

1. I have a passion for addressing complex problems and helping others to solve them. For this reason, aside from being an environmental attorney, I'm also on the board of the a foundation that assists families struggling with

helping others to solve them. For this reason, aside from being an environmental attorney, I'm also on the board of the a foundation that assists families struggling with infertility with a goal of educating them on options and providing funding to families that are unable to otherwise afford costs associated with infertility treatments.

- 2. Despite practicing law for over 25 years, I have a very entrepreneurial nature and as a result partnered with my husband to own and operate a bakery, boat building company and a commercial and sport fishing business.
- 3. I am a secreted introvert hiding in an extroverts body.

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Lisa Rushton to

Partner, Womble Bond Dickinson



# What are some steps that can help O&G companies start down this road?

E

With regard to the "E", Kimmeridge's report suggests three specific goals for E&P companies:

•Zero flaring of gas. Gas flaring produces 2% of global methane.

•100 percent recycled water for fracking.

•Net zero emissions.

Beyond that, and in line with the reasoning above, E&P companies can indeed look at water recycling in fracking to address the "E" component, but also monitoring pipeline leaks, undertaking clean air initiatives and generally focus on reducing environmental releases and incidents of non-compliance.

S

Employment practices, community engagement, and worker safety measures address the "S" part of ESG, as do the development and implementation of diversity, equity and inclusion programs, efforts to improve customer satisfaction, product safety and quality assurance programs, and overall improvements in data security.

G

As for the "G" in ESG, this refers to the governance factors – policy making and the distribution of rights and responsibilities among different participants in a company, including the board of directors, managers, shareholders, and stakeholders. Governance drives incentivization and adherence to guidelines and includes the role and makeup of boards, compensation and oversight of top executives. These are just a few considerations that are illustrative of ESG opportunities for an industry perceived as antithetical to the framework's guiding principles.

#### What are some specific ESG goals for E&P companies?

The key for any company with regard to ESG is to know where it stands now so that it can get where it wants to be. Every company must understand where they stand within the ESG framework and have policies tailored to that company with goals aligned with business strategies. It seems basic, but it is critical. Only then can progress be measured, and the goals are naturally specific to the nature of each company's business. Establishment of reporting guidelines has begun, which of course will provide a guidepost for the development of programs and benchmarking against other companies. The Securities and Exchange Commission (SEC), the Sustainability Accounting Standard Board (SASB), the American Petroleum Institute (API), Carbon Disclosure Project (CDP), and the Task Force on Climate-related Financial Disclosures (TCFD), are each designing frameworks based on stakeholder input for disclosures and reporting. But regardless of these standards, companies need to create programs that are tailored to their operations.

A September 2020 report by Kimmeridge, an energy focused investment manager, aligns with this thinking and further makes the point that management incentives must be aligned with the established ESG goals. If investors reward ESG companies purely on production, and executives continue to be compensated based on that metric, ESG aspirations will never be met.

#### The State of ESG

## What is your specialty/how do you help the Energy industry?

Environmental Law – my practice includes a mix of transactional, compliance counseling and litigation. I assist companies within the energy industry with everything from the merger and acquisition of companies and asset project development activities, and financing of the same to permitting and compliance, enforcement response activities and litigation. In each case, my focus is on the environmental aspect of the matter at hand.

## In your opinion, what is the current state of ESG in Oil and Gas?

The reality is that we have been moving toward a more holistic approach of managing companies for years. Recent events related to climate change, social unrest, and COVID-19 have pushed ESG concepts to the forefront for investors, customers, employees, and most corporate stakeholders. As I noted in a recent article, ESG: How it Applies to the Oil & Gas Industry and Why It Matters, a lack of ESG strategy will ultimately affect a company's access to public, and increasingly private, capital. Regardless of the drivers, it cannot be denied that ESG has played, and will continue play, a material role in accelerating the world's transition to green(er) energy.

Despite tailwinds from investor, board, employee, and customer interest in ESG, there exists a level of uncertainty as to how companies should approach ESG policies and programs. For this very reason – despite what appears to be an "ESG imperative" – many companies have a range of trepidations with regard to embracing fully the ESG movement, including lack of standards and expense. Interestingly, data exists to show that ESG can improve costs, particularly for those in the energy sector.

Ultimately, many companies are plowing ahead, even though they have questions that typically revolve around how to set targets, who is setting applicable standards, and concerns over public commitments that may be hard to meet.

If you would like to schedule a consultation please email Lisa at:

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