

DISCLAIMER

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**MODEL GREENHOUSE GASES EMISSIONS COMMITTEE CHARTER
FOR OIL AND GAS JOINT VENTURES**

BRIEFING NOTE

1. Executive Summary

- Reducing emissions at joint ventures (“JVs”) is a critical part of a company’s efforts to address the risks related to climate change.
- Like public companies, joint ventures typically have one or more committees to make board decision-making and oversight more efficient, as well as to allow subject matter experts from the joint venture partners to have insight and a voice in specific board decisions.
- A dedicated greenhouse gases (“GHG”) emissions committee can help promote and facilitate emissions reductions initiatives. A cross-functional committee composed of emissions subject matter experts from both the management team and joint venture partners can drive emissions reductions, cost savings, and help the venture gain a competitive advantage through better sustainability practices.
- The purpose of this model committee charter and briefing note is to assist oil and gas joint ventures in developing a written charter that determines the functions of an emissions committee.

2. Background

- In 2020, an industry gap analysis showed a low prevalence of GHG Clauses in oil and gas industry JV contractual agreements. Even when present, the GHG Clauses lacked precision and specificity.

- To address this critical gap, an industry and NGO coalition developed a plan to promote the inclusion of GHG Clauses in future JOAs by incorporating specific GHG Clauses into the Association of International Energy Negotiators (AIEN) model JOA. This model agreement was adopted in 2023.
- In 2022, a similar industry and NGO coalition developed a plan to encourage existing JVs to adopt board or operating committee resolutions that are substantially similar to the GHG Clauses that were adopted for the AIEN model JOA, as well as create an emissions committee that can provide oversight of a JV’s emissions reduction strategy.
- In 2023, the IFRS Sustainability Disclosure Standards (including *IFRS S1 General Requirements* and *IFRS S2 Climate-related Disclosures*) were released. The standards require companies to make disclosures about the governance processes, controls, and procedures used to monitor and manage sustainability-related risks and opportunities, including which governance body (e.g., a board or committee) is responsible for oversight of sustainability-related risks and opportunities.

3. Recommendations

- Companies should engage in discussions with their JV partners on the importance of greenhouse gas emissions management and mitigation, as well as transparent emissions data reporting.
- After engagement and discussion, JV Boards/Operating Committees should consider creation of a GHG emissions committee with the functions described in the model charter in Appendix B.
- The scope of responsibilities for the GHG emissions committee may include are:
 - monitoring GHG emissions associated with the Company;
 - recommending GHG reduction targets and strategies for the venture;
 - overseeing implementation of the GHG reduction strategies and track progress toward GHG reduction targets;
 - reviewing the Company’s GHG emissions reporting and reduction efforts; and
 - owning the responsibility for continuously reviewing and updating the Company's GHG reduction goals and strategies based on the latest scientific and technical developments.

APPENDIX A

HOW TO USE THIS DOCUMENT

The model committee charter in Appendix B is designed to illustrate common or leading practices that may be set out in an emissions or sustainability committee charter. The generic nature of the document is intended to encourage customization. **The model committee charter does not represent the consensus view of the members of Methane Guiding Principles or the participants in the initiative that directed its drafting.**

The model committee charter is a tool aimed at assisting oil and gas joint ventures in developing a written charter for a governance committee focused on greenhouse gas emissions management, measurement, and mitigation. This charter is designed to have wide applicability across different markets, regions, and company ambitions. Additionally, stakeholder expectations may influence the inclusion or deletion of certain practices. The committee charter can be modified to cover all greenhouse gases (“GHGs”) or a subset, such as methane.

In drafting a committee charter, care should be exercised to customize the charter to accurately reflect the user’s situation. Throughout this model charter:

- whenever the term “Company” is used, substitute in the term that is appropriate for the applicable JV (e.g., Company, Partnership, Venture);
- whenever the term “Board of Directors” is used, substitute in the term that is appropriate for the applicable governance body (e.g., Board of Directors, Operating Committee, Management Committee);
- whenever the term “Shareholder” is used, substitute in the term that is appropriate for the applicable JV (e.g., shareholders, co-owners, members);
- we include Company and Operator as alternatives. Company should be used if the JV company operates the JV, while Operator should be used if the JV is operated by an owner, co-owners, or a third party; and
- the term “Greenhouse Gases” or “GHG” can be defined to cover the seven direct greenhouse gases (carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), nitrogen trifluoride (NF₃)) or a subset.

APPENDIX B

MODEL GREENHOUSE GASES EMISSIONS COMMITTEE CHARTER

1. Purpose

Option 1:

The purpose of the Greenhouse Gases Emissions Committee (the “Committee”) is to increase awareness of greenhouse gas (“GHG”) emissions, minimize the environmental impact of the Company, and promote sustainable business practices. The Committee will oversee the activities, performance, and strategy of the joint venture (the “Company”) regarding GHG emissions.

Option 2:

The purpose of the Greenhouse Gases Emissions Committee (the “Committee”) is to oversee the activities, performance, and strategy of the joint venture (the “Company”) with respect to greenhouse gas (“GHG”) emissions. The Committee's objectives are to:

1. Increase awareness of the environmental impact of the Company and the need to reduce GHG emissions.
2. Oversee and monitor methods to measure, track, and report GHG emissions in accordance with [applicable laws and regulations] [industry best practices] [*a specific reporting standard, such as the IFRS Sustainability Disclosure Standards*].
3. Identify opportunities to reduce GHG emissions through improvements in operational efficiency and adoption of best practices, and recommend and prioritize such opportunities, considering economic, technical, and other relevant factors.
4. Periodically review and update the Company's GHG reduction goals and strategies based on the latest scientific and technical developments.
5. Report regularly to the Company’s governing body (“Board of Directors”) on its activities and recommendations.

Commentary:

Choose one option for the Purpose section of the charter. Option 1 provides a more generic definition of the Committee’s purpose, and Option 2 outlines specific objectives for the Committee.

If desired, the Purpose section can define which greenhouse gases are within scope of the Committee’s mandate.

2. Role and Scope of Authority

The Committee will act as an advisory body only and will not have any decision-making authority. The Committee will have the following role:

1. **Monitoring GHG emissions:** The Committee will be responsible for monitoring GHG emissions associated with the Company. This includes overseeing the collection, reporting and analysis of emissions data from all sources, such as energy consumption, transportation, and waste disposal.
2. **Recommending GHG reduction targets and strategies:** The Committee will recommend GHG reduction targets and strategies for the Company. This includes identifying opportunities to reduce emissions through both short-term and long-term actions, such as improvements in operational efficiency and resource conservation, the adoption of best practices, and the reduction of fugitive emissions. [GHG reduction targets and strategies are subject to Board approval.]
3. **Implementation and Tracking:** The Committee will oversee implementation of the GHG reduction strategies and track progress toward GHG reduction targets and report regularly to the Board of Directors. This includes reporting on GHG emissions, progress toward reduction targets, and the effectiveness of reduction strategies.
4. **Reporting:** The Committee will review the Company’s GHG emissions reporting and reduction efforts to ensure compliance with industry best practices, all applicable laws and regulations, and Company/Shareholder commitments regarding GHG emissions.
5. **Continuous improvement:** The Committee will be responsible for continuously reviewing and updating the Company's GHG reduction goals and strategies based on the latest scientific and technical developments, as well as the performance of existing reduction strategies. [Updates to the Company’s GHG reduction targets and strategies are subject to Board approval.]

The Committee will not discuss matters or review information that may be commercially sensitive.

Commentary:

The Committee may act in an advisory capacity, with decision-making authority retained by the Board of Directors. Alternatively, the Board of Directors may delegate certain responsibilities to the Committee.

3. Membership

The GHG Emissions Committee will be composed of:

- At least [three] members, with every Shareholder entitled to appoint at least [one] member. [All appointees are subject to Board approval.]
- A Chairperson, who also serves on the Board of Directors and is appointed by the Board of Directors. The chairperson will be responsible for leading the Committee's activities, ensuring that all members have the necessary resources and support to fulfill their responsibilities, and reporting to the Board of Directors and all Shareholders.
- At least one member possessing relevant subject matter expertise in the area of GHG emissions, sustainability or related fields. This member may be a member of the Committee, or a representative of management.

Additional support:

- Secretary: The Committee will have a designed secretary, responsible for recording meeting minutes and distributing minutes to Committee members and the Board of Directors. The secretary may be a member of the Committee, or a representative of management.
- Guests: The Committee may invite guests to attend meetings as appropriate. Guests may include subject matter experts, representatives from the Company or Shareholders, or other stakeholders.

Commentary:

Joint ventures are increasingly using committees to provide oversight of technical and scientific issues. This allows the Board to seek guidance from a multi-disciplinary committee whose members have subject matter expertise on GHG emissions and sustainability, as well as production and process engineers relevant to the operations of the JV. Best practices include having at least one Board member on the committee to create a linkage to the Board, which ultimately has oversight responsibility for GHG emissions and sustainability.

4. Meetings and Processes

The GHG Emissions Committee will meet regularly to discuss oversight of the Company’s GHG emission program. The following guidelines will apply to committee meetings:

1. Frequency: The Committee will meet [quarterly], or more frequently as necessary to fulfill its responsibilities.
2. Quorum: A majority of Committee members shall constitute a quorum for a meeting of the Committee.
3. Notice: Reasonable notice of meetings and the business to be conducted will be given to members of the Committee.
4. Agenda: The Committee Chairperson, with assistance from the Committee secretary, will prepare and distribute the agenda for each meeting in advance.
5. Minutes: The Committee secretary will be responsible for recording meeting minutes, which will include a summary of the discussions and any decisions made. The minutes will be distributed to all committee members and the Board of Directors following each meeting.

5. Administration

1. Voting: Committee [recommendations][decisions] will be based on a simple majority vote of the members present at the meeting.
2. Reporting: The Committee Chairperson will report to the Board on its proceedings following each meeting, making whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.
3. Amendments: The Board will review this Committee Charter annually to ensure it remains consistent with the Board’s objectives and responsibilities. This Committee Charter may be amended at any time by the Board of Directors.
4. [Outside Advisors: The Committee will have the authority to select, retain, terminate, and approve fees for outside advisors or experts as it deems necessary or advisable to perform GHG emission oversight functions.]
5. Self-Assessment: The Committee will perform an annual self-assessment of the Committee, which will be provided to the Board of Directors. The evaluation will compare the performance of the Committee with the requirements of this charter, conducted in a manner deemed appropriate by the Committee.