# Consultation on the Renewed Sustainable Finance Strategy – Major Points to be considered

OMV Aktiengesellschaft

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## Introduction

**Building on the 2018 Action Plan on financing sustainable growth**, the Renewed Sustainable Finance Strategy aims to provide a roadmap with new actions to increase private investment in sustainable projects and activities to support the different actions set out in the European Green Deal and to manage and integrate climate and environmental risks into the financial system. The initiative will also provide additional enabling frameworks for the European Green Deal Investment Plan.

**OMV supports the European Commission's sustainable finance initiative.** However, it is crucial that any new obligations based on the current or renewed sustainable finance strategy are carefully assessed and implemented in a way that ensures a competitive level playing field for all European businesses. Generally, many aspects which are targeted by the European Commission's proposals on sustainable finance are already implemented by companies; either enforced through legislation (e.g. Directive 2014/95/EU) or put in place based on self-imposed voluntary commitment.

**An increased investors' request for transparency on climate related issues** and climate actions have been key drivers for the implementation of climate related disclosure systems and the development of low carbon indices. OMV is disclosing environmental and climate related information to investors via ESG rating agencies. Further, OMV is included in the following sustainability indices: Dow Jones Sustainability Index, S&P Europe 350 ESG Index, MSCI ACWI ESG Leaders Index, FTSE4Good, ECPI Indices, STOXX® Global ESG Leaders. OMV responds to CDP Climate Change and currently has an A- leadership CDP rating. Additionally, OMV implements the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into the Sustainability Report.

**The oil and gas industry has also been an early adopter of methodologies to account for and report greenhouse gas emissions.** Already in 2004 the first IPIECA corporate GHG guidelines were developed. IPIECA has created a reporting framework for oil and gas companies to publicly disclose this information in a simple, straightforward and transparent manner, which offers a broad coverage of the issues and provides a consistent reporting methodology. Understanding the sources and quantity of emissions is crucial to enable the industry to tackle the most significant emission sources.

## OMV is Part of the Solution

**As a supporter of the Paris climate agreement and the EU 2030 climate strategy**, OMV already contributes significantly to the reduction of GHG emissions. Acknowledging our share of responsibility, we dedicate an entire focus area of the company's sustainability strategy to climate change mitigation activities. We aim to reduce carbon intensity of operations by 19 % until 2025 (vs. 2010) and the carbon intensity of OMV's product portfolio by 4% until 2025 (vs. 2010). Furthermore, a zero routine flaring & venting policy for new projects and a phase out for existing routine flaring & venting latest until 2030 is introduced via the OMV Group Standard Environmental Management and via endorsing the World Bank Initiative "Zero routine flaring by 2030".

**OMV's GHG emission reduction projects implemented since 2009 delivered a total reduction of 1.8 mn t $CO_2$ equivalent so far.** For OMV, an integrated oil and gas company, environmental management is more than compliance with legal requirements. We manage environmental impacts along the entire value chain, from upstream and downstream production to product quality. The overall strategic goal is to minimize OMV's environmental impact, risks and liabilities. We identify and effectively manage environmental risks in all operations in line with local regulation. To use natural resources including energy efficiently is as important as to avoid waste and to manage environmental costs. A responsible business behavior is crucial for us to gain access to new resources, to create win-win situations for the environment, society and our business and to secure social acceptance of our operations. OMV aims to provide energy for the sustainable economic development in line with social needs and minimum environmental impact.

## Key Issues in the Context of Sustainable Finance

**It is essential that the Renewed Sustainable Finance Strategy and the EU taxonomy are technology neutral.** We are convinced that all forms of energy will be needed to meet growing global energy demand and climate goals at the same time. The oil and gas industry is already investing in R&D illustrating the dedication of the industry to contribute to the mitigation of climate change risk. Therefore, the Renewed Sustainable Finance Strategy must not exclude sectors or assets per se, but should follow an inclusive approach. All carbon emission reduction activities including the development of new liquid fuels which enable improving energy efficiency and/or the carbon footprint, increasing use of green gas and hydrogen in the energy system and CCS and CSU should be taken into account. Furthermore, it is crucial to acknowledge the importance of transitional activities as any technology with a potential to reduce $CO_2$ emissions needs to be considered in order to achieve the European Union's climate targets. In this context, it is vital to recognize the importance and benefits of gas technologies in the energy transition. It is widely agreed upon that in Europe the most efficient way to reduce $CO_2$ emissions significantly is to replace coal with gas. Gas can make a cost efficient contribution from today up to the 2050 climate neutrality objective of the EU and this positive contribution must be taken into account accordingly. It needs to be understood that the oil and gas industry is part of the energy transition solution. An inclusive approach that considers all technologies reducing GHG emissions in all economic activities will be needed to deliver on the European climate goals.

**The Renewed Sustainable Finance Strategy must not hinder the development of new low-carbon technologies in the oil and gas sector by hampering investments in that field.** OMV is actively developing innovative technologies, contributing to decarbonization. ReOil, for instance, describes an innovative process that converts plastic waste into so-called recycled crude oil. This recycled crude can be processed into any desired refinery product, while reducing the dependence on fossil resources and improving carbon intensity. Advanced fuels on the other hand are synthetic fuels produced from water and $CO_2$ with the help of sunlight and catalysts. They can help to run cars, trucks, planes or ships $CO_2$ neutrally. Also compressed natural gas (CNG) can contribute to a low carbon economy, as it is currently the most cost-effective way to significantly reduce road traffic emissions. Using LNG as fuel for trucks and ships can lower GHG emissions notably as well. OMV also invests in research on hydrogen and plays a pioneering role in hydrogen filling stations in Austria. We opened Austria's first public hydrogen filling station already in October 2012. In Germany, OMV is part of the $H_2$ mobility initiative, which intends to build a national network coverage of hydrogen refueling stations. Therefore, the Renewed Sustainable Finance Strategy must not prevent investment in the oil and gas industry. Doing so would mean to limit the great potential in the oil and gas sector to reduce GHG emissions substantially.

**The Renewed Sustainable Finance Strategy has to consider a socioeconomic perspective.** It should be developed with a focus on the EU sustainable development priorities and include social and economic dimensions in addition to environmental classifications (triple-bottom-line-concept). Competitiveness, affordability and security of supply are crucial factors that need to be taken into account when assessing an investment. Also, a significant number of jobs depend on the oil and gas industry in Europe. Only a smooth energy transition will prevent harmful job cuts with unforeseeable consequences. It must be ensured that there is planning security for the financial industry, energy companies and other market participants.

**All stakeholders need to be involved in the process.** In spring 2018 the European Commission set up a Technical Expert Group on Sustainable Finance whose purpose is to define the details of the EU's classification system for sustainable economic activities – the taxonomy Hence, the Technical Expert Group plays a crucial role in the process. Unfortunately, the composition of this group is unbalanced as it is lacking representatives from the energy production sector (producers, refiners, transport). This means crucial expert knowledge for identifying relevant activities contributing the EU's environmental and climate objectives is missing. Once the mandate of the Technical Expert Group ends, a Sustainable Finance Platform will be set up. It is of utmost importance that experts from all industries – including the oil and gas industry – are represented on this platform. This is the only way to ensure that future taxonomy decisions are based on sufficient expertise.

**An international approach should be reached.** Overall, policy makers should ensure that the proposed regulations do not create market distortions that can harm the market's future healthy growth and development by limiting investor's autonomy in taking decisions. Any future mandatory European carbon disclosure system should be carefully designed and should be built on an existing voluntary disclosure system, for example CDP Climate Change. The sustainable finance initiative should be discussed and agreed at a global level (e.g. OECD, G20) in order to avoid competitive disadvantages for European countries and industries. Implementing the proposed regulations in the European Union would only create a competitive disadvantage for companies operating in the EU. The already heavily burdened European industry would be forced to divert investments outside the EU leading to investment leakage.

**OMV emphasizes that the most efficient way to achieve ambitious climate goals is to ensure a well-balanced and sustainable transition** that takes into account limits from existing state of play and does not put the economic growth of the European Union and its Member States at risk. Phasing out gas projects and hindering investments in the oil and gas sector before non-hydrocarbon energy resources are affordable on a large scale in a current economic setup would jeopardize Europe's transition towards a cleaner and sustainable economy and threaten economic development as well as the energy security of the EU.