EO100™ Certification System: Empowering Oil and Gas Users to Transform the Industry for Good

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Energy Impacts: needs assessment

• As global energy demand grows, energy development is expanding

• Energy development projects profoundly impact people and nature and carry a history of social disruption and environmental damage

• New tools are needed to define and incentivize best practices for developing all energy sources to minimize negative impacts
An integrated market mechanism that links responsible energy development with ethical consumption

1. **EO100™ Standard**
   Adopt comprehensive, consensus-based management system and performance standard

2. **Implementation & Engagement**
   Training and capacity building for operators/project developers and communities

3. **Assurance & Certification**
   Verify site-level practices using independent, approved third-party auditors resulting in a performance score

4. **Market Mechanism**
   EO Credits and Membership are private sector engagement tools to represent impacts of energy use

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**The Equitable Origin™ System**

**Supply-side** *Producers of ENERGY*

**Demand-side** *Users of ENERGY*
• Despite recent buzz about renewables having “won,” petroleum liquids currently account for 26% of transportation fuels, with little change in demand through 2040.

• How can transportation purchasing managers understand and mitigate the impacts of their fuel sourcing?
Common fuel supply-chain risks identified by our stakeholders

- Global oil production: 90 million bpd
  - Expanding into socially and environmentally sensitive areas

- Increasing demands on operators
  - Resistance, protests, & legal actions disrupt production and supply chain

- Supply chain managers are under greater pressure to ensure responsible sourcing
  - Links to irresponsible suppliers a growing reputational risk for downstream stakeholders, even for “untraceable” commodities

- Lack of transparency in oil and gas industry
  - Hinders downstream risk assessment
Proof of concept: first EO100 site certification

- **Site name:** Rubiales & Quifa Fields
- **Operator:** Pacific Rubiales Energy
- **Location:** Department of Meta, Colombia
- **Area:** 214 hectares (529 acres)
- **Type of production:** Oil (250,000 BPD)
- **Production phase:** Production
- **Number of employees:** Approx. 2,506 (excluding contractors)
- **Date of certification:** August 4, 2014
- **Audit firm:** Deloitte & Touche Ltda., Bogota, Colombia
- **EO Leadership Rating:** Bronze

*Five* more oil and gas sites in various stages of implementation; draft shale standard released Spring 2015; scope to include *renewables* 2016+.
Launching the EO Market Mechanisms

EO’s Market Mechanisms empower purchasers to drive change through incentives to adopt and certify to the EO Standard(s):

<table>
<thead>
<tr>
<th>EO Credit Market</th>
<th>EO Membership</th>
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<tbody>
<tr>
<td>Launched 1Q15</td>
<td>Currently piloting</td>
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<td>Directly incentives uptake by demonstrating willingness to pay for responsible practices</td>
<td>Facilitates uptake through collaborative development of risk analyses, sector profiles, supplier guidelines &amp; best practices, and certification requirements</td>
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<tr>
<td>Direct incentive</td>
<td>Supply-chain lever</td>
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Empowering purchasers with the EO System

**Upstream**
- Encourages fuel suppliers to pursue EO100 site certification
- E & P Company
- Certifies sites under EO100 Standard

**Transportation & fuels purchaser**
- Improved development practices; increased supply chain transparency; reduced risk of supply disruption; reduced reputational risk

**Downstream**
- Requires supplier to tie X% of spend to responsible production
- Supply chain partner
- Purchases EO Credits

- **E & P Company**
- **Supply chain partner**
Thank you

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Q&A Supplement
EO100 Implementation, verification, and scoring

EO100™ Standard Principles:

1. Corporate Governance, Accountability & Ethics
2. Human Rights, Social Impact & Community Development
3. Fair Labor & Working Conditions
   - Provision 1
4. Indigenous Peoples’ Rights
   - Provision 2
5. Climate Change, Biodiversity & Environment
   - Provision n
6. Project Life Cycle Management

Third-party Certification Body

Performance Target

EO Certification Score
Credit Revenue Distribution

75% to Operators of sites certified to the EO100™ Standard:
• Invested according to Revenue Investment Plan agreed by Operator & Regional Stakeholder Council; ensures that:
  • certificates revenue is not a “reward” for business-as-usual performance
  • funds received through certificate sales are invested in sustainable development, environmental enhancement, and operational innovation, and that the investment decision-making process is inclusive, transparent, and impactful.

25% to EO (including any commissions due to brokers):
• Contribute to a fund dedicated to sustainable development of the communities most affected by oil and gas production;
• Defray the cost of EO’s operations, research and consultation activities;
Theory of Change

Tools
- Supporting Strategies

Stakeholder Engagement

Operators
- EO100™ Standard
  - Guidance
  - Training

Indigenous Peoples Groups
- Certification
  - Affiliation
  - Assurance
  - Gap analysis & implementation support
  - Training

Investors

SRIs

NGOs

Governments

Downstream Energy Users

Academics

Market Mechanisms
- Membership
- Credits

Impacts

TRANSPARENCY
Energy development is transparent & accountable

HEALTHY, PROSPEROUS AND EMPOWERED COMMUNITIES
Affected communities are empowered to participate in energy development decisions; development ensures the health and safety of workers and communities and respects and upholds their human rights; development promotes prosperity of communities

ENVIORNMENTAL STEWARDSHIP
Energy development ensures environmental stewardship in impacted areas

HUMAN RIGHTS
Energy development respects and upholds the human rights of affected workers and communities