



Sector Policy

Oil and Gas

June 2024

1. Climate Change Adaptation

As a signatory of the Paris Agreement on climate change, Indonesia is actively involved in supporting adaptation endeavors to mitigate climate change. This pledge was enabled at Indonesia's Enhanced Nationally Determined Contribution (ENDC) in 2022. Indonesia plans to accomplish Net Zero Emissions by 2060 or sooner, together with short term commitment to reducing emissions by 31.89% on its own and 43.20% with international collaboration by 2030.

BRI recognizes that neglecting climate change will lead to significant future consequences. Therefore, we strongly support the Indonesian government's Climate action initiatives, including setting Net Zero Emission target. In Indonesia, BRI is acknowledged as the first financial institution to set a Net Zero Emission target for 2050 through Science Based Target Initiatives (SBTi).

BRI aims to achieve Net Zero Emissions by implementing a decarbonization plan targeting both direct (scope 1) and indirect (scope 2 and 3) emission sources. In 2023, BRI reported GHG emissions of 130,529 tCO₂e for scope 1; 355,742 tCO₂e for scope 2; and 10,434,550 tCO₂e for scope 3. This GHG emissions inventory strengthens BRI's commitment to its decarbonization goal. Moreover, BRI integrates this plan into its operational and business management strategies. Currently, BRI is aligning its processes and products with the decarbonization plan and expanding the capacity of various work units to meet its Net Zero Emissions target.

BRI continually develops sustainable finance options, including a specific policy for the Oil and Gas sub-sector. This report will examine the implementation of the decarbonization plan within this specific sub-sector.

2. Specific Sub-sector Financing

One of BRI's endeavors to achieve its vision of becoming **The Most Valuable Banking Group in Southeast Asia and Champion of Financial Inclusion in 2025** is the application of sustainable financing. BRI continuously applies ESG principles to its funding and financing activities via its intermediary role as a financial institution.

BRI is increasingly aligning its finance policies and procedures to meet its goal of achieving Net Zero Emissions by 2050. Furthermore, BRI is developing policies grounded in sustainability, considering environmental, social, and governance impacts while providing lending facilities. As sustainability concepts and aspirations evolve, stakeholders demand more sustainability-based funding.

2.1 Oil and Gas Sector Financing Criteria

BRI recognizes several industrial sectors have substantial GHG emissions; consequently, ESG-based sectoral finance policies are required. This sectoral finance scheme is intended to help reduce environmental and social consequences. In 2024, BRI announced ESG-based policy funding for the Oil and Gas sector.

This policy was published as part of BRI's compliance with the regulator, as outlined in Government Regulation number 33 of 2023 on energy conservation. This regulation mandates enterprises who provide and utilize energy in specific volumes to implement energy management practices. This is in line with the goals of Indonesia's ENDC and the BRI's Net Zero Emissions Target.

Scope of the Policy

Segment:

Medium and Corporate segment customers.

Sector:

Sustainability-based financing in the Oil and Gas sector.

Activities:

This policy is aimed at Medium and corporate segment customers primarily involved in the Oil and Gas sector, covering activities from exploitation and procurement to processing and utilization.

Through this financing policy, BRI encourages its customers and potential customers to incorporate ESG aspects, including:

2.1.1 Environmental Aspect

BRI promotes customers in the Oil and Gas sector to decrease the environmental effect of their operations and business practices. This is demonstrated by, among others:

- Environmental management permits include environmental management initiatives, environmental monitoring efforts, and environmental impact assessment (AMDAL);
- Black PROPER rating is not accepted;
- Air pollution control and management;
- Water pollution control and management;
- Management of hazardous and toxic waste; and
- And the energy transition strategy of customers and potential customers to exploit or utilize a particular quantity of energy.

2.1.2 Social Aspect

BRI's sectoral policies promote inclusive economic growth among indigenous peoples and local communities. Customers and potential customers are asked to supply the following information:

- Complying with regional minimum wage regulations;
- Creating career possibilities for local communities;
- Utilizing products and services from the local community; and
- Committing to the company's social responsibility.

2.1.3 Governance Aspect

This policy encourages customers and prospective customers to comply with Indonesia's regulatory policies, which are achieved by reviewing the company's legal elements in accordance with applicable rules and laws. Among them are business legality, which includes corporation and business permit legality. Furthermore, BRI promotes good corporate management through business management certification and methods such as:

- Post-mining guarantees for enterprises carrying out exploitation;
- Occupational safety and health management system; and
- Company energy management in compliance with Government Regulation Number 33 year 2023.

2.2 Unconventional Oil and Natural Gas Restriction Criteria

In line with efforts to actualize sustainable finance and meet the NZE target by 2050, BRI continues to develop financing policies that take sustainability into account. This is especially true in finance sub-sectors that pose a significant risk of environmental impact. For this reason, BRI has created a financing policy for the Oil and Gas sector.

Unconventional Oil and Natural Gas is a sub-sector within the Oil and Gas industry. This sub-sector has the potential to produce a significantly greater carbon footprint than other traditional Oil and Gas industries. BRI defines the Unconventional Oil and Natural Gas industry as Tar Sands, Shale Oil and Gas, Arctic Oil and Gas, and Ultra-Deepwater Oil.

The policies for financing in the Unconventional Oil and Natural Gas sub-sector include:

No.	Policies	Tar Sands	Shale Oil & Gas	Arctic Oil & Gas	Ultra Deep-Water Oil & Gas
1.	Not expanding to customers that produce more than 10% of total energy production in a year from Unconventional Oil and Natural Gas.	Yes	Yes	Yes	Yes
2.	Not prioritizing new customer expansion in the Unconventional Oil and Natural Gas sub-sector.	Yes	Yes	Yes	Yes
3.	Not prioritizing additional financing in the Unconventional Oil and Natural Gas sub-sector that already exists at BRI	Yes	Yes	Yes	Yes

BRI recognizes that industrial sector operations can have lasting environmental impacts that may be irreversible. Therefore, BRI advocates for sustainability-based financing policies to mitigate these impacts.

2.3 Policy Implementation

This policy applies to financing for new and existing facilities completed after the policy was announced. BRI has consulted with parties involved in the finance distribution for this sector and segment, such as the business and risk management directorates. In addition, BRI is progressively reviewing the implementation of current customers in order to adapt the policy.

3. Definition

1. **Energy Conservation** is a systematic, organized, and coordinated endeavor to save domestic energy supplies while increasing their efficiency of use.
2. **Energy Management** is an integrated activity that controls energy consumption in order to achieve effective and efficient energy utilization to produce maximum output through structured and economical technical actions to minimize energy utilization, which includes energy for manufacturing processes, raw materials, and supporting materials.
3. **Energy Source Users** include central and regional governments, businesses, permanent establishments, unincorporated business entities, and communities that use energy sources.
4. **Energy Users** include central and regional governments, businesses, permanent establishments, unincorporated business entities, and communities that use energy.
5. **Energy Utilization** is the act of consuming energy, either directly or indirectly, from energy sources.
6. **Natural gas** is the outcome of a natural process in the form of hydrocarbons that, under atmospheric pressure and temperature conditions, create a gas phase as a byproduct of the Oil and Gas mining process.
7. **Petroleum** is the result of a natural process in the form of hydrocarbons that, under atmospheric pressure and temperature conditions, are in the form of a liquid or solid phase, including asphalt, mineral wax or ozokerite, and bitumen obtained from the mining process, but does not include coal or other hydrocarbon deposits in solid form obtained from activities unrelated to the Oil and Gas business.
8. **Science Based Targets Initiative (SBTi)** is a corporate climate action group that helps corporations and financial institutions throughout the world tackle the climate catastrophe.
9. **Unconventional Oil and Natural Gas** refers to oil and natural gas that are formed with low permeability include: shale oil, shale gas, tight sand gas, tight sand oil, coal methane gas, and methane hydrate, using certain technologies such as fracturing

4. References

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5. Science Based Targets initiative (SBTi). <https://sciencebasedtargets.org/about-us/>.
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7. Ratner, M., & Tiemann, M. (2014). An overview of unconventional oil and natural gas: resources and federal actions.

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