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

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

Martin Dietrich Brauch
Lead Researcher, CCSI
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.
Five Draft Principles

- Domestic legal and institutional frameworks
- Early retirement and decommissioning of an asset
- Greenhouse gas accounting and disclosure
- Decommissioning
- 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

http://ccsi.columbia.edu/transferred-emissions
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

http://ccsi.columbia.edu/transferred-emissions
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

http://ccsi.columbia.edu/transferred-emissions
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

http://ccsi.columbia.edu/transferred-emissions
Acknowledgment to our reviewers

• Martin Lockman, Sabin Center for Climate Change Law
• Nicola Woodroffe, Natural Resources Governance Institute (NRGI)
• Laetitia Pirson, Ceres
• Andrew Logan, Ceres

http://ccsi.columbia.edu/transferred-emissions
Thank you

Martin Dietrich Brauch
martin.brauch@columbia.edu

http://ccsi.columbia.edu/transferred-emissions