IFRS® Sustainability

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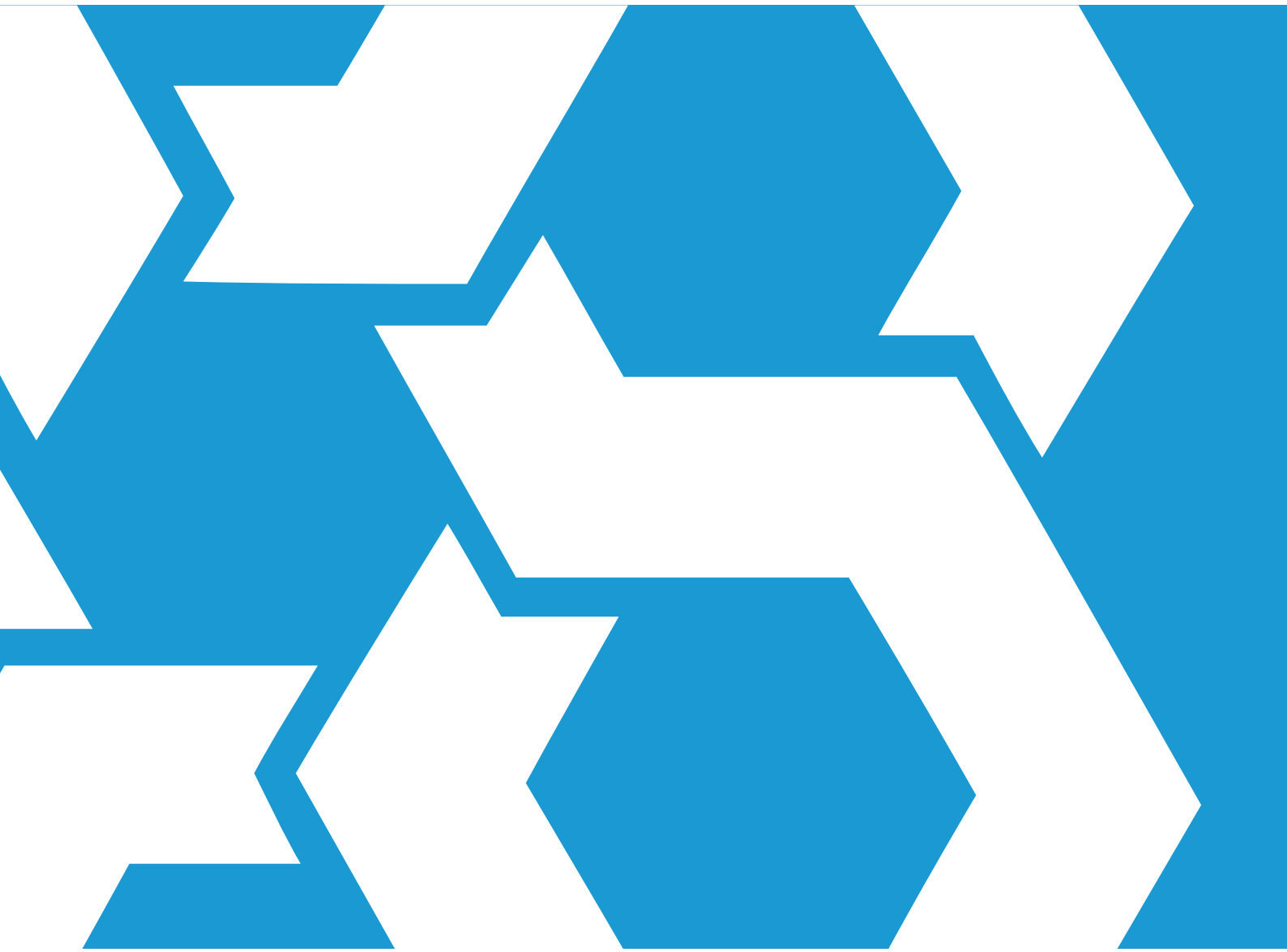
IFRS S2

IFRS® Sustainability Disclosure Standard

Industry-based Guidance on implementing Climate-related Disclosures

Volume 14—Oil & Gas – Services



International Sustainability Standards Board

This Industry-based Guidance accompanies IFRS S2 *Climate related Disclosures* (published June 2023; see separate booklet) and is issued by the International Sustainability Standards Board (ISSB).

Introduction

This volume is part of the Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures. *This guidance suggests possible ways to apply some of the disclosure requirements in IFRS S2 but does not create additional requirements.*

This volume suggests possible ways to identify, measure and disclose information about climate-related risks and opportunities that are associated with particular business models, economic activities and other common features that characterise participation in this industry.

This industry-based guidance has been derived from Sustainability Accounting Standards Board (SASB) Standards, which are maintained by the International Sustainability Standards Board (ISSB). The metric codes used in SASB Standards have been included for ease of reference. For additional context regarding the industry-based guidance contained in this volume, including structure and terminology, application and illustrative examples, refer to Section III of the Accompanying Guidance to IFRS S2.

Volume 14—Oil & Gas – Services

Industry Description

Oil and gas services entities drill under contract, manufacture equipment, or provide support services. Drilling and drilling-support entities drill for oil and natural gas on-shore and off-shore on a contract basis for oil and natural gas exploration and production (E&P) entities. For on-shore exploration and production, entities in the oilfield services segment manufacture equipment used in the extraction, storage and transportation of oil and natural gas. For off-shore, entities in this segment may manufacture jack-up rigs, semisubmersible rigs, drill ships and a range of other exploration equipment. They also provide support services such as seismic surveying, equipment rental, well cementing and well monitoring. These services commonly are provided on a contractual basis, and the customer purchases or leases the materials and equipment from the service provider. Service entities also may provide personnel or subject matter expertise as part of their scope of service. The contractual relationship between oil and gas services entities and their customers plays a significant role in determining the material impacts of their sustainability performance. Besides the rates charged, entities compete based on their operational and safety performance, technology and process offerings, project management performance, and reputation.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Emissions Reduction Services & Fuels Management	Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment	Quantitative	Gigajoules (GJ), Percentage (%)	EM-SV-110a.1
	Discussion of strategy or plans to address air emissions-related risks, opportunities and impacts	Discussion and Analysis	n/a	EM-SV-110a.2
	Percentage of engines in service that comply with the highest level of emissions standards for non-road diesel engine emissions	Quantitative	Percentage (%)	EM-SV-110a.3
Water Management Services	(1) Total volume of water handled in operations, (2) percentage recycled	Quantitative	Thousand cubic metres (m^3), Percentage (%)	EM-SV-140a.1
	Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities and impacts	Discussion and Analysis	n/a	EM-SV-140a.2

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of active rig sites [16]	Quantitative	Number	EM-SV-000.A
Number of active well sites [17]	Quantitative	Number	EM-SV-000.B
Total amount of drilling performed	Quantitative	Metres (m)	EM-SV-000.C
Total number of hours worked by all employees	Quantitative	Hours	EM-SV-000.D

Emissions Reduction Services & Fuels Management

Topic Summary

Although direct greenhouse gas (GHG) emissions and associated regulatory risks are relatively low for oil and gas services providers relative to other industries, emissions from the operations of their customers—the oil and gas exploration and production (E&P) entities—can be significant. Emissions include GHGs that can contribute to climate change as well as other air pollutants that can have significant localised human health and environmental impacts. Increasing regulation and high costs of fuels associated with these emissions present substantial risk to E&P entities. Entities are seeking ways to lower their emissions, including converting pumps and engines to run on natural gas and electricity instead of diesel fuel. Oil and gas services entities compete for contracts partly based on providing innovative, efficient technologies that can help E&P entities reduce operating costs and improve process efficiencies. Services entities can gain a competitive advantage, grow revenue and secure market share by providing customers with services and equipment to reduce GHG, fugitive and flared emissions and fuel consumption.

Metrics

EM-SV-110a.1. Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment

1 The entity shall disclose total fuel consumed from all sources as an aggregate figure, in gigajoules (GJ).

1.1 The calculation methodology for fuel consumed shall be based on actual fuel consumed as opposed to design parameters.

1.2 Acceptable calculation methodologies for fuel consumed may include methodologies based on:

1.2.1 Adding fuel purchases made during the reporting period to beginning inventory at the start of the reporting period, less any fuel inventory at the end of the reporting period

1.2.2 Tracking fuel consumed by vehicles

[16] Note to **EM-SV-000.A –** Rigs that are on location and involved in drilling, completions, cementing, fracturing, decommissioning etc., are considered active. Rigs that are in transit from one location to another, or are otherwise idled, are inactive.

[17] Note to **EM-SV-000.B –** The number of well sites for which the entity has provided or is providing (on an ongoing basis) drilling, completion, fracturing, and/or decommissioning services.

1.2.3 Tracking fuel expenses

2 The entity shall disclose the percentage of the total amount of fuel consumed from all sources that is renewable.

2.1 Renewable fuel generally is defined as fuel that meets all these requirements:

2.1.1 Produced from renewable biomass

2.1.2 Used to replace or reduce the quantity of fossil fuel present in a transportation fuel, heating oil or jet fuel

2.1.3 Achieved net greenhouse gas (GHG) emissions reduction on a lifecycle basis

2.2 The entity shall disclose the standard or regulation used to determine if a fuel is renewable.

2.3 The percentage shall be calculated as the amount of renewable fuel consumed by the entity's fleet vehicles (in GJ) divided by the total amount of fuel consumed by the entity's fleet vehicles (in GJ).

3 The entity shall disclose the percentage of total fuel consumed by (1) on-road, mobile equipment and vehicles and (2) off-road equipment, including stationary rigs, generators and mounted equipment.

4 The scope of disclosure includes only fuel consumed by entities owned or controlled by the entity.

4.1 The scope excludes non-fuel energy sources such as purchased electricity and purchased steam.

4.2 The scope of disclosure includes combustion sources owned or operated by the entity, regardless of which entity bears the cost of fuel or considers greenhouse gas (GHG) emissions from these sources to be part of its Scope 1 inventory.

5 In calculating energy consumption from fuels and biofuels, the entity shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC).

6 The entity shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

EM-SV-110a.2. Discussion of strategy or plans to address air emissions-related risks, opportunities and impacts

1 The entity shall discuss its strategies or plans to address air-emissions-related risks, opportunities and impacts.

1.1 The scope of disclosure includes the entity's strategies, plans or emissions-reduction activities, such as how they relate to various business units, geographies or emissions sources.

1.2 The scope of disclosure includes activities and investments required to achieve the plans, and any risks or limiting factors that might affect achievement of the plans or targets.

1.3 The scope of disclosure includes the discussion of the demand for specific products, services and technologies that reduce well and field operators' fuel consumption, emissions, or create other efficiencies, and its ability to meet this demand.

2 The entity shall discuss its short- and long-term plans related to air quality management, where:

2.1 Short-term strategies may include fuel substitution (for example, drop-in biodiesel), use of dual fuel equipment or engine maintenance.

2.2 Long-term strategies may include alternative fuel equipment, process or equipment redesigns and innovations, and carbon capture and storage.

3 The scope of disclosure shall include, at a minimum, emissions from these specific sources:

3.1 Combustion emissions (for example, fuel use in gas compression, power generation)

3.2 Flaring of hydrocarbons (for example, in depressurising, start-up/shut-down, well testing and well work-over)

3.3 Process emissions (for example, vessel loading, tank storage and flushing)

3.4 Venting of hydrocarbons, defined as the intentional (or designed), controlled release of gas to the atmosphere during normal operations

3.5 Fugitive emissions of greenhouse gases (including equipment leaks)

3.6 Other non-routine events (for example, gas releases or equipment maintenance)

4 The entity shall discuss risks and opportunities relating to its ability to offer customers services, technologies or solutions that enhance energy efficiency and reduce air emissions, including of greenhouse gases.

EM-SV-110a.3. Percentage of engines in service that comply with the highest level of emissions standards for non-road diesel engine emissions

1 The entity shall disclose the percentage of its non-road diesel engines that comply with the highest level of jurisdictional emissions standards.

1.1 The scope of disclosure shall include new and in-use non-road diesel engines, which may include those used in equipment, pumps, compressors and generators.

2 The entity shall calculate the percentage as the new and in-use number of non-road diesel engines in full compliance with the highest level of jurisdictional emissions standards during the reporting period, divided by the total number of non-road diesel engines active during the reporting period, where:

2.1 An engine is considered in compliance with the standards if (1) it belongs to an engine family which has test results showing official emission results and deteriorated emission levels at or below these standards, and (2) the engine family has received confirmation from a relevant certifying or regulatory body indicating alignment with the standard used.

2.2 Engine families are defined as engine product lines expected to have similar emissions characteristics.

2.3 The highest level of jurisdictional emissions standards represent the most stringent emissions requirements applicable to the jurisdiction in which its non-road diesel engines operate.

3 Engines exempt from the jurisdictional standard, such as some marine engines, shall be exempt for the purposes of this disclosure.

4 The scope of disclosure includes all operations, regardless of jurisdiction.

5 The scope of disclosure includes non-road diesel engines manufactured, owned or operated by the entity, regardless of which entity bears the compliance obligation.

6 The entity shall disclose the jurisdictional emission standard used in its disclosure, based on the jurisdiction in which its non-road diesel engines operate.

Water Management Services

Topic Summary

Oil and gas development often requires large quantities of water, exposing producers to the risks of water scarcity, water use regulations and related cost increases, particularly in water-stressed regions. Producers also must manage wastewater disposal risks and costs. As such, service entities that develop superior technologies and processes, such as closed-loop water recycling systems to reduce customers' water consumption and disposal costs, may gain market share and increase revenue, because drilling and wastewater management can be a significant competitive factor for their customers.

Metrics

EM-SV-140a.1. (1) Total volume of water handled in operations, (2) percentage recycled

1 The entity shall disclose the volume of water, in thousands of cubic metres, handled in operations from all sources.

1.1 Water sources include surface water (including water from wetlands, rivers, lakes and oceans), groundwater, rainwater collected directly and stored by the entity, and water and wastewater obtained from municipal water supplies, water utilities or other entities.

1.2 Handled water is transferred to the entity from a third party as part of an entity's contractual scope of service or is obtained directly and used by the entity in its operations.

2 The entity may disclose portions of its supply by source if, for example, significant portions of withdrawals are from non-freshwater sources.

2.1 Fresh water may be defined according to the local statutes and regulations where the entity operates. Where no regulatory definition exists, fresh water shall be considered to be water that has less than 1,000 parts per million of dissolved solids.

2.2 Water obtained from a water utility in compliance with jurisdictional drinking water regulations can be assumed to meet the definition of fresh water.

3 The entity shall disclose the percentage of water recycled as the volume recycled divided by the volume of water handled.

4 Recycled water shall include the amount recycled in closed-loop and open-loop systems as well as recycled produced water or flowback.

4.1 Any volume of water used more than once shall be counted as recycled each time it was recycled and reused.

5 Produced water is defined as water (brine) brought up from the hydrocarbon-bearing formation strata during the extraction of oil and gas and can include formation water, injection water, and any chemicals added downhole or during the oil/water separation process.

6 Flowback is defined as the process of allowing fluids (including water) and entrained solids to flow from a well following a treatment, either in preparation for a subsequent phase of treatment or in preparation for clean-up and returning the well to production.

6.1 The term flowback also means the fluids and entrained solids that emerge from a well during the flowback process. The flowback period begins when material introduced into the well during the treatment returns to the surface following hydraulic fracturing or refracturing.

6.2 The flowback period ends when either the well is shut in and permanently disconnected from the flowback equipment or at production start-up.

6.3 The flowback period includes the initial flowback stage and the separation flowback stage.

7 The scope is limited to operations for which the entity provides hydraulic fracturing, completion, drilling or water management services (for example, water treatment for reuse in drilling or hydraulic fracturing, and reduction of unwanted water in subsurface areas).

7.1 The scope may include water used in hydraulic fracturing fluids, drilling fluids, dust control and drilling cement production.

EM-SV-140a.2. Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities and impacts

1 The entity shall discuss its strategy or plans to address water consumption and disposal-related risks, opportunities and impacts.

1.1 The scope of disclosure shall include the entity's strategies, plans or reduction activities, including whether they pertain differently to different business units, geographies or water sources.

1.2 The scope of disclosure includes the activities and investments by the entity required to achieve the plans and any risks or limiting factors that might affect achievement of the plans or targets.

2 The entity shall discuss demand for specific products, services and technologies that offer well and field operators reduced water consumption, water recycling or other water impact reductions, and its ability to meet this demand.

3 The entity shall discuss its short- and long-term plans related to water management, where:

3.1 Short-term strategies may include adopting best practices in water recycling or water efficiency initiatives.

3.2 Long-term strategies may include process redesigns or technological innovations that reduce fresh water withdrawal in water constrained regions, reduce excess water production from wells, and provide water treatment or recycling systems.

4 The scope of impact reductions may relate to the following specific areas of water consumption or disposal:

4.1 Hydraulic fracturing fluids

4.2 Drilling fluids

4.3 Dust control

4.4 Cement production

4.5 Produced water or flowback

5 The entity shall discuss risks and opportunities relating to: being able to offer customers services, technologies or solutions that enhance water use efficiency, treatment and reuse, and reduce water consumption or wastewater production.

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