

IOGP Europe's position on capital requirements

IOGP Europe, the International Association of Oil and Gas Producers, whose Member Companies account for approximately 90% of oil and gas produced in Europe, supports the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050. We are committed to providing input and expert advice to the EU institutions, member state governments, and the wider community, to contribute in a constructive and proactive way to the development and implementation of EU policies and regulations.

Our industry, like every industry, supports a stable global financial system.

We acknowledge that many banks have set ambitions to help achieve net-zero emissions by 2050 by aligning their lending and investment portfolios. IOGP Europe Members acknowledge the vital role of banks in supporting the implementation of decarbonisation strategies of the real economy.

In parallel, many IOGP Europe Members have published or are working towards the publication of transition plans in line with EU disclosure requirements.

These plans will be designed to ensure that the business model and strategy of the undertaking are compatible with the transition to a sustainable economy, and with the limiting of the temperature increase to 1.5 °C above pre-industrial levels in line with the Paris Agreement, in compliance with the requirements of the Corporate Sustainable Reporting Directive (CSRD).

Consequently, the strategies and business models of oil and gas companies are evolving. Our industry is working towards long-term solutions, in particular the deployment of Carbon Capture Use and Storage (CCUS), renewable energies, and hydrogen solutions aiming to help the EU achieve the target of climate neutrality by 2050.

Additionally, with global energy demand increasing, natural gas continues to play a key role in facilitating the transition while enhancing Europe's energy resilience in the face of the current energy crisis. To this end, natural gas is foreseen as an important component of Europe's energy mix in the years to come, and will play an important role in the long term, including in the production of low carbon hydrogen, and in power generation to balance renewables.

Significant investments will be necessary to support decarbonisation and transition activities, while ensuring the security of energy supplies that will be compatible with the long-term decarbonisation goals.

IOGP Europe is concerned that any requirements imposed on existing or new oil and gas investments could prevent the secure and safe supply of energy to Europe. Therefore, we recommend a balanced approach between urgent short-term needs with long-term goals.



Furthermore, banks are now encouraged or even mandated to make climate-risk disclosures. However, as banks are at the early stages of reporting, there is a lack of quantitative data on banks' exposure towards oil and gas assets. It remains very challenging to assess macro-prudential risk relating to the energy transition.

We propose that any policy intervention related to capital requirements, should be founded on robust evidence, such as evidence derived from climate risk stress testing to determine the true prudential risk, in order to transition to a net zero economy while ensuring sustainable economic growth and competitiveness within the EU.

Finally, IOGP Europe is also concerned that increased capital requirements for oil and gas activities might affect the level playing field in the banking sector, as EU banks subject to more stringent rules might lose access to profitable investment opportunities in the energy sector, finding themselves at a competitive disadvantage vis à vis their non-EU counterparties.

To this end, we recommend that a careful and balanced approach is taken, which ensures a level playing field both within and outside the EU.

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