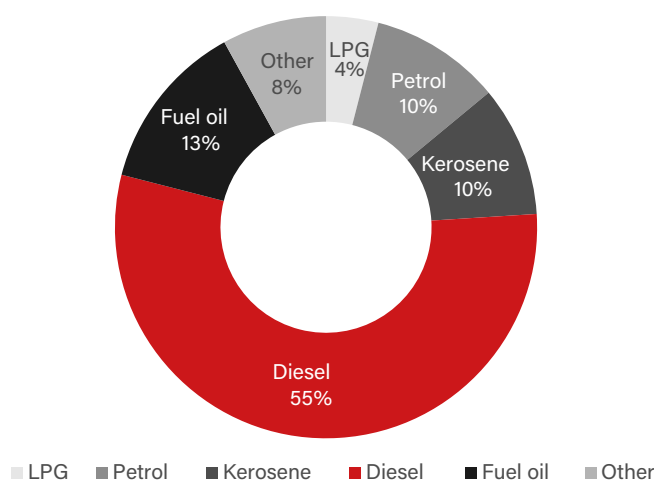


↑ Source: www.statista.com

Natural gas demand fell until 2014, following a trend similar to that of petroleum products. There was also a decrease in LNG consumption in 2020, as a result of the crisis triggered by the COVID-19 pandemic, while the decline in 2022 was due to the rise in natural gas prices following the outbreak of the war between Russia and Ukraine. That year, Spain increased its imports of this product from Russia by 45%.

To better contextualise the use of petroleum-derived end products, the purchasing preferences of Spanish consumers in the most recent year (2022) are shown, based on the wide range of available options. This highlights the profound changes required in the sector to reduce dependence on oil- and gas-based fuels, and how it is affected by external factors such as economic crises and armed conflicts in supply regions, that is, in the locations from which raw materials are sourced.

//// **FIGURE 3** Preferences in petroleum product consumption in Spain, 2022



↑ Source: www.statista.com

Despite the growth of renewable energy, Spain continues to depend heavily on oil and gas, whose share in total energy consumption rose again in 2022 to nearly 70%, the highest level, as shown in Table 1.

//// **TABLE 1** Breakdown of primary energy consumption in Spain

	2021	2022
Petroleum products	43.00%	45.50%
Natural Gas	25.20%	24.00%
Renewables	16.00%	15.60%
Nuclear	12.60%	12.90%
Coal	2.70%	3.00%
Electricity Balance	0.10%	-1.40%

↑ Source: Prepared by the Ministry for Ecological Transition and the Demographic Challenge.

Thanks to the flexibility and conversion capacity of the Spanish refining industry, in 2022, despite exceptional conditions in the petrol and, above all, diesel markets in Europe and worldwide, Spain remained a net exporter of petroleum products. Although exports fell by 9.2% compared with the previous year, this was likely due to precautionary stockpiling in anticipation of possible shortages.

In the wider European context, the momentum of climate change mitigation policies coincided with weak GDP growth in the euro area, the inflationary surge of 2022, rising interest rates, appreciation of the euro against the dollar, continued dependence on imports from Russia (which was subject to a range of sanctions), volatility and uncertainty in energy markets, and the threat of supply disruptions. Together, these factors reduced the flexibility of undertakings by narrowing operational margins and, in turn, limiting their responsiveness.

A significant number of undertakings in the sector are expanding and diversifying their operations into electricity generation. According to reports published by the International Energy Agency (IEA), global electricity demand is expected to grow at an accelerating pace over the next three years, increasing by an average of 3.4% annually through to 2026. Electricity generation from low-emission sources, including nuclear and renewable technologies such as solar, wind and hydropower, is expected to reach record levels and to meet the entirety of global demand growth over the same period. These low-emission sources, which are progressively displacing fossil fuels in the global electricity mix, are projected to account for nearly half of global electricity generation by 2026, up from 39% in 2023. This transformation will require energy suppliers to make substantial investments in scaling up renewable energy production.

Global CO₂ emissions from electricity generation are forecast to fall by more than 2% in 2024, following a 1% increase in 2023. Smaller reductions are expected in 2025 and 2026. Despite the progress made in Europe, developments in other world regions must also be considered. The increase in global CO₂ emissions from the power sector in 2023 was primarily driven by China and India, where electricity generation from coal grew sharply in the context of reduced hydropower availability.

As clean electricity supply continues to expand rapidly, the share of fossil fuels in global electricity generation is expected to decline from 61% in 2023 to 54% in 2026, — falling below 60% for the first time since the IEA began recording data in 1971. Although extreme weather events, economic disruptions or shifts in government policy could cause temporary increases in emissions in individual years, the broader decline in power sector emissions is expected to continue as renewable and nuclear capacity expands and replaces fossil-fuel-based generation.

Global oil demand continues to grow and is expected to do so at a slower pace in 2024 and 2025 than in previous years. This is indicated in the latest *Monthly Oil Market Report*. The more moderate growth is driven by improvements in energy efficiency, the increasing use of renewable energy, the

electrification of road transport, and weaker industrial activity in some markets. Global oil supply is projected to increase by an average of 770,000 barrels per day in 2024, a record high, and by 1.8 million barrels per day in 2025. Production gains are expected to be led for the third consecutive year by non-OPEC countries, primarily the United States, Canada, Guyana and Brazil.

3 Draft standard for the oil and gas sector

The draft on which this report is based is the latest version prepared prior to adoption, dated 17 September 2024. Regarding the content presented in this draft, it first explains its objectives and structure, scope of application, the aspects of sustainability that are most relevant to the sector, and then sets out the disclosure requirements (DR) for each of the material items in this sector. Connected to the DRs are the application requirements (AR), which are presented in Appendix B. Table 2 shows the structure of the draft and the DRs and ARs related to each section.

//// **TABLE 2** Content of the draft oil and gas standard

DRAFT CONTENT		
Objectives and structure		
Scope of application		
Sustainability topics relevant to the sector		
	Disclosure Requirements (DRs)	Application Requirements (AR)
ESRS 2 General disclosures		
Cross-topical sector disclosure requirements	DR 17-21	AR 3-10
OG 1. Mapping of business sites	DR 22-24	AR 11-17
OG 2. Oil and gas reserves	DR 25-28	AR 18-26
OG 3. Industrial hazards	DR 29-37	AR 27-32
OG 4. Closure of assets	DR 38-45	AR 33-41
Environmental disclosures		
ESRS E1 - OG Climate Change	DR 46-55	AR 42-54
OG 5. Carbon capture and storage	DR 56-59	AR 55-57
ESRS E2 - OG Pollution	DR 60-61	AR 58-63
ESRS E3 - OG Water and marine resources	DR 62	AR 64-65
OG 6. Water and marine resources metrics	DR 63-69	AR 66-69
ESRS E4 - OG Biodiversity and ecosystems	DR 70-72	AR 70-81
ESRS E5 - OG Circular Economy	DR 73-76	AR 82-83
Social Disclosures		
ESRS S1 - OG Own workforce	DR 77	AR 84-88
OG 7. Work stoppages	DR 78-81	AR 89-91
ESRS S2 - OG Workers in the value chain	DR 82	-

ESRS S3 - OG Affected communities	DR 83-86	AR 92-102
OG 8. Security personnel	DR 87-89	AR 103-109
OG 9. Engagement with affected communities and grievance mechanisms	DR 90-94	AR 110-115
ESRS S4 - OG Consumers	DR 95	-
Governance Disclosures		
ESRS G1 - OG. Business conduct	DR 96-98	AR 116
OG 11. Transparency about contracts and licences	DR 99-101	-
OG 12. State aid and competition	DR 102-104	AR 117
OG 13. Beneficial Ownership	DR 105-108	-
OG 14. Oil and gas purchased from states	DR 109-111	-
OG 15. Cybersecurity	DR 112-115	-

↑ Source: Prepared by authors.

The other appendices included in the draft sector-specific standard are as follows: Appendix A, which contains defined terms; Appendix C, which sets out the application requirements supporting the assessment of materiality of the information, indicating for each disclosure requirement the factors to be considered in the materiality assessment and, depending on whether it is material or not, the corresponding DR that must be applied or omitted, respectively; Appendix D, which contains datapoints sourced from other European Standards; Appendix E, which lists the NACE codes for the activities included in this sector; and, finally, Appendix F, which describes the sector-specific sustainability topics.

3.1. Objective and structure of this standard

We begin by addressing the objective and structure of this of this standard. The draft begins by stating that, according to the general ESRS — specifically, ESRS 1 paragraph 10 — sector-specific ESRS are applicable to all undertakings within a specific sector. They address the *impacts, risks and opportunities* that are likely to be material for all undertakings in a specific sector and that are not covered, or not sufficiently covered, by topical standards. The draft referred to in this report covers the sustainability matters that are most relevant to the oil and gas sector.

Insofar as this draft serves to complement or specify certain aspects of the general standards as they apply to the oil and gas sector, the general standard must be considered first, followed by an analysis of the specific elements added by this draft for the sector.

Next, the nomenclature used to identify the standards is explained. As stated in point 2, the additional sector-specific disclosure requirements (DRs) and application requirements (ARs) are identified with the prefix OG (oil and gas) and are incorporated as follows:

- If they relate to a cross-cutting or general standard, the suffix “OG” is added at the end of the corresponding cross-cutting standard (e.g. ESRS2.IRO2.OG).
- If the requirement is a sector-specific DR, it is identified with sequential numbers (OG 1; OG 2, etc.).

Although this is the general rule, some of the disclosure requirements refer directly to the general standards, even if their application is optional. For example, the draft includes an additional AR supplementing the disclosure requirements in **ESRS 2 SBM-3: *Material impacts, risks and opportunities and their interaction with strategy and the business model***. In the general standard, undertakings are required, when describing material impacts, risks and opportunities, to take into account both the

geographical areas and the activities to which they relate (ESRS 2 SBM-3 AR 17), and to consider whether to report them individually or in groups, depending on the most relevant way of providing the information (ESRS 2 SBM-3 AR17).

The sector-specific standard for oil and gas states that an additional AR, namely AR 7, is added to the general standard ESRS 2 SBM-3. This AR is optional for undertakings and indicates that the undertaking may consider disaggregating the impacts on affected communities (such as children, women, migrant workers, and indigenous peoples).

In this regard, it should be noted that, over the course of successive drafts, references that did not include the “OG” suffix have been revised. In the latest version, only three requirements remain that refer directly to the general standard without adding “OG” at the end. These would be the one mentioned in the above paragraph, ESRS 2 SBM-3, and two others. One of these would be **ESRS 2 GOV-4: Statement on due diligence**, which introduces a new AR (AR 3) in cases where undertakings are engaged in activities subject to the OECD Guidance for Meaningful Stakeholder Engagement in the Extractive Sector. It states that the undertaking may disclose the alignment between the information included in its sustainability statement and the OECD Guidance, and proposes presenting this information in table format.

In the general standard, Disclosure Requirement GOV-4 (DR 30) specifies that the undertaking shall disclose how the information in its sustainability statement aligns with the due diligence process. The ARs of that general standard note that this alignment may be presented as a table with cross-references, in line with current practice by undertakings reporting against other widely used frameworks, such as those of the GRI or SASB.

In the sector-specific standard for oil and gas, AR 3 refers specifically to the possibility that the OECD Guidance may be applicable to undertakings operating in the extractive sector.

Finally, the standard **ESRS 2 IRO-1: Description of the process to identify and assess material impacts, risks and opportunities**. This standard requires the undertaking to disclose its process for identifying impacts, risks and opportunities and for assessing which are material; those that have or may have financial effects; the decision-making and internal control procedures in place; and how this is integrated into the broader risk management process, etc.

In the sector-specific standard for oil and gas, it is added that impacts, risks and opportunities in relation to affected communities shall be considered. Specifically, three ARs are introduced (ESRS 2 IRO-1, AR 8, AR 9, and AR 10). Thus, undertakings may disclose matters related to the free, prior and informed consent of indigenous communities (AR 8); the assessment of risks when entering a new country (AR 9); and finally, when determining materiality in relation to pollution (E2), water and marine resources (E3), and biodiversity and ecosystems (E4), the undertaking may identify locations where its activities interact with nature, assess dependencies and impacts, and analyse material risks and opportunities (AR 10).

The remaining disclosure requirements and application requirements follow what is set out in point 2 of the draft. Point 3 states that disclosure requirements classified under *policies, actions and targets* are subject to the materiality assessment of the undertaking.

This report will go on to examine the various disclosure requirements, together with the application requirements linked to each standard or disclosure requirement. The structure of each section follows a defined pattern. For each standard established for the oil and gas sectors, the disclosure requirement specifies the matter addressed and the objective of its inclusion. Next, the *policies, actions and targets* and the *metrics* to be applied are set out. Appendix B then provides, where applicable, the application requirements for each standard. These specify the information to be disclosed, or clarify or complement the content of the disclosure requirements relevant to the sector. Many of the application requirements are suggestions and are not mandatory for undertakings.

Perhaps one of the most relevant aspects of the sector-specific standards is that, if the undertaking has not yet adopted the relevant policies, implemented the actions, or set the targets for material matters, it shall disclose this and may indicate the timeframe in which it intends to do so. If the required information is not material, the undertaking may omit the disclosure.

3.2. Scope of application

The section on scope of application defines which undertakings will be required to apply this draft. It establishes that this draft shall apply to undertakings for which revenue derived from activities in this sector is significant, that is, where it accounts for more than 10% of their revenue or relates to actual or potential negative impacts that are material to the undertaking.

Appendix E lists the NACE codes for oil and gas sector undertakings, broken down into three sub-sectors: upstream, midstream, downstream and service companies. The definitions of these terms can be found in Appendix A and in points 7 to 12, which will not be further discussed here as they have already been addressed in the section on the sector.

It should be noted, and is becoming increasingly common, that undertakings in this sector also carry out a number of additional activities, such as the production of hydrogen, biofuels, or the use of carbon capture and storage techniques. Given the expected trends in the use of petroleum- and gas-derived fuels, a large number of undertakings are diversifying into the production and development of other energy sources, although this remains at an early stage. In fact, the draft refers, for example, to biofuels or to research undertaken by the company into alternative sources to oil and gas.

3.3. Sustainability matters that are most relevant to the sector

The next topic addressed in the draft refers to the sustainability matters that are most relevant to the sector. First, it states that the list of relevant sustainability matters set out in the general standards (ESRS 1, AR 16) must be taken into account. These matters are presented in the table included in point 15, where an additional column is added to the table from the general standard in order to incorporate the matters considered most relevant to the oil and gas sector, under the heading "Sector specifications". The three columns from the general standard referring to "topic", "sub-topic", and "sub-sub-topic" are reduced to two columns — one for the topic, and another grouping the sub-topics and sub-topics— leaving the third column for the specifications for the oil and gas sector, and a final column indicating which stage of the activity must report on the item (upstream, midstream, downstream or services). The table also includes two additional topics that were not present in the general standard: **industrial hazards** and **closure of assets**, due to their importance in this sector. It should also be noted that **cybersecurity** is included as a sector-specific specification under business conduct. This refers to the risk that digital systems may be hacked, potentially affecting every part of the production process. This standard is not included in the general standards. Given that the information systems of any undertaking in any sector may be targeted, it could be argued that this is not a topic specific to the oil and gas sector.

In relation to the sustainability topics that are most relevant to the sector, AR 1 and AR 2 explain the aspects that must be considered in connection with industrial hazards and closure of assets (AR 1), and the sustainability matters that are likely to occur, which are included in the table set out in AR 2 (emissions, pollution, impact on biodiversity, etc.), which are developed further throughout the draft.

Point 16 states that, when a matter has been assessed as material, the undertaking shall disclose its *policies, actions and targets* in accordance with the ARs in this draft, together with the topical standards, and in line with the minimum requirements set out in the general standard (ESRS 2, DR 60–82).

3.4. Disclosure Requirements (DRs)

The following section refers to the disclosure requirements, beginning with those relating to general disclosures. This is followed by the cross-cutting sector disclosures, and then the DRs on environmental, social and governance information. As noted above, we will set out the ARs related to each DR.

3.4.1. ESRS 2 General disclosures

The element added under general disclosures in the oil and gas context relates to activity indicators **activity indicators (ESRS2.SBM.1.OG)**. Table 3 sets out the DRs and their corresponding ARs for this section, indicating whether they are mandatory or voluntary for undertakings.

//// **TABLE 3** ESRS 2 General Disclosures – Information Requirements

DR	DESCRIPTION	REQUIREMENT	AR	DESCRIPTION	REQUIREMENT
ESRS 2 General disclosures					
DR17	Net Revenue from Sector Activities	Mandatory	AR4	Revenue Measurement Standards	Mandatory
DR18	Total electricity sales MWh				
DR19	Estimate of market/ market share		AR5	Types of biofuels/advanced biofuels	
		Mandatory	AR6	Method of measuring the market and estimates	Mandatory
DR20	Biofuels				
DR21	Associated biofuels and infrastructure				

↑ Source: Prepared by authors.

As indicated in DR17, undertakings are required to disclose information about their net revenue from sector-related activities. AR4 indicates the standards that can be followed to measure revenue. From DR18 to DR21, instructions are provided regarding products related to oil and gas, across all stages of activity, and the units of measurement that need to be provided for activities with higher ecological impact, including projections for future oil and gas production.

Additionally, disclosures are required on activities not related to the combustion of oil and gas in DR18(e) and DR19 to DR21. This includes disclosures on total sales of electricity in megawatt hours (MWh), renewable fuels produced and/or purchased, as well as an estimate of the total addressable market and the share of market for advanced biofuels and associated infrastructure (DR 20). AR 5 and AR 6 specify the types of biofuels and advanced biofuels, as well as the methodology for measuring the market and market estimates that the undertaking aims to address.

This level of detail, both for current production and forecasts, can reveal the strategies of the undertakings, which could be sensitive information and potentially harmful for the undertaking to disclose. Undertakings may choose to disclose results obtained by activity, which is less sensitive than revenue by activity. In this way, relevant information is provided to users regarding the relative importance of each activity carried out by the undertaking, the commitments made, and their impact on the income statement.

3.4.2. Cross-topical sector disclosure requirements

The following section deals with **cross-topical sector disclosures**. This section aims to delineate the scope of the undertaking's activities by referring to business sites, oil and gas reserves, industrial hazards, and the closure of assets. Table 4 sets out the DRs and their corresponding ARs for this section, indicating whether they are mandatory or voluntary for undertakings.

//// **TABLE 4** Cross-topic disclosure requirements

DR	DESCRIPTION	REQUIREMENT	AR	DESCRIPTION	REQUIREMENT
OG1 Mapping of sites					
DR22	Business sites with material sustainability matters.	Mandatory	AR12	Support in delineating material sites together	Voluntary
DR23			AR13	with information to be disclosed; proposes a	
DR24	For each site: activity, location, control and status		AR14	table to disclose the information.	
DR24.1			AR15		
			AR16		
			AR17		
OG2 Oil and gas reserves					
			AR18	Reserve calculation	Mandatory
			AR19	Consideration of high-risk areas	Mandatory
			AR20	Classification into proven or probable reserves	Mandatory
	Proven oil and gas reserves;	Mandatory	AR21	Separate disclosure of percentage of reserves	Voluntary
DR25	production capacity in biodiversity-sensitive areas and high-risk areas, including conflict-affected areas and indigenous land		AR22	Proposes the creation of a table	Voluntary
DR26			AR23	Reserves near high-risk and conflict-affected areas	Mandatory
DR27			AR24	Consideration of indigenous land	Mandatory
DR28			AR25	Percentage of reserves in biodiversity-sensitive areas	Voluntary
			AR26	Reserves near high-risk and conflict-affected areas	Voluntary
OG3 Industrial hazards					
DR29	Impacts, risks, opportunities and management of industrial hazards related to the environment: spills, losses and waste management. Related to social topics: occupational health	Mandatory	AR27	Seveso III Directive (Directive 2012/18/EU)	Mandatory
DR30			AR28	Pipeline incidents	Mandatory
DR31			AR29	Significant spill volumes	Voluntary
DR32			AR30	Number of level 2, 3, and 4 incidents	Voluntary
DR33			AR31	Offshore platform workforce events	Mandatory
DR34			AR32	Differences specific to female workers	Voluntary
DR35					
DR36					
DR37					

GC4 Closure of assets					
DR38 DR39 DR40 DR41 DR42 DR43 DR44	Impacts, risks and opportunities related to closure of assets Restoration or rehabilitation plans Disclosure of related financial and contingent liabilities	Mandatory	AR33	Addressing the closure plan	Mandatory
			AR34	Worker-related incidents	Voluntary
			AR35	Specifying engagement during and after closure	Voluntary
			AR36	Barriers to closure	Voluntary
			AR37	Costs of dealing with incidents in closure process	Mandatory
			AR38	Orderly closure	Voluntary
			AR39	Regular closure plan updates	Voluntary
			AR40	Restructuring plan	Voluntary
			AR41	Recognised restructuring plan standard	Voluntary
DR45	Reference to financial statements	Voluntary			

↑ Source: Prepared by authors.

This includes not only resources owned by the undertaking but also those over which it has financial and/or operational control, proven reserves expected to be exploited in the future, industrial hazards, and assets to be decommissioned or closed.

Undertakings do not usually disclose forward-looking information, so these requirements may represent a shift in disclosure philosophy that may require a gradual approach to implementation.

a) OG 1. Mapping of business sites

This first defines what constitutes a business site. The undertaking shall identify the business sites that are connected to material sustainability matters related to biodiversity, specifying the impacts on ecosystems and biodiversity management; water and marine resources; affected local communities and workers. These reflect topics that may be particularly sensitive in the oil and gas sector and areas where material impacts occur.

For each business site where material impacts occur, the undertaking shall describe the site's activity, indicate its location, the type of control (financial or operational), and its status (active, closed and rehabilitated, etc.). The application requirements associated with OG 1 aim to assist in identifying the business sites that require disclosure, including whether the site is material (AR11), and what types of sites exist (AR12 and AR13). Operational control is addressed in AR14 and AR15, and the justification for considering these operations as part of the undertaking's own operations is addressed in AR16. AR17 proposes that the undertaking disclose a list of business sites and infrastructures in a table format, together with the status of each (type of control, whether the site is active, undergoing closure, closed and rehabilitated, or closed and not rehabilitated, etc.). This could be useful in providing an overview of the undertaking's business sites and their status.

b) OG 2. Oil and gas reserves

With regard to oil and gas reserves, the undertaking shall disclose its proven oil and gas reserves (DR25 and DR26). The objective is to specify the undertaking's production capacity in areas that may be sensitive in terms of biodiversity. This requirement applies if the undertaking holds 15% or more of its reserves in a given country (DR28), or in biodiversity sensitive areas, areas of high-water stress, countries with high-risks of corruption, money laundering and financing of terrorism, near conflict-affected areas or near indigenous land (DR27).

The related ARs range from AR18 to AR26. These provide possible parameters to define the scope of the DRs: how reserves should be calculated (AR18); what constitutes a high-risk country (AR19); or how to identify reserves located in conflict-affected areas (AR23), in areas of indigenous peoples (AR24), in biodiversity-sensitive areas (AR25), or in areas at high water stress (AR26). AR20 and AR21 provide guidance on the classification of reserves as proven or probable and propose how to disclose this information. AR22 proposes a table format that undertakings could use to report the DR27 items by country and volumes of oil and gas produced.

The aim is to disclose information about the undertaking's activities in areas that may present future risks for various reasons. Such information will be useful for users to assess risks in their decision-making. As multiple risks may affect the undertaking's reserves, this section on cross-topic disclosure requirements has been included in the draft, although it could also be addressed within each topic-specific section on the respective risks. Doing so might provide users with a more structured view.

c) OG 3. Industrial hazards

Regarding the disclosure requirements on industrial hazards, the scope is defined (DR29 and DR30) so as to enable understanding of material *impacts, risks and opportunities* related to industrial hazards connected to the undertaking's operations, and how they are managed. AR27 refers to the Seveso III Directive (Directive 2012/18/EU), on the control of major-accident hazards involving dangerous substances, as the reference framework that undertakings should follow in disclosing industrial hazards.

Industrial hazards are broken down into **environmental** and social issues. In relation to the former, the criteria followed are those related to pollution: ESRS E2-1: *Policies related to pollution*, ESRS E2-2: *Actions and resources related to pollution* and ESRS E2-3: *Targets related to pollution*. Specifically, this includes oil spills, loss of containment events, and the management of waste and environmental remediation of past accidents that may still be on-going (DR31), as well as the measures used to monitor pollution (DR33). The ARs include what the undertaking may consider significant spill volumes and pipeline incidents (AR28), as well as those disclosed in the financial statements due to resulting liabilities (AR29). DR34 details the process safety metrics: number of Tier 1 events; qualitative descriptions of any significant events; the undertaking's response and lessons learned. AR30 indicates that the undertaking could also disclose the number of Tier 2 process safety events, describe its approach to Tiers 3 and 4, and how it applies these classifications.

The social disclosures (DR32) **concern occupational health**, aligned with the following criteria: ESRS S1-1: *Policies related to own workforce*, ESRS S1-4: *Action on material impacts on own workforce* and ESRS S1-5: *Targets related to managing material negative impacts and advancing positive impacts*, the undertaking shall describe whether these contribute to reducing impacts and risks and identification and elimination of hazards; and how it ensures the quality of health services and facilitates workers' access to them. With regard to industrial hazards affecting workers, information

is required on the workforce exposed to chemical, physical or ergonomic hazards (DR35 and DR36), as well as training provided to workers in health, safety and emergency preparedness (DR37). As stated in DR36, the undertaking shall also disclose work-related fatalities, work-related injuries, and work-related ill health, both for its own workforce and for persons who are not part of the workforce. The ARs address two specific aspects: transportation to offshore facilities (AR31), and disclosures related to female workers (AR32).

In our view, the disclosure requirements on industrial hazards could have been integrated into the corresponding impact areas, namely, pollution and worker safety. Treating it separately may not support a consolidated understanding alongside the other related aspects. As noted in Appendix F, industrial hazard refers to incidents and accidents that may have significant consequences on environmental resources, workers, and the undertaking's assets. Accordingly, the approach should focus on minimising impacts and risks through safety plans across different operational areas, as the objective, as described in the draft, is the establishment of a safety system and safety culture, with monitoring plans, asset integrity management, and contingency plans to address risks, based either on the undertaking's own experience or on disasters that have occurred at other undertakings in the sector. The information related to industrial hazards is already addressed in other parts of the draft, which may make this section somewhat redundant. DR37 refers to the training provided to workers on health, safety and emergency preparedness with respect to occupational risks or hazards to which its own workforce is reasonably likely to be exposed. That focus might have been a more appropriate approach to addressing the topic of industrial hazards.

d) OG 4. Closure of assets

The undertaking shall disclose information related to the closure of assets (DR38), with the objective of understanding the *impacts, risks and opportunities* related to closure of assets, and how these are managed (DR39). Regarding *policies, actions and targets* proposed in this point, undertakings shall indicate whether they have closure plans in place, including site restoration plans, and how they intend to implement them (DR40). AR33 sets out the elements that a closure plan should address, and AR40 outlines what should be considered in the restoration plan. The undertaking shall also disclose how it intends to address material impacts on its own workforce and on affected communities related to the closure, rehabilitation and/or restoration plans (DR41). AR34 provides suggestions for addressing impacts on employees and non-employee workers.

AR38 states that closure of assets should be carried out in an orderly way, while AR39 explains that the restoration plan should be regularly updated. Finally, AR41 states that the undertaking should disclose whether it applies any recognised standard as a basis for its rehabilitation or restoration plans in relation to biodiversity impacts.

In relation to *metrics*, the undertaking shall list business sites for which there is no existing or foreseen site rehabilitation plan (DR42). Indicate whether affected communities and employees have been consulted in the preparation of post-closure plans (DR43). AR35 states that the undertaking could specify its commitments during and after closure. AR36 indicates that it may report on access-barriers faced by affected communities in the context of closure and the post-closure period.

DR44 addresses financial aspects, specifically the financial liabilities and contingent liabilities related to closure and restoration, disaggregated for each material business site. Where such information is already included in the financial statements, a reference to the statements is sufficient (DR45). AR37 specifies that the undertaking should disclose the costs of addressing material adverse impacts of closure on own workers and communities, and of restoration of impacts on ecosystems and biodi-

versity. AR38 adds that the undertaking is expected to restore land to a condition or economic value equivalent to the pre-development state.

In relation to the closure of assets, it should be noted that undertakings do not disclose this type of information. This is a new, but very important, requirement, as it enables assessment of the condition of the area after operations have ceased and how the local community is affected. This is a sensitive matter, since an undertaking may only proceed to closure when the asset is no longer economically viable, and restoration may represent an additional cost. In this regard, the draft standard's proposal to require a closure plan and periodic review represents a necessary commitment on the part of the undertaking. Just as the previous point aimed to foster a safety culture, the closure of assets would require the undertaking to build a culture of commitment, to restore formerly exploited areas and to have plans in place to mitigate impacts on workers.

Having now addressed the cross-topic sector requirements, the draft standard proceeds to the **Disclosure requirements for environmental, social and governance topics**, which we will address next.

3.4.3. Environmental disclosures

In relation to **environmental disclosures**, most of the requirements in the draft are linked to a topical standard, with the suffix "OG" appended to the corresponding cross-cutting standard. Table 5 sets out the DRs and ARs relating to environmental disclosures specific to the oil and gas sector, indicating whether they are mandatory or voluntary for undertakings.

//// **TABLE 5 Environmental disclosure requirements**

ESRS E1. OG Climate change					
DR46 DR47 DR48 DR49 DR50 DR51 DR52 DR53 DR54	Leak detection and repair programmes for methane and GHGs; CAPEX and future CAPEX for R&D and transition; locked-in GHG emissions associated with proved reserves; Scope 1 GHG emissions (including CO ₂ and methane); Scope 3 GHG emissions; financial effects of transition and climate change	Mandatory	AR42	Mandatory legal targets and objectives	Voluntary
			AR43	Leak detection and repair programme	Voluntary
			AR44	CAPEX EU taxonomy	Voluntary
			AR45	CAPEX Definition	Mandatory
			AR46	Emissions potential of proven reserves	Mandatory
			AR47	Locked-in emissions of proved reserves	Voluntary
			AR48	Conventional and unconventional activities	Mandatory
			AR49	Service companies: Scope 3 emissions	Mandatory
			AR50	Upstream, midstream, downstream and service activities	Mandatory
			AR51	International guidelines on methane emissions	Voluntary
DR55	Reference to financial statements	Voluntary	AR52	Participation in a methane management programme	Voluntary
			AR53	Routine and non-routine flaring calculations	Mandatory
			AR54	Sources of financial effects related to fossil fuel activities	Mandatory
GC.5 CO2 capture and storage					
DR56 DR57 DR58 DR59	Carbon capture and storage technologies; non-permanence of carbon storage; monitoring, leakage and reversal	Mandatory	AR55	Monitoring of CO ₂ leakage in accordance with ESRS E1-6	Mandatory
			AR56	Breakdown of CO ₂ stored from own sources	Voluntary
			AR57	CO ₂ stored from other sources and origin	Voluntary
ESRS E2 - OG Pollution					
DR60 DR61	Inspection and maintenance of critical infrastructure; impacts of hydraulic fracturing	Mandatory	AR58	Technologies to control and manage air quality impacts	Voluntary
			AR59	Percentage of sites with environmental control plans	Voluntary
			AR60	Percentage of pipelines and hazardous liquid pipelines inspected	Voluntary
			AR61	Financial effects of environmental incidents and impacts	Mandatory
			AR62	Applicable regulatory framework	Mandatory
			AR63	Commission Communication 2021/C 118/01	Mandatory
ESRS E3 – OG Water and marine resources// OG6. Water and marine resources metrics					
DR62 DR63 DR64 DR65 DR66 DR67 DR68 DR69	Management of water as a shared resource; metrics related to water withdrawals, discharges and operations in ocean areas; number of non-compliances and mitigation measures; total surface area of ocean-based sites	Mandatory	AR64	Policies and objectives on water and marine resources	Voluntary
			AR65	Metrics related to water withdrawals and discharges	Mandatory
			AR66	Presentation format of metrics	Voluntary
			AR67	Internal rules for management of water discharge impacts	Voluntary
			AR68	Volume of discharges	Mandatory
			AR69	Ocean and total surface area exploited	Mandatory

ESRS E4 - OG Biodiversity and ecosystems					
DR70 DR71 DR72	Disclosures on the phasing-out of operations and/or divestments, biodiversity and ecosystem impact minimisation, and management of restored or rehabilitated areas; significant impacts on biodiversity and ecosystem change from land or marine use; material impacts on biodiversity and ecosystem change by business site in sensitive areas	Mandatory	AR70	Application of international biodiversity standards	Voluntary
			AR71	Sea-use change	Mandatory
			AR72	Average land or sea use per well	Mandatory
			AR73	Proposed indicator on state of species	Voluntary
			AR74	Direct and indirect impacts on land and sea use	Mandatory
			AR75	Reference guide for biodiversity areas	Voluntary
			AR76	Reserves in areas at risk or without official designation	Voluntary
			AR77	Positive measures under corporate biodiversity commitments	Voluntary
			AR78	Reserves in areas with a legal conservation status	Mandatory
			AR79	Reserves in habitats of threatened species	Mandatory
			AR80	Definition of species occurring in an area	Mandatory
			AR81	Definition of migratory passage	Mandatory
ESRS E5 - OG Circular Economy					
DR73 DR74 DR75 DR76	Application of circular economy principles and approach; percentage of decommissioned materials reused or recycled; impact of petrochemical activity and petroleum products; machinery and equipment reused and/or recycled	Mandatory	AR82	Assets acquired through circular economy processes	Voluntary
			AR83	Metrics for petrochemical activity and petroleum products	Mandatory

↑ Source: Prepared by authors.

a) ESRS E1. OG Climate change

The draft devotes a significant section to climate change, indicating the importance attributed to this matter and reflecting Europe's commitment to controlling the effects of activities on the climate. As a sector with substantial environmental impact, several disclosure requirements are proposed to address climate change. Several DRs on *climate change* (DR46 to DR55) are proposed under ESRS E1 for the oil and gas sector.

DR46 establishes that when reporting on its policies, actions and targets, the undertaking shall specify whether these address leak detection and repair (LDAR) programmes for methane and other greenhouse gases from the use of sold products. AR43 explains what is meant by a leak detection and repair programme. AR42 states that the undertaking may disclose the mandatory legislation to which its targets and objectives are aligned or to which they contribute.

With regard to climate change mitigation policies, DR47 refers to the quantification of capital expenditure (CapEx) and future CapEx related to projects and R&D initiatives addressing climate-related risks. This may be done by aligning CapEx and operating expenditure (OpEx) programmes with the EU Taxonomy (AR44). AR45 defines what is considered CapEx. DR48 provides that the undertaking shall disclose its R&D expenditure related to climate-related risks, referred to as "transition-related R&D expenditure", distinguishing between conventional and unconventional activities, as defined in AR48, and climate-related provisions.

According to DR49, the undertaking shall disclose a quantitative assessment of locked-in GHG emissions associated with its proven reserves. When disclosing this information, AR46 states that the

undertaking shall consider the emissions potential of its proven (P1) oil and gas reserves. It may also disclose locked-in GHG emissions from probable (P2) reserves, as provided in AR47.

DR50 requires the undertaking to disclose total Scope 1 GHG emissions, including CO₂ and methane. DR51 sets out how GHG emissions intensity shall be reported.

DR52 provides that undertakings with integrated operations shall report separately Scope 3 GHG emissions: "Use of sold products emissions", associated with each segment (upstream, midstream and downstream) of their integrated operations. Service companies shall report the Scope 3 emissions of the assets they have leased to undertakings in the oil and gas value chain (AR49). When reporting Scope 3 use of sold products emissions, undertakings shall distinguish between upstream, midstream, downstream and service companies (AR50).

Finally, DR53 sets out the methane emissions data the undertaking shall report. AR51 sets out the international guidelines that may be followed to report methane emissions. Undertakings may report whether they are members of a methane emissions management programme such as the Oil & Gas Methane Partnership 2.0 (AR52). AR53 sets out how to calculate routine and non-routine flaring.

Regarding the expected financial effects of physical and transition risks, DR54 states that the undertaking shall disclose how it expects the management of climate-related risks and opportunities to affect its financial position, financial performance and cash flows in the medium and long term, limited to plans approved by the administrative, management and supervisory bodies. If this information is already included in the financial statements, the undertaking may provide a reference to the relevant paragraph in the financial statements (DR55). AR54 adds that the undertaking shall consider as a source of financial effects the financial risks associated with a narrower access to finance as a consequence to investors and lenders adopting investment policies to limit or phase-out the exposure to fossil fuels.

This section requires the undertaking to disclose information on its emissions, but perhaps the most relevant part concerns transition-related expenditure, which represents proactive action in the fight against climate change. This requires significant effort from undertakings, as well as a long-term outlook and some form of institutional support. Capital expenditure (CapEx) and future CapEx to address climate change is not yet significant in relation to the full scope of companies' operations and investments, and it may take longer for it to become effective and deliver results.

Undertakings aim for zero impact in their activities, but the major issue with emissions may not lie in their operations, but in the use of the products generated, and how they are used by different industries and end-users. This is why information on the development of biofuels and alternative energy sources is important.

In this section, the draft also includes elements that are very difficult to measure, in part due to potential legislative changes affecting the related risks and their impact on investors. The draft states that undertakings shall estimate how climate-related risk and opportunity management may affect their financial position, financial performance and cash flows in the medium and long term, and shall include potential financial risks linked to reduced access to finance due to investors and lenders limiting or phasing out fossil fuel investments. While it may be relatively feasible for undertakings to report the measures taken to mitigate climate change, the elements related to climate adaptation, as defined in the document (reduced window of time for tundra travel due to the permafrost melting, increased lightning strikes in northern latitudes, coastal erosion leading to degradation of barriers, increased storms and wave loading on offshore facilities, changes in precipitation patterns affecting the water management or flooding, and reduced certainty regarding efficiency of equipment), are less predictable.

The following three sections concern carbon capture and storage, focusing on leakages, pollution, and water withdrawals and discharges, which are areas that undertakings are required to reduce. In this field, research and technological development to prevent and minimise the incidence of these risks is critical for undertakings in this sector aiming to achieve zero impact.

b) OG. 5 CO₂ capture and storage

Carbon capture and storage is addressed from DR56 to DR59 and from AR55 to AR57.

DR56 states that the undertaking shall disclose its activities related to carbon capture and storage technologies, and DR57 sets out the objective of this disclosure requirement.

Regarding capture, the most relevant issue is the risk of non-permanence in carbon capture and storage, and the identification and monitoring of leakage and reversal events (DR58). To manage these, measurement is required. DR59 includes metrics on CO₂ captured, stored, transported, and any leakages occurring during transport and storage. AR56 refers to the possible disaggregation of CO₂ stored from the undertaking's own sources, and AR57 to CO₂ stored from other sources, including its origin. AR55 states that, in the event of leakage, the undertaking shall follow the provisions set out in ESRS E1-6 (gross GHG emissions for scopes 1, 2 and 3, and total GHG emissions).

Finally, DR59 also states that the undertaking shall disclose the energy use associated with carbon capture and storage activities during the reporting period.

c) ESRS E2 - OG Pollution

With regard to pollution, DR60 states that the undertaking shall specify whether, and how, it addresses the inspection and maintenance of critical infrastructure (e.g. pipelines and valves). AR58 adds that the undertaking may disclose the technologies used to manage and control its impact on air quality, and those used to eliminate or treat emissions, while AR60 adds that the undertaking may disclose the percentage of natural gas and hazardous liquid pipelines that have been inspected. Secondly, DR60 sets out the disclosure requirement on monitoring the quality of the environment around its business sites. AR59 provides an additional element, stating that the undertaking may disclose the percentage of business sites that have an environmental monitoring plan in operation. Finally, DR60 refers to the European legislation that provide the framework for this requirement: Commission Implementing Decision 2014/738/EU and Directive 2010/75/EU, in accordance with the guidance set out in ESRS E2.

In relation to this point, ESRS E2 ARs AR61 to AR63 add further elements concerning the anticipated *financial effects of pollution-related impacts, risks and opportunities* (E2-6). AR61 states that the undertaking shall take into account the financial effects of incidents with environmental impacts related to pollution, such as spills, leakages, uncontrolled discharges or other operational safety events. These financial effects include liabilities from pollution events (AR62), with identification of the relevant regulatory framework for determining the costs of remedial measures (Directive 2004/35/EC). AR63 adds that undertakings shall refer to Commission Notice 2021/C 118/01 for further guidance on environmental damage liabilities.

There is also a reference to the effects of hydraulic fracturing: the percentage of hydraulically fractured wells and the fracturing chemicals used; the percentage of hydraulic fracturing sites where groundwater or surface water quality has deteriorated; and the volume of fluids used in hydraulic fracturing, in cubic metres (DR61).

(d) ESRS E3 - OG Water and marine resources// OG6. Water and marine resources metrics

The draft addresses both freshwater and marine resources, as outlined in the general standard ESRS E3. It proposes two DRs on policies, actions and targets, which expand those in ESRS E3 for the oil and gas sector, and nine additional DRs on metrics. Following the format of earlier standards addressing *policies, actions and targets* and *metrics*, we will treat them together, also considering the related ARs.

Their separation here may be due to the general standard focusing more on water reduction, regeneration and reuse, or aquatic ecosystem restoration, whereas for the oil and gas sector the focus is on

water withdrawals and water stress, due to the high volumes required by the sector, and discharges, which may have the greatest environmental and sustainability impact.

DR62 states that the undertaking shall specify whether, and how, it addresses management of water as a shared resource, particularly in areas of high-water stress. AR65 discusses tools and methodologies for assessing water risk in an area.

Regarding metrics, DR63 requires the undertaking to disclose metrics related to water withdrawals, discharges, and exploration activities in ocean areas, and DR64 provides the objective of this disclosure requirement. Metrics on withdrawals and discharges are covered in DR65 and DR66, with presentation guidance in AR66.

Concerning discharges, the undertaking must disclose the number of non-compliances (DR67) and the volumes of discharges (AR68), and may do so following internal standards for managing impacts related to water discharges (AR67). The undertaking shall indicate where significant impacts on hydrological conditions occur and the measures to prevent and mitigate such impacts (DR68).

The final section on metrics relates to activities associated with marine resources. DR69 requires the undertaking to disclose the total number of sites and the total operational area of the exploitation at the Ocean. AR69 defines what is meant by "Ocean" and how to determine the total area of the exploitation.

These three issues (emissions, discharges, pollution, water use) should not pose problems for undertakings, as they are already disclosing information on these items. They will simply need to disaggregate the information according to the requirements set out in the draft and establish procedures to minimise them.

e) ESRS E4 - OG Biodiversity and ecosystems

The next section pertains to biodiversity and ecosystems, covered in DR70 to DR72 and AR70 to AR81.

DR70 states that undertakings must specify whether they address the phasing-out of operations and/or stopping investments, minimising biodiversity and ecosystem impacts, and managing affected areas that have been rehabilitated or restored. AR70 indicates that undertakings may include how they apply international biodiversity standards in their operational planning, from initial design to decommissioning.

Regarding metrics, DR71 requires undertakings to report on significant impacts on biodiversity and ecosystem changes due to land or sea-use change. AR71 defines what is meant by sea-use change. AR72 provides the criterion for calculating the average land-use per well site or sea-use per offshore well site, and AR73 offers a proposal for measuring the state of species.

According to DR72, the undertaking shall disclose material impacts from biodiversity and ecosystem change for each significant business site located in biodiversity-sensitive areas. AR74 states that both direct and indirect impacts on land and sea use shall be taken into account.

The following ARs relate to reserves and the areas in which they are located. AR75 states that the undertaking may identify reserves located in areas with additional ecological, biodiversity or conservation designations and refers to the suggested reference list. AR78 defines reserves considered to be located in areas of protected conservation status, and AR79 defines those located in endangered species habitats. AR80 defines when a species is considered to be extant in an area, and AR81 defines what is meant by "passage" for species in a geographic area.

AR76, which is voluntary, refers to reserves located in areas of low biodiversity risk or in areas without official designation of high biodiversity value that nonetheless present high risks to biodiversity. AR77 then proposes that undertakings may disclose certain positive measures included in their commitments.

The substantial impact of oil and gas sector activity on biodiversity-sensitive areas and ecosystems is perhaps one of the most complex issues, as wells are often located in remote areas and affect their surrounding environment. The most important element would be the percentage of area rehabilitated or restored, and it might have been appropriate to include a DR on restoration plans with an implementation timeline. The draft distinguishes between different types of biodiversity and ecosystem risks and material impacts, but the AR on operational planning, from design to decommissioning, is voluntary, which may result in undertakings not disclosing this key aspect for assessing their level of commitment to ecosystems.

f) ESRS E5 - OG Circular Economy

The final topic in the draft relating to environmental information concerns the circular economy, addressed in DR73 to DR76 and AR82 and AR83.

DR73 states that the undertaking shall specify whether, and how, it applies circular economy principles to equipment and machinery assets; drilling wastes (muds and cuttings, scales, sludges), tailings and materials resulting from decommissioning activities for offshore and onshore assets, facilities and infrastructure. AR82 adds that the undertaking may disclose whether assets were procured in line with circular economy approaches, and whether the undertaking has any agreements or policies in place regarding the end-of-use treatment of existing equipment that enable recirculation in practice. Finally, the undertaking shall disclose the percentage of decommissioned materials that are reused or recycled (DR74).

DR75 addresses the impact of the undertaking's petrochemicals and petroleum products activity; it shall disclose the volume and percentage of crude oil and gas; tonnes recovered from spills; tonnes of drilling waste; tonnes of sludges; tonnes of tailings; and tonnes of decommissioned materials. AR83 sets out how these metrics may be reported.

DR76, building on the previous DR, states that the undertaking shall disclose the quantity of machinery and equipment, by weight, that has been diverted from disposal for reuse, recycling or other recovery operations.

The significant impact of activity in this sector makes implementation of the circular economy concept difficult, as its products are intended for combustion and generate substantial volumes of waste and discharges. In the course of its operations, the undertaking's commitment to the circular economy lies in minimising its impacts (emissions, discharges, waste, etc.), and in rehabilitation and restoration. A DR could have been included on the percentage of waste and discharges that are recovered and rehabilitated in relation to the total. The reuse and recycling of equipment will be occasional, and by providing the figure as a percentage, it becomes possible to understand the relative importance of this topic, which is unlikely to be disclosed, given its limited significance within the entity as a whole. In addition, disclosure is required on the weight of reused equipment, which has limited utility, as the relative data are already covered under DR74.

3.4.4. Social Disclosures

After setting out all disclosure and application requirements related to environmental matters for the oil and gas sector, we now turn to the **social disclosures**. These include topics relevant to this sector because it operates in areas remote from urban centres and may affect indigenous communities. The indicators relate to the undertaking's own workforce, workers in the value chain, affected communities, and consumers. The proposed requirements include both specifications of the general standard for the sector and oil- and gas-specific disclosures. Table 6 presents the DRs and ARs related to social disclosures, indicating whether they are mandatory or voluntary for undertakings.

//// **TABLE 6 Social disclosures**

ESRS S1 - OG Own workforce					
DR77	Disclosure of information on housing facilities for own workers, access to basic services, working time and work-life balance	Mandatory	AR84	Information on work-life balance	Voluntary
			AR85	Specific needs of female workers in relation to facilities	Voluntary
			AR86	Prevention of sexual harassment and discrimination	Voluntary
			AR87	Suggests a table with employment security, working hours and remuneration	Voluntary
			AR88	Impacts on workers in gas stations and associated convenience stores	Mandatory
OG 7. Work stoppages					
DR78 DR79 DR80 DR81	Disclosure of number of work stoppages, affected workers and length; explanation of the relevance of requirement; actions taken to resolve major work stoppages; DR81 appears duplicated – matches DR78	Mandatory	AR89	Work stoppages involving 100 or more workers	Mandatory
AR90			Disputes with management, strikes and lockouts	Voluntary	
AR91			Metric: days of stoppage	Mandatory	
ESRS S2 - OG Workers in the value chain					
DR82	Management system for health and safety of workers	Mandatory	AR	-	
ESRS S3 - OG Affected Communities					
DR83 DR84 DR85 DR86	Commitments to indigenous peoples concerning public health, land rights, and protection of environmental and human rights defenders; definition of affected communities; free, prior and informed consent from indigenous communities; number of confirmed incidents concerning environmental and human rights defenders	Mandatory	AR92	Geographical definition of “affected”	Voluntary
			AR93	Negative impacts on women, children, health and livelihoods	Voluntary
			AR94	Lessons learned to prevent recurrence	Voluntary
			AR95	Recognition of legitimate tenure rights holders and remediation	Voluntary
			AR96	Zero tolerance for attacks on environmental defenders	Voluntary
			AR97	Impacts on affected communities related to biodiversity	Mandatory
			AR98	Due diligence process for zero tolerance	Voluntary
			AR99	Support projects for defenders	Voluntary
			AR100	Framework for confirmed incidents	Mandatory
			AR101	Number of confirmed incidents	Mandatory
			AR102	Threats and attacks depending on group	Voluntary

OG 8. Security personnel					
DR87 DR88 DR89	Training of security personnel on human rights policies; confirmation that training has been provided; percentage trained and number of incidents linked to security personnel	Mandatory	AR103	Need for security training in conflict zones	Voluntary
			AR104	Content of information on vulnerable and marginalised groups	Voluntary
			AR105	Broad objective of security personnel training	Voluntary
			AR106	Human rights training	Mandatory
			AR107	Frequency of the training	Voluntary
			AR108	Human rights compliance audits	Voluntary
			AR109	Training as a criterion for recruitment of security personnel	Voluntary
OG 9. Engagement with affected communities and grievance mechanisms					
DR90 DR91 DR92 DR93 DR94	Metrics on engagement with affected communities and grievance mechanisms; grievance mechanisms per business site; business sites with development programmes for affected communities; public evaluations	Mandatory	AR110	Due diligence on Indigenous peoples' rights and FPIC	Voluntary
			AR111	Engagements with Indigenous peoples by operational site	
			AR112	Vulnerable groups and relationships with them	
			AR113	Collective or individual rights of special interest	
ESRS S4 - OG Consumers					
DR95	Misleading commercial practices, in particular environmental ones, number of cases resolved and outcomes	Mandatory	AR	-	

↑ Source: Prepared by authors.

a) ESRS S1 - OG Own workforce

With regard to own workforce, the draft proposes one additional DR beyond those set out in the general standard: DR77. This disclosure requirement provides that, when reporting on its policies, actions and targets related to its own workforce in accordance with ESRS S1-1 *Policies related to own workforce*, S1-4 *Taking action on material impacts on own workforce*, and approaches to mitigating material risks and pursuing material opportunities and S1-5 *Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities*, the undertaking shall specify whether and how it addresses matters relating to housing facilities for its own workers and their access to basic services; working time and work-life balance.

The ARs related to this DR77 are, with the exception of the last one, proposals intended to guide undertakings on how to report. AR84 concerns work-life balance information; AR85 provides that the undertaking could specify whether it takes into account the specific needs of female workers in relation to housing facilities.

In AR86, regarding training and skills development, the undertaking may disclose whether the training it provides to its own workforce includes prevention against sexual harassment and discrimination. This is arguably not specific to the oil and gas sector. AR87 proposes a table that includes information on job security, working hours, wages and freedom of association. Finally, AR88 provides that, in relation to the downstream sub-sector, the undertaking shall consider the specific impacts to which workers at gas stations and at convenience stores attached to gas stations are exposed.

Such issues are arguably not specific to the oil and gas sector. Undertakings often disclose information on their workforce, although topics such as migrant or local workers may not be as

commonly reported. Since a significant number may be posted workers, issues relating to the maintenance of housing and services may be the most relevant from the point of view of the commitments the undertaking can make.

The general standard does not refer to the topics that training should cover. However, the sector-specific oil and gas draft proposes that training should specifically include content on sexual harassment and discrimination. This could perhaps be expanded to include training on contingency or risk situations.

b) OG 7. Work stoppages

Work stoppages are a recurring issue in this sector. However, it is not a sector-specific matter and does not appear among the defined terms in Appendix A, in case it were to have a particular meaning in the context of the sector under consideration. According to AR89 and Appendix C, in order to assess the materiality of this issue and consider it a major work stoppage, the stoppage must affect more than 100 of the undertaking's employees and/or non-employees in its own workforce. AR90 specifies that the scope includes work stoppages due to disputes between workers and management, including strikes and lockouts. It also adds the possibility that work stoppages may be caused by community protests.

Regarding work stoppages, DR78 states that the undertaking shall report the number of major work stoppages during the reporting period, including the number of employees involved and their length, and DR79 provides the justification for this disclosure requirement. DR80 states that, when reporting its actions, the undertaking shall describe whether and how taken or agreed actions resolve the major work stoppages.

And finally, DR81 is duplicated. It matches DR78. AR91 establishes the metric for calculating the length of the stoppage in days.

Two points could be raised in relation to this section. On the one hand, it appears to be directed at stoppages caused by issues related to operations, but at the same time it includes stoppages due to conflicts and protests, which makes it difficult to interpret what the reported figures imply, given the diversity of causes. The second point concerns the definition of what constitutes a major work stoppage. One of the parameters, the number of workers, is provided by the standard itself, which uses it to define a major stoppage. However, the time variable is missing, since an event might affect the entire workforce, but if it lasts only a negligible period, it should not be considered major.

c) ESRS S2 - OG Workers in the value chain

The next section refers to workers in the value chain. This item has no associated ARs and includes only one DR: DR82. DR82 states that, when reporting its policies, actions and targets related to value chain workers' health and safety, the undertaking shall specify whether and how these address the applicability of its own health and safety management system to value chain workers, and whether and how the undertaking monitors health and safety metrics for value chain workers whilst working on site.

Although companies do not often report on value chain workers, this type of information is relatively straightforward for an undertaking to collect.

d) ESRS S3 - OG Affected Communities

The next aspect addressed concerns affected communities. Specifically, four additional disclosure requirements are added to the general standard for this sector, DR83 to DR86, along with eleven ARs, AR92 to AR102, which relate to policies, actions and targets as well as metrics, the majority of which are voluntary.

DR83 states that the undertaking shall describe whether it addresses: issues related to the engagement with indigenous peoples (a) public safety; (b) rights over land and respect; (c) protecting environmental and human rights defenders. In relation to DR83(b), AR93 states that, related to land acquisition and involuntary resettlement, the undertaking may disclose if it has considered or addressed potential negative impacts that are specific to women and children; AR94 states that the undertaking may disclose lessons learned to prevent recurrence; and AR95 states that the undertaking may disclose the approach taken in recognising the legitimate tenure rights holders, and in providing remediation following involuntary resettlement.

DR84 requires the undertaking to disclose the definition of affected communities it applied when preparing its sustainability statement. In AR92, guidance is provided on the considerations an undertaking may take into account when defining the geographic scope of "affected".

DR85 concerns the process of seeking Free, Prior and Informed Consent (FPIC) from indigenous peoples, whether the process has been mutually accepted, whether an agreement has been reached, etc. AR97 states that the undertaking shall consider the impacts on affected communities that stem from the undertaking's impacts on biodiversity. The undertaking may refer to how planned or ongoing actions align with the principles of the Nagoya Protocol and the Montreal Agreement.

This standard on affected communities also includes a section specifically dedicated to environmental and human rights defenders. These are addressed in DR86, AR96, and AR98 to AR102, of which only AR100 and AR101 are mandatory. Disclosure is required of the number of incidents related to environmental and human rights defenders (DR86). Whether there is a zero-tolerance approach towards attacks against environmental and human rights defenders (AR96), and whether this commitment is integrated into its due diligence processes (AR98). In addition, AR99 states that the undertaking may disclose whether there are ongoing projects or initiatives in place to support the causes or actions advocated by environmental and human rights defenders.

AR100 proposes the framework for identifying a "confirmed incident". AR101 sets out the sources of information that may be used to determine the number of confirmed incidents. AR102 states that, when disclosing the number of confirmed incidents, the undertaking may provide a breakdown by the specific group affected, for example, incidents involving sexual violence on female environmental and human rights defenders.

This point is particularly sensitive, as it directly affects the local community, which may be indigenous, may lack the capacity to defend its rights, and may see its environment, livelihood and land use significantly impacted. In this regard, it would be reasonable to expect the undertaking to have defined procedures for operating in such contexts, to establish remedy plans, and to ensure that the outcomes of these plans are subject to audit. The standard devotes a substantial part of this section to environmental and human rights defenders. This may reflect an effort to address past situations, as the draft allocates a significant number of items to this topic.

e) OG 8. Security personnel

The next standard focuses on security personnel. As with other standards, although it is relevant to the oil and gas sector, it could apply to any sector operating in Indigenous communities or in conflict-affected or high-risk areas. **OG 8. Security personnel** addresses the training received by security personnel in human rights (DR87), with the objective of ensuring that such personnel have received training on this specific topic (DR88). AR105 outlines the broader objective of human rights training. The undertaking shall disclose the percentage of security personnel that has received training on human rights and, where applicable, the number of incidents involving affected communities directly linked to its security personnel, along with a description of the type of violation (DR89).

AR103 explains that oil and gas companies may operate in conflict zones or other high-risk areas where the training of security personnel in the undertaking's human rights policies may be more relevant. The undertaking may disclose the content of the training, and whether it covers the protection of vulnerable and marginalised groups (AR104); AR107 refers to the frequency of the training, and AR108 addresses whether the undertaking has performed internal and/or external audits of compli-

ance with its human rights policies when interacting with affected communities. AR106 and AR109 concern cases where security services are provided by public or private providers: in such cases, the undertaking should also report on whether those providers receive human rights training (AR106) and whether such training is a criterion for hiring security providers (AR109).

In our view, it is not sufficient to ensure that security personnel receive training and comply with the undertaking's human rights policies. It is also necessary to have protocols in place in the event of non-compliance, particularly when those affected are vulnerable or marginalised groups.

(f) OG 9. Engagement with affected communities and grievance mechanisms

*This standard refers only to **metrics**, perhaps because it is closely related to ESRS S3 OG Affected communities. In this regard, it might have been preferable to include commitments to affected communities under the affected communities section, and reserve this section solely for grievance mechanisms or to integrate all of it into ESRS S3 - OG.*

DR90 requires the undertaking to disclose metrics on engagement with affected communities and the performance of its grievance mechanisms. This enables an understanding of the engagement with affected communities and grievance mechanisms on impacts connected to the undertaking (DR91).

The undertaking shall disclose the number of sites with grievance mechanisms or similar procedures among those identified in the OG1 Mapping of business sites, and may also disclose, where applicable, its plans to develop grievance mechanisms (DR92).

DR93 requires disclosure of the percentage of sites that have implemented either community development programmes and/or engagement with affected communities or social and environmental impact assessments.

With regard to the ARs, two groups can be distinguished: AR110 to AR113 (all voluntary) are more directly related to engagement with affected communities and could arguably have been included under **ESRS S3- OG Affected communities**; and AR114 and AR115 refer to the way in which social and environmental impacts are measured.

AR110 states that in its disclosures on procedures to engage with affected groups on incidents, the undertaking may consider its due diligence practices regarding indigenous peoples' rights, and the use of Free, Prior and Informed Consent (FPIC) or consultation processes, as set out in the UN Declaration on the Rights of Indigenous Peoples. In AR111, the undertaking may explain its interactions with indigenous peoples by business site (including the communication channels used, language, frequency of engagement, any co-ownership programmes developed for indigenous peoples and local communities, and their participation in the FPIC process). AR112 indicates that the undertaking may list the vulnerable groups it has identified, how it engages with them, and how it ensures their participation. Finally, AR113 states that the undertaking may describe any collective or individual rights it has identified as being of particular concern for local communities.

AR114 and AR115 relate to metrics and should be considered as the specification of DR93, which requires the undertaking to disclose social and environmental impact assessments. Thus, AR114 sets out the aspects that must be included in the social impact assessment, and AR115 the aspects relating to the environmental impact assessment.

With regard to the latter, it might be more appropriate for this section to address only those aspects that affect local communities, such as population and health, or cultural heritage. The other aspects mentioned, such as protected species and habitats, landscape and or risks of accidents and disasters, are already covered in other sections of the draft.

g) ESRS S4 - OG Consumers

The last aspect covered under social disclosures relates to consumers. While presented as a sector-specific issue, the proposed content could apply to undertakings operating in any sector. This standard has one DR, with two paragraphs, and AR. According to the **ESRS S4 - OG Consumers**, the undertaking shall disclose the number of open cases before courts or other competent authorities relating to misleading commercial practices by the undertaking towards consumers. In particular misleading environmental claims. This includes the use of sustainability labels not based on a certification scheme or not established by public authorities (DR95a); and the number of cases resolved during the reporting period and the outcomes of such cases (DR95b).

3.4.5. Governance Disclosures

The final section of the draft refers to sector-specific governance matters for the oil and gas industry. The most pressing issues in this area concern transparency, relationships with lobbying groups, governments, and politics, and these are the focus of most of the standards applicable to the sector. Additionally, the draft refers to certain specific topics, such as the use of local suppliers. On these issues, which may compromise the company's reputation and affect the social licence to operate, undertakings often do not disclose information.

Table 7 presents the DRs and ARs related to governance disclosures, indicating whether they are mandatory or voluntary for undertakings.

//// **TABLE 7 Governance disclosures**

ESRS G1 - OG. Business conduct					
DR96	Relationships with suppliers and payment practices				
DR97	Definition of local suppliers (if different from ESRS)	Mandatory	AR116	Supplier categorisation	Voluntary
DR98	Amount spent on significant lobbying activities				
OG 11. Transparency about contracts and licences					
DR99	Information on contracts and licences with governments relating to oil and gas activities	Mandatory	AR	-	
DR100					
DR101	Whether they are public or actions taken to publish in the future				
OG 12. State aid and competition					
DR102	Anti-competitive behaviour and state aid received	Mandatory	AR117	Calculation of state aid or financial assistance received	Mandatory
DR103	Review of monopolistic practices or receipt of state aid				
DR104					
OG 13. Beneficial Ownership					
DR105	Identification of beneficial owners of business partners				
DR106	Transparency about the undertaking's beneficial owner	Mandatory	AR	-	
DR107	Processes for screening PEPs				
DR108	Beneficial owners of the parent undertaking				
OG 14. Oil and gas purchased from states					
DR109	Information on oil and gas purchased from states				
DR110	Transparency about oil and gas purchases from states	Mandatory	AR	-	
DR111	Volume, buying undertaking and payments				

OG 15. Cybersecurity

DR112	Cyber incidents during the reporting period			
DR113	Cybersecurity risk management policy and	Mandatory	AR	-
DR114	transparency on failures			
DR115	Cybersecurity incident management			

↑ Source: Prepared by authors.

a) ESRS G1 - OG. Business conduct

In relation to business conduct, DR96 concerns the management of relationships with suppliers and payment practices. The undertaking shall disclose the definition of local suppliers if it differs from the definition in the ESRS (DR97). AR116 adds that the undertaking may include details on how suppliers are categorised, for example by location. This aspect is not specific to this sector, but it is considered relevant information when operating in developing countries.

In relation to metrics, DR98 addresses political influence and lobbying activity, and states that the undertaking shall disclose the amount it spent during the reporting period on lobbying activities with material impacts.

In addition, the sector-specific disclosures in this section on business conduct include sensitive matters that may arise in this sector, such as oil and gas purchased from states, transparency about contracts and licenses, and state aid and competition, among others.

These issues, which are important for demonstrating the undertaking's ethical commitments, are not usually disclosed. It should also be noted that they are not specific to this sector, but affect all sectors operating in developing countries.

b) OG 11. Transparency about contracts and licences

In this section, three disclosure requirements are proposed, but there are no associated application requirements. DR99 states that the undertaking shall disclose information about the transparency with respect to contracts and licenses with governments for the exploitation of oil and gas resources. The objective is to demonstrate transparency in its actions (DR100). The undertaking shall disclose whether the contracts are publicly available and where they can be found; and, for those that are not, the reason for this and, if applicable, actions taken to publish in the future and the timetable to do so (DR101).

c) OG 12. State aid and competition

In DR102, the undertaking is required to disclose information about anti-competitive behaviour, abuse of dominance, or the receipt of state aid. This information will make it possible to assess, as described in DR103, the undertaking's potential anti-competitive behaviour and any state aid received. It shall also disclose information about the processes for reviewing monopolistic practices or receipt of state aid and the results of these processes (DR104). AR117 defines the components that shall be included in the calculation of state aid or financial assistance received from any government.

d) OG 13. Beneficial Ownership

DR105 addresses the identification of beneficial owners and how the undertaking identifies the beneficial owners of its business partners, including joint ventures and suppliers. According to DR106, the objective of this disclosure requirement is to provide transparency about the undertaking's beneficial owner(s).

DR107 states that the undertaking shall specify whether and how it follows policies and processes for screening politically exposed persons (PEPs) and the beneficial owners of business partners, including joint ventures and suppliers; and it shall disclose a list of the beneficial owner(s) of its parent undertaking (as defined in Article 3(6) of Directive (EU) 2015/849) (DR108).

e) OG 14. Oil and gas purchased from states

DR109 states that the undertaking shall disclose information on oil and gas purchased from states or from a third party appointed to act on their behalf. According to DR110, the objective of this disclosure requirement is transparency about purchases of oil and gas from states. In relation to metrics, the undertaking shall disclose the volume, the buying undertaking, and the payments made (DR111).

(f) GC 15. Cybersecurity

The final section of the draft concerns cybersecurity. Although cybersecurity is not an issue exclusive to the oil and gas sector, in the description of sustainability matters (Appendix F of the draft), it is presented with a perspective appropriate to the sector, as it relates to the digital systems used across different areas of activity. Digital transformation goes hand in hand with increased reliance on reliable and stable information systems and networks. This evolution increases vulnerability and exposure to cyber threats. Cyberattacks can cause serious damage to the undertaking's assets, compromise property, disclose sensitive information, interrupt operations, etc. All of this can lead to losses and financial costs, as well as negative impacts on people and the environment.

In relation to the disclosure requirements, DR112 states that the undertaking shall disclose information about the management of its cybersecurity and any cyber incidents that occurred during the reporting period. The objective is to understand the undertaking's cybersecurity policies and risk management, as well as to provide transparency on cybersecurity failures (DR113); the management of cybersecurity incidents in relation to existing operations, projects planned or underway, and new business locations (DR114); And to disclose information about the incidents that occurred: number, sites impacted, and whether the information is restricted or classified (DR115).

4 Report on the disclosure of non-financial information by the most significant Spanish companies in the oil and gas sector in accordance with the Exposure Draft ESRS Oil and Gas of 26-06-2024

4.1. Scope of application and sample

The ESRS draft for the oil and gas sector issued by EFRAG on 26 June 2024, which we use as the reference for this section¹, begins by establishing the objectives, scope of application, materiality, and key sustainability matters for the sector. It requires undertakings in the sector operating in the *Upstream, Midstream, Downstream* and *Services* phases, as previously mentioned, companies in the sector, disclose sustainability matters. Depending on the phases in which they operate, these undertakings may or may not be required to disclose certain sustainability matters.

Specifically, the draft refers to companies operating under the following NACE codes (Statistical classification of economic activities in the European Community): a) B.06.10 Extraction of crude petroleum; b) B.06.20 Extraction of natural gas; c) G.46.71 Wholesale of solid, liquid and gaseous fuels and related products; d) G.47.30 Retail sale of automotive fuel in specialised stores; e) H.49.50 Transport via pipeline; f) Other NACE codes.

The sample of oil and gas sector companies analysed was drawn from SABI (Sistema de Análisis de Balances Ibéricos) by Bureau van Dijk. The search criteria were large Spanish companies (500 or more employees) operating under the following codes of the National Classification of Economic Activities (CNAE): 061 – Extraction of crude petroleum; 062 – Extraction of natural gas; 091 – Support activities for petroleum and natural gas extraction; 192 – Manufacture of refined petroleum products; 473 – Retail sale of automotive fuel in specialised stores; 495 – Transport via pipeline. These codes

¹ Since this draft, the changes have been minor and have focused mainly on reorganising the information or clarifying certain terms used.

are equivalent to the NACE codes set out in the draft and available in SABI for filtering companies in the sector. The initial sample consisted of 13 Spanish oil and gas sector companies, although the final sample analysed comprises six companies, because:

- Five companies belong to the same group of companies and report consolidated information.
- Two companies in the retail fuel subsector (CNAE code G.47.30) do not disclose non-financial information.

As a result, the sustainability reports of the following companies are analysed:

Company	Main activity (CNAE)	Phase(s)
CEPSA - Compañía española de petróleos S.A.	1920 - Manufacture of refined petroleum products. 4730 - Retail sale of automotive fuel in specialised stores.	UMDS
REPSOL S.A.	0610 - Extraction of crude petroleum. 1920 - Manufacture of refined petroleum products.	UMDS
MARKOIL S.A.U.	4730 - Retail sale of automotive fuel in specialised stores.	D
DISA Corporación petrolífera S.A.	4730 - Retail sale of automotive fuel in specialised stores.	D
ENAGAS S.A.	4950 - Transport via pipeline (GAS).	MDS
EXOLUM Corporación S.A.	4950 - Transport via pipeline (GAS).	MDS

Note: upstream phases (U); midstream phases (M); downstream phases (D); services (S).

From the analysis and sample extraction, it is deduced that oil and gas companies in Spain are generally integrated, meaning they operate across different phases of the process.

This part of the report aims to analyse the non-financial information disclosed by these companies. Specifically, it assesses the extent to which they are already disclosing the non-financial information that will soon be required at European level. The report thus seeks to identify the level of difficulty these companies may face in implementing the new requirements proposed in the draft.

To achieve these objectives, the non-financial reports disclosed by these companies for the most recent financial year, 2023, are reviewed. These reports do not follow a common structure: some (2) are integrated reports (REPSOL and CEPSA), others (3) are disclosed as non-financial information statements (DISA, MARKOIL, and EXOLUM), and another (1) is presented as an annual report (ENAGAS). To facilitate the analysis, a search was carried out for the information required by the draft from oil and gas companies, and it was then assessed whether these requirements are met or not, and which information is present or absent in each case.

4.2. Analysis of the information disclosed by oil and gas companies operating in Spain: disclosure and application requirements

The main content of the draft consists of the Disclosure Requirements (DRs) and Application Requirements (ARs). The DRs and ARs enable users of non-financial information to understand the impacts, risks and opportunities (IRO) specific to companies in the oil and gas sector. The following section presents the level of compliance of the companies with the disclosure and application requirements that will become mandatory. Optional requirements, i.e. those that companies may choose whether or not to disclose, are not analysed.

4.3. General disclosures

This section is organised into two main subsections or blocks: the first covers conclusions on material matters and disclosed information (ESRS 2. IRO 2. OG) and the second addresses activity indicators.

a) Conclusions on material matters and disclosed information (ESRS 2. IRO 2. OG)

The first aspect concerns materiality. This point has been removed from the latest version, as it was considered more appropriate to address it in the general standard. However, it is retained in this report as it helps to frame the subsequent analysis of what the undertakings are currently doing. **With regard to conclusions on material matters and disclosed information (ESRS 2. IRO 2. OG)**, the draft establishes a requirement for the undertaking to disclose the conclusions of its materiality assessment in relation to the list of sustainability matters, providing a brief explanation based on the undertaking's specific facts and circumstances (DR 22).

Undertakings operating in the upstream and midstream phases generally carry out a materiality assessment. In the case of CEPSA and REPSOL, the undertakings provide a description of the materiality report highlighting relevant topics, but do not address certain items from Appendix F, such as workers in the value chain. In the case of REPSOL, it provides a brief graphical representation in a double-entry table, aligned with the model proposed by the International Integrated Reporting Council (IIRC), covering aspects related to double materiality, and highlighting the topics that are material for the undertaking. The undertakings do not indicate which sustainability matters were excluded following the materiality assessment. We consider that this disclosure requirement could be met by the undertakings without significant additional effort. ENAGAS and EXOLUM also meet the disclosure requirement, although in a rather general manner. For example, EXOLUM includes only a materiality matrix listing the material sustainability matters identified by the group, which it states reflect the expectations and perceptions of the affected stakeholders with whom the undertaking engages. In contrast, DISA and MARKOIL, whose activities are mainly in retail trade, do not report on their materiality assessment.

With regard to the application requirements (ARs) related to materiality, the undertaking is required, when assessing its impacts, risks and opportunities (IRO), to consider how it addresses any risk related to the free, prior and informed consent of indigenous peoples in countries where no regulations or processes are in place. This requirement has been incorporated into the final draft in the section relating to affected communities (ESRS S3-OG AR111 c). This requirement is partially met by CEPSA and REPSOL, undertakings operating in upstream phases, as they describe community engagement processes and how risks are managed and mitigated.

ENAGAS complies with DR 85 by applying the LEAP approach (Locate, Evaluate dependencies and impacts, Assess material risks and opportunities, Prepare and implement responses). The other undertakings operating in midstream, downstream or services phases do not meet this requirement.

From the above analysis, it is concluded that undertakings operating in the upstream and midstream phases perform materiality assessments, while those operating in downstream or services phases generally do not. Furthermore, the materiality assessment lacks sufficient detail, remaining generic and reflecting a certain level of discretion exercised by the undertaking in how it is conducted.

b) Activity indicators (ESRS2. SBM1. OG)

With regard to **activity indicators (ESRS 2. SBM1. OG)**, the undertakings operating in upstream phases, CEPSA and REPSOL, partially comply with DR 26; they report their production of crude oil and natural gas. However, this information is not disaggregated, as required by the draft, according to the method of extraction. Information is also not given in the relevant units of measure, although this requirement would be relatively easy to implement. The undertakings also comply with the disclosure requirement to report their emission reduction targets.

Finally, it should be noted that none of the undertakings have implemented DR 25. Firstly, they do not provide a disaggregation of their net revenue from activities corresponding to the following NACE1 codes related to their operations: B.06.10, B.06.20, G.46.71, G.47.30 and H.49.50 (DR 25). Some undertakings, such as REPSOL, although they do not publish the result by activity, do so by business area, indicating the changes in business volume by geographic region, without disaggregating the revenue generated by each activity carried out.

Undertakings operating in midstream phases generally do not provide information on the total volume of oil products distributed, nor do they disclose their total refined volume (DR 26).

Likewise, the undertakings do not disclose their volumes of renewable fuels for fuel blending (DR 27) nor provide an estimate of the total addressable market or their market share in advanced biofuels and associated infrastructure.

These requirements relate to certain business opportunities and concern information about the undertaking's operations, which makes disclosure more difficult, not because the information is unavailable or difficult to obtain, but because it may be sensitive information that could reveal the undertaking's competitive position and strategy in the market.

4.4. Cross-topical sector disclosures.

This section is structured in four blocks: mapping of operational sites; oil and gas reserves; industrial hazards; and closure of assets.

a) Mapping of operational sites. (OG 1)

The draft requires information on the **mapping of operational sites OG 1** (DR 31 *et seq.*). It requires undertakings to disclose their significant operational sites, specifying the sustainability matters to which they are related. In addition, for each site, the undertaking shall provide: a) a basic description of the activities and main characteristics of each site; b) location; c) type of control; d) status of site; e) material impacts, including: i. whether the site is located in or near protected areas or a key biodiversity area; ii. whether the undertaking is connected to material impacts on the local community; iii. whether the site is located in or near conflict-affected or high-risk areas; and iv. whether the site is located in areas at water risk.

CEPSA, ENAGAS and REPSOL partially comply with this requirement, mainly in relation to environmental matters, neglecting the social aspects. Thus, CEPSA and ENAGAS partially comply because they apply the GRI 304-1 standard, which requires disclosure of operational sites owned, leased or managed and located in or adjacent to protected areas or areas of high biodiversity value. REPSOL, for its part, reports for each area of activity the number of oil spills, CO₂ emissions, the total recordable injury frequency rate, broken down by Tier 1 and Tier 2, and voluntary social investment.

The few undertakings that disclose information on their operational sites tend to omit items relating to social aspects. Currently, information is disclosed at undertaking level, without disaggregation by operational site. Most undertakings do not comply with this disclosure requirement.

b) Oil and gas reserves. OG 2

The draft requires undertakings to disclose information on **oil and gas reserves OG 2** (DR 34 *et seq.*) in order to determine proved reserves. In this case, it requires disclosure of total proved reserves of oil (bbl) and gas (Nm³) and the percentage of proved reserves that are: a) in countries with high risks of corruption, money laundering and financing of terrorism; b) in or near conflict-affected or high-risk areas; c) in or near indigenous land; d) in or near protected areas and key biodiversity areas; and e) in areas of high-water stress. In addition, the undertaking shall indicate, for each item, the corresponding countries where it has reserves.

Only two undertakings partially meet this requirement, CEPSA and REPSOL. CEPSA discloses only the amount of proved reserves, but does not provide the required breakdown by country; nor does it provide a breakdown with respect to some of the impacts in socially or environmentally sensitive areas. REPSOL, for its part, does not provide the required breakdown by country, but discloses the percentage of proved reserves relative to the entity total that are associated with activities located in protected areas, indigenous areas, or conflict areas. The other undertakings do not report on these indicators.

With regard to the ARs related to the disclosure of oil and gas reserves (AR 19 *et seq.*), the undertaking is required to calculate its reserves as the amount of reserves located in the indicated area, divided by the total amount of proved reserves. CEPSA and REPSOL comply with these requirements in relation to the sensitive areas for which they report data, as they follow the SASB standards (EM-EP-210a.2 – indigenous; EM-EP-210a.1 – conflict; EM-EP-510a.1 – corruption; EM-EP-160a.3 – protected habitats or species) and GRI (GRI 11.21.8). In addition, these undertakings disclose the percentage of proved reserves and probable reserves, and the percentage of reserves in protected areas, but do not disclose the percentage of reserves located in areas at water risk. They also do not report whether they follow the guidance published by the U.S. Securities and Exchange Commission (SEC) in its Oil and Gas Reporting Modernization (Regulation S-X Section §210.4-10). The other undertakings do not comply with this requirement.

Based on the above analysis, it appears that undertakings operating in upstream phases will not face difficulties in disclosing the information required by the draft, since they already follow standards that require them to disclose similar non-financial information.

c) Industrial hazards. OG 3

Other disclosure requirements, applicable to all undertakings regardless of their phase, relate to **industrial hazards (OG 3)** and how the undertaking manages them (DR 38 *et seq.*). Accordingly, in order to report in line with environmental criteria E2-1 to E2-3, the undertaking shall disclose its policies and targets related to: a) spills and loss of containment events for hydrocarbons; b) spills and loss of containment events for other chemicals used in operations; c) management of tailings from oil sands mining and structural safety of tailing ponds or dams (DR 40). In addition, with regard to social criteria ESRS S1-1, S1-4 and S1-5, related to worker health and safety, it shall likewise define policies, actions and targets that reduce risks, prevent harm, and ensure the quality and accessibility of services (DR 41).

CEPSA, ENAGAS, EXOLUM and REPSOL comply with these disclosure requirements; for example, they define policies, actions and targets regarding worker well-being, health and safety. In fact, these undertakings disclose this information because they comply with GRI 403-2, 403-9 and GRI 403-6 concerning fatalities, injuries, and non-occupational medical and healthcare services. However, the EFRAG draft goes slightly further in the application requirements, and neither CEPSA nor REPSOL meet some of them, such as disclosing information on workers performing tasks on offshore platforms and incidents affecting those workers (AR 30). These requirements, which are met by Spanish undertakings in the oil and gas sector operating in upstream and midstream phases, are not fulfilled by undertakings operating in downstream phases (DISA and MARKOIL).

In addition, the draft sets a disclosure requirement for the undertaking to report the following metrics: a) With regards to water pollution: i. total number and volume (in barrels) of hydrocarbon spills to water, ii. total number and volume (in m³) of other chemical spills to water; b) In relation to soil emissions: i. total number and volume (in barrels) of hydrocarbon spills to soil, ii. total number and volume (in m³) of other chemical discharges to soil; c) Number of spills during transportation, namely: i. pipeline incidents and percentage of significant spills, ii. rail and truck transportation incidents and percentage of significant spills; d) the total number of significant spills during the reporting period and volume by substance, as well as how the undertaking defines a significant spill; e) the number and percentage (compared to the total number of storage tanks) of underground storage tanks requiring clean-up (DR 42).

CEPSA, ENAGAS and REPSOL do not face major difficulty in meeting this requirement because they follow the following standards: GRI 303-3 and SASB EM-EP-160a.2; EM-EP-140a.2. Half of the undertakings do not disclose this information (3/6), and where they do, unlike what is required by the draft, they do not indicate the type of spill and do not use consistent units of measure. The information disclosed would need to be expanded in order to comply with this requirement. For example, ENAGAS only classifies spills as hazardous or non-hazardous, so greater transparency would be required in the information disclosed.

In addition, the draft also sets a requirement to disclose the following metrics related to process safety, according to the definition of the International Association of Oil & Gas Producers (IOGP): a) the number of Tier 1 process safety events reported separately for each major business activity, such as refining or upstream; b) qualitative descriptions of any significant process safety event, including the undertaking's response and lessons learned to prevent recurrence; c) explanation of how the undertaking reviews the assessment and management of risks (DR 43).

This information is not currently disclosed by Spanish undertakings in the sector, as in this case, half of the companies (CEPSA, ENAGAS, and REPSOL) partially meet this requirement, to the extent that they provide very general information without details on significant events or explanations of risk management. The other undertakings analysed (DISA, EXOLUM, and MARKOIL) do not disclose these metrics.

Other metrics required by the draft relate to the workforce exposed to chemical hazards, physical hazards or ergonomic hazards (DR 44). In this case, none of the undertakings disclose this information.

To close this section, the draft also sets out other metrics related to health, safety and training. Specifically, the draft sets out the following: a) health and safety incidents as a result of being exposed to chemicals; and the undertaking shall provide a breakdown between employees and non-employees in own workforce for: i. the number of work-related fatalities, ii. the number of work-related injuries, and iii. the number of cases of recordable work-related ill health; b) the minimum number of hours of training per worker received by its own workforce in health, safety and emergency preparedness, with respect to occupational risks or hazards to which its own workforce is reasonably likely to be exposed. This information shall be broken down between employees and non-employees (DR45). In this case, no undertaking meets this requirement, as they disclose only the overall number of incidents.

The application requirements related to these metrics are optional.

In general, it can be observed that undertakings in the sector operating in upstream and midstream phases (CEPSA, ENAGAS and REPSOL) disclose information related to industrial hazards with environmental and workforce impact. But this information is scarce and generic. The draft requires undertakings to provide a higher level of transparency and disclose metrics. EXOLUM and downstream phase undertakings (DISA and MARKOIL) do not disclose any of these disclosure requirements and will have to make a more than significant effort to comply with the standard. In general, the information on risks currently disclosed by undertakings is improvable and is one of the priorities proposed by this draft.

d) Closure of assets. OG 4

Within the section "cross-topic sector disclosures", disclosure requirements are also set out: those related to **closure of assets OG 4** (DR 46 *et seq.*), disclosing impacts, risks and opportunities (IRO). Firstly, with regard to environmental disclosures (ESRS E2-1 to E2-3), the undertaking shall disclose its policies, actions and targets related to: a) the adoption of closure plans for operational sites; b) actions allocated to the closure of assets (DR 48). In addition, with regard to social disclosures (ESRS S1/3-1, S1/3-4 and S1/3-5), the undertaking shall consider: a) closure, rehabilitation and/or restoration plans for operational sites; b) integrating (future) financial liabilities stemming from the closure, post-closure and sales of operational sites; c) consultation on the post-closure plans with affected communities; d) closure and rehabilitation of sites, including resources allocated (DR 49).

Almost all of the undertakings analysed (5/6) do not report on any of these disclosure requirements, as they make no mention of the closure of assets in their reports or only do so incidentally. Only ENAGAS and REPSOL make reference. The former to state that it has not closed any site in the financial year, and the latter to indicate the number it has closed in recent years and that provisions for closures can be found in the annual financial statements.

Therefore, the undertakings analysed also do not report on the associated application requirements, such as the requirement to disclose policies, actions and targets related to workers affected by the closure (AR 35 and AR 36), nor on AR 37, which requires the undertaking to disclose how it engages with local communities regarding post-closure land use, nor do they meet AR 40, which concerns the disclosure of processes to remediate negative impacts and engage with local communities and other relevant stakeholders on its closure and post-closure planning and implementation.

Also in relation to the closure of assets, the draft sets out the following metrics to be disclosed: to list the operational sites for which there is no existing or foreseen site rehabilitation plan (DR 50), to disclose whether it developed the post-closure plans in consultation with local communities (DR 51), and to disclose the material financial liabilities it expects to incur for closure and rehabilitation, for each operational site, including environmental and social post-closure monitoring and aftercare for its sites (DR 52). In relation to these metrics, the draft sets out as application requirements that, when disclosing material financial liabilities, the undertaking shall consider the costs necessary to address: a) the adverse impacts of closure of the operational site on own workers, non-employee workers and their communities (Disclosure Requirement related to ESRS 2 SBM-3); and b) the restoration of material impacts to biodiversity and ecosystems around the closed operational site (Disclosure Requirement related to ESRS E4-2) (AR 36). In addition, the undertaking shall consider disclosing updates to its closure and restoration plan (AR 39).

None of these metrics and application requirements on the closure of assets is currently provided by the undertakings in the sector in their sustainability reports. Disclosure on the closure of assets is a new topic on which undertakings in the sector in Spain do not report. Although some undertakings mention habitat restoration and remediation, they do not refer to closures currently underway or during the reporting period.

4.5. Environmental disclosures

The environmental disclosure requirements address the matters of climate change; CO₂ abatement; pollution; water and marine resources; biodiversity and ecosystems; and circular economy.

With regard to environmental matters, it should be noted that the targets related to achieving net zero emissions refer to the management and operations of their facilities. Specifically, their targets focus on energy efficiency and the reduction of direct emissions from operations, and actions aimed at carbon capture. In relation to the various activities that constitute their core business, since petroleum and gas derivatives are inherently polluting elements, it is difficult to avoid the impact that will occur once the products are sold. In this respect, it should be noted that the undertaking's R&D efforts focus on the development of non-polluting energy from wind and solar energy, and research into biofuels, biogas, hydrogen, synthetic fuels and circular polyolefins that can reduce environmental impact.

a) Climate change (ESRS E1 - OG)

The first block of environmental disclosures focuses on **climate change (ESRS E1 - OG)**.

This block sets out, as a disclosure requirement in accordance with ESRS E1-2, E1-3 and E1-4, the obligation to disclose policies, actions and targets related to the management and abatement of methane emissions. In this case, the undertaking shall disclose its policies, actions and targets related to: a) the implementation of Leak Detection & Repair (LDAR) programmes; b) addressing methane leakages found as a result of the regular monitoring surveys; c) GHG emissions from Scope 3, category 11 "Use of sold products"; and d) methane emissions (DR 54).

Most of the undertakings in the sample (4/6) do not disclose these policies, actions and targets. Only ENAGAS and REPSOL disclose information required by this disclosure requirement. REPSOL mentions the implementation of leak detection and repair programmes and states that it carries out regular campaigns to minimise emissions leakage. However, the remaining disclosure requirements are not addressed.

The draft also sets out the following climate-related metrics to be disclosed: CapEx monetary amounts for the reporting period and its forward-looking CapEx plans for the short and medium-term in relation to: a) development of reserves into production, split by CapEx on i. undeveloped reserves, ii. non-producing reserves, iii. developed producing reserves; b) development of new infrastructure projects related to fossil fuel transportation and distribution; c) other CapEx, including capitalised research and development initiatives that can address the undertaking's risks related to climate change (DR 55).

CEPSA and REPSOL partially comply with this disclosure requirement. CEPSA provides a breakdown of its CapEx, but does not disclose metrics in relation to production reserves. REPSOL provides a breakdown of its CapEx identifying the activities aligned according to the sustainable finance taxonomy, but does not disclose the metrics related to production reserves. In fact, the undertaking discloses that its investments relate to electricity generation from wind and solar power, which are not related to oil and gas activities. The remaining undertakings do not disclose this information.

Other metrics required by the draft are: (a) transition-related R&D monetary expenditures that can address the organisation's risks related to climate change; (b) its definition of transition-related R&D expenditures (DR 56). Only one undertaking, ENAGAS, discloses the monetary expenditures included in this item. Other undertakings, such as REPSOL, report investments in R&D, but do not indicate the type of activity to which they relate.

In addition, the draft requires the undertaking to disclose the following financial metrics in monetary amounts: a) breakdown of its revenues and CapEx pertaining to i. conventional oil and gas activities, ii. unconventional oil and gas activities; b) forward looking CapEx plans to align with IEA Net Zero Emissions 2050; c) price of oil barrel used on impairment testing; d) accounted provisions for on-going lawsuits, with reference to financial reporting (DR 57). Most undertakings do not disclose this information. CEPSA and EXOLUM report on price trends and provisions for litigation.

The undertaking shall also, in order to comply with the future standard, disclose a quantitative assessment of locked-in GHG emissions related to its proven reserves, in MtCO₂, by the following categories: a) developed producing reserves; b) developed non-producing reserves; c) undeveloped reserves (DR58). In relation to this disclosure requirement, the corresponding application requirement states that the disclosure of locked-in GHG emissions shall take into account the emissions potential of its proven (P1) oil and gas reserves and calculate this potential in line with the recommendations of the *World Resource Institute*. No undertaking is currently disclosing this information, nor do undertakings in the sector refer in their reports to the recommendations of the *World Resources Institute*.

The draft also requires the undertaking to disclose a breakdown of: a) its total Scope 1 GHG emissions into total CO₂ and methane emissions; b) its total Scope 1 GHG emissions by type of source (DR59). In this case, CEPSA and REPSOL disclose their total GHG emissions, but do not provide a breakdown by type of source.

In addition, undertakings in the sector, in relation to ESRS E1-6, shall disclose the GHG emissions intensity per unit of energy produced. Specifically, *Upstream* undertakings shall disclose the GHG intensity of their energy production (CO₂e/unit of energy). Among the undertakings in the upstream phase analysed, CEPSA and REPSOL do not comply with this disclosure requirement.

The draft also requires undertakings operating refineries to disclose their CO₂/CWT and undertakings with marketing activities to disclose the GHG intensity of the final energy sold (CO₂e/unit of energy) (DR60). None of the undertakings complies with this requirement.

Additionally, the undertaking shall separately report on Scope 3, category "Use of sold products emissions" associated with each segment (upstream, midstream and downstream) (DR61). In relation to this DR, the draft sets out, as an application requirement, that service undertakings shall con-

sider their Scope 3 category "Leased assets," i.e. the emissions associated with the use of the assets they have leased to undertakings in the oil and gas value chain (AR49). One undertaking (ENAGAS) mentions Scope 3 category, but does not disclose information on such emissions associated with each segment, nor does it mention the emissions associated with the leased assets to undertakings in the oil and gas value chain.

Also, with regard to their methane emissions, the undertaking shall disclose: a) the geographical location of any significant flaring or venting emissions; b) the percentage of routine and non-routine flaring, and the efficiency of combustion (DR62). In addition, in relation to DR62, the corresponding application requirement states that, for the purpose of calculating the percentage of routine flaring, the undertaking shall disclose the following metric: total number of hours of routine flaring divided by the number of hours in a year. Routine flaring occurs on a regular basis due to the normal operations of a facility (AR53). None of the undertakings discloses this information.

As a disclosure requirement related to E1-9, the undertaking shall disclose how it expects the management of climate change-related risks and opportunities to affect the medium and long-term financial position, performance and development, disclosing: a) anticipated changes in the investments from the current levels dedicated to the development of oil and gas proved reserves; b) anticipated changes in investments from the current levels in development of low-carbon products and services or adaptation solutions; c) the anticipated investments to develop new infrastructure projects related to fossil fuel transportation and distribution; d) potential write-off situations that do not meet the accounting recognition criteria at the balance sheet date; and e) anticipated early closure of existing assets and consequent effects on useful life of the existing assets (DR63).

In relation to this disclosure requirement, it is established as an application requirement that, when reporting according to E1-9, the undertaking shall consider the financial risks associated with a narrower access to finance as a consequence to investors and lenders adopting investment policies to limit or phase-out the exposure to fossil fuel (AR54). This requirement is not fulfilled by undertakings in the sector. Only ENAGAS partially fulfils this disclosure requirement, indicating some impact on its financial position.

The draft includes a large number of disclosure and application requirements related to climate change. This reflects the European Union's concern with achieving net-zero emissions targets. It is observed that undertakings in this sector disclose their efforts to reduce their impact on climate change, but do not disclose precise information on the effects and risks that have a direct and significant impact on the climate. Nor do undertakings in the sector disclose complete information on investments made to reduce or avoid emissions and their relationship to other financial items. Climate change information does not appear to be connected to or reflected in financial statement items.

//// **TABLE 8 DRs and ARs related to climate change and undertakings that meet requirements**

DR	Description	Undertakings	AR	Description	Undertaking
54	Policies, actions and targets	ENAGAS and REPSOL			
55	Breakdown of CapEx	CEPSA and REP-SOL (partially)			
56	R&D expenditure	ENAGAS			
57	Financial parameters	CEPSA and EX-OLUM (partially)			
58	Breakdown of locked-in GHG emissions related to its proved reserves.	None	46	Emissions potential of proven reserves according to the World Resource Institute.	None
59	Breakdown of total Scope 1 GHG emissions.	CEPSA and REP-SOL (partially)	49	Service undertakings shall consider their Scope 3 category 13 "Leased assets".	None
60	CO ₂ e/unit of energy. GHG intensity of total hydrogen production	None			
61	Use of sold products emissions associated with each segment (upstream, midstream and downstream)	None	50	Metrics for CO ₂ disclosure in the different phases.	None
62	Geographic location of any flaring or venting emissions. Percentage of routine and non-routine flaring, and the efficiency of combustion.	None	53	Metrics for routine and non-routine flaring.	None
63	Metrics on how management of climate change-related risks and opportunities affect the medium and long-term financial position, performance and development.	None	54	Financial risks associated with a narrower access to finance.	ENAGAS (partially)

↑ Source: Prepared by authors.

b) CO₂ abatement (OG 5)

The second block established in the draft under environmental disclosures concerns **CO₂ abatement (OG 5)**.

The draft sets out the requirement to disclose the technologies used for CO₂ abatement (DR65), and that, when reporting according to ESRS E1-2, E1-3 and E1-4, the undertaking shall disclose its policies, actions and targets related to the CO₂ abatements (DR67). In this context, the undertaking shall consider its policies, actions and targets related to addressing the risk of non-permanence of carbon capture and storage, including determining and monitoring the leakage and reversal events (DR67). All undertakings in the sector, in general terms, disclose some of the technologies implemented to reduce CO₂ emissions, but do not meet disclosure requirement DR67, as they do not set out policies, actions and targets related to the risk management of carbon capture and storage, nor the monitoring of leakages. In general, it is quite uncommon for an undertaking to disclose the risks and negative impacts of its operations.

As regards the metrics required in relation to CO₂ abatement, these are set out in DR68 to DR70. The first metrics are the most basic, relating to the disclosure of the quantity of carbon abated through

carbon capture technologies, referring to emissions: a) transferred inside to the undertaking's organisation and i. used for internal processes, ii. permanently sequestered, iii. transported to another organisation; b) captured inside the undertaking's organisation and i. transferred outside the organisation, ii. used for internal processes, iii. permanently sequestered (DR68). In addition, the draft requires that when disclosing its amounts of CO₂ abated, the undertaking shall report: a) total CO₂ captured and stored for the reporting period; b) total CO₂ stored at the end of the reporting period; c) total CO₂ leakage from transport and storage of CO₂ in the reporting period (tCO₂); d) total energy use associated with CO₂ abatement activities (DR69). In addition, In the event of leakages during the transport and storage of CO₂, it is established as an application requirement that the undertaking shall account for the respective emissions in accordance with ESRS E1-6. In this case, the majority of undertakings (5/6), although they disclose the technologies used for capture, do not provide information on this indicator, the amount of CO₂ abated through their use, and do not mention possible leakages during transport or storage. REPSOL, for example, although it discloses the technologies used for capture, reports capture in percentage terms based on its contribution to the CCI (carbon intensity indicator) reduction levers for 2050. More extensive disclosures are made by undertakings operating in downstream phases, such as DISA and MARKOIL. For example, DISA and MARKOIL report on electricity generation facilities for self-consumption, and DISA discloses the tonnes of CO₂ abated as a result of using this technology.

Finally, as metrics, those relating to CO₂ storage sources are included, providing the following breakdown: a) percentage of CO₂ emissions captured from the stack; b) percentage of CO₂ emissions captured from the well; c) percentage of CO₂ derived from Direct Air Capture (DAC); d) other (DR70). In this case, no company provides information on sources and percentages of emissions captured.

As with the information required under the climate change section, undertakings must improve their transparency in order to meet the requirements established in the future standard.

//// **TABLE 9** DRs and ARs related to CO₂ abatement and undertakings that meet these requirements

DR	Description	Undertakings	AR	Description	Undertaking
65	Technologies used for CO ₂ abatement.	All			
67	Policies, actions and targets related to the risk management of carbon capture and storage.	None			
68	Metrics on the amount of carbon abated through by capture technologies (transfer, transport, sequestration).	DISA			
69	Total CO ₂ captured and stored, leakages during transport and storage, energy use associated.	None	55	In case of leakages during transport and storage, the undertaking shall account for the respective emissions according to ESRS.	None
70	Breakdown of sources of captured CO ₂ emissions: stack, well, DAC, etc.	None			

↑ Source: Prepared by authors.

c) Pollution (ESRS E2 - OG)

The third block on environmental information focuses on **pollution (ESRS E2 - OG)**. In this block there are more application requirements (AR 57 - AR 63) than disclosure requirements (DR 71 - DR 73). The ARs are mostly metrics, some of which are optional for the undertaking. This report only analyses the mandatory requirements.

Regarding pollution, the draft requires that, when reporting in accordance with standards E2-1 to E2-3, the undertaking shall disclose its policies, actions and, where applicable, targets related to pollution. In this context, it shall consider its policies, actions and targets related to: a) inspecting and maintaining critical infrastructure (e.g. pipelines and valves); b) monitoring the quality of the environment around its operational sites; c) identifying and implementing Best Available Techniques (DR71). On this disclosure requirement, in the reports of the undertakings analysed, pollution control processes are mentioned, but mainly in protected areas or areas of high biodiversity value. In some cases, information is provided on the technology used as a preventive control mechanism, for example in DISA's report, which states that it has installed double-walled tanks to reduce the likelihood of leaks. CEPESA's report refers to improvements in a specific facility. However, the sustainability reports do not provide detailed information on the processes themselves, critical infrastructure or the identification of best techniques.

As a disclosure requirement, it is also established that the undertaking shall disclose the number of non-compliances with Environmental Quality Standards (defined by local regulation or permitting conditions) near its operational sites in the reporting period (DR72). In this case, the undertakings in the sector refer to the number of regulatory non-compliances, but do not elaborate or explain the breached regulations and the frequency. However, since most disclose the number of incidents in general terms (including all types of incidents), indicating awareness of the types of incidents occurring, it does not seem difficult for them to provide more detailed information.

As an application requirement, it is established that, when disclosing under E2-6 Anticipated financial effects from pollution-related impacts, risks and opportunities, the undertaking shall consider the financial effects of incidents with environmental impacts related to pollution, such as spills, leakages, uncontrolled discharges or other operational safety events (AR 61). In this case, in the undertakings' reports, spills are disclosed, but the financial impact is not quantified, and therefore this application requirement is only partially met.

Another application requirement set out in the draft concerns the financial effects of liabilities from pollution events, namely the costs of remedial action, as defined in Directive 2004/35/CE (AR 62). On this requirement, undertakings disclose line items on environmental expenses in general, but do not break down or provide information on remedial expenses, and therefore this disclosure requirement is also not fulfilled. Providing disclosures on these matters may require a revision of information systems in order to collect a more detailed breakdown of the nature of environmental expenses.

Finally, in relation to the pollution block, it is established that the undertaking shall disclose the following metrics related to hydraulic fracturing: a) percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used; b) percentage of hydraulic fracturing sites where ground or surface water quality are deteriorated compared to a baseline; c) volume of hydraulic fracturing fluid used in cubic metres (DR 73). In this case, CEPESA and REPSOL, undertakings operating in upstream phases, do provide information on this disclosure requirement, as it aligns with the SASB EM-EP-140a.3 requirement on well fracturing. However, in their reports, these undertakings state that they do not use these techniques, and therefore they are not in fact disclosing a negative risk or impact.

Spanish oil and gas undertakings disclose more information on pollution compared to other types of environmental information disclosed. However, the future standard will require a higher level of disaggregation of information. For example, undertakings must begin classifying the types of incidents and quantifying the financial impacts of pollution.

//// TABLE 10 DRs and ARs related to pollution and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
71	Policies, actions and targets related to pollution.	DISA, CEPSA (partially)			
72	Frequency of significant non-compliances with environmental quality standards.	None	61	Financial effects of environmental incidents (spills, leakages).	None
			62	Financial effects of liabilities according to Directive 2004/35/EC.	None
73	Metrics related to hydraulic fracturing (chemicals, water quality, volume).	CEPSA, REPSOL			

↑ Source: Prepared by authors.

(d) Water and marine resources (ESRS E3 - OG / OG 6)

The fourth block on environmental disclosures focuses on **water and marine resources (ESRS E3 - OG / OG 6)**. Disclosure requirements DR74 to DR83 and application requirements AR64 to AR68 are set out on this topic.

The first requirement established in the draft is the disclosure of policies, actions and targets related to water and marine resources. In this context, the draft states that the undertaking shall consider its policies, actions and targets related to: a) management of water as a shared resource, particularly in areas at water risk and where conflicts between different water uses may emerge; b) improving the quality of the water discharged (DR74). This disclosure requirement is met by CEPSA, ENAGAS and REPSOL because these undertakings currently apply the GRI standard, for example, GRI 3-3 on the management of material topics, GRI 303 on water withdrawal and GRI 303-5 on water consumption. They thus provide metrics on water consumption in recent years and on discharges. They also distinguish between fresh water and other types, and mention reductions in water consumption. However, CEPSA does not provide information on the improvement of the quality of the discharged water. ENAGAS does not provide metrics on water withdrawal, but reports that the seawater it withdraws is returned responsibly (without increasing temperature or affecting the ecosystem). EXOLUM does not provide information on water risk. MARKOIL refers to water recycling and consumption processes, as well as to the use of technologies to separate hydrocarbons before the water is discharged again, but does not provide further information.

In addition, the draft's disclosure requirements establish metrics and definitions regarding water withdrawals, discharges, and exploration of deposits in ocean areas. Specifically, the draft establishes the need to disclose the total volume of water withdrawals and discharges, disaggregated into: a) surface water; b) groundwater; c) other water (DR77). In addition, in relation to the water withdrawals disclosed under a), b) and c), the undertaking shall disclose the percentage of water withdrawn from areas at water risk. Also in relation to DR77, the draft establishes as an application requirement that the undertaking shall disclose produced water and wastewater discharged (AR68). These disclosure requirements are met by the undertakings analysed that are required to disclose under this requirement, that is, those operating in upstream and services phases (CEPSA, ENAGAS and REPSOL), as they apply the SASB and/or GRI standards.

The draft also establishes as a disclosure requirement that the undertaking shall disclose the number of non-compliances in the reporting period with respect to local regulatory or discharge limits and indicate exceeded parameters (DR79). Undertakings in the Spanish sector do not comply with this disclosure requirement. Half of them refer to non-compliances in general without mentioning those related to discharges (CEPSA, ENAGAS and REPSOL). Some undertakings, such as DISA, refer to mechanisms for managing waste but do not report on the waste generated. It is observed that the undertakings disclose preventive measures and opportunities rather than impacts or risks. The remaining undertakings analysed (EXOLUM and MARKOIL) make no reference to these matters.

The undertaking shall also report which operational sites have a significant impact on groundwater levels and environmental-flows and what measures are put in place to counteract these effects. (DR80). Additionally, according to the draft, the undertaking shall report in which water basin its operations significantly impact hydrological conditions (e.g. drainage flows, hydrogeology, etc.) and in which water basin these have or are likely to have a material impact on groundwater level and environmental-flows and what measures are put in place to counteract these effects. (DR81). These disclosure requirements are partially met by half of the undertakings; these undertakings mention some sites (CEPSA, ENAGAS and REPSOL). The remaining undertakings do not refer to these sites.

The draft also establishes the obligation for the undertaking to disclose the following metrics: a) the volume of the water it discharges to the environment or exports to third parties; b) the destination of the volume disclosed in (a); and c) the impacts arising from it. (DR 82). In this case, only two undertakings, CEPSA and REPSOL, comply with the disclosure requirement as they apply the SASB standard EM - EP - 140a.2, which imposes this disclosure requirement.

The final metric related to water resources set out in the draft requires undertakings operating in the upstream and services sub-sectors to provide information on marine resources-related activity indicators, namely disclosing its ocean footprint by providing information on the sites located at the oceans, including: a) total number of sites; and b) total area of the exploitation. (DR83). This requirement is partially met by all undertakings operating in the upstream and services phases, as they mention the number of sites they have in ocean areas but do not disclose the surface area and, therefore, the impact of these.

From the above, it can be concluded that undertakings in the sector report on water and discharges, mainly those operating in the upstream and services phases, which are the ones with the greatest impact on this resource. This is mainly due to their application of standards such as SASB and GRI. Although they provide information and some metrics, this information is more focused on presenting opportunities and management approaches than on impacts and risks. For example, non-compliance with standards or regulations is not reported.

//// **TABLE 11** DRs and ARs on water and marine resources and the companies that meet these requirements.

DR	Description	Compliance	AR	Description	Compliance
74	Policies, actions and targets related to the management of water as a shared resource and improving quality of discharged water.	CEPSA, ENAGAS, REPSOL			
77	Total volume of water withdrawals and discharges, broken down into surface water, groundwater and other water.	CEPSA, ENAGAS, REPSOL	68	Water withdrawals and discharges	CEPSA, ENAGAS, REPSOL
79	Number of non-compliances in with respect to local regulatory or discharge limits.	None			
80	Significant impact on ground-water levels and environmental flows.	CEPSA, ENAGAS, REPSOL (partially)			
81	Significant impact on water basins and measures put in place to counteract effects.	CEPSA, ENAGAS, REPSOL (partially)			
82	Volume of water discharged to the environment or exported, destination of discharges and resulting impacts.	CEPSA, REPSOL			
83	Total number of sites in ocean areas and total area of the exploitation.	All (partially)			

↑ Source: Prepared by authors.

e) Biodiversity and ecosystems (ESRS E4 - OG)

The fifth block of environmental disclosures concerns the disclosure of policies, actions and targets on **biodiversity and ecosystems (ESRS E4 - OG)** according to the criteria set out in E4-1 and E4-4 of the ESRS. This block comprises three disclosure requirements (DR84 - DR86) two of which establish metrics (DR85 and DR86), and is supported by the application requirements AR69 to AR80. The application requirements specify concepts referenced in the disclosure requirements, and AR69 and AR73 are mandatory.

This block requires the undertaking to disclose policies, actions and targets related to: a) phasing-out existing operations and/or stopping operational investments in or near key biodiversity areas; b) minimising biodiversity and ecosystem impacts from current and future operations in or near key biodiversity areas; c) achieving no net loss or achieve a net gain to biodiversity on operational sites; d) managing average direct land-use change of oil and gas wells; e) managing direct land-use change from oil sands mining activity; f) managing percentage of impacted area rehabilitated or restored (DR84). In relation to this disclosure requirement, the corresponding application requirement establishes that site restoration plans should address the following objectives: a) the long-term stability and sustainability of the landforms, soils and hydrology of the site; b) the partial or full repair of ecosystem capacity to provide habitats for biota and services for people; c) the prevention of pollution of the surrounding environment (AR70). CEPASA, ENAGAS and REPSOL partially meet this disclosure requirement and application requirement, as their reports mention plans to avoid, minimise, restore and compensate for negative impacts on biodiversity and include policies, actions and targets, but do not specify how well sites are managed, nor the management of mining activities, nor net gain or no net loss, or the cessation of activities in certain areas. EXOLUM states, for its part, that its activity posed no risk to biodiversity outside the fenced area of its operating site. The other undertakings do not provide information on these plans.

DR85 sets out a series of metrics relating to biodiversity items. Specifically, the disclosure requirement states that the undertaking shall disclose significant impacts on biodiversity and changes: a) in average land-use per oil and per gas well site, differentiating between on-shore and off-shore wells; b) percentage of land-use change area rehabilitated or restored during the reporting period, differentiating between on-shore and off-shore operations, and the percentage of land-use change area rehabilitated or restored in the protected areas and the key biodiversity areas; c) the total number of IUCN Red list species and national conservation list species with habitats in areas affected by the operations of the undertaking, by level of extinction risk. CEPASA, ENAGAS and REPSOL partially meet this requirement as they do not disclose information on well sites and do not mention in their reports the percentage of restored protected areas. The reports do disclose the square metres restored in areas sensitive to biodiversity. These undertakings take the Red List into account as it is a GRI requirement.

Another Disclosure Requirement is to report material biodiversity and ecosystem change impacts in accordance with ESRS E4-5, per each operational site located in or near the protected areas and in key biodiversity areas (DR86). In relation to this, ARs are established which state that when disclosing this information the undertaking shall take into account direct impacts on land and sea use, and indirect impacts, as well as impacts arising from industrial hazards (e.g. spills, other hazard events). CEPASA and REPSOL disclose material impacts on biodiversity and changes in ecosystems, also due to GRI requirements, and would therefore have no difficulty in applying these disclosure requirements. ENAGAS discloses this information, but not as specifically as required in the draft. EXOLUM states in its report that it does not have this type of impacts, as mentioned above. The other undertakings do not report on these impacts.

In general, the reports tend to mention plans to minimise, restore and compensate for negative impacts on biodiversity and include policies, actions and targets, but it is less common to provide information, and when it is provided, it is very general, on the biodiversity impacts of these undertakings.

//// TABLE 12 DRs and ARs on biodiversity and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
84	Biodiversity-related policies, actions and targets.	CEPSA, ENAGAS, EXOLUM, REPSOL (partially)	70	Objectives in restoration plans.	CEPSA, ENAGAS, EXOLUM, REPSOL (partially)
85	Biodiversity metrics.	CEPSA, ENAGAS, REPSOL (partially)			
86	Material impacts on biodiversity and changes in ecosystems near protected areas.	CEPSA, REPSOL, EXOLUM (fully) ENAGAS (partially)	72 <i>et seq.</i>	Metrics. Assessment of direct and indirect impacts on land and sea use, industrial hazards.	CEPSA, REPSOL, ENAGAS (partially) EXOLUM (no significant disclosures)

↑ Source: Prepared by authors.

f) Circular Economy (ESRS E5- OG)

The final block of environmental disclosures focuses on the **circular economy (ESRS E5 – OG)**. The draft includes Disclosure Requirements 87 to 90 and Application Requirements 81 (optional) and 82.

DR87 requires that, according to the ESRS E5-1, E5-2 and E5-3, the undertaking shall disclose its policies, actions and targets related to: a) the application of circular economy principles to equipment and machinery assets; b) drilling waste (muds and cuttings, scale, sludges) and tailings; c) materials resulting from decommissioning activities for offshore and onshore assets, facilities and infrastructure. The undertakings in the sector do not meet this disclosure requirement, as they establish policies, actions and targets related to the circular economy, but do not mention assets, decommissioning, or drilling waste. In addition, policies and actions regarding the circular economy are defined in a generic and non-specific manner. For example, REPSOL in its report outlines the pillars supporting the circular economy, the levers it will use, and the planned projects: plastics recycling, renewable fuels and digitalisation, and it sets specific targets for 2030, but it can be said that there is a lack of detail. Specifically, other metrics set out in the draft on the circular economy are not disclosed.

//// TABLE 13 DRs and ARs on circular economy and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
87	Policies, actions and targets related to the circular economy.	None	82	Information on volumes.	None

↑ Source: Prepared by authors.

4.6. Social disclosures

This section covers standards on the disclosure of social information relating to own workforce; work stoppages; workers in the value chain; local communities; security personnel; engagement with affected communities and grievance mechanisms; and environmental and human rights defenders.

a) Own workforce (ESRS S1 - OG)

The first block dedicated to social disclosures focuses on own workers, **own workforce (ESRS S1 - OG)**. This block is developed in a single Disclosure Requirement, DR91, and by Application Requirements 83 *et seq.* Application Requirements 83 to 91 are optional or explanatory, as they define and/or clarify concepts.

The Disclosure Requirement establishes that the undertaking shall disclose its policies, actions and targets related to: a) housing facilities for own workers and their access to basic services such as clean water, sanitation and electricity as well as recreational facilities and social spaces; b) working time and work-life balance when operating round-the-clock or in remote locations. It refers to policies, actions and targets in relation to their employees (DR91). The majority of the undertakings (5/6) partially meet this requirement, as they make general reference to work-life balance policies, mainly referring to collective agreements. In most cases (5/6), no information is provided on housing facilities for own workers and their access to basic services. MARKOIL states that it will launch an employee assistance programme to address issues such as housing. Only one undertaking, EXOLUM, does not address this disclosure requirement in its report.

Finally, and in relation to the downstream sub-sector, the corresponding application requirement establishes that the undertaking shall consider the specific impacts to which workers in gas stations and in convenience stores that are attached to gas stations are exposed (AR92). This includes, among others, security and protection from harassment or sexual assault, especially during night shifts, and the use of young workers on long hours. In relation to this requirement, it can be said that the undertakings operating in downstream phases comply with this disclosure requirement. MARKOIL, for example, is negotiating a harassment protocol to address situations of sexual harassment. DISA, for its part, has designed a tool enabling workers who consider themselves to be in any situation of harassment to report it and for the case to be investigated while maintaining the confidentiality of the parties.

In light of the analysis carried out, the undertakings in the sector should have no difficulty in disclosing this information. Most of them are required to meet these social items in relation to their workers due to the application of collective agreements. In addition, some actions are already being taken to ensure the safety and protection of workers.

//// **TABLE 14** DRs and ARs related to own workforce and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
91	Policies, actions and targets on housing facilities, basic services, working time and work-life balance.	CEPSA, ENAGAS, DISA, MARKOIL, REPSOL.	92	Specific impacts on workers in gas stations: safety, protection from harassment, night shifts and young workers.	MARKOIL, DISA.

↑ Source: Prepared by authors.

(b) Work stoppages (GL 7)

The next block focuses on **work stoppages (GC 7)**, developed in Disclosure Requirements 92 to 95 and Application Requirements AR93 to AR95.

Firstly, the undertaking is required to report the number of major work stoppages during the year, including the number of employees involved and their length (DR93). The objective is to enable an understanding of the extent of major work stoppages and their effects on the undertaking (DR94). A major work stoppage is defined as a work stoppage involving 100 or more employees and/or non-employee workers in own workforce (AR93). The scope of this disclosure requirement includes

work stoppages due to disputes between labour and management, including strikes and lockouts. Work stoppages may also arise due to community protests (AR95).

In this regard, the draft establishes that the undertaking shall disclose its policies, actions and, if applicable, targets related to major work stoppages. Policies shall consider the cause of major work stoppages and actions taken to resolve potential disputes (DR94). With regard to metrics, the undertaking shall disclose the number of major work stoppages, the number of employees involved, and the length of the stoppage (DR95).

No undertaking provides information on its policies, actions or targets, nor discloses any metrics related to work stoppages.

//// **TABLE 15** DRs and ARs related to work stoppages and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
94	Policies, actions and, where applicable, targets related to work stoppages.	None	-		
95	Number of major stoppages during the year, including the number of employees involved and their length.	None	94	Total number of persons in own workforce (FTE) involved and the total length (in business days) of each major work stoppage.	None

↑ Source: Prepared by authors.

(c) Workers in the value chain (ESRS S2 - OG)

The third block of social disclosures concerns **workers in the value chain (ESRS S2 - OG)**. This block is minimally developed, with only one disclosure requirement applied to these workers. The disclosure requirement establishes that, according to ESRS S2-1, S2-4 and S2-5, the undertaking shall disclose its policies, actions and targets related to value chain workers' health and safety. In this context, the undertaking shall consider: a) the health and safety performance of potential value chain workers in its selection process; b) the applicability of its own health and safety management system to value chain workers performing work *on-site*; and c) the monitoring of the health and safety metrics of value chain workers while working on site (DR96). Currently, undertakings are neglecting to disclose information regarding value chain workers. This lack of transparency appears to reflect a scarcity of policies on the matter and the difficulty in ensuring and controlling the health and safety of these workers. Only in the case of REPSOL is there any reference to this issue. REPSOL discloses the number of local suppliers at each geographic location and states that it carries out performance evaluations and audits concerning respect for human rights, child labour, and freedom of bargaining and association. In relation to health and safety, it states that it provides care in case of accidents affecting workers while on its premises.

//// **TABLE 16** DRs and ARs related to workers in the value chain and undertakings that meet these requirements

DR	Description	Compliance	AR
94	Policies, actions and, if applicable, targets related to workers in the value chain.	None	There are no ARs on this item.

↑ Source: Prepared by authors.

d) Local communities (ESRS S3 - OG)

The fourth block focuses on the **local communities (ESRS S3 - OG)**. It is developed in Disclosure Requirements 97 and 98 and in Application Requirements 96 to 104.

Firstly, undertakings are required to disclose their policies, actions and targets related to indigenous peoples. In this context, they shall consider their policies, actions and targets related to: a) engagement with indigenous peoples in building knowledge and in decisions that may have a bearing on public safety; b) land and resources rights: the recognition of legitimate tenure rights holders when acquiring, leasing or making other arrangements to use, or restrict the use of, land, including involuntary resettlement, and the process for establishing compensation for loss of assets, other assistance to improve or restore standards of living or livelihoods, and the use of the land after the closure of the operational site; c) respecting and protecting environmental and human rights defenders; d) preventing attacks environmental and human rights defenders (DR97). In this regard, CEPSA, ENAGAS and REPSOL disclose information about the impact of their facilities, stating that their assets do not have a direct impact on indigenous communities. They also indicate that participation mechanisms have been established. These undertakings could further develop the possible indirect impact of their operations, for instance, REPSOL refers only in specific cases to recovery and quality of life improvement projects or training projects. The rest of the undertakings make no mention in their reports, which is understood to mean they also do not have direct impact on indigenous peoples, nor is there any conflict with environmental and human rights defenders.

Secondly, the undertaking shall consider the following aspects: a) its due diligence practices and procedures with respect to indigenous rights of the communities in which it operates or intends to operate, specifically: upholding internationally recognised rights of indigenous peoples, including but not limited to those recognised by the United Nations Declaration on the Rights of Indigenous Peoples and the International Labour Organisation (ILO) Convention No. 169; b) the use of free, prior and informed consent (or consultation) processes as per the United Nations Declaration on the Rights of Indigenous Peoples (AR 96). CEPSA, REPSOL and ENAGAS, in their sustainability reports, mention the UN Declaration on the Rights of Indigenous Peoples, which appears to serve as a reference framework for the recognition of Indigenous rights.

Regarding free, prior and informed consent (FPIC), the draft requires the disclosure of the following metrics: whether the process has been mutually accepted by the undertaking and the affected indigenous peoples, whether an agreement has been reached, and, if so, whether the agreement is publicly available. Undertakings in the sector do not disclose information on this point. There is no information on whether agreements have been reached, or whether such agreements have been accepted by both parties or made public.

The draft further establishes that, if the undertaking has an operation site in or near the indigenous peoples lands, the undertaking shall consider: a) its interactions with indigenous peoples, including but not limited to means of communication, language used and frequency; b) where applicable, the co-ownership programmes developed for indigenous peoples and local communities. This includes equity shares acquired by communities and their value; c) the most recent examples of involvement in the process of seeking free, prior, and informed consent from indigenous peoples to any of the undertakings' activities, and whether an agreement has been reached and if it is publicly available (AR99). The undertakings that disclose on this requirement only indicate that they do not operate on Indigenous territories and that none of their assets has a direct impact on indigenous communities (CEPSA, ENAGAS and REPSOL).

Another application requirement in the draft provides that the undertaking shall consider the impacts on affected communities that stem from the undertaking's impacts on biodiversity. In this regard, the undertaking shall disclose the actions that are planned or underway to address these negative impacts and, where applicable, it shall consider the principles in the Nagoya Protocol and the Montreal Agreement. The undertaking may refer to how the actions that are planned or underway are aligned to these frameworks (AR101). None of the reports analysed mention these frameworks or any similar ones, nor do they mention any impacts on biodiversity that could negatively affect communities.

Additionally, an application requirement establishes that when disclosing policies in relation to engagement with environmental and human rights defenders, the undertaking shall consider due diligence processes, including on managing allegations of retaliations, threats, and direct/indirect attacks against defenders (AR103). None of the analysed reports make reference to these groups, nor do they mention whether there are existing engagement processes or complaint mechanisms.

Regarding the block on local communities, Spanish undertakings generally declare that they do not have direct impacts on them. Some undertakings (REPSOL, CEPESA and ENAGAS) state that they have projects to support some indigenous peoples located near their operational centres. The reports do not disclose potential indirect impacts on them, for example, biodiversity impacts that may affect the quality of life of these communities. No information is provided on complaints. There is some mention of participation processes. Again, the reports appear to highlight opportunities and positive impacts, without detailing potential negative impacts or risks.

//// TABLE 17 DRs and ARs related to local communities and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
97	Policies, actions and targets related to indigenous peoples.	CEPSA, ENAGAS, RESPSOL	96	Due diligence practices with regard to indigenous rights.	CEPSA, REPSOL, ENAGAS (partially)
98	Metrics. Free, prior and informed consent procedures.	None	99	Operations on or near indigenous lands.	CEPSA, ENAGAS, REPSOL (partially)
			101	Impacts on local communities due to biodiversity damage considering the Nagoya Protocol and the Montreal Agreement.	None
			103	Engagement with environmental and human rights defenders.	None

↑ Source: Prepared by authors.

(e) Security personnel (GL 8)

The fifth block deals with **security personnel (OG 8)** (DR99 - DR101 and, AR105 - 108).

This block establishes that the undertaking shall disclose the percentage of security personnel within own workforce that has received training about the undertaking's human rights policies (DR99), with the objective of enabling understanding of the extent to which the undertaking's security personnel are trained on the undertaking's human rights policies and how these are respected when engaging with affected communities (DR100). Human rights training for security personnel aims at ensuring human rights respect with regards to their interaction with stakeholders (AR106). In the reports from the last financial year, there is no information disclosed on these disclosure or application requirements. Some undertakings, such as DISA, mention training programmes and codes of ethics and conduct addressed to their personnel, but do not refer specifically to security personnel.

As a result, the sector still does not disclose the following metrics, which will be required by the standard: a) the percentage of security personnel that has received training in the undertaking's human rights policies; b) whether the undertaking has performed internal audits and/or been audited or certified by an external party in relation to compliance of its security personnel with its own human rights policies; c) where applicable, the number of the identified incidents of violations of human rights of indigenous people directly linked to its security personnel and a description of the type of

violation (DR101). Only DISA states that it has not received any complaints related to human rights violations.

The sector's reports refer generally to human rights training provided, but do not disclose the content of the training. Therefore, they also fail to meet Application Requirements 105 and 107.

These requirements set out in the draft are highly specific, both in terms of the subject group (security personnel) and the purpose of the training (security, human rights, grievance mechanisms). At present, the sector's reports do not disclose on these requirements.

//// **TABLE 18** DRs and ARs related to security personnel and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
99	Security personnel who have received training on the undertaking's human rights policies.	None	105	Specific human rights training received by its security personnel.	None
101	Metrics. Number of incidents of violations of the human rights of indigenous peoples related to its security personnel, audits, and the description of such incidents.	None	107	Internal audits or external auditing regarding compliance by security personnel with its human rights policies.	None

↑ Source: Prepared by authors.

f) Engagement with affected communities and grievance mechanisms (OG 9)

The sixth block establishes the disclosure requirements for engagement with affected communities and grievance mechanisms (OG 9). This block is developed in disclosure requirements DR102 to 107, and AR109 to 111.

Firstly, the undertaking shall disclose metrics regarding engagement with affected communities and the performance of its grievance mechanisms (DR102). The objective of this Disclosure Requirement is to enable an understanding of the engagement with affected communities and grievance mechanisms on impacts connected to the undertaking (DR103). Half of the undertakings comply with this requirement (CEPSA, ENAGAS and REPSOL). CEPSA states that it periodically assesses the risks, opportunities and impacts of its activities on local communities, indicating processes such as environmental permitting, through Environmental and Social Impact Assessments, as well as social risk analysis and the establishment of local community engagement programmes, which include preventive, corrective, and compensatory measures, and the generation of opportunities and positive impacts. CEPSA complies with this requirement. ENAGAS states that it contributes to socio-economic development and minimises impacts on the local communities in which it operates. REPSOL also complies with this requirement, as its report includes consultation and participation mechanisms, as well as grievance channels and mechanisms for conflict resolution. The remaining undertakings (EXOLUM, DISA and MARKOIL) do not comply with this information requirement.

Also, in application of the draft, the undertaking must disclose the number of sites with grievance mechanisms or similar conflict resolution procedures. If the undertaking does not operate local grievance mechanisms at the operational site level as these are at group or company level, it may fulfil this requirement by stating this to be the case (DR104). CEPSA, ENAGAS and REPSOL comply with this requirement. CEPSA includes in its report a specific section on grievances at industrial sites. For its part, ENAGAS complies with this requirement, as its report explains that stakeholder maps are drawn up for crisis and emergency management at infrastructures, identifying key groups, communication channels, and relevant matters. REPSOL complies with this requirement, as its report includes

consultation and participation mechanisms, as well as grievance channels and mechanisms for conflict resolution. The other half of the undertakings do not provide any information in this regard.

Another disclosure requirement is that the undertaking must disclose the percentage of operational sites that have implemented development programmes and have included community engagement, have carried out impact assessments (social, including gender impact assessments), and environmental impact assessments and ongoing monitoring (DR105). Furthermore, in the event that impact assessments have been conducted, the undertaking must disclose whether the results have been made public (DR106).

In relation to the above, the draft states, as an application requirement, that the social impact assessment includes the processes of analysis, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions (AR109). The Environmental impact assessment includes the processes of identifying, describing and assessing in an appropriate manner, in the light of each individual case, the direct and indirect significant effects of a project on the following factors: (a) population and human health; (b) biodiversity; (c) land, soil, water, air and climate; (d) material assets, cultural heritage and the landscape; (e) the interaction between the factors referred to in points (a) to (d) (AR110).

None of the sustainability reports discloses which operational sites have implemented these activities, nor is there any specific mention of these social and environmental assessment processes. REPSOL states that it carries out social impact assessments and supports performance in this area through awareness-raising activities. It records the number of incidents and the issues they relate to, and the number of compensations offered by the undertaking.

Finally, a disclosure requirement is imposed for the undertaking to disclose for the operational sites and the aggregate level per each country, where it has significant material investments in infrastructure and services (e.g. community social facilities, health and welfare centres); and whether these investments and services are commercial, in-kind or pro-bono engagements (DR107). This information is not included in any of the sustainability reports of the undertakings analysed.

The sustainability reports of the Spanish undertakings in the sector, in general, show that they have implemented engagement mechanisms with stakeholders. Thus, half of the reports indicate that there are communication channels with communities and grievance mechanisms have been established. Nevertheless, there is a significant shortfall in information regarding monitoring and follow-up mechanisms for social and environmental impacts. No undertaking discloses information on these processes.

//// TABLE 19 DRs and ARs that address engagement with communities and grievance mechanisms and undertakings that meet these requirements.

DR	Description	Compliance	AR	Description	Compliance
102	Information on engagement with affected communities and grievance mechanisms.	CEPSA, ENAGAS, REPSOL			
104	Sites with grievance mechanisms or similar procedures.	CEPSA, ENAGAS, REPSOL			
105	Percentage of operational sites where development programmes with community engagement and social and environmental impact assessments have been implemented.	None	109	The undertaking shall assess the social impact, including the intended and unintended social consequences of planned interventions.	None

106	If impact assessments are carried out, the undertaking shall disclose whether the results have been published.	None	110	The undertaking shall assess the environmental impact, including the significant direct and indirect effects on factors such as population, biodiversity, and the physical environment.	None
107	The undertaking shall disclose aggregated information on operational sites by country with significant investments in infrastructure and services (transport, social services, health-care, etc.).	None			

↑ Source: Prepared by authors.

g) Human rights and environmental defenders (OG 10)

The last block on social disclosures deals with **environmental and human rights defenders (OG 10)** (DR108 to DR110 and AR112 to AR114).

This block establishes that undertaking shall disclose the number of incidents in which environmental and human rights defenders were involved (DR 108) in order to enable an understanding of the undertaking's engagement with and respect for environmental and human rights defenders and the extent to which incidents occur (DR 109). Accordingly, the undertaking shall provide the number of incidents related to environmental and human rights defenders and identify those that relate to vulnerable groups (DR 110). When calculating the number of incidents, the undertaking shall consider official sources such as policy reports or other reports issued by governmental organisations (AR 112). The undertakings operating in the sector do not disclose information on human rights and environmental defenders and therefore do not meet these requirements.

//// TABLE 20 DRs and ARs on environmental and human rights defenders and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
108	Disclosure of the number of incidents involving environmental and human rights defenders.	None	112	In calculating the number of incidents, official sources must be considered.	None
110	Identification of incidents related to vulnerable groups.	None	114	Actions taken by the company in response to incidents and protection of defenders.	None

↑ Source: Prepared by authors.

4.7. Governance disclosures

The requirements established for governance disclosures refer to business conduct; transparency about contracts and licenses; state aid and competition; beneficial ownership; oil and gas purchased from other states; and cybersecurity.

a) Business conduct (ESRS G1 - OG)

Three disclosure requirements (DR 111 to DR 113) and two application requirements (AR 115 and AR 116) are established for information related to **business conduct (ESRS G1 - OG)**. Firstly, a disclosure requirement sets out that the undertaking shall disclose its policies, actions and targets related to relationships with suppliers and the proportion of the procurement spending on local suppliers (DR 111). The undertaking shall first report its definition used of 'local suppliers' (AR 115). This requirement is met by most of the undertakings analysed (CEPSA, ENAGAS, MARKOIL and REPSOL), since they explain supplier relationships, supply chain assessment processes, and the percentage of local suppliers. For example, ENAGAS states that 85% of supply chain expenditure is local. REPSOL also indicates that 81% of the company's purchases were made locally, covering a wide variety of essential services. Most of the undertakings that meet this requirement follow the GRI standard (GRI 204-1), which is aligned with the draft.

Another disclosure requirement establishes the obligation for the undertaking to report on local suppliers with an appropriate level of disaggregation, for example at operational site level, or per group of operational sites, or per geographical area, as applicable (DR 112). When providing this information, details must be included on how suppliers are categorised. Such categorisation may be based on geographic location, such as proximity to the site (AR 116). CEPSA, ENAGAS and REPSOL meet this requirement because they break down information by geographic area. MARKOIL provides information about its suppliers but does not disaggregate by geographic area. Its report states that all its suppliers are domestic.

Finally, in this block, the undertaking is required to disclose the following metrics when reporting according to ESRS G1-5 paragraph 29: a) what it spent (as a reporting entity) on lobbying activities with contents covering its material impacts, risks and opportunities identified in its materiality assessment; b) the number of open cases before courts or other competent authorities at the end of the reporting period that concern claims about misleading commercial practices or public communication related to sustainability; c) the number of similar cases resolved and the outcomes of such cases (DR 113). In this regard, the reports do not disclose any of these metrics. The reports refer to incidents in general, without specifying from which type of actions they derive.

Based on the analysis of the results, it is observed that the undertaking discloses information on the supply chain and supplier relationships, mainly because standards already require this (GRI). However, the breakdown and detail of this information is limited. Disclosing information about suppliers may reveal the undertaking's competitive position. Moreover, no information is disclosed about the impacts and risks arising from misleading commercial practices or about cases pending in administrative or judicial proceedings.

//// **TABLE 21** DRs and ARs on business conduct and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
111	Policies, actions and targets related to supplier relationships and the proportion of procurement spending on local suppliers.	CEPSA, ENAGAS, MARKOIL, REPSOL	115	Definition of "local supplier" in the undertaking's report.	CEPSA, ENAGAS, MARKOIL, REPSOL
112	Detailed information on local suppliers, disaggregated by operational site, group of operational sites, or geographic area.	CEPSA, ENAGAS, REPSOL			
113	Metrics on lobbying expenditure, cases brought before courts concerning misleading commercial practices, and similar resolved cases.	None			

↑ Source: Prepared by authors.

(b) Contracts and licences (OG 11)

The second block focuses on transparency about contracts and licenses (OG 11), developed in DR 114 to DR 116.

DR 114 sets out the disclosure requirement to provide information on transparency with respect to contracts and licenses with governments setting the terms and conditions for the exploitation of oil and gas resources. The objective of this disclosure requirement is to provide an understanding of the transparency of the undertaking about its contracts concluded and licences received (DR115). Thus, the company is also required to disclose the following metrics for any material contracts or licences: a) whether these are made publicly available and where they can be found; b) for those contracts or licenses not publicly available, the reason for this and, if applicable, actions taken to publish in the future and the timetable to do so. No undertaking discloses this information. One of the companies, ENAGAS, refers to applicable regulations but does not go into further detail or provide information on its contracts and licenses.

//// **TABLE 22** DRs and ARs on contracts and licenses and undertakings that meet these requirements

DR	Description	Compliance	AR
114	Provide information about the transparency with respect to contracts and licenses with governments setting the terms and conditions for the exploitation of oil and gas resources.	None	There are no ARs on workers in the value chain.
115	Metrics: whether contracts/licenses are publicly available and where they can be found; if they are not publicly available, the reason for this, the measures taken to publish them, and the timetable for doing so.	None	

↑ Source: Prepared by authors.

(c) State aid and competition (OG 12)

The third block on governance deals with **state aid and competition (OG 12)**. This block is developed in developed in DR 117 to DR 119 and AR 117, requiring the undertaking to disclose information on possible anti-competitive behaviour, the abuse of dominance, or the receipt of state aid (DR 117),

with the objective of understanding possible anti-competitive behaviour and any state aid received (DR 118).

The draft requires the disclosure of the following metrics (DR 119): a) publicly announced notifications, preliminary investigations, investigations, proceedings or commitments and remedies relating to violations of antitrust and monopoly legislation or the receipt of state-aid where the undertaking was named as a participant by a competent authority; b) the main outcomes of legal proceedings against the undertaking concluded during the reporting period, including sanctions, fines, commitments and remedies; c) the total amount received with respect to state aid or financial assistance received from any government on a country-by-country basis. (DR119).

Undertakings in the sector do not provide detailed information that reflects infringements related to competition. Some companies, such as CEPSA and DISA, mention having mechanisms or codes of ethics and conduct to prevent unfair competition, but they do not disclose the information required in the draft. REPSOL refers only to good tax practices.

It is also established as an application requirement that, when determining the total amount of state aid or financial assistance received from any government, the undertaking shall disclose the following: a) tax relief and tax credits; b) subsidies; c) funds received through the Just Transition Mechanism of the EU; d) investment grants, research and development grants, and other relevant types of grants; e) awards; f) royalty holidays; g) financial assistance from Export Credit Agencies (ECAs); h) financial incentives; i) other financial benefits (AR117). Most of the undertakings (4/6) do not refer to these indicators. Only ENAGAS and DISA disclose information on the aid received, including the amount and its origin.

//// **TABLE 23** DRs and ARs on state aid and competition and undertakings that meet these requirements

DR	Description	Compliance	AR	Description	Compliance
117	Information on possible anti-competitive behaviour, abuse of dominance, or receipt of state aid.	None	117	Disclosure of the total amount of state aid received, including tax relief, subsidies, funds from the EU Just Transition Mechanism, among others.	ENAGAS, DISA
119	Metrics on lobbying expenditure, court cases related to misleading commercial practices, and state aid received by country.	None			

↑ Source: Prepared by authors.

(d) Beneficial ownership (GC 13)

The next block associated with governance disclosures concerns **beneficial ownership (OG 13)** and is developed from DR120 to DR123. The undertaking is required to disclose information on its beneficial ownership and how it identifies the beneficial owners of its business partners (joint ventures and suppliers) (DR 120). The objective is to ensure transparency regarding the beneficial owner(s) and the undertaking's relationship with them (DR 121). To this end, the undertaking shall disclose a list of its beneficial owner(s), as defined in Article 3(6) of Directive (EU) 2015/849 (DR 123). Most of the undertakings (4 out of 6) disclose information about their beneficial ownership.

The undertaking is also required to disclose its policies, actions and targets related to prevention and detection of corruption and bribery. In this context, it shall consider its policies, actions and targets, covering guidelines and screening processes regarding politically exposed persons and the benefi-

cial owners of business partners, including joint ventures and suppliers (DR 122). The undertakings analysed refer in their reports to policies implemented against corruption and bribery in general terms. Only EXOLUM states that it experienced no incidents related to these matters during the reporting period.

//// **TABLE 24** DRs and ARs on beneficial ownership and undertakings that meet these requirements

DR	Description	Compliance	AR
120	Information on beneficial ownership and how the beneficial owners of business partners (joint ventures and suppliers) are identified.	CEPSA, REPSOL, DISA, MARKOIL	There are no ARs on this item.
122	Processes for politically exposed persons and beneficial owners of business partners.	EXOLUM	

↑ Source: Prepared by authors.

(e) Oil and gas purchased from states (OG 14)

The fifth block is devoted to disclosure requirements related to **oil and gas purchased from states (OG 14)** (DR124 - DR126). In this case, the undertaking is required to disclose information about oil and gas purchased from states or a third party appointed on behalf of such states (DR 124), with the objective of enabling transparency and providing insights on amounts paid. For oil and gas purchased from the state or from third parties appointed by the state to sell on their behalf, the undertaking shall disclose: a) volumes and types of oil and gas purchased from the State; b) full names of the buying undertaking(s) and the recipient of the payment; and, c) payments made for the purchase (DR126). None of the undertakings analysed disclose this information.

//// **TABLA 25** DRs and ARs on oil and gas purchased from states and undertakings that meet these requirements

DR	Description	Compliance	AR
124	Information on oil and gas purchased from states or third parties appointed on their behalf, including volumes and types.	None	There are no ARs on this item.
126	Disclosure of the full names of the buying undertaking(s), the recipient of the payment, and the payments made.	None	

↑ Source: Prepared by authors.

f) Cybersecurity (OG 15)

Finally, the last block is devoted to **cybersecurity (OG 15)** and is developed in disclosure requirements 127 to 130.

The undertaking shall provide information about the management of its cybersecurity as well as on cyber incidents during the reporting period (DR 127), with the objective of enabling an understanding of the undertaking's policies and management of risks regarding cybersecurity and to provide transparency on failures (DR 128). In doing so, the undertaking shall disclose its policies, actions and targets, and shall consider cyber related incident management for existing operations, projects planned or underway and new locations for business activities, including assessment of threats, vulnerabilities and related risks (DR 129). The undertakings in the sector seem to meet this requirement. CEPSA, ENAGAS and REPSOL report on cybersecurity management based on international standards and refer to specific policies and procedures. CEPSA reports periodic monitoring presented to the Management Committee, implementation of secure architectures, disaster recovery plans, and incident response plans. CEPSA also refers to cybersecurity training for employees. DISA and

MARKOIL, operating in downstream phases, mention in their reports the existence of plans to ensure cybersecurity. REPSOL states that no material cybersecurity breaches occurred during the analysed reporting period. Only one company, EXOLUM, makes no reference to cybersecurity.

The draft establishes the following metrics in relation to reported incidents. The company shall disclose: (a) the number of incidents during the reporting period; (b) the number of operational sites impacted; and (c) whether this involved restricted or classified information (DR 130). No undertaking refers to any incident related to cybersecurity.

//// **TABLE 26** DRs and ARs on cybersecurity and undertakings that meet these requirements

DR	Description	Compliance	AR
127	Information about the management of cybersecurity and about cyber incidents during the reporting period.	CEPSA, ENAGAS, REPSOL, DISA, MARKOIL	There are no ARs on this item.
129	Disclosure of policies, actions and targets and the management of cyber incidents, including threats, vulnerabilities and related risks in existing operations and future activities.	CEPSA, ENAGAS, REPSOL, DISA, MARKOIL	
130	Metrics on publicly reported incidents: number of incidents, operational sites affected, and whether the information involved was restricted or classified.	None	

↑ Source: Prepared by authors.

4.8. Conclusions

An analysis of the information disclosed by Spanish undertakings shows that the future standard will serve as a guide by highlighting the sustainability matters that are relevant to the oil and gas sector. It will support the materiality assessment processes of undertakings, which are currently carried out in a general and inconsistent manner, and will enable a higher level of detail in disclosures, which in some relevant areas are either vague or absent.

The analysis of disclosed information also shows that the future standard will require a significant effort from undertakings to improve their transparency. Some of the disclosure and application requirements in the standard are difficult to implement, not due to lack of access to the information or difficulties in obtaining it, but because it involves sensitive information that could reveal the company's competitive position and strategy in the market. Other requirements will also require additional effort from Spanish undertakings, as they demand a greater level of detail and disaggregation in the information reported. For example, information related to operational sites, and disaggregation of disclosures by site.

The undertakings that will face fewer difficulties in applying the standard will be those that have already adapted their non-financial reporting to the requirements of other international standards such as GRI or SASB. However, the current draft reflects a higher level of disclosure requirements for non-financial information from undertakings in the sector. At present, undertakings are reporting non-financial information on most of the items included in the future standard, but the information is presented in more general terms and tends to focus on opportunities or management approaches rather than risks and negative impacts. Where negative incidents are disclosed, they are usually presented as numbers only, without accompanying explanations, policies, actions, or targets for addressing them, or are described in generic terms that do not adequately reflect the risks. This forces users to make inferences in order to form a complete view of the undertaking's sustainability performance.

In general, when analysing environmental information, reports provide a good level of disclosure on water resources and impacts on biodiversity and ecosystems, as they apply standards such as GRI

and/or SASB. However, undertakings will need to improve the information disclosed regarding climate change. Disclosures on climate change are not significant, do not identify impacts, nor describe techniques or measures to address them. More information is disclosed on emissions reduction, but still in general terms. The lack of detail in this regard may be due to the requirement for the sector to disclose risks and negative impacts intrinsic to its operations.

As for social disclosures, undertakings generally disclose much of the information required in the draft with respect to their own workforce. Some items are scarcely addressed or not addressed at all, such as work stoppages or matters related to security personnel. Moreover, there is barely any information on workers in the value chain. With respect to local communities, undertakings do not disclose information on the risks and negative impacts affecting them, although they do mention the establishment of communication and grievance mechanisms with affected communities.

Finally, in relation to corporate governance, undertakings in the sector do not appear to have difficulties in reporting on business conduct related to suppliers, as many already follow standards that require such information, such as GRI. They should also not have difficulty disclosing information on ownership and cybersecurity policies. However, undertakings in the sector must make a greater effort to improve transparency regarding oil and gas purchased from governments, contracts and licenses, and possible actions that may harm fair competition.

As recommendations, it can be noted that in their disclosures, undertakings should not only indicate whether they comply with certain items, but also explain how they comply. This report is based on the June draft, but subsequent amendments have aimed to clarify not only when the undertaking must disclose, but also how it complies with the disclosure and application requirements. Another recommendation is to adopt a more proactive approach to the disclosure and application requirements. Most of the requirements mandate disclosure of practices aimed at mitigating or remediating the sector's negative impacts, but it would be worthwhile to also impose an obligation to disclose information on the prevention or avoidance of such impacts.

5 Final considerations.

Main problems of the sector

The oil and gas sector presents several material sustainability matters that are specific to the nature of its activities, which justifies the need for a dedicated sector-specific standard. Firstly, the final products of its operations are fuels, meaning that the major issue of emissions and environmental impact often lies not in the operations themselves, but in the downstream use of the products it ultimately places on the market, by various industries and end-users. Secondly, the sector's operations involve high industrial hazards, requiring not only environmental and community impact management plans, including for local communities that may be Indigenous, but also safety and emergency response plans, based on sectoral experience, which should be subject to audit. Finally, undertakings often operate in countries affected by conflict or with high levels of corruption, sometimes at the governmental level, which calls for transparency in contracts and licences, as well as the involvement and oversight of public authorities. These matters are not addressed in sufficient depth by undertakings.

With regard to the first matter, the nature of the products they market, it is increasingly common for undertakings in this sector to diversify their business towards alternative energy sources and biofuels, although such developments remain at an early stage. This transition represents a major effort by undertakings and requires a long-term strategic outlook.

The transformation of the business model must be gradual, as it entails significant investment and must account for the influence of macroeconomic, institutional, geopolitical and extreme weather-related factors on existing operations, especially as a significant portion of activity takes place in regions with political risk, which may hinder or delay the transition or shift towards alternative business models. To enable this transition, the sector requires legal certainty and institutional support.

As regards the second and third matters, the disclosures provided by undertakings are limited, generic or absent. In general, it remains a major challenge for undertakings to report on risks, adverse impacts of their operations, or non-compliance with laws and regulations, due to the potential consequences for their image, reputation and social licence to operate. There is a significant information gap in relation to control mechanisms, contingency and disaster response measures, and the monitoring of social and environmental impacts. The proposed standard does not fully address this gap.

Starting point for implementation of the draft

The oil and gas sector has historically disclosed sustainability-related information primarily in alignment with the GRI and SASB frameworks, as well as in relation to legal requirements arising from applicable legislation. These disclosures, by nature, are mandatory. In this regard, the sector could be considered to have a favourable starting point for the implementation of a new reporting standard. For many of the matters addressed in the draft sector-specific standard, undertakings already disclose information and have information systems in place that are capable of responding to a number of the proposed requirements, particularly those related to pollution and GHG emissions, and are thus better positioned to respond to the increased demands introduced by the standard. However, for other matters, such as those related to the closure of assets or engagement with local communities, there is no established reporting practice that would facilitate rapid assimilation of the ethical rationale underlying the draft requirements. In addition, for certain topics, such as transparency in contracts and licences or relationships with public authorities, there is typically no reporting, possibly due to concerns about reputational risk.

It could be said that undertakings disclose information on nearly all of the relevant matters, but in many cases such information remains generic, without addressing the specificities required by the draft disclosure requirements. As a result, it becomes difficult to assess the risks affecting the undertaking and the commitments it has undertaken. There is a notable lack of reporting on the closure of assets, on issues affecting indigenous communities, and on research and innovation activities related to the energy transition. Moreover, the metrics disclosed by undertakings generally do not provide the level of disaggregation required under the draft standard.

The sector-specific standard as a management tool

Although many of the matters addressed in the draft are not mandatory, the document offers a solid framework that can serve as a foundation, practical tool, or roadmap for undertakings to shape their strategies in these areas and move beyond what is strictly required. The draft broadens the scope of consideration in areas that could strengthen the ethical foundations and corporate conduct of undertakings. It also identifies key causes of adverse impacts and the principal risks facing the sector. The intention is to establish a sound basis for management, addressing issues that have previously received limited attention, and to support informed decision-making by users of sustainability information. It addresses highly specific sector-related matters aimed at identifying incidents, risks and opportunities, and encouraging undertakings to establish policies, actions and targets to address them. In this respect, it represents a significant step forward, as the information disclosed by undertakings has largely focused on positive actions, without bringing critical issues to light, and reporting has typically been generic and high-level, even on matters of considerable relevance to the undertaking's sustainability impacts.

Potential measurement challenges for some aspects

The draft, however, includes certain matters that are difficult to measure, which can complicate the materiality assessment and may lead undertakings to conclude that these aspects are not material. For instance, it requires undertakings to assess the financial risks associated with restricted access to finance, where investors and/or lenders may reduce or withhold funding for activities involving fossil fuels. A similar situation arises in certain climate change-related aspects, where undertakings may adopt net-zero targets that apply only to their own operations, and in fact often do so, while excluding the use-phase emissions of their products. The same applies to biodiversity and ecosystems, insofar as the standard calls for the rehabilitation and restoration of affected areas to reverse the impacts of business activities, even though in some cases it is impossible to return these areas to their pre-intervention state. Other matters, such as circular economy, are only applicable to very specific parts of the undertaking's activities, since in a sector where the final use of the product is combustion, circular economy mechanisms are inherently unfeasible.

Topics included that are not specific to the oil and gas sector

Some matters included in the draft are not specific to this sector. While they may be relevant for oil and gas undertakings, they are equally applicable in other sectors, particularly in relation to social and governance disclosures. Topics such as cybersecurity, own workforce, work stoppages, affected communities, security personnel, value chain workers, consumers, or business conduct in relation to local suppliers are not unique to the oil and gas sector. Many of these topics are relevant to any undertaking operating in developing countries or with decentralised or offshore operations. Furthermore, the sustainability statement, as defined in the draft, must refer to the reporting period only, which hinders comparability over time and limits the ability to analyse progress or trends.

Challenges specific to the oil and gas sector

a) Climate change

The draft includes a large number of disclosure and application requirements related to climate change. This reflects the European Union's concern with achieving net-zero emissions targets. The related disclosures are highly demanding. The standard would require disclosures on projected changes in investments, both in existing business lines and in new activities aligned with a low-emission transition, as well as on potential impairments and early asset retirements. This information may be considered commercially sensitive, as it could reveal the undertaking's competitive position and business strategy. The same applies to certain forward-looking disclosures proposed in the draft, such as those relating to proven and probable reserves. Undertakings do not typically disclose forward-looking business plans, meaning these requirements could represent a shift in disclosure philosophy, one that may require gradual implementation.

The significant impact that oil and gas operations have on sensitive biodiversity areas and ecosystems is arguably among the most complex matters addressed, as extraction sites are often located in remote areas and have a substantial impact on their surrounding environment. The most important part would be the percentage of area restored or rehabilitated. It might have been appropriate for the draft to include a specific disclosure requirement on restoration plans, including an implementation timeline.

b) Closure of assets

As previously noted, undertakings do not typically provide detailed disclosures on the closure of assets. This is a new, but very important, requirement, as it enables assessment of the condition of the area after operations have ceased and how the local community is affected. This is a sensitive matter, since an undertaking may only proceed to closure when the asset is no longer economically viable, and restoration may represent an additional cost. In this regard, the draft proposal requiring undertakings to have a closure plan and review it periodically would entail a firm commitment. It would be necessary for the undertaking to foster a culture of commitment, to restore the previously exploited area and to develop plans to mitigate the effects on workers and the affected community.

c) Industrial hazards

In our opinion, industrial hazards, as specified in the disclosure requirements, could have been incorporated under the broader categories it relates to, namely pollution and worker safety. Treating it separately may not support a consolidated understanding alongside the other related aspects. Industrial hazards refer to incidents and accidents that may have significant impacts on environmental resources, workers and corporate assets. Accordingly, the approach should focus on minimising incidents and risks through safety plans across different operational areas, as the objective, as described in the draft, is the establishment of a safety system and safety culture, with monitoring plans, asset integrity management, and contingency plans to address risks, based either on the undertaking's own experience or on disasters that have occurred at other undertakings in the sector. The information related to industrial hazards is already addressed in other parts of the draft, which may make this section somewhat redundant. In the section on own workforce, there is reference to training received by workers on health, safety, and preparedness for emergencies to which personnel are reasonably exposed. That focus might have been a more appropriate approach to addressing the topic of industrial hazards.

Ultimately, while everything can be improved, the draft represents an undeniable commitment to improving the sector's performance on sustainability matters and will serve as a driver for its use as a management tool.

Bibliography

- International Energy Agency (IEA). "Spain: Energy Policy Review." <https://www.iea.org/reports/spain-energy-policy-review>.
- Asociación Española de Operadores de Productos Petrolíferos (AOP). "Memoria 2022." <https://www.aop.es/wp-content/uploads/2023/07/aop-memoria-2022.pdf>.
- CORES. "Informe Anual 2022." <https://www.cores.es/sites/default/files/2023-01/Informe-anual-2022.pdf>
- Ministerio para la Transición Ecológica y el Reto Demográfico. "Balance Energético de España 2021-2022." https://www.miteco.gob.es/content/dam/mitesco/es/energia/files-1/balances/Balances/Documents/balance-20231218/Balance%20Energetico%20Espa%C3%B1a%202021%20y%202022_v0.pdf
- Ministerio para la Transición Ecológica y el Reto Demográfico. "Estrategia de Descarbonización a Largo Plazo 2050." <https://www.miteco.gob.es/es/prensa/estrategia-de-descarbonizacion-a-largo-plazo-2050.aspx>
- "España no se desengancha del petróleo y el gas: su peso en el consumo de energía está en máximos de la última década" Eldiario.es 19/01/2024 https://www.eldiario.es/economia/espana-no-desengancha-petroleo-gas-peso-consumo-energia-maximos-ultima-decada_1_10838687.html
- (Energy Institute, 2024) *Statistical Review of World Energy 2024. 73rd edition*. Obtained from <https://www.energyinst.org/statistical-review>
- (OPEC, 2024) *Annual Statistical Bulletin 2024*. Obtained from <https://asb.opec.org/>
- <https://www.value4all.es/blog/oil-gas-analysis>
- <https://www.imf.org/es/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>
- <https://www.iea.org/reports/electricity-mid-year-update-july-2024>

i/c/a/c/ Instituto de Contabilidad y
Auditoría de Cuentas

