



**Columbia Center**  
on Sustainable Investment  
A JOINT CENTER OF COLUMBIA LAW SCHOOL  
AND COLUMBIA CLIMATE SCHOOL

# Draft International Principles on the Regulation of Transactions Involving Oil and Gas Infrastructure Assets

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Proposed by the Columbia Center on Sustainable Investment, in partnership with the Sabin Center for Climate Change Law, at UNCTAD's 8<sup>th</sup> World Investment Forum, Abu Dhabi, UAE



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# Definitions

**Asset** – Infrastructure asset for the exploration, exploitation, refining, or transportation of oil, gas, or both, or an interest in a license, concession contract, permit, approval or other legal instrument authorizing the exploration, exploitation, or transportation of those resources.

**Company** – Legal entity, including privately held or publicly traded companies and state-owned enterprises, that directly or indirectly owns, manages, or operates an asset.

**Government** – Ministry, agency, or other governmental entities with regulatory authority over a company, regardless of the location of the company's headquarters or operations.

**Principles** – The following set of principles.

**Transaction** – Transaction leading to the change of direct or indirect ownership, management, or operation of an asset, through, among others, a corporate transaction or the sale or assignment of an asset.

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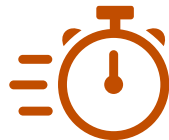
# Five Draft Principles

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**Domestic legal and institutional frameworks**

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**Early retirement and decommissioning of an asset**

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**Greenhouse gas accounting and disclosure**

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**Decommissioning**

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**International cooperation**



## Principle 1

# Domestic legal and institutional frameworks

- Revise laws, regulations, and contract templates; renegotiate contracts
- Subject companies and ultimate parent companies to penalties for non-compliance
- Ensure authority and human and financial resources for monitoring and enforcement
- Where government approval of a transaction **is required**, take the broadest interpretation of approval rights
- Where government approval of a transaction **is not required**, establish an independent legal obligation on companies to obtain government approval
- Condition approval to the companies' compliance with the principles



## Principle 2

# Early retirement and decommissioning of an asset

- Reserve the right to determine the early retirement and decommissioning of an asset
  - Recommendations by the Glasgow Financial Alliance for Net Zero (GFANZ) on the managed phase-out of high-emitting assets and other best practices

Including by:

1. Denying approval of a transaction involving the asset
2. Reserving the right of first refusal to reclaim the asset



## Principle 3

# Greenhouse gas accounting and disclosure

- Require companies to **consistently account, report, and disclose**
  - Scopes 1, 2, and 3 emissions of greenhouse gases resulting from the operation of the asset
  - Forecasted asset-level scopes 1, 2, and 3 emissions for the expected commercial lifecycle of the asset
- ✓ Joint obligation of companies involved and ultimate parent companies
- ✓ At asset level
- ✓ On annual or more frequent basis
- ✓ Following the Greenhouse Gas Protocol or another internationally accepted greenhouse gas accounting and reporting framework
- ✓ From five years *before* the transaction
- ✓ Until decommissioning is completed

## Principle 4

# Decommissioning



- Require that companies and ultimate parent companies
  - Commit to fully **funding** and **executing** the decommissioning of the asset
  - Provide evidence of the government-approved **decommissioning plan** and of the **funds set aside** for its execution
- Guidelines
  - Applicable laws and regulations
  - Highest available social and environmental protection standards
  - Industry best practices



## Principle 5

# International cooperation

- Cooperate internationally in matters pertaining to the regulation of transactions of assets between companies
  - Ensure the tracking of proven oil and gas reserves and their related potential or actual scopes 1, 2, and 3 greenhouse gas emissions in a **global asset-level registry** such as the Global Registry of Fossil Fuels
  - Coordinate with respect to **domestic-level regulations**
  - Periodically increase their level of ambition toward the **accelerated timing of asset retirement and decommissioning** in light of developments in climate science and policy



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# Thank you

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