MISSING METHANE:

A European Perspective

ACTIONABLE INSIGHTS FOR A DECARBONIZING WORLD

Environmental Defense Fund | BUSINESS

July 2024

AUTHORS:
Ismael Hernández Rivera
Nicki Harrison

EXECUTIVE SUMMARY

Lessening the devastating impacts of global climate change will require a complete transformation of how energy is produced, transported and consumed. Methane is responsible for around 30% of the rise in global temperatures since the Industrial Revolution,[1] and the energy sector alone accounts for over a third of methane emissions from human activity.[2] Rapidly reducing methane emissions is crucial to slowing near-term global warming and allowing more time for other climate actions. Significantly reducing methane emissions from the oil and gas sector is achievable today: more than 75% of oil and gas methane emissions can be abated with existing technologies, often at low net cost.[3]

It is in the interests of the financial sector to engage with their oil and gas clients on reducing near-term methane emissions. Methane emissions pose fundamental financial, regulatory and reputational risks to oil and gas operators which may lead to significant impacts on banks' portfolios. Banks themselves face reputational risks if they do not engage with oil and gas clients to address this important issue – methane emissions in the oil and gas sector are likely under-reported meaning that banks could be unable to meet their publicly committed financed emissions reduction targets.

Building on the Environmental Defense Fund's November 2023 Missing Methane report, which explored the oil and gas methane disclosures and policies of the six largest US banks, this report assesses key European banks actively engaged in financing oil and gas. It analyses the methane disclosures and policies of Barclays, BNP Paribas, Deutsche Bank, HSBC, ING, Société Générale and UniCredit. It identifies best practices with respect to methane disclosures and target setting and makes recommendations for engagement with oil and gas clients.

The findings suggest that European banks are not giving sufficient attention to engaging with oil and gas clients on near-term methane emission reductions. In general, the banks lack detailed methane disclosures and targets, and few have methane-specific policies. Regarding target setting, two banks – Deutsche Bank and UniCredit – include only Scope 3 financed emissions. This means those banks are not incentivised to engage with their oil and gas clients on reducing near-term methane emissions as those efforts would fall under Scope 1 and therefore outside the scope of those targets. Regarding methane policies, Barclays, HSBC and Société Générale are the only banks that have defined specific methane policies when engaging with oil and gas clients. ING is the only bank that has mentioned public advocacy engagement action on methane in its disclosures.

We call on banks to make immediate methane emission reductions a central focus in their sustainability strategies by:

- Improving reporting and target setting to capture near-term methane emission reduction actions.
- Engaging oil and gas clients to reduce methane emissions in the near term and improving published policies to include actions relating to near-term methane emission reductions.
- Supporting ambitious public policy to reduce methane emissions in the oil and gas sector and to improve measurement, reporting and verification.

1 IEA (2024), Methane Abatement. https://www.iea.org/energy-system/fossil-fuels/methane-abatement
2 IEA (2024), Methane Abatement. https://www.iea.org/energy-system/fossil-fuels/methane-abatement
3 IEA (2023), The imperative of cutting methane from fossil fuels. https://iea.blob.core.windows.net/assets/9efb310e-94d7-4c46-817b-9493fe5abb0a/Theimperativeofcutting methanefromfossilfuels.pdf

CHAPTER 1

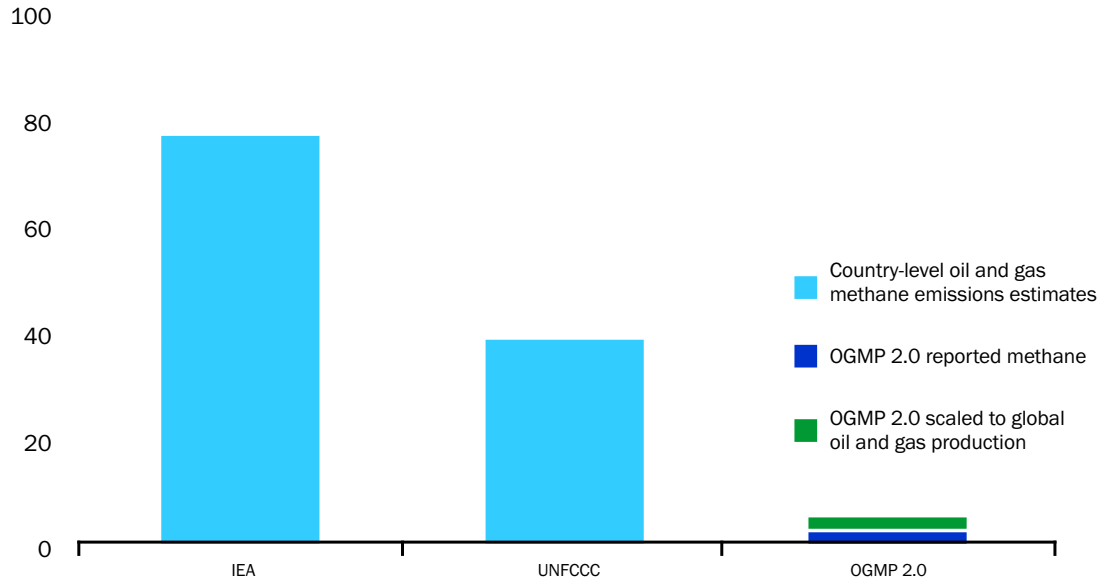
MISSING METHANE IN FINANCED EMISSIONS

Methane generally appears in banks' financed oil and gas emissions as part of banks' clients' operational (Scope 1) emissions. To calculate these emissions, banks gather data from client company reports and data broker estimates and aggregate them into a single financed emissions metric. However, these emissions data sources often underestimate methane emissions due to the standard practice of using emissions factors derived from engineering estimates, as opposed to directly measuring emissions on the ground or using remote sensing.

The underestimation could have a significant impact on banks' financed emissions estimates. The IEA 2024 Methane Tracker shows that the global level of methane emissions could be double the amount that countries report via the UN Framework Convention on Climate Change (UNFCCC) process and approximately 15 times the amount reported via data from the Oil and Gas Methane Partnership (OGMP 2.0)[4] members if that were scaled up to cover all oil and gas production (see Chart 1). The significantly lower level of emissions currently reported by OGMP2.0 members is likely due to the fact these companies are not yet carrying out comprehensive and multi-scale measurements and also the voluntary aspect of the initiative might suggest that the OGMP 2.0 members are not representative of the whole industry. Appendix 1 provides further analysis of Chart 1.

CHART 1

Estimates of methane emissions from global oil and gas supply chains



The IEA's observation that methane emissions are systematically under-reported tallies with research carried out in Europe. For example, a study of oil and gas production in Romania – one of the largest oil and gas producing countries in the European Union – demonstrated that measured methane emissions at the source and facility level are 2.5 times higher than the reported methane emissions.[5]

4 The Oil and Gas Methane Partnership (OGMP 2.0) is a voluntary initiative which sets oil and gas sector standards for measurement-based methane emissions reporting.

5 Stavropoulou, F., et al.: High potential for CH4 emission mitigation from oil infrastructure in one of EU's major production regions, Atmos. Chem. Phys., 23, 10399–10412, https://doi.org/10.5194/acp-23-10399-2023, 2023.

The systematic under-estimation of oil and gas methane emissions poses several problems for oil and gas companies, and by extension to the banks that finance them:

- Companies that do not directly measure methane emissions with accuracy lack data to effectively prioritise emissions management activities and assess performance, posing operational risks.
- Such companies also lack insights into their Scope 1 emissions, presenting regulatory and social risks.
- As emissions data improves and oil and gas companies revise their emissions upwards, they may face additional reputational and regulatory risks stemming from the seeming increase in emissions. Moreover, this adjustment could make banks' oil and gas financed emissions targets harder to achieve, and limit comparability across reporting years.

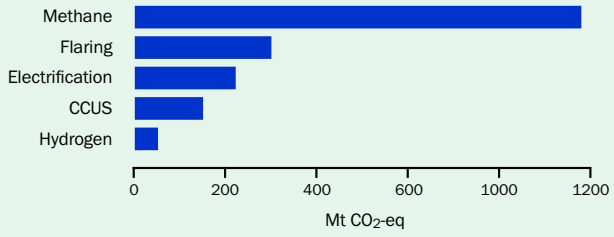
The true impact of the under-estimation of methane emissions on banks' financed emissions calculations is hard to approximate and will only be known once accurate estimates become more widely available and integrated into each bank's reporting and targets. Banks should seek directly measured and accurate methane emissions data from their clients and incorporate advancements in satellite remote sensing data to better assess progress against their own financed emissions targets. As and when better data becomes available, banks should transparently communicate how this affects disclosures and targets.

The case for methane mitigation

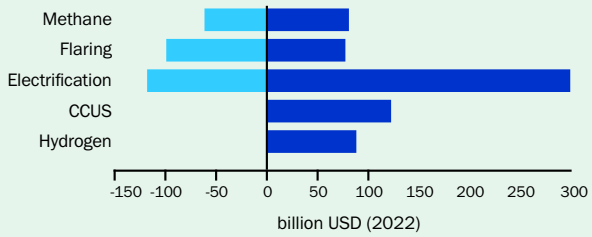
Taking quick and decisive action on methane from oil and gas operations could avoid as much as 0.1 degrees C of warming by mid-century — equivalent to zeroing out the emissions of every car and truck in the world.[6] The main sources of methane emissions in oil and gas operations are fugitive emissions (leaks and unintentional releases), venting and flaring. More than 75% of these methane emissions can be abated with existing technologies.[7]

The International Energy Agency (IEA) argues that just over USD 75 billion in cumulative spending to 2030 is required to reduce energy-related methane emissions in line with the IEA's net zero emissions scenario.[8] Finance may be able to support emissions mitigation – in particular, the IEA estimates that there is a methane financing gap in low- and middle-income countries. Private capital can help close this gap, but this financing must come with rigorous guardrails to mitigate potential harmful impacts.

Emissions reductions in the Net Zero Scenario, 2030



Cost and savings in the Net Zero Scenario, 2030



Unfortunately, oil and gas flaring trends are currently going in the wrong direction. The World Bank's 2024 Global Gas Flaring Tracker report revealed an increase of 6.6% in gas flaring (a significant source of methane emissions) activity in 2023, while flaring would need to fall by 20% per year to achieve the World Bank's zero routine flaring by 2030 target.[9] Banks, as providers of significant capital to oil and gas companies, have a role to play in ensuring that their clients adopt near-term methane reduction practices along the journey to transitioning to more sustainable business models.

6 https://www.worldbank.org/en/programs/gasflaringreduction/methane-explained#Reduce
7 IEA (2023), The imperative of cutting methane from fossil fuels. https://iea.blob.core.windows.net/assets/9efb310e-94d7-4c46-817b-9493fe5abb0a/Theimperativeofcuttingmethanefromfossilfuels.pdf
8 IEA (2020), Financing Reductions in Oil and Gas Methane Emissions. https://iea.blob.core.windows.net/assets/ff747fc8-a8d9-4eda-9bc9-0e2b628cb019/Financingreductionsinoilandgasmethaneemissions.pdf
9 https://library.edf.org/AssetLink/qt3m18m5fb6s873ug8235jbhxwu671qc.pdf

CHAPTER 2

HOW METHANE FITS INTO BANKS' 2030 TARGETS

The analysis of the seven banks focuses on examining the metrics and disclosures publicly available in their latest climate reports, annual report and accounts, transition plans, financed emissions methodologies and sector policies over the last two years. See further details in appendix 2.

In general, the major European banks lack detailed methane disclosures and targets, and only Barclays, HSBC and Société Générale have methane-specific policies. The lack of methane disclosures, targets, and policies suggests that banks are not sufficiently engaging with oil and gas clients on this important issue. Although European banks tend to have higher climate ambitions than their US-headquartered counterparts, when it comes to methane-specific disclosures and policies, they tend to lag.

Methane is part of client emissions, and by extension, is a component of financed emissions (see formula below). Both metrics underreport methane given the limitations of using emission factors.

$$\text{financed emissions} = \sum \frac{\text{financing to client}}{\text{client enterprise value}} \times \text{client emissions}$$

Disclosures: The prominence given to methane by the banks varies widely (see Table 1). The analysis considers the number of unique times the words "methane" or "CH4" are mentioned in banks' disclosures as a proxy for the consideration that the banks give to methane emissions relative to the peer group (see appendix 2 for further details):

- Higher consideration (more than 60): Barclays
- Mid-level consideration (between 20 and 40): BNP Paribas, HSBC, ING, Société Générale.
- Limited consideration (less than 10): Deutsche Bank, UniCredit.

Target scope: The analysis shows that Deutsche Bank and UniCredit's latest financed emissions targets include only Scope 3 emissions (see Table 1). Given that methane shows up in banks' clients' Scope 1 emissions, this means that neither Deutsche Bank nor UniCredit have targets that incentivise clients to reduce methane emissions. This is a major omission. It is also misaligned with the latest guidelines from the Net Zero Banking Alliance (NZBA), which says that banks' targets should include their clients' Scope 1, 2 and 3 emissions.[10] All the other banks studied include Scope 1, 2 and 3 upstream oil and gas in their target setting.

Metrics: Ideally banks would disclose and set target metrics on three different bases to give a full picture: (i) absolute financing (i.e., in units of currency)[11] – this metric indicates how financing to the oil and gas sector is changing; (ii) financed emissions – this metric provides comparability across banks; and (iii) carbon intensity – this indicates whether banks' clients' operations are becoming cleaner.

ING, BNP Paribas and Société Générale all set targets based on absolute financing to oil and gas clients.

10 Net Zero Banking Alliance (April 2024), Guidelines for Climate Target Setting for Banks (version 2). https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Guidelines-for-Climate-Target-Setting-for-Banks-Version-2.pdf

11 Given the different terms used by the banks, absolute financing is the term used in this report to refer to: financing (Barclays), credit exposure (BNP Paribas), loan exposure (Deutsche Bank), exposure to sector (HSBC), outstanding exposure (ING), financing (Société Générale), drawn exposure (UniCredit).

Financed emissions is used as a target metric by all banks in this study. However, none of the banks separate financed methane emissions from financed CO_2 emissions.

Carbon intensity is not commonly disclosed. BNP Paribas previously defined a carbon intensity reduction target and Deutsche Bank previously considered setting one. Neither bank has provided updates against these targets in their latest climate disclosures (2024 for BNP Paribas and 2023 for Deutsche Bank).

Only one bank in the study, Barclays, discloses any engagement metrics on methane: it discloses the percentage of clients in its energy portfolio that have a methane emissions reduction target. None of the banks disclose metrics such as the share of clients directly measuring and reporting methane emissions.

Methane policies: Only Barclays, HSBC and Société Générale have defined and published methane-specific policies against which oil and gas companies are evaluated (see Appendix 2). Of those, Barclays and HSBC are the most comprehensive as they require – or (in the case of Barclays) will require from January 2026 – clients to have in place methane reduction targets and commitments to end all routine and non-essential venting and flaring.

Public advocacy: Of the seven banks assessed, only ING makes references to engagement with public policy on methane. ING includes in its sustainability strategy "communicat[ing] the importance of correct and consistent methane measurement in GHG emissions disclosure requirements"[12] with public institutions and policymakers. No other banks in the peer group mention engagement with public institutions and policymakers on methane.

TABLE 1

Comparing bank methane transparency and performance

	Disclosures reference methane	Metrics – oil and gas target includes Scope 1	Metrics – client engagement	Methane-specific policies	Public advocacy references methane
Barclays	●	●	◒	●	○
BNP Paribas	◒	●	○	○	○
Deutsche Bank	○	○	○	○	○
HSBC	◒	●	○	●	○
ING	◒	●	○	○	●
Société Générale	◒	●	○	◒	○
UniCredit	○	○	○	○	○

12 ING (2023), 2023 Climate Report (page 61)

CHAPTER 3

TRENDS IN METHANE EMISSION REDUCTIONS

Advances in data collection on real world methane emissions are helping provide greater transparency and accountability and thereby accelerate action on methane abatement. Ambitious government policies on methane abatement, such as the EU Regulation on methane emissions, are also helping compel oil and gas companies to address methane emission reductions. The financial sector should be aware of technological and policy developments on methane emissions given their potential balance sheet impact. For more information see EDF's Plugging the Leaks: An Investor Guide to Oil and Gas Methane Risk.

Technology

Advances in direct measurement techniques by land, air and space, notably from satellites, are allowing for more – and more reliable – information on methane emissions. Current satellite technology and advancements in data processing techniques are being used to detect and quantify small, diffuse emissions from large areas, down to medium-sized leaks from single facilities. Satellites enable regional estimates of total methane emissions over longer periods of time. These advances in satellite and other remote-sensing technologies will bring greater transparency, improve quantification, raise public awareness, and support regulatory oversight.[13]

MethaneSAT, a new era of transparency for methane measurement

MethaneSAT is a satellite aimed at detecting and measuring methane emissions launched by the Environmental Defense Fund jointly with the New Zealand Space Agency. MethaneSAT was put into orbit in March 2024 to close a critical gap in existing capabilities. It aims to provide the first worldwide picture of how emissions vary globally while also enabling operators to better understand their emissions profile, empowering stakeholders to independently verify operator progress toward their goals and commitments to reduce oil and gas methane emissions.[14]

MethaneSAT has a wide field of view, a high level of precision, and a fine spatial resolution. This allows the satellite to quantify methane emissions from the vast majority of global oil and gas production regions – determining from where and at what rate methane is escaping into the atmosphere. Together, these measurements can help companies and governments prioritise where emission reduction efforts should be focused. As the number and capabilities of emission-detecting satellites expand, stakeholders will have reliable, comparable emissions data that can be applied across regions, companies, and facilities. Stakeholders will be able to judge a company's competitiveness in methane management relative to peers and screen for lower-emission supply regions and suppliers.[15]

For more details see EDF's guide to MethaneSAT for the financial sector.

Policy and voluntary initiatives

In the European context, the agreed European Union Methane emissions regulation (EU-MER) will reinforce requirements on measuring, reporting and verifying methane emissions. The legislation will impose mandatory requirements for leak detection, repairs and limiting of venting and flaring. The agreed legal text will not be limited to the European Union given it covers

13 IEA (2024), Global Methane Tracker 2024. https://www.iea.org/reports/global-methane-tracker-2024
14 Environmental Defense Fund (2023), MethaneSAT, a new era of transparency for methane measurement. https://business.edf.org/wp-content/blogs.dir/90/files/MethaneSAT.pdf
15 Environmental Defense Fund (2023), Methane satellites usher in new era of emissions visibility and transparency. https://business.edf.org/insights/methane-satellites-usher-in-new-era-of-emissions-visibility-and-transparency/

energy imports. Clients supplying the EU with oil and gas will need to carry out monitoring, reporting and verification (MRV). If they wish to retain access to the EU market, they will also need to start mitigating their emissions in order to fall below the future intensity threshold set by the European Commission.[16] In the UK, there is not yet regulation equivalent to the EU-MER; however, the House of Lords environment and climate change committee has launched an inquiry to examine the impact of methane on climate change.

Internationally, several governments have adopted regulations mandating methane emission reductions (see appendix 3). In the United States, the Inflation Reduction Act provides incentives for methane mitigation and establishes a charge on excess oil and gas methane emissions. Additionally, the Environmental Protection Agency (EPA) finalised new regulations in December 2023 that tighten requirements on new and existing oil and gas facilities. Canada is advancing new rules designed to reduce emissions from the oil and gas sector by at least 75% below 2012 levels by 2030,[17] and it is the first country to have a measurement-based inventory for the majority of oil and gas methane emissions.[18]

In addition, there is growing momentum for the Global Methane Pledge: 155 countries responsible for over half of human-caused global methane emissions have committed to collectively reducing methane emissions across sectors by at least 30% below 2020 levels by 2030.[19] This is an initiative that has the potential to drive further policy action on methane emissions reduction.

The Oil and Gas Methane Partnership (OGMP 2.0) is a voluntary initiative which sets oil and gas sector standards for measurement-based methane emissions reporting. OGMP 2.0 member companies represent over 35% of global oil and gas production. Achieving the OGMP's 'Gold Standard' for methane emissions reporting can help determine whether companies are credibly pursuing improvements in methane emissions management.

Oil and gas European Sustainability Reporting Standards (ESRS)

As part of the EU Corporate Sustainability Reporting Directive (CSRD), a set of sector-specific standards is planned for the oil and gas industry. These additional standards will have a methane focus. A public consultation of the draft oil and gas European Sustainability Reporting Standards (ESRS) is expected in the second half of 2024 or the beginning of 2025.[20] The exact details of these standards are currently uncertain but it is expected that oil and gas companies under the scope of CSRD may have to:

- disclose policies, targets and actions to manage and abate methane emissions;
- disclose monitoring technologies used: remote sensing techniques or estimation methods;
- report Scope 1 GHG emissions separating CO_2 and methane by type of source (stationary combustion, flaring, venting and fugitive).

These disclosures will allow banks to access more detailed, accurate and standardised data from their oil and gas clients.

16 Council of the European Union (2024), Fit for 55: cutting methane emissions in fossil fuels (Infographic). https://www.consilium.europa.eu/en/infographics/fit-for-55-cutting-methane-emissions-in-fossil-fuels/
17 IEA (2024), Methane Abatement. https://www.iea.org/energy-system/fossil-fuels/methane-abatement
18 https://blogs.edf.org/energyexchange/2024/06/14/improving-canadas-emissions-inventory-direct-methane-measurement-makes-its-debut/
19 IEA (2024), Methane Abatement. https://www.iea.org/energy-system/fossil-fuels/methane-abatement
20 Council of the European Union (2024), Interinstitutional File: 2023/0368(COD). https://data.consilium.europa.eu/doc/document/ST-6409-2024-INIT/en/pdf

CHAPTER 4

WHY BANKS SHOULD PUSH FOR BETTER OIL AND GAS METHANE MANAGEMENT

There are clear benefits to European banks from improving oil and gas methane reporting and supporting methane emissions reduction policies. These actions can help in reducing risks, improving performance and demonstrating climate action:

> **Address climate transition risk:** Methane emissions pose fundamental financial, regulatory, and reputational risks to oil and gas operators, which may lead to significant impacts on bank portfolios. High methane leakage rates may indicate that an oil and gas client is incapable of operating safely and effectively, is unprepared to comply with emerging regulations (e.g., penalties for non-compliance with the EU methane emissions regulation), and is ill-equipped to meet basic climate and energy transition expectations.
>
> **Address reputational risks:** Underreporting of methane may mean that banks' financed emissions metrics go up even if real-world emissions have not changed. This impacts banks' abilities to meet their publicly committed targets.
>
> **Demonstrate climate action:** Banks can demonstrate credible climate action by advocating in a transparent manner for methane mitigation.

Banks should not only seek strong methane management in their publicly traded company holdings, but also from state-owned national oil companies and privately-owned operators where they have financing relationships. These institutions are not always part of the most ambitious global pledges and / or may be based in countries that are economically reliant on fossil fuels. Moreover, many smaller operators may lack the capital to engage in abatement projects and may be in need of project financing with appropriately rigorous guardrails.

CHAPTER 5

RECOMMENDATIONS

The seven European banks analysed in this report are in a unique position to influence their oil and gas clients to reduce methane emissions as part of the transition to a cleaner energy system. Transitioning away from fossil fuels remains the main path to reducing global warming, but this needs to be combined with other short-term oil and gas emissions reduction measures, and tackling methane emissions is the single most important and cost-effective one. In many cases, oil and gas clients can commercialise current wasted, vented, and flared methane. Given that accurate measurement-based data is critical to understand the magnitude and location of methane emissions, using technologies such as MethaneSAT will allow for transparent performance tracking of financed emissions.

The analysis suggests that European banks are not giving sufficient attention to engaging with oil and gas clients on near-term methane emission reductions as part of the transition to a cleaner energy system. We call on banks to make immediate methane emission reductions in oil and gas portfolios a central focus in their sustainability strategies by:

1 Improving reporting and target setting

Target scope: At a minimum include upstream clients' operational (Scope 1 and 2) and end-use (Scope 3) emissions in oil and gas targets, as per current NZBA guidelines.[21]

Metrics:

- Break out financed methane emissions separately from financed CO_2 emissions.
- In addition to financed emissions, disclose both absolute financing (in units of currency) and carbon intensity (gCO_2e/MJ) metrics.
- Ideally financed emissions and CO_2 intensity metrics should be reported on a disaggregated basis for Scope 1 and 2 and Scope 3.
- Disclose granular engagement metrics on methane – for example, the share of oil and gas clients meeting published methane policies; the share of clients reporting accurate measurement-based data; the share of clients directly measuring and reporting methane emissions (under the EU Methane emissions regulation and through OGMP 2.0).

2 Improving client engagement on near-term methane emission reductions

Publish policies relating to methane:

- Banks should set and publish oil and gas sector policies which include clients' methane performance.
- Those policies should request that clients set 2030 methane reduction targets to near-zero methane intensity and commit to ending all routine and non-essential venting and flaring.
- Incorporate methane performance in company evaluations. Banks should consider integrating methane performance as part of screening clients, conducting due diligence, and setting terms of finance.

Support clients in measuring and mitigating methane emissions. This could include:

- Seeking measurement-based and accurate methane emissions data from clients and using satellite remote sensing data to reliably assess progress against banks' own financed emissions targets.
- Discussing with relevant clients how they will meet the upcoming methane regulations, such as the EU Methane emissions regulation (EU-MER).
- Encouraging clients to join the Oil and Gas Methane Partnership (OGMP 2.0).

21 Net Zero Banking Alliance (April 2024), Guidelines for Climate Target Setting for Banks. https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Guidelines-for-Climate-Target-Setting-for-Banks-Version-2.pdf

- Facilitating access to capital for abating oil and gas methane emissions with appropriate guardrails to mitigate potentially harmful impacts. For example, ensuring methane mitigation financing is aligned with robust, corporate-wide decarbonisation; and that loopholes (such as excluding emissions from non-operated joint ventures) are minimised.

3 Supporting ambitious public policy

Public advocacy: Advocate for strong methane policies and regulations internationally building on policies and regulations that reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States (see appendix 3).

APPENDICES

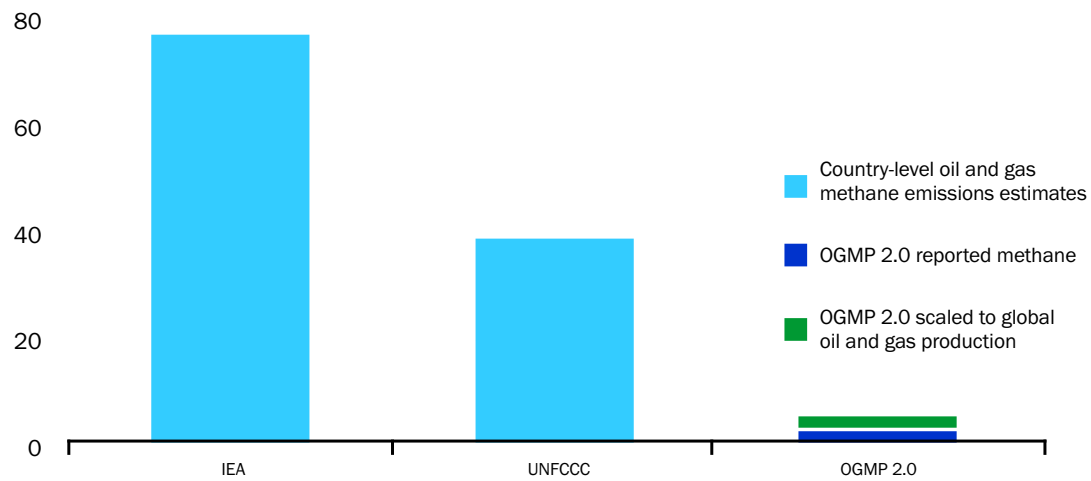
APPENDIX 1

UNDER-ESTIMATION OF OIL AND GAS METHANE EMISSIONS - FURTHER ANALYSIS

The International Energy Agency publishes an annual "Methane Tracker" dataset, which is, when aggregated at the global-level, in general alignment with independent estimates that incorporate atmospheric observations and measurements (i.e., Global Methane Budget and Shen et al. 2023). As noted in Chapter 1, the IEA 2024 Methane Tracker estimates that global level methane emissions could be double the amount that countries report via the UN Framework Convention on Climate Change (UNFCCC) process and approximately 15 times the amount reported via data from the Oil and Gas Methane Partnership (OGMP 2.0) members if that were scaled up to cover all oil and gas production (see Chart 1, replicated below).

CHART 1

Estimates of methane emissions from global oil and gas supply chain



The OGMP2.0 is a voluntary initiative that sets oil and gas sector standards for measurement-based methane emissions reporting. OGMP 2.0 defines five levels of reporting, depending on the level of granularity and accuracy of the reports. OGMP's 'Gold Standard' for methane measurement requires measurement-based estimates at the source and site level. Operators commit to reaching the Gold Standard within three years of joining the initiative (for operated assets). This can help determine whether companies are credibly pursuing improvements in methane emissions management.

A significant share of global oil and gas production (over 35%) is now under the Oil and Gas Methane Partnership (OGMP 2.0), and operators have started to incorporate measurements in their journey towards gold standard reporting. However, as shown in Chart 1, progress on accurate measurement-based monitoring of emissions remains slow and additional transparency is needed to better assess data quality at a more granular level.

The significantly lower level of emissions currently reported by OGMP2.0 members is likely due to the fact these companies are not carrying out comprehensive and multi-scale measurements yet, as they are still working towards reaching Gold Standard. In addition, the voluntary aspect of the initiative might suggest that the OGMP 2.0 members are not representative of the whole industry: operators with greater awareness of methane management and mitigation practices may be more likely to join the OGMP 2.0 initiative.

APPENDIX 2

INDIVIDUAL BANK SUMMARIES

Barclays[22]

Barclays has more comprehensive disclosures on financed emissions methodology, oil and gas policies and annual reporting relative to the peer group. Barclays is one of only two banks in the peer group with a published methane-specific policy, which includes 2030 methane reduction targets and requires commitments to end all routine and non-essential venting and flaring. Barclays is also the only bank that publishes engagement metrics relating to methane (share of the portfolio meeting the methane performance target). Barclays should continue disclosing financed emissions on a disaggregated basis for operational (Scope 1 and 2) and end-use (Scope 3) emissions and should ideally set targets on the basis of absolute financing.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	2030	-40%	2020	2023	-44%
			Carbon intensity (gCO_2e/MJ)	No target		2022	2023	0%
			Absolute financing (units of currency)	No target				Not disclosed

Main areas of improvement

Reporting and target setting

1. Separate coal from oil and gas when defining targets, in line with peers.
2. Break out financed methane emissions separately from financed CO_2 emissions.
3. In addition to financed emissions, set targets on carbon intensity (gCO_2e/MJ) and set targets on the basis of absolute financing to oil and gas (in units of currency). Ideally the CO_2 intensity metric should be disaggregated by operational (Scope 1 and 2) and end-use (Scope 3) emissions.
4. Disclose additional engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

5. Detail how Barclays is supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; (iii) encouraging them to join the OGMP 2.0.

Public policy

6. Advocate for the development of regulation related to methane management building on existing policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

22 Barclays PLC: 2023 Annual Report (2024), Financed Emissions Methodology (2023), Climate Change Statement (2024)

BNP Paribas[23]

Unlike some peers, BNP Paribas has not published policies detailing how methane features in client engagement.

On the targets side, BNP Paribas has absolute financing disclosures and targets for upstream oil and gas. It has also recently introduced targets and disclosures for financed emissions for upstream oil and gas – a welcome development as this allows for better comparison against peers. Unfortunately, BNP Paribas has stopped disclosing performance against its carbon intensity target meaning that it is now harder to track whether BNP Paribas's client portfolio is becoming cleaner over time: in 2022, the carbon intensity of BNP Paribas's portfolio had reduced by 1.5% relative to the 2020 baseline (against a target of 10% by 2025).

BNP Paribas has publicly set out details of a research and development partnership with Kayrros to improve methane abatement. This work will support measuring the methane intensity of oil and gas production basins using satellite imaging techniques and other top-down models.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	2030	-70%	2022	2023	-42%
			Carbon intensity (gCO_2e/MJ)	2025	-10%	2020	2022	-1.5%
			Absolute financing (units of currency)	2030	-12%	2020	2023	-37%

Main areas of improvement:

Reporting and target setting

1. Break out financed methane emissions separately from financed CO_2 emissions.
2. Reinstate disclosing performance against its carbon intensity (gCO_2e/MJ) metrics.
3. Ideally financed emissions and CO_2 intensity metrics should be disaggregated by operational (Scope 1 and 2) and end-use (Scope 3) emissions.
4. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

5. Set and publish policies which include client methane performance.
6. Require clients to (i) set 2030 methane reduction targets to near zero methane intensity, and (ii) commit to end all routine and non-essential venting and flaring.
7. Integrate methane performance into oil and gas client screening and due diligence and consider it when setting terms of finance.
8. Detail how BNP Paribas is supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; (iii) encouraging them to join the OGMP 2.0.

Public policy

9. Advocate for the development of regulation related to methane management internationally building on policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

23 BNP Paribas: 2023 Climate Report (2024), 2022 Climate Report (2023), Climate Analytics and Alignment Report (2022), Sector Policy Oil and Gas (2023)

Deutsche Bank[24]

Deutsche Bank's current financed emissions reduction target covers only Scope 3 – this is a significant omission that misses up to 25% of upstream oil and gas emissions and is out-of-line with NZBA guidance. Although Deutsche Bank does not have a scope 1 and 2 target it does disclose its scope 1 and 2 financed emissions. These show a 1.9% increase to 2023 compared to the 2021 baseline. In 2022, Deutsche Bank considered the possibility of setting a -12% carbon intensity reduction target; however, it subsequently chose not to take this forward – Deutsche Bank should remedy this. Deutsche Bank discloses absolute financing, which allows for a fuller picture of how clients are transitioning.

Deutsche Bank does not publish policies detailing how clients should reduce methane emissions. It does not appear to give much weight to the importance of methane emissions reduction by oil and gas clients in its published disclosures: methane is mentioned only seven times in the disclosures studied and all those references appeared in just one document from 2022.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1 and 2	Financed emissions ($MtCO_2e$)	No target		2021	2023	+1.9%
		3		2025	-23%	2021	2023	-21%
		1 and 2	Carbon intensity (gCO_2e/MJ)	2030	-12% proposed but no formal target set	2021	2022	N/A
		1, 2 and 3	Absolute financing (units of currency)	No target		2021	2023	-12.2%

Main areas of improvement:

Reporting and target setting

1. At a minimum, include upstream clients' Scope 1 and 2 emissions in oil and gas targets, as per current NZBA guidelines.
2. Reinstate reporting of performance against the carbon intensity target considered in 2022. Ideally this metric should be disaggregated by operational (Scope 1 and 2) and end-use (Scope 3) emissions.
3. Set a target for absolute financing (units of currency) alongside the disclosures against this metric.
4. Break out financed methane emissions separately from financed CO_2 emissions.
5. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

6. Set and publish policies which include client methane performance.
7. Require clients to (i) set 2030 methane reduction targets to near zero methane intensity, and (ii) commit to end all routine and non-essential venting and flaring.
8. Integrate methane performance into oil and gas client screening and due diligence and consider it when setting terms of finance.
9. Detail how Deutsche Bank is supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; and (iii) encouraging them to join the OGMP 2.0.

Public policy

10. Advocate for the development of regulation related to methane management internationally building on policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

24 Deutsche Bank AG: Initial Transition Plan (2023), Toward Net Zero Emissions (2022), 2023 Non-Financial Report (2024)

HSBC[25]

HSBC has detailed disclosures on financed emissions methodology, oil and gas policies and annual reporting. HSBC is one of only two banks in the peer group with a published policy relating to methane, which requires oil and gas clients to have plans to eliminate flaring and venting by 2030 and to reduce fugitive methane emissions by 2025. HSBC should continue disclosing disaggregated financed emissions for clients' operational (Scope 1 and 2) and end-use (Scope 3) emissions and should ideally set targets on the basis of absolute financing.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	2030	-34%	2019	2022	-25%
			Carbon intensity (gCO_2e/MJ)	No target			2023	Not disclosed
			Absolute financing (units of currency)	No target			2023	Not disclosed

Main areas of improvement:

Reporting and target setting

1. Break out financed methane emissions separately from financed CO_2 emissions.
2. Set targets and metrics on carbon intensity (gCO_2e/MJ) and absolute financing to oil and gas (in units of currency). Ideally CO_2 intensity metrics should be reported on a disaggregated basis for Scope 1 and 2 and Scope 3.
3. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

4. Detail how HSBC is: (i) supporting oil and gas clients in seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; (iii) encouraging oil and gas clients to join the OGMP 2.0.

Public policy

5. Advocate for the development of regulation related to methane management internationally, building on policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

25 HSBC Holdings plc: 2023 Annual Report and Accounts (2024), Net Zero Transition Plan (2024), HSBC Energy Policy (2024), Financed Emissions and Thermal Coal Exposures Methodology (2024)

ING[26]

Unlike some peers, ING does not have published policies detailing how methane features in client engagement.

On the target setting side, ING has an absolute financing target (in units of currency) – this is a welcome metric as it allows tracking of how much oil and gas is being financed over time. In late 2023, ING revised this target to be more ambitious moving from a 19% reduction by 2030 to a 35% reduction by 2030.

On the public policy side, ING was the only bank in the study that mentioned the need for government and policymaker action on methane emissions reduction as part of its call-to-action to government and policymakers in its 2023 Climate Report.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	2030	-50%	2019	2023[27]	Not disclosed
			Carbon intensity (gCO_2e/MJ)	No target			2022	Not disclosed
			Absolute financing (units of currency)	2030	-35%	2019	2022	-47.5%
	Mid and downstream	1 and 2	Carbon intensity (kg CO_2e/boe)	2030	24%	2022	2022	Not yet reported

Main areas of improvement:

Reporting and target setting

1. Set and disclose targets and report metrics for carbon intensity (gCO_2e/MJ). Include metrics for financed emissions ($MtCO_2e$) in climate reports. Ideally financed emissions and CO_2 intensity metrics should be reported on a disaggregated basis for Scope 1 and 2 and Scope 3.
2. Break out financed methane emissions separately from financed CO_2 emissions.
3. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

4. Set and publish policies which include client methane performance.
5. Require clients to (i) set 2030 methane reduction targets to near zero methane intensity, and (ii) commit to end all routine and non-essential venting and flaring.
6. Integrate methane performance into oil and gas client screening and due diligence, and consider it when setting terms of finance.
7. Detail how is ING supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; and (iii) encouraging them to join the OGMP 2.0.

26 ING Group N.V.: 2023 Climate Report (2024) ING Group Additional Pillar III Report 2023 (2024), ING takes next steps on energy financing after COP28, 20 December 2023

27 ING Group Additional Pillar III Report 2023

Société Générale[27]

Société Générale has comprehensive disclosures on financed emissions methodology, oil and gas policies and annual reporting. Société Générale says that it is planning to put "systematic attention on methane emissions reduction targets and routine flaring elimination for companies active in upstream". Its oil and gas policy asks that companies have a methane leak and detection management programme. Its policy also takes into consideration methane reduction targets and commitments to end all routine venting and flaring and could go further by making these minimum requirements for financing. Société Générale should continue disclosing financed emissions disaggregated by client's operational (Scope 1 and 2) and end-use (Scope 3) emissions.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Upstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	No target			2022	Not disclosed
			Carbon intensity (gCO_2e/MJ)	No target			2022	Not disclosed
			Absolute financing (units of currency)	2030	-80%	2019	2022	-31%
	Up, mid and downstream	1, 2 and 3	Financed emissions ($MtCO_2e$)	2030	-70%	2019	2022	-40%

Main areas of improvement:

Reporting and target setting

1. Set targets and disclose metrics for financed emissions ($MtCO_2e$) and carbon intensity (gCO_2e/MJ) of upstream oil and gas clients. Ideally CO_2 intensity metrics should also be reported on a disaggregated basis for Scope 1 and 2 and Scope 3.
2. Break out financed methane emissions separately from financed CO_2 emissions.
3. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

4. As part of the published methane policy, require clients to (i) set 2030 methane reduction targets to near zero methane intensity, and (ii) commit to end all routine and non-essential venting and flaring.
5. Integrate methane performance into oil and gas client screening and due diligence and consider it when setting terms of finance.
6. Detail how Société Générale is supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; and (iii) encouraging them to join the OGMP 2.0.

Public policy

7. Advocate for the development of regulation related to methane management internationally, building on policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

27 Société Générale SA: 2023 Climate and Alignment Report (2023), Oil and Gas sector policy (2023), Net Zero Banking Alliance Dashboard (2024)

UniCredit[28]

UniCredit's current financed emissions disclosures and reduction target cover only Scope 3 - this is a significant omission that misses up to 25% of upstream oil and gas emissions and is out-of-line with NZBA guidance. UniCredit's disclosures and targets are set at an aggregated level (up, mid and downstream), which means that there is insufficient transparency on how each part of the value chain is performing. UniCredit does not appear to give much weight to the importance of methane emissions reduction by oil and gas clients in its published disclosures: methane is mentioned only twice in the disclosures studied. UniCredit does not have any published policies detailing how methane features in client engagement.

Reported sector	Value chain	Scope	Target metric	Target year	Target	Baseline year	Latest year disclosed	Performance vs. baseline
Oil, gas and coal	Up, mid and downstream	3	Financed emissions ($MtCO_2e$)	2030	-29%	2021	2022	-10%
			Carbon intensity (gCO_2e/MJ)	No target			2022	Not disclosed
			Absolute financing (units of currency)	No target			2022	Not disclosed

Main areas of improvement:

Reporting and target setting

1. At a minimum include upstream clients' Scope 1 and 2 and Scope 3 emissions in oil and gas targets, as per current NZBA guidelines.
2. Separate upstream, mid and downstream targets and disclosures to allow for better comparability with peers.
3. Set targets and disclose metrics on carbon intensity (gCO_2e/MJ) and absolute financing to oil and gas (in units of currency).
4. Ideally financed emissions and CO_2 intensity metrics should be reported on a disaggregated basis for Scope 1 and 2 and Scope 3.
5. Break out financed methane emissions separately from financed CO_2 emissions.
6. Disclose more granular engagement metrics on methane: (i) the share of oil and gas clients engaged on methane measurement; and (ii) the share of clients directly measuring and reporting methane emissions.

Client engagement on near-term emission methane reductions

7. Set and publish policies which include client methane performance.
8. Require clients to (i) set 2030 methane reduction targets to near zero methane intensity, and (ii) commit to end all routine and non-essential venting and flaring.
9. Integrate methane performance into oil and gas client screening and due diligence and consider it when setting terms of finance.
10. Detail how UniCredit is supporting oil and gas clients in: (i) seeking directly measured methane emissions data; (ii) discussing with relevant clients how they will meet upcoming methane regulations; and (iii) encouraging them to join the OGMP 2.0.

Public policy

11. Advocate for the development of regulation related to methane management internationally building on policies and regulations that try to reduce methane emissions and improve measurement, reporting and verification, e.g., Canada, the European Union, the United States.

28 Société Générale SA: 2023 Climate and Alignment Report (2023), Oil and Gas sector policy (2023), Net Zero Banking Alliance Dashboard (2024)

APPENDIX 3

SELECTED METHANE INITIATIVES AND POLICIES

For further details of methane policies and regulations globally see the IEA methane policy and regulation tracker.

	Global	United States	Canada	European Union
Policy or initiative	Oil and Gas Methane Partnership (OGMP) 2.0	Environmental Protection Agency (EPA) Oil and Natural Gas Methane Standards	Environment and Climate Change Canada (ECCC) Methane regulations for the oil and gas sector	EU Methane regulation
Type	Voluntary reporting framework	Regulation – reporting requirements and mitigation measures	Regulation – mitigation measures	Regulation – reporting requirements and mitigation measures
Status (as of March 2024)	Launched	In force for new facilities. Standards for existing facilities to be in force by 2029.	In force. Recent update yet to be implemented.	Announced
Mandatory measurement, reporting and verification (MRV) requirements	Members commit to reaching Gold Standard of reporting (based on reconciliation of source-level and site-level emission estimates) within 3 years of joining.	High-emitting operators (25,000 metric tons CO2e per year) report methane emissions in Subpart W of the Greenhouse Gas Reporting Program (which includes updated emissions factors based on recent empirical data and calculation methodologies that allow for direct measurement of equipment leaks and pneumatic devices)	Not included. The currently in-force federal regulation requires measurement of vents from compressors. It also requires comprehensive site-level record keeping by source. Annual public reporting of emissions is not required.	Source and site-level MRV required within 30 months of the entry into force of the regulation.
Mandatory leak detection and repair (LDAR)	No	Yes. Quarterly LDAR at leak-prone facilities. Auditory, Visual and Olfactory (AVO) screenings still carried out on some facilities. LDAR using advanced technologies also proposed as alternative.	Yes. Three times per year LDAR at leak-prone facilities. Prohibition of AVO screenings, replaced by more accurate technologies (e.g. Optical Gas Imaging - OGI - cameras).	Yes. Semi-annual to quarterly LDAR on most facilities. No technology specified as of now, OGI is expected to be implicitly required as “type 1” LDAR.
Ban of routine venting and flaring	No	Venting is being regulated at the source level. Ban of flaring on new facilities starting in 2026, existing facilities 2029.	Ban on routine venting, with rather broad exceptions. No clear ban on routine flaring,	Ban on routine venting and flaring, with restricted exceptions.
Definition of methane emission reduction targets / commitments	Operators need to set and disclose individual reduction targets.	No	75% by 2030 compared to 2012 levels.	No
Incentives for methane mitigation	No	No. However, the Methane Emissions Reduction Program under the Inflation Reduction Act does provide incentives for (waste emissions charge and funding for methane emissions detection and mitigation)	The province of Alberta has implemented an offset program which lets operators generate offset credits for taking voluntary actions to reduce emissions.	No
Penalties for non-compliance	No. Operators can lose their “Gold Standard” status if they do not comply with the MRV requirements.	Yes	Yes	Yes