AN ESG REPORTING METHODOLOGY TO SUPPORT CCS-RELATED INVESTMENT

2022 THOUGHT LEADERSHIP

GLOBAL CCS INSTITUTE

CCS WITHIN CURRENT REPORTING MODELS

- Considered the extent to which CCS activities were included within the scope of current ESG-focused reporting standards and ratings schemes:
  - A review of 15 of the most prominent voluntary reporting standards, with a focus upon climate-related risks
  - Identified broad reporting requirements where CCS may be relevant.

- Relevant reporting requirements were grouped under six general themes:
  1. Climate Related Risk Management Processes, Governance and Strategy
  2. Climate Related Risks Considered in Financial Management or Investment Decisions
  3. Greenhouse Gas Emissions Estimation and Targets
  4. Scope 1 and Scope 2 Emissions Reduction Reporting
  5. Scope 3 Emissions Reduction Reporting
  6. Outreach and Collaboration

- CCS is not explicitly excluded from these standards and schemes, with opportunities for reporting as part of an organisation's climate risk mitigation strategy or activities.

- Some instances where CCS may be explicitly included:
  - References to the use of taxonomies or accounting standards that recognise the technology
  - Industry-focused disclosure frameworks which include CCS-specific reporting requirements.

DEVELOPING A CCS-SPECIFIC REPORTING METHODOLOGY - CONTEXT

- **Demand for high-quality, detailed disclosure remains a critical issue for investment community**:
  - Climate-related information highly-relevant and a priority for many
  - Expectation regarding the quality of disclosures continues to rise
  - Greater quantitative information sought as part of disclosures.

- **Companies with a significant emissions exposure are under increased pressure to report**:
  - Highly resource intensive and potentially time-consuming activity
  - Investors increasingly specifying the reporting schemes and standards to be used
  - Net-zero pathways are subject of investor scrutiny.

- **While CCS is not explicitly excluded, a clearer reporting pathway would be beneficial**:
  - Few examples of clear guidance for the reporting of CCS-specific activities
  - Wide variety of schemes, with little consistency
  - Net-zero commitments, many of which will rely upon CCS, will require more detailed reporting

DEVELOPING A CCS-SPECIFIC REPORTING METHODOLOGY - DESIGN

- In addition to existing reporting of climate risk, CCS-specific reporting would address several more specific factors – quantification of reductions, materiality, governance arrangements.
- In-line with the movement towards the greater consolidation and harmonization of schemes, the methodology seeks to build upon existing reporting pathways and develop means in which CCS-specific factors may be successfully incorporated.
- Operators, end-users of information, and designers of reporting schemes, to gain a clearer understanding of the CCS-specific information that may be reported.
- Builds upon the six general themes identified in existing reporting frameworks.

Climate related risk management processes, governance and strategy

Issues addressed under this reporting theme

- Identification of climate risks and/or opportunities
- Processes or governance for assessing and managing climate risks and/or opportunities
- Integration of risks and/or opportunities into management or strategy
- Metrics used in assessing climate risks and/or opportunities
- Proportion of emissions covered by scheme(s) aimed at reducing emissions

Table 9: CCS-Specific methodology - Climate related risk management processes, governance and strategy

SCOPE	QUALITY
Strategic view as to the role of CCS in the management of climate risks and/or the opportunities or benefits afforded through CCS investment and deployment.	• Development of a detailed narrative that clearly describes the relevance of CCS in supporting the organisation's climate mitigation objectives, management of climate-related risks and future business strategy. • Statements should identify proposed applications of the technology, by reference to the organisation's sector, core activities and operations. • Provide detail of the CCS-specific objectives of forward-looking business plans, or any other commercial opportunities that may include CCS-specific applications. • Organisations should identify the time horizons for CCS-specific activities, with clarity as to both medium and long-term ambitions for the technology's deployment.

CONCLUSIONS

- A rapidly-changing sector, ESG-related reporting remains an important aspect of commercial activity with industry, investors and the public actively seeking far greater levels of disclosure and performance.

- The focus upon low carbon technologies, as well as increased commitments to reducing emissions and the transition to a net zero economy, is driving closer scrutiny of ESG performance and reporting.

- Greater granularity is now required across a variety of reporting schemes and initiatives.

- For companies, an increasing investor focus, and further mandatory requirements will require far more detailed and accurate reporting of climate-related performance.

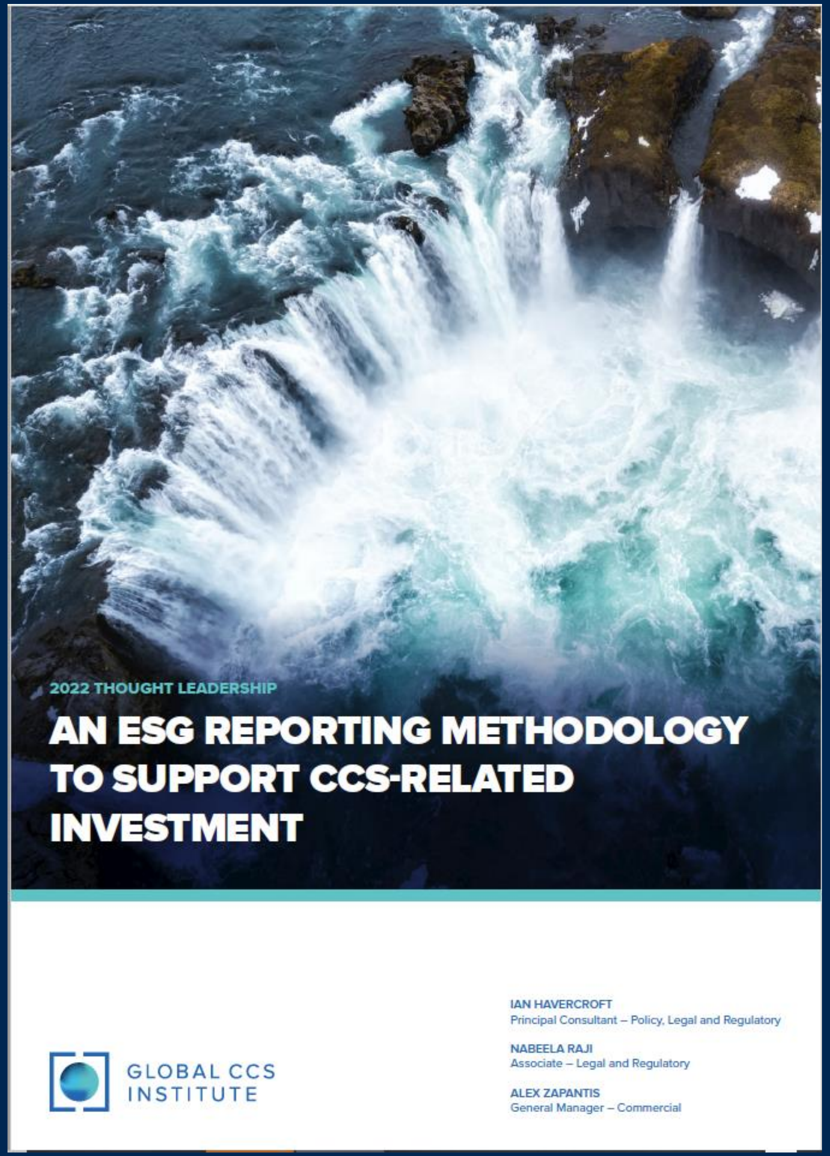
- Organisations with a significant emissions footprint, that are contemplating the role of CCS in their mitigation strategies, should consider how these commitments will be reflected within their reporting.

- Within this context, companies' CCS-specific reporting must meet the requirements of both investors and the wider public and where relevant, provide a clearly-defined, substantiated link between mitigation and/or net zero commitments and the technology's deployment.

THANK YOU

IAN.HAVERCROFT@GLOBALCCSINSTITUTE.COM

www.globalccsinstitute.com/resources/



GLOBAL CCS INSTITUTE