

Haynes Boone Receives Widespread Media Coverage for Fall 2022 Borrowing Base Redeterminations Survey, Oil & Gas ESG Tracker

October 28, 2022 Stephen Grant, Kraig Grahmann

PRACTICES Energy, Power and Natural Resources, Environmental, Energy Regulatory, Energy Litigation, Energy Transition, Oil and Gas, Renewable Energy

Various news outlets covered the firm's fall 2022 energy reports and quoted Haynes Boone Partner [Stephen Grant](#) and Partner [Kraig Grahmann](#), co-head of the firm's Energy Transactions Practice Group.

Below are excerpts of the articles:

Oil & Gas ESG Tracker

[Bloomberg Law: "Oil Industry Cooling to Net-Zero Targets on Regulatory Worries"](#)

Oil-industry adoption of so-called net-zero emission targets is slowing in anticipation of tougher regulatory scrutiny, according to Haynes Boone and EnerCom Inc.

The number of drillers committed to eliminating greenhouse-gas emissions has leveled off at 23%, according to a survey of 30 US onshore oil and natural gas companies conducted by Haynes Boone and industry consultant EnerCom.

[Reuters: "Power Up"](#)

However, according to the latest Haynes Boone study, more firms are taking steps to comply with ESG mandates. Overall, out of a universe of 30 companies, all of them have adopted ESG policies of some kind, up from spring 2021, when 70% had such policies, the law firm said. However, fewer than 25% of those companies have announced net zero emissions commitments. A total of 83% are disclosing some greenhouse gas emissions data, compared with 53% a year-and-a-half ago.

"Many oil and gas companies are publicly disclosing historical GHG emissions data but are not committing to net zero," said Stephen Grant, a partner with Haynes Boone in Houston.

[Environment + Energy Leader: "U.S. Oil and Gas Companies Make ESG Strategies, Slower on Net Zero"](#)

The findings come from the fourth edition of the Oil and Gas ESG Tracker from Haynes Boone and EnerCom. The fact that all the companies say they are adopting ESG targets shows the industry is taking steps toward such measures, considering the first report released in the spring of 2021 had the number at 70%.

The report summarizes a review of 30 US-based middle-market onshore oil and gas producers' Securities and Exchange Commission filings and other public disclosures.

Additionally, 83% of the oil and gas producers are publicly disclosing some of their greenhouse gas emissions. That is up from 53% from the first report, which could be at least in part due to proposed SEC emissions disclosures.

However, most of the ESG disclosures are found in corporate sustainability reports and on company websites and not in SEC filings. If the SEC emissions rules, which take on Scope 1, 2, and 3 emissions, are put into effect companies would have to adjust the way they report their ESG efforts. Overall, most of the oil and gas producers are reporting some element of their Scope 1 and 2 emissions, but few are reporting their Scope 3 emissions, which account for a large portion of the industry's emission output.

[Natural Gas Intelligence: "More Lower 48 Oil, Natural Gas Producers Disclosing Emissions Ahead of Possible SEC Rule Change"](#)

A growing number of Lower 48 onshore oil and gas producers are publicly disclosing greenhouse gas (GHG) emissions data, according to new research by Haynes Boone and EnerCom, Inc.

The trend may be related to proposed rules by the Securities and Exchange Commission (SEC) that would require publicly traded firms to publish their emissions, researchers said in their latest biannual report on environmental, social and governance (ESG) trends in the sector.

"Our latest ESG Tracker points to the growing impact of the ESG movement, with 100% of the sampled producers having adopted ESG policies — up from 70% in our first ESG Tracker, published in spring 2021," said Haynes Boone Corporate Partner Stephen Grant, Jr. "Still, the ESG Tracker demonstrates that producers are being deliberative in their adoption of ESG policy and goals. For example, with respect to environmental matters, fewer than 25% of [the] same producers have announced 'net zero' emissions commitments."

Eighty-three percent of respondents now are publicly disclosing some GHG emissions data, which is up from 53% in the spring 2021 ESG tracker, researchers found.

They noted that, "Most ESG disclosures continue to be found in corporate sustainability reports and on company websites rather than in SEC filings. If enacted, the SEC's proposed climate rules will instead require disclosure of ESG information in SEC filings, including around governance and GHG emission data."

Borrowing Base Redeterminations Survey

[ABL Advisor: "Haynes Boone Releases Fall 2022 Borrowing Base Redeterminations Survey"](#)

"Our latest survey indicates that producers should not expect significant increases in their reserved-based lending credit availability," said Partner Kraig Grahmann, co-head of Haynes Boone's Energy Transactions Practice Group. "Indeed, a meaningful percentage of survey respondents are predicting that borrowing bases will stay flat or even decrease slightly."

In contrast, the firm's spring 2022 survey (released in April) reflected greater optimism, with a majority of industry respondents expecting double digit percentage increases in borrowing bases of 20% or more. Very few respondents at that time expected borrowing bases to decrease.

[Law360: "Oil and Gas Price Jumps Aren't Swaying Leery Lenders"](#)

"The underlying oil and gas commodity prices that we are seeing today make a rational case for more investment in the space, but the experiences of the last few years have made energy lenders and financiers intolerant of almost any risk," said Kraig Grahmann, who co-heads Haynes Boone's energy transactions practice group. ...

Grahmann of Haynes Boone noted that with each subsequent downturn, the losses have reached higher up the creditor chain.

"It's probably going to take some pretty sustained periods without people losing a lot of money in this space for banks to get a lot more comfortable," he said. ...

If there's one thing for oil and gas companies to take away from the current lender sentiment, it's that they need to put more emphasis on financing risks when they're thinking about pursuing a deal, Grahmann said. For buyers, that means multiple backup plans for raising capital, while for sellers, that means ensuring they're protected against an increased likelihood that a buyer will not be able to close a deal, he noted.

"It's such a narrower market out there right now," Grahmann said.