

THE FUTURE OF LENDING TO THE OIL AND GAS SECTOR

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Legal Briefings - By **William Breeze, Thomas Bethel, Kerry Reid** and **Emily Barry**

In this briefing we look at the use and development of sustainability-linked loans in the oil and gas market.

Intense, continued focus on sustainability has put pressure on the oil and gas sector to openly demonstrate its efforts to effect change across the environmental, social and governance (ESG) spectrum. The sector is still a critical one for energy transition, and for ensuring access to energy in developing markets, so it is important that the very significant contributions that these businesses can make across the whole range of ESG factors are recognised and encouraged.

The ESG improvements that these businesses make can be used in lending products, to publicise their progress and to incentivise further change. Sustainability-linked loans provide the most natural mechanism for this: key performance indicators are used to set sustainability performance targets (SPTs) and currently there is an incremental pricing benefit for meeting those SPTs. The KPIs and SPTs can be drawn from across the ESG spectrum, and can be tailored to fit the relevant business.

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