

Climate Principles for Oil and Gas Mergers and Acquisitions: Environmental Defense Fund/Ceres Publishes Report



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01/25/2023

The Environmental Defense Fund and Ceres (collectively, “EDF”) have published a report titled:

Tackling Transferred Emissions: Climate Principles for Oil and Gas Mergers and Acquisitions (“Report”)

EDF describes the Report as the first-ever climate-related guidance for oil and gas companies entering merger and acquisition transactions.

The Report takes the position that oil and gas mergers and acquisitions are taking on a new significance due to constituting a potential source of climate risk.

The Report states in part:

... in aggregate, upstream oil and gas assets are being transferred from companies with climate commitments and public disclosure requirements to companies without those safeguards. This means that while such transactions may help companies reach their own corporate emissions reduction targets, they do not contribute to global greenhouse gas emissions reduction—and may even result in global emissions increasing.

The Report outlines what it contends are ways to take advantage of opportunities for the oil and gas industry to:

... lead on creating a new paradigm for oil and gas transactions that is more compatible with global net zero goals.

Four ways of taking advantage of what are argued to be opportunities by utilizing climate principles for such transactions are described in the Report’s four sections, which include:

1. **Pre-Deal Due Diligence:** Diligence on acquirers should be performed prior to the initiation of deals, including an assessment of both the climate standards and the financial strength of potential buyers to manage environmental impacts. This assessment may allow for screening out of acquirers that would increase the likelihood that transferred assets lead to higher global emissions.
2. **Disclosure:** Public reporting of emissions and environmental impact should continue after transaction, and parties should make clear what portion of emissions reduction is due to transfers as opposed to other emissions reduction opportunities.

3. Emissions Reduction Targets and Strategy: Sellers should assist buyers in maintaining or strengthening a transferred asset's reduction targets and strategy by sharing best practices, and buyers should commit to continuity in standards when executing a purchase.
4. Decommissioning: Buyers should determine a plan for the decommissioning of transferred assets including the expected cost and assigned liability.

A copy of the Report can be downloaded [here](#).