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Oil and Gas Exposure Draft

Cover Note

Objective

- 1 To approve to recommend to the EFRAG SRB the ESRS Oil and Gas Exposure Draft.

Background

- 2 EFRAG is tasked by the CSRD to develop sector standard that will complement the requirements in sector agnostic ESRS. The first batch of draft sector standards will be delivered to the European Commission by November 2025, following a public consultation of four months. EFRAG has prioritised high impact sectors, starting from Oil and Gas and Mining Quarrying and Coal.
- 3 On 6 and 7 March 2023 EFRAG SR TEG approved to recommend to the SRB the Exposure Draft for ESRS Oil and Gas for issuance. On 14 March 2023 the EFRAG SRB agreed on the approach to adopt on sector materiality, deviating from the EFRAG SR TEG advice.
- 4 On 17 March 2023 EFRAG received the recommendation from the European Commission to deprioritise the work on sector ESRS to focus on implementation support. For this reason the EFRAG SRB did not complete the approval. In July the Delegated Act was issued enacting the ESRS Set 1, with some changes in the approach to materiality compared to the November 2022 EFRAG drafts.
- 5 The EFRAG SRB rediscussed the approach to sector materiality in a series of meetings between September 2023 and February 2024 and agreed to revise the approach to materiality.
- 6 The draft discussed in March 2023 was already the result of written consultation with the Sector community, EFRAG SR TEG and EFRAG SRB individual members.
- 7 The EFRAG Secretariat performed in 2023 a research on the reporting practices covering financial effects in the OG sector and discussed with EFRAG SR TEG the opportunity to consult in the context of the OG ED consultation specifically on the possible inclusion of these disclosures (See Agenda Paper 04.02).
- 8 The EFRAG Secretariat implemented the changes recommended by the EFRAG SRB in March 2023 and on 22 December 2023, shared its updated draft with the sector community to request feedback. The draft presented for approval today reflect the outcome of that this process.
- 9 EFRAG SR TEG approved the General approach to sector standards – consultation document on 8 May 2024. The approval was accompanied by a recommendation to EFRAG SRB to consult on whether some of the Disclosure Requirements in the draft sector ESRS should always be mandatory, and if yes to ask to constituents which these Disclosure Requirements should be.

Revised architecture

- 10 The architecture has been streamlined compared to the one in March 2023, with the intention not to change the substance of the requirements. In particular:
- (a) the requirements are classified in two categories: (1) additional datapoints and/or additional application requirements to Disclosure Requirements in sector agnostic ESRS – identified in their title by the corresponding Disclosure Requirement in ESRS Set 1 (e.g. ESRS 2 – IRO 2 – OG) and (2) sector specific Disclosure Requirements – identified by a progressive numbering (OG 1, OG 2, etc.). The latter are introduced by the objective of the Disclosure Requirement;
 - (b) the additional datapoints and sector specific requirements covering policies, targets and actions are presented with a single “shall” datapoint in the main body of the standard, including the reference to the obligation to follow ESRS 2 – MDR, while the applicable detailed content of the policies, targets and actions is presented in Appendix B.1, similar to the structure adopted in ESRS S1. When the undertaking has policies, targets and actions to report, it is expected to report the elements in the Appendix, when these are present in its adopted policies, actions and targets;
 - (c) the additional datapoints and sector specific requirements covering metrics are presented as “shall datapoints” in the main body of the standard;
 - (d) the concept of “cross-topic” sustainability matters has been introduced, previously identified with the term “focus”. This allows to group the sector specific requirements that are applicable when the undertaking is exposed to a particular condition that is typical to the sector (industrial hazard; closure of assets) and that has ramifications on different topics.
- 11 Please note that the review of the XBRL team is currently in progress. This analysis might result in limited changes in the separation to enable better digitization of the disclosure requirements.

Question for EFRAG SR TEG members and observers

- 12 The level of aggregation for the disclosure is the reporting entity, except for selected DRs and for OG1. OG1 is limited to the top 20 sites. Similarly, OG 6, ESRS E4-OG, OG 9 and OG 11 are limited to the top 20 sites. The EFRAG Secretariat notes that the matter of disclosure at site level is contentious, as there are split views from the initial outreach. As such the EFRAG Secretariat proposes to specifically consult on this matter and, specifically, on the suitability of a limited information (capped to 20 sites) for OG 6, OG 6, ESRS E4-OG, OG 9 and OG 11. Do you agree?
- 13 The Appendix C has been introduced to implement the request of the EFRAG SRB to introduce detailed AR that supports the omission of DRs when they are not material. Do you agree with the content of the appendix? Do you agree with the suggested drafting approach?
- 14 Do you agree to consult on financial effects (Agenda Paper 04.05)?tell me
- 15 Does EFRAG SR TEG approve the ESRS Oil and Gas Exposure Draft?

Next steps

- 16 The approval process for this ESRS Oil and Gas Exposure Draft will be initiated with the SRB on the 26th June.
- 17 Following the approval, the Secretariat will finalise the basis for conclusions that will accompany this ED and draft the consultation questionnaire and field test procedures.

- 18 Written input of EFRAG SR TEG and SRB will be sought on the Basis for Conclusions and Consultation questionnaire in advance

Agenda papers

- 19 In addition to this cover note, agenda papers for this session are:
- Agenda paper 04-02 – ESRS Oil and Gas Exposure Draft – clean version
 - Agenda paper 04-03 – ESRS Oil and Gas Exposure Draft – mark up with the March 2023 version