Annual Review 2012
Meeting challenges today, for tomorrow
ANNUAL REVIEW 2012

IPIECA, the global oil and gas industry association for environmental and social issues, was established in 1974 in response to the formation of the United Nations Environment Programme (UNEP). Today, the organization remains the oil and gas industry’s principal channel of communication with the United Nations.

IPIECA’s vision is for an oil and gas industry that successfully improves its operations and products to meet society’s expectations for environmental and social performance. IPIECA works to achieve this by developing, sharing and promoting good practices and solutions, enhancing and communicating knowledge and understanding, engaging members and others in the industry, and working in partnership with key stakeholders.

Covering both the upstream and downstream sectors of the industry, IPIECA’s membership is broad and includes 35 companies responsible for more than half of the world’s oil and gas production, as well as 16 oil and gas associations.

‘Meeting challenges today, for tomorrow’ is the theme for IPIECA’s 2012 Annual Review. This was also the concept behind the industry’s input into the United Nations Conference on Sustainable Development (Rio+20) which took place in June 2012 in Rio de Janeiro, Brazil. This input was led by IPIECA and is outlined in further detail in this Review.

The 2012 Annual Review provides details of the achievements and progress made by the association over the past year in improving the industry’s environmental and social performance, and introduces the new strategy for IPIECA’s work over the next four years.

IPIECA’s position as the global industry reference for good practice in environmental and social issues is thanks to the hard work of its members, the Secretariat and key stakeholders. This collaborative effort contributed to IPIECA’s successes throughout 2012 and is acknowledged in further detail throughout this Review.
Chair’s statement

Welcome to the 2012 IPIECA Annual Review. It is an honour to be chairing IPIECA after seven years of involvement in the association, and to represent ExxonMobil on the Executive Committee. I am extremely grateful to my colleagues on the Leadership Team—Liz Rogers (BP), Rosanna Fusco (Eni) and Kelly Kowalchuk (Nexen)—for guiding and supporting me in my new role. Also, I would like to thank Georgia Callahan (Chevron) for her effective direction, drive and dedicated leadership as Chair of IPIECA from 2008 to 2012, as well as Beatriz Espinosa (Petrobras) for her role as Vice Chair from 2008 to 2012.

In 2012 IPIECA underwent an intensive and thorough strategy review. Moving forward, the association will concentrate on ensuring depth and uptake of its good practice, informing global policy and engaging proactively with external stakeholders. IPIECA will also work to anticipate challenges through increased focus on identifying and assessing emerging issues. This approach puts IPIECA in a better position to support the industry in improving environmental and social performance.

During 2012, IPIECA coordinated the industry’s involvement in the Rio+20 conference. Representatives from the IPIECA Secretariat and a large number of members attended the conference and a special oil and gas session was organized. A dedicated task force, led by Beatriz Espinosa, with input from all IPIECA’s working groups and the Communications Task Force, led to a set of industry-wide messages and fact sheets on key sustainability issues. These represent a step change in IPIECA’s external communication of the environmental and social challenges facing the industry. Their use beyond Rio+20 will help IPIECA to ensure that the work and commitment of the industry in this regard will continue to be strengthened, communicated and recognized.

IPIECA has a 16-year-long partnership with the International Maritime Organization (IMO), building capability for oil spill preparedness and response. Progress on this work is summarized in this Review. Also covered is the second year of progress in the IPIECA Business and Human Rights Project. Building on a decade of active engagement by IPIECA on business and human rights, this project is focused on continued peer learning, the production of industry guidance and participation in external initiatives. Considerable progress has been made, and the oil and gas industry is recognized for its commitment to continuous improvement and technical knowledge sharing.

At the end of my first year as Chair I would like to thank the Secretariat for their continued dedication and hard work. With Brian Sullivan now settled into his role as Executive Director, IPIECA can make strides in implementing its new strategic direction and I look forward to meeting the opportunities and challenges that lie ahead with the rest of the Leadership Team, the Executive Committee and the wider IPIECA membership.

IPIECA Leadership Team and Executive Committee 2012

Chair
Rick Mire (ExxonMobil)

Vice Chairs
Liz Rogers (BP)
Rosanna Fusco (Eni)
Kelly Kowalchuk (Nexen)

Executive Committee
Phil Michelli (BG)
Georgia Callahan (Chevron)
Jennifer Barringer (ConocoPhillips)
Elizabeth Cheney (Hess)
Doug Rogers (Marathon)
Beatriz Espinosa (Petrobras)

Bea Ponnudurai (Petronas)
Ramón Alvarez-Pedrosa (Repsol)
Abdulmuhesen Al-Sunaid (Saudi Aramco)
Allard Castelein (Shell)
Sophie Tibble (Statoil)
Manoelle Lepoutre (Total)
The 2012 strategic planning review

During 2012, IPIECA carried out an extensive review to develop the organization’s 2013–2016 Strategic Plan.

Members’ survey

IPIECA is a membership driven organization. It is important that the association fully understands the specific needs of its membership, which includes both international and national oil and gas companies of varying sizes. To that end, members took part in an online survey to provide feedback on overarching industry trends and emerging issues, as well as on IPIECA’s performance overall. The results revealed high levels of satisfaction with IPIECA, and with the progress made by its working groups and task forces. The feedback also identified opportunities for becoming more focused on key areas, such as climate change, as well as speeding the delivery of practical tools and advice on important topics.

Issues Assessment Forum

The Issues Assessment Forum took the results of the members’ survey and stakeholder dialogue a stage further, while taking into account global issues and long-term industry trends. Presentations from a panel of experts provided useful external perspectives on key issues. The panel included:

- **Arab Hoballah**, Chief, Sustainable Consumption and Production Branch, UNEP;
- **Christoph Frei**, Secretary General, World Energy Council;
- **Julie McDowell**, Head of Sustainable and Responsible Investment, Standard Life Investment; and
- **Sam Mountford**, Director of Global Insights, GlobeScan.

The input gathered during the Forum provided a focus for future project work. A number of key issues identified at the Forum were acknowledged and taken into account in the 2013–2016 Strategic Plan.

Stakeholder dialogue

In February 2012, IPIECA hosted a two-day dialogue with 26 stakeholders from the UN, academic bodies, civil society, financial institutions, investors and other key sectors plus 23 industry representatives from the IPIECA membership. IPIECA invited stakeholders to share their insights into the sustainability challenges, priorities and trends facing the association and the oil and gas industry in the years to come.

The views expressed by stakeholders during this process were not unanimous; nevertheless, some clear themes emerged regarding IPIECA’s overall ambition and leadership role, its governance and structure, and priorities and focus. Some of the stakeholders challenged IPIECA and its members to review their ambition level, and to more effectively address the sustainability imperatives and transitional challenges facing the industry in the decade ahead. Stakeholders perceived a lack of sectoral leadership on climate change in particular, and encouraged IPIECA to be more ambitious on this topic. It was recommended that IPIECA’s activities should be based on clear, action-oriented deliverables, developed in consultation with stakeholders, and with measurable results and uptake.

Above: delegates at the two-day stakeholder dialogue held in Rome, Italy in February 2012.
IPIECA’s 2013–2016 strategic direction

Building on the input from members and stakeholders, as well as the scanning and assessment of issues, the IPIECA Executive Committee developed a new strategic direction for the association. This new strategy involves providing stronger leadership on environmental and social issues for the oil and gas industry. Leadership will be secured and developed by:

- enabling the industry to improve environmental and social performance through greater quality, depth and uptake of good practice;
- informing global policy and external stakeholders proactively and credibly on environmental and social issues; and
- anticipating challenges for the industry through increased focus on scanning and assessing emerging issues, and developing actions.

All IPIECA groups have aligned their activities with the high-level strategic intent and integrated them within the themes of climate and energy, the environment and social responsibility. This will ensure that IPIECA’s programmes remain relevant to members while also providing a basis for proactive and credible engagement with stakeholders. In the context of a rapidly changing environment and challenges facing the industry, the ability to anticipate emerging issues will enable IPIECA to become more responsive in supporting the requirements of its membership.

IPIECA’s new strategy, to be submitted for approval at the annual general meeting in April 2013, offers the opportunity to build on the extensive portfolio of work developed over many years. We look forward to communicating the association’s progress over the next four years.
United Nations Conference on Sustainable Development: Rio+20

Outcome from the Conference
At the Rio+20 conference, held in June 2012 in Rio de Janeiro, world leaders joined 50,000 representatives from governments, the private sector, NGOs and other groups, to discuss how to reduce poverty, advance social equity and protect the environment on an ever more crowded planet.

After lengthy and contentious negotiations, heads of state and government ministers agreed the outcome document, *The Future We Want*.

Overall, the Rio+20 outcome document presents no major immediate implications for the oil and gas industry. However, as the process for implementing the Rio+20 outcomes continues to emerge within the UN system, the following proposed actions are worth noting:

- Forming an open working group to develop global sustainable development goals for implementing and mainstreaming sustainable development.
- Strengthening and upgrading the United Nations Environment Programme.
- Establishing a high-level political forum to energize the follow-up to Rio+20 and replace the UN Commission on Sustainable Development.
- Recognizing the need for the private sector to actively participate in achieving sustainable development, including through partnerships—a specific call on the private sector to engage in responsible business practices.
- Acknowledging the importance of sustainability reporting, and encouraging its integration into corporate strategy.
- Adopting a 10-year framework of programmes on sustainable consumption and production, and confirming prior commitments to phase out fossil fuel subsidies (G20 summit, 2009).

As a ‘political declaration’, the Rio+20 outcome document is not binding for governments and much of the detail continues to be worked out. The challenge now is scaling up both action and ambition.

Business and industry at Rio+20
The business and industry delegation at Rio+20 was the largest ever to attend a UN conference and many were present to encourage governments and policy makers to create enabling frameworks to advance investment and innovation in sustainable business practices.

Business Action for Sustainable Development (BASD), a coalition of leading international business groups convened by International Chamber of Commerce (ICC), the World Business Council for Sustainable Development (WBCSD) and the UN Global Compact, was the official UN coordinator for business and industry at the conference and in the preparatory process leading up to Rio+20. IPIECA was one of the 11 BASD partners.
IPIECA’s contribution to Rio+20

IPIECA coordinated the oil and gas industry’s contribution to Rio+20, and the wider preparatory process leading up to it. From a process which began in June 2010, a set of messages was developed, demonstrating the industry’s commitment to sustainable development and describing how further goals can be achieved in the future.

The oil and gas industry messages were presented at Rio+20 during an IPIECA session at the BASD Business Day, chaired by Renato Bertani (Chair and President, The Brazilian Petroleum, Gas and Biofuels Institute; World Petroleum Council). Overview presentations were delivered by Brian Sullivan (Executive Director, IPIECA) and Milton Costa Filho (Chair, Regional Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean—ARPEL).

A panel (see picture) offered a number of examples of how the industry is working to meet the challenge of providing essential fuels in ways that are environmentally and socially responsible.

One issue highlighted during the session was that oil and gas companies will continue to invest in new sources of energy and technology to meet growing demand and the challenges of climate change. They will continue to research and develop low-carbon energy sources and technologies, including advanced biofuels, other types of renewables, and carbon capture and storage. The industry will also play its part in further encouraging the efficient use of energy, and will continue its commitment to safe, clean, reliable, efficient and ethical operations while at the same time providing energy products that contribute to global economic and social development. It was recognized that scaling up current efforts can only be achieved through partnerships between governments, consumers, communities, NGOs, and business and industries around the world.

IPIECA-OGP® Rio+20 fact sheets

A series of fact sheets showcasing how the industry is working to achieve progress on critical environmental and social issues complemented the messages developed for the Rio+20 conference. The messages and fact sheets are available on a dedicated Rio+20 mini-site: http://rio20.ipieca.org.

Topics addressed by the fact sheets include:

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* OGP: International Association of Oil and Gas Producers
The Global Initiative: partnership for enhanced oil spill response

The Global Initiative (GI) programme, established in 1996 by IPIECA and the International Maritime Organization (IMO), is expanding its work on reducing global oil spill risk in priority locations. The programme helps countries to develop national structures and capability for oil spill preparedness and response.

Key facts and features
The GI has made significant progress in improving oil spill response capability, through organizing regional and national workshops as well as training courses and exercises that encourage better communication and cooperation between government and industry. These activities support the development and implementation of national, regional and sub-regional oil spill contingency plans, and encourage the ratification of relevant international conventions. The International Convention on Oil Pollution Preparedness, Response and Co-operation, 1990 (OPRC 90) calls for national authorities and the oil and shipping industries to unify response efforts. The GI meets this requirement by sharing good practice between regions.

It also helps regions by developing specific tools—such as sensitivity mapping—that help preserve environmentally sensitive areas (like protected natural sites or species) and the local economy (including fisheries and tourism).

New programmes in 2012
South East Asia
Throughout 2012 IPIECA worked with its international and regional partners to establish a new GI programme in South East Asia. The programme was initiated in the light of several factors, including increased shipping traffic, growing exploration and production activities, a lack of consistency in applying international legislation and the effectiveness of regional agreements and national plans. The new programme, launched in March 2013, demonstrates a major commitment from both industry and government to improve oil spill preparedness and response in the region.

China
In 2012 IPIECA and the IMO, working with key stakeholders in China, explored the possibility of establishing a GI programme to address oil spill risks in the region. At a workshop hosted by the China Maritime Safety Agency (June 2012, Qingdao, China) participants agreed to the establishment of an informal oil spill preparedness and response technical consultative group, and approved the options for a biennial programme of joint GI activities. The programme will be launched in 2013.

Regional cooperation
OSPRI Caspian, Black Sea and Central Eurasia
Established in 2003, the Oil Spill Preparedness Regional Initiative (OSPRI) has built relationships between governments and international partners, leading to significant improvements in preparedness. OSPRI, which currently has 11 oil company members, continues to work with governments to develop integrated and sustainable national and regional oil spill response capability.

Mediterranean Sea
The Mediterranean Oil Industry Group (MOIG), launched in 2004, has 24 oil company members and commercial providers in the region. The group engages in collaborative activities with the Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea (REMPEC).

West, Central and Southern Africa
IPIECA and IMO set up the GI for West, Central and Southern Africa (GI WACAF Project) in 2006. The project, supported by eight oil company members, is implemented in partnership with the UNEP Regional Seas programme, the Guinea Current Large Marine Ecosystem Project, various bilateral cooperation initiatives and the recipient countries.
Areas where the Global Initiative is present

- Mediterranean Sea (MOIG)
- Caspian, Black Sea and Central Eurasia (OSPRI)
- West, Central and Southern Africa (GI WACAF)
- South East Asia
- China

The current regions of GI activity were identified as being those that would benefit most from joint industry and government collaboration. There are several other regions which are currently being considered for future GI activities.

“The IMO-IPIECA GI has been a successful model of partnership between government and oil industry that catalysed the establishment of effective oil spill preparedness and response strategies at regional and national levels, as well as promotion of policy harmonization in the regions of its operation. IMO looks forward to continued partnership with IPIECA, with the intention of further strengthening the existing GI programmes and exploring new regions where the GI can help develop response capabilities.”

Dr Stefan Micallef,
Director, Marine Environment Division, IMO
The Business and Human Rights Project

The oil and gas industry operates in complex environments where human rights issues are a central concern. In June 2011, IPIECA launched a three-year project to provide members with a forum for sharing good practice on human rights due diligence and grievance mechanisms, and to help oil and gas companies implement new and emerging international guidance on business and human rights.

During 2012, this project, building on a decade of activity by IPIECA on business and human rights, focused on peer learning, industry guidance and participation in external initiatives. As a result of these efforts the industry has been recognized for its commitment to continuous improvement and technical knowledge sharing.

Advancing good practice on human rights

During the year IPIECA launched three publications designed to enhance the capability of oil and gas companies to manage human rights issues and their impacts in business operations:

- **Human rights due diligence process**—a practical guide to implementation for oil and gas companies. This publication clarifies and describes the due diligence process for managing potential human rights issues and impacts throughout the life cycle of an oil and gas operation.

- **Operational level grievance mechanisms**—IPIECA good practice survey. This draws together key insights on designing and implementing community grievance mechanisms. The survey will inform a series of pilot projects sponsored by IPIECA members to test different approaches to implementation on the ground.

- **Human Rights Training Tool** (third edition). This Tool is designed to improve companies’ capabilities in managing human rights issues and their impacts on business operations, suppliers/contractors, provision of security and community engagement, through employee training.

Engaging externally on business and human rights issues

A key aim of the Business and Human Rights Project is to share IPIECA’s knowledge and inform socially responsible policies and standards. During 2012, project members engaged with a number of external initiatives. In May 2012, IPIECA joined the European Commission’s oil and gas sector advisory group which aims to develop guidance on business and human rights for the sector. The group is coordinated by two non-governmental organizations—the Institute for Human Rights and Business, and the Shift Project which aims to help governments, businesses and their stakeholders put the UN Guiding Principles on Business and Human Rights into practice. The guidance will be completed in early 2013.

In December, IPIECA and the International Council on Mining and Metals (ICMM) held a special session for the extractives sector to coincide with the Annual Forum of the UN Working Group on Business and Human Rights in Geneva. The session assessed the broader uptake of the UN Guiding Principles on Business and Human Rights within the extractives sector and outlined practical approaches by companies to respecting human rights.

Building capacity for use of the voluntary principles on security and human rights

During 2012 IPIECA held a series of regional workshops on the implementation of the Voluntary Principles on Security and Human Rights (VPs). Developed in collaboration with ICMM, the VPs Corporate Pillar and the International Finance Corporation (IFC), and co-hosted by a number of regional sponsors, the workshops focused on how to use the VPs Implementation Guidance Tools. The popularity of the workshop series demonstrated the value of providing a forum for industry professionals to share experiences in this complex area and learn more about the Voluntary Principles.
The Voluntary Principles and the Implementation Guidance Tools

The Voluntary Principles on Security and Human Rights are a set of non-binding principles created to assist extractive companies to balance security concerns with human rights. The VPs were launched in 2000 and are a tripartite multi-stakeholder initiative. Participants include 7 states, 11 NGOs, 20 companies and 5 organizations with observer status. IPIECA contributed to the development of the Voluntary Principles Implementation Guidance Tools (IGT), published in 2011, alongside the International Committee of the Red Cross (ICRC), ICMM and the International Finance Corporation (IFC). The IGT is a practical guide designed to help companies maintain operational security while ensuring respect for human rights and humanitarian law.

“Respecting human rights is a core commitment for the members of ICMM and IPIECA, and the extractives sector has played a leading role in implementing the UN Guiding Principles and other external guidelines. ICMM welcomes collaboration with IPIECA to further learning on this issue as both organizations continue to support our members with implementing the respect agenda.”
Aidan Davy, Deputy President, ICMM

“Through the Business and Human Rights Project, IPIECA members are working together to advance knowledge and demonstrate the industry’s commitment to continuous improvement.”
Tam Nguyen, Project Chair, Chevron
Programme overview

Climate change

The growth in economic activity across the globe is generating greenhouse gas (GHG) emissions at an increasing rate. As a result, society has recognized the need to change the way it produces and uses energy. The oil and gas industry is participating in the challenge of reducing emissions by developing and implementing new technologies, and grasping opportunities to provide new and sustainable energy options.

IPIECA held two workshops in 2012 to further develop members’ knowledge on climate change issues. At the first workshop, held in March in Texas, USA, experts discussed the increasing role of natural gas, with a focus on the life-cycle GHG emissions from various sources of natural gas, as well as other fuels. The event also explored the growing use of natural gas to supply energy and generate electricity, as well as the implications of a gradual shift from coal to gas. The outcomes were presented at an IPIECA side event held at the 18th session of the Conference of the Parties (COP 18) to the UN Framework Convention on Climate Change (UNFCCC), held in Doha, Qatar, from 26 November to 8 December.

The second workshop, held in October in London, UK, addressed adapting to climate change in the oil and gas industry. The event focused on assessing vulnerabilities, managing associated risks, and adaptation planning for mitigating impacts.

IPIECA also released its report Carbon capture and storage: addressing the remaining knowledge gaps, from the September 2011 workshop of the same name. The publication addresses an essential mitigation technology and the related constraints to its adoption. The document highlights: the industry’s depth of experience in carbon dioxide (CO₂) storage and other aspects of carbon capture and storage (CCS) projects; barriers to CCS developments (including increased costs, integration of CCS into infrastructure, CO₂ storage, regulatory frameworks and public acceptance); as well as the continued need for demonstration projects to lower costs and refine technology.

This year also saw the publication of the fifth edition of Climate change: a glossary of terms. This was first published in 1999 as a response to the rapid growth of terminology related to climate change and the UNFCCC negotiations. The latest edition contains the new terms emerging from recent COP meetings.
As vehicle emission control technology advances, the oil industry is increasingly being challenged to produce and supply cleaner, better performing hydrocarbon fuels to ‘enable’ advanced emission control technologies. The oil and gas industry seeks to improve its environmental performance, not only by increasing availability of more sustainable fuels, but also by improving health, safety and environment management throughout the supply chain.

The UNEP-led Partnership for Clean Fuels and Vehicles was relaunched in 2012. It aims to complete the phase-out of leaded gasoline, reduce sulphur emissions and tackle diesel emissions, particulate matter and black carbon. Recognizing IPIECA’s role in the Partnership since 2001, Achim Steiner, UNEP Executive Director, said, ‘The elimination of leaded gasoline is an immense achievement on a par with the global elimination of major deadly diseases. This will go down in history as one of the major environmental achievements of the past few decades. It is a triumph of diplomacy and public-private collaboration … Without the close involvement of IPIECA, we would not have achieved the results we have today.’

IPIECA has developed a close relationship with the Global Fuel Economy Initiative (GFEI). The GFEI is a partnership that promotes debate and discussion around the issue of fuel economy and seeks a 50% improvement in the average fuel economy of all light-duty vehicles on the road by 2050. Going forward, IPIECA is considering participating in the stakeholder board of the initiative to support these goals.

Promoting sustainability throughout the biofuels supply chain continued, with the release of the guidance document, The biofuels and water nexus, which addresses water-related issues linked to first-generation ethanol and biodiesel production. A workshop on biofuels sustainability standards and regulations was held jointly with CONCAWE, the oil companies’ European association for environment, health and safety in refining and distribution. It reviewed the impact of regional regulations on biofuels sustainability certification, assessed standards and voluntary schemes and considered improvements. The workshop also compared the sustainability objectives for biofuels with those of other industries.

In January 2012, IPIECA released the largest publicly-available dataset on mercury content in crude oils. It covered 446 crude oils and condensates, and demonstrated the low proportion of mercury emissions from the oil and gas sector. In January 2013 governments agreed the Minamata Convention, the first global legally binding instrument on mercury, at a meeting in Geneva, Switzerland. The treaty will be signed in October 2013 in Minamata, Japan, and provides controls and reductions across a range of products, processes and industries where mercury is used, released or emitted. Oil and gas production and processing facilities are not included in the treaty, recognizing the industry’s very limited contribution to global mercury emissions.

Progress in downstream environmental management included the new good practice report, Refinery air emissions management. This describes strategies for petroleum refineries to manage emissions of air pollutants.
Biodiversity

To meet rising energy demand, oil and gas exploration is increasingly taking place in environmentally sensitive locations. Through a joint effort with OGP, IPIECA offers practical support and guidance to help members manage risks associated with oil and gas operations without adversely affecting nature, and to engage stakeholders in conservation issues.

The oil and gas sector is leading the way in integrating biodiversity and ecosystem services (BES) into operations. Early 2012 saw the launch of a new awareness briefing, Managing oil and gas activities in coastal areas. It contains recommendations for oil and gas development in coastal environments and builds upon the basic concepts for minimizing impacts on BES.

In October, IPIECA took part in the 11th meeting of the Conference of the Parties (COP) to the UN Convention on Biological Diversity, in Hyderabad, India. The event focused on meeting the Aichi targets, established during COP 10 in Japan, which cover broad-based biodiversity actions required of all countries in the next decade. To coincide with COP 11, IPIECA launched a set of case studies based on the IPIECA-OGP good practice outlined in Managing biodiversity impacts: 10 tips for success in the oil and gas industry. These case studies highlight the effective management of operational impacts and risks on the natural environment.

IPIECA, ICMM and the Equator Principles Association established the Cross-Sector Biodiversity Initiative (CSBI). Formally launched in early 2013, the initiative aims to develop and share good practice for applying the new IFC Performance Standard 6 on Biodiversity Conservation and the Sustainable Management of Living Natural Resources.

IPIECA works with the UNEP-World Conservation Monitoring Centre (UNEP-WCMC) on items of mutual interest. UNEP-WCMC plays an important role in the biodiversity and ecosystem services arena and ensures IPIECA members are kept abreast of policy developments and global trends. IPIECA supports the work of the Proteus Partnership, led by UNEP-WCMC, which aims to make available global biodiversity data.

Left: a collection of case studies, based on the IPIECA good practice outlined in Managing biodiversity impacts: 10 tips for success in the oil and gas industry, can be found on the IPIECA website at: www.ipieca.org/topic/biodiversity/biodiversity-case-studies
**Water**

Water is vital to all oil and gas operations, and the industry is committed to reducing water demand and the impact on fresh water in areas of water stress. IPIECA aims to increase awareness of global and local water risk, develop good practice for water management along the oil and gas life cycle, and promote greater consistency in reporting. In March 2012 the Global Environmental Management Initiative (GEMI) Local Water Tool™ for Oil and Gas was launched, complementing IPIECA’s 2011 Global Water Tool for Oil and Gas. The GEMI tool helps companies to assess external impacts, business risks and opportunities, and manage water-related issues, at specific sites. When used together with the IPIECA Global Water Tool for Oil and Gas it enables companies to screen for potential risks and then delve into actual risks at specific locations. Both the GEMI and IPIECA tools were demonstrated at an IPIECA workshop, held in April 2012 in Milan and at World Water Week, held in August 2012 in Stockholm. Webinars specifically promoting the IPIECA Tool attracted around 100 participants from more than 30 companies.

In 2013 IPIECA will focus on providing practical guidance. A water management framework will be developed, as well as specific good practice guidance for water management along the oil and gas life cycle, for members to draw upon when planning company water strategies. All of this work will contribute to meeting World Water Forum Target 6 which IPIECA is leading and will report on during World Water Forum 7 in Korea, 2015.

**Oil spill response**

While preventing oil spills is the priority, the industry also places importance on global response capability. IPIECA has a long-established leadership position within the industry on oil spill preparedness and response issues. Through its Global Initiative (GI) programme with the IMO, IPIECA is working to reduce the level of global oil spill risk in priority locations around the world (see pages 8–9 for further information). In addition to the GI, a key focus in 2012 was the IPIECA-OGP Oil Spill Response Joint Industry Project (OSR-JIP), set up in December 2011. The JIP pursues projects to meet the 19 recommendations made in the original OGP Global Industry Response Group (GI RG) project in May 2011.

At the end of 2012 the JIP was on track, with 6 of its 19 work items completed together with revised editions of the Oil spill responder health and safety and Sensitivity mapping for oil spill response good practice guides. The much-anticipated progress on JIP work item 6, Recommended Practice for Offshore Installation Oil Spill Risk Assessment and Response Planning, will be a step forward in oil spill response preparedness planning standards for the offshore industry.

IPIECA participated in a number of international forums during the year, including the IMO’s OPRC-HNS (Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances) Technical Group meetings, with representatives providing industry guidance on issues such as the use of subsea dispersants. IPIECA had a high profile at the Triennial Oil Spill Conference—Interspill—being involved with governance meetings, education and training sessions, and knowledge sharing.
Social responsibility

The oil and gas industry operates in some of the most difficult places in the world. Companies face an especially complex situation in emerging economies, where they may be the first to do business with government processes and agencies that are still evolving. Companies have to meet the challenges of working in such situations, and must also adapt to local practices and cultural differences. In this type of environment, companies depend on the strength of their own organization, policies, business practices and codes of conduct, and on their ability to access the necessary expertise.

The Business and Human Rights Project headed IPIECA’s social responsibility programme in 2012. It exists to share good practices related to human rights due diligence and grievance mechanisms (see pages 10–11 for further information). In addition to its human rights work, IPIECA is advancing industry social performance and demonstrating to its stakeholders the value of socially responsible operations. During the year, IPIECA published the second edition of Indigenous Peoples and the oil and gas industry. The publication was updated in response to the IFC’s new performance standards (2012) and also includes an expanded ‘useful resources’ section. The document contains an overview of Indigenous Peoples and the policies and regulations relating to the sector’s interaction with them, including a summary of specific issues for oil and gas companies to consider.

Health

Many oil and gas industry employees work in remote areas and difficult environments where health risks can range from disease to the presence of potentially hazardous chemicals and problems related to their management. Companies need to provide employees with a healthy working environment, information and training on the risks they may face, and be ready to take care of them if things go wrong. The industry is also often a major employer in local communities and this provides opportunities and challenges to improve the health of people beyond the workplace.

In a joint effort with OGP, IPIECA supports improvements in health management best practices and performance in the oil and gas industry, providing a focal point for members to openly share and discuss industry-specific health issues and obtain guidance.
Progress in 2012 included the publication of two new documents:

- **Managing health for field operations in oil and gas activities: a guide for managers and supervisors in the oil and gas industry.** This document assists companies in achieving and maintaining high levels of health management for all people associated with field operations.

- **Fitness to work: guidance for company and contractor health, HSE and HR professionals.** This guidance presents a structured process for the systematic identification, assessment and management of the risks to employees whose tasks are physically or psychologically demanding.

A workshop on managing fatigue in the extractive industries was also held, alongside the 2012 International Conference on Health, Safety and the Environment organized by the Society of Petroleum Engineers (SPE) and the Australian Petroleum Production and Exploration Association (APPEA) in Perth, Australia. The workshop was the second in a series of regional workshops undertaken by IPIECA together with ICMM and OGP. It examined the development and implementation of fatigue management systems, fatigue indicators, technological developments in fatigue, the practical implementation of tools within the mining and metals and oil and gas industries, as well as perspectives from other sectors.

### Reporting

Clear and consistent reporting helps companies create a solid platform for productive engagement and performance improvement. During 2012, IPIECA further encouraged voluntary sustainability reporting throughout the industry. This involved continued promotion of the 2010 IPIECA, American Petroleum Institute (API) and OGP publication, *Oil and gas industry guidance on voluntary sustainability reporting*, and engagement with a range of external stakeholders and reporting initiatives.

During 2012, a peer review session was held where members provided each other with feedback on their company sustainability reports and identified good reporting practices. With the launch of the Global Reporting Initiative (GRI) Oil and Gas Sector Supplement (OGSS) in February 2012, GRI and IPIECA now both provide reporting guidance for oil and gas companies and organizations. To facilitate the use of both guidance documents by reporting companies, IPIECA and GRI have jointly developed two indexes which map where the indicators in each one are aligned. The tools are available on both the IPIECA and GRI websites.

In addition, further endorsements for the IPIECA, API and OGP ‘Sustainability reporting’ guidance were provided by EUROPIA, the European Petroleum Industry Association and The Brazilian Petroleum, Gas and Biofuels Institute (IBP). This brings the total number of oil and gas industry associations who endorse this guidance and promote its use to their membership to 10. Together these associations represent more than 900 individual companies in the sector.
### 2012 highlights

<table>
<thead>
<tr>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
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<tr>
<td></td>
<td></td>
<td>Third Intersessional Meeting of UNCSD 2012/Rio+20, New York, USA</td>
<td>Issues Assessment Forum, Paris, France</td>
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<td>Global Initiative workshop, Qingdao, China</td>
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<td>July</td>
<td>August</td>
<td>September</td>
<td>October</td>
<td>November</td>
<td>December</td>
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<td>East Asia Seas Conference, Busan, South Korea</td>
<td>Energy Sector Advancements in Managing Water Impacts and Risks—side event at World Water Week together with WBCSD and CH2M HILL, Stockholm, Sweden</td>
<td>Workshop on Managing Fatigue in the Extractive Industries, together with OGP and ICMM, Perth, Australia</td>
<td>Oil and Gas Associations networking event at the SPE/APPEA HSE Conference, Perth, Australia</td>
<td>IPIECA side event at UNFCCC COP 18: The Expanding Role of Natural Gas, Doha, Qatar</td>
<td>IPIECA/ICMM side session at the UN Annual Business and Human Rights Forum, Geneva, Switzerland</td>
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IPIECA membership

IPIECA members have a commitment to:

- contribute to sustainable development by providing safe and reliable energy in an environmentally and socially responsible manner;
- conduct operations and activities in accordance with applicable law related to environmental and social issues and ethical business practices;
- improve performance in addressing environmental and social issues; and
- develop, share and promote implementation of sound practices and solutions with others in the industry, and engage with stakeholders in order to take into account their expectations, concerns, ideas and views, and work with government and non-government organizations.

New members in 2012:
- companies
- associations
IPIECA’s growing membership accounts for more than half of the world’s oil production.
Looking back at 2012, the level of activity across IPIECA has been greater than ever and, as demonstrated throughout the 2012 Annual Review, a high quantity and quality of output has been delivered. In addition to its technical work, IPIECA had a busy year engaging with key stakeholders, widening membership, and promoting awareness and uptake of IPIECA guidance and tools.

A highlight includes our presence at the Rio+20 conference. We developed a series of fact sheets, representing industry consensus on a range of important topics across the IPIECA scope of activity and beyond. Working in partnership with other private sector bodies, we participated in the Business Action for Sustainable Development (BASD) Business Day on the eve of the summit, which included an oil and gas sector panel session. IPIECA’s work with UNEP at the mercury negotiations included collating and presenting data on the mercury content of more than 400 crude oils. Ultimately, recognizing the oil and gas industry’s very limited contribution to global mercury emissions, a decision was made to focus on other sectors as part of the global treaty.

IPIECA’s membership grew to 35 Company Members in 2012 with the addition of Husky Energy, Madagascar Oil, Noble Energy and Tullow Oil. The SPE/APPEA International Conference on Health, Safety and Environment, which took place in Perth, Australia, provided an excellent opportunity to raise awareness and promote uptake of IPIECA’s work. An audience of more than 1700 delegates had the opportunity to hear multiple papers presented on behalf of IPIECA, not to mention many references to our work in the major keynote addresses.

The financial position of the association strengthened, with reserves increasing by 22% from 2011 to £828,350. Growing membership boosted the fee income. The increased ‘other income’ figure in the financial summary on the right reflects separately charged joint industry activity in the social responsibility area, which is offset in the working group costs below. The high level of output meant that the underlying project expenditure and travel were on budget. The net result was an operating surplus of £149,846.

Looking ahead, IPIECA’s new strategy for 2013–2016, to be submitted for approval at the annual general meeting in April 2013, offers the opportunity to build on the extensive platform of work developed over the years. Aligning the activities of the association with a high-level strategic intent, and integrating our work within the themes of climate and energy, the environment and social responsibility will ensure that IPIECA remains relevant to our membership. It also provides a basis for informing stakeholders about our activities in a proactive and credible manner. In the context of a rapidly changing environment and a multitude of challenges facing the industry, IPIECA’s ability to anticipate emerging issues will enable the association to become more responsive in supporting the requirements of our members.

2013 will be another busy year and we will work hard to make sure we deliver on our ambitious new four-year plan.

Financial summary, 2012

<table>
<thead>
<tr>
<th>Budget (£k)</th>
<th>Actual (£k)</th>
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<tbody>
<tr>
<td>Fees</td>
<td>1794</td>
</tr>
<tr>
<td>Other income</td>
<td>40</td>
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<tr>
<td>Income</td>
<td>1834</td>
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<tr>
<td>Staff costs</td>
<td>639</td>
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<tr>
<td>Rent and services</td>
<td>190</td>
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<tr>
<td>Travel and meetings</td>
<td>164</td>
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<tr>
<td>Working groups</td>
<td>736</td>
</tr>
<tr>
<td>Expenditures</td>
<td>1729</td>
</tr>
<tr>
<td>Operating cash</td>
<td>105</td>
</tr>
<tr>
<td>Reserves</td>
<td>783</td>
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</table>
2012 Officers

**Climate Change**
**Chair:** Jaime Martín Juez, Repsol  
**Vice Chairs:** Florent Journet-Cuenot, Total  
Arthur Lee, Chevron  
Gary Scoggin, BP

**Oil Spill**
**Chair:** Dave Davidson, Chevron  
**Vice Chairs:** Thomas Coolbaugh, ExxonMobil  
Laurent Routisseau, Total  
George Franklin, Shell

**Reporting**
**Chair:** Bertrand Janus, Total  
**Vice Chairs:** Carolina Ortega Lindsey, Noble Energy  
Mark Granquist, ExxonMobil

**Supply Chain**
**Chair:** Anupama Mohan, Statoil

**Rio+20**
**Chair:** Beatriz Espinosa, Petrobras

**Social Responsibility**
**Chair:** Jeff Flood, Nexen  
**Vice Chairs:** Tam Nguyen, Chevron  
Anupama Mohan, Statoil  
Julie Vallat, Total

**Communications**
**Chair:** Susanne Huefner, ExxonMobil  
Simon Elliott, BP

**Biodiversity**
**Chair:** Paola Maria Pedroni, Eni  
**Vice Chairs:** Nina Springer, ExxonMobil  
Sarah Terry, ConocoPhillips  
Sarah Connick, Chevron

**Health**
**Chair:** Frano Mika, Eni-Saipem  
**Vice Chairs:** Marie Sopko, Nexen  
Stephen Jones, ExxonMobil  
Devan Kumarasamy, Petronas

**Water**
**Chair:** Karl Fennessey, ConocoPhillips  
**Vice Chairs:** Alistair Wyness, BP  
Kirsten Thorne, Chevron  
Patrizia Buttini, Eni

IPIECA Secretariat

**Roper Cleland**  
Project Manager  
Social Responsibility

**Artemis Kostareli**  
Project Manager  
Fuels and Products, Supply Chain

**Ruth Romer**  
Project Manager  
Biodiversity, Water

**Brian Sullivan**  
Executive Director

**Rob Cox**  
Technical Director  
Programme Manager, OSR-JIP

**Helen Murphy**  
Communications and Reporting Manager

**Philip Ruck**  
Project Support Coordinator

**Anna Taylor**  
Office Manager

**Sophie Depraz**  
Planning and Communications Director

**Anton Rhodes**  
Project Manager  
Oil Spill Response, Health

**Rob Siveter**  
Project Manager  
Climate Change

**Bart Ziemkiewicz**  
Website and Communications Coordinator