RAINFOREST ACTION NETWORK

Chubb's Conservation and Methane Standards for Midstream Oil & Gas Remain Inadequate

RAN's Assessment of Chubb's Updated Climate Commitments
May 14, 2024

Context

On April 24th, 2024 Chubb quietly published new conservation-based criteria for its underwriting of midstream oil and gas operations. This policy update is an extension of its upstream oil and gas standards adopted a year ago in March 2023, therefore Rainforest Action Network's Policy Analysis in April 2023 still applies to much of the new policy. **According to these updated standards, Chubb will not insure new greenfield, midstream oil and gas operations that are located in specific protected areas or do not meet specific criteria to reduce operational methane emissions.**

The updated policies were made publicly available in an SEC filing of "Additional Proxy Soliciting Materials" from Chubb's Board of Directors that recommends its shareholders vote against a shareholder resolution from As You Sow and Green Century Capital Management to require Chubb to disclose its Scope 3 emissions. The resolution and Chubb's first ever Sustainability Report are up for a shareholder vote at its AGM in Zurich, Switzerland on May 16th.

While Chubb's policy is a step forward, the insurer remains one of the world's largest insurers of fossil fuels. It is not yet aligned with a 1.5˚C pathway and remains far from global best practice for coal, oil, and gas policies among insurers. Under the new policy, Chubb can continue its business-as-usual underwriting of many new and existing oil and gas projects, including its role as a top insurer behind the methane export terminal expansion on the US Gulf Coast. Additionally, Chubb has not adopted a framework or policy for evaluating human rights risks, in particular around the rights of Indigenous Peoples, in its underwriting portfolio.

Chubb has the opportunity to demonstrate its commitment to its new midstream conservation standards by immediately, publicly committing to not provide insurance for the controversial East African Crude Oil Pipeline that bisects protected areas outlined in its new policy.

Evaluating the Policies

Midstream Oil and Gas Conservation Standards

Policy Details For midstream oil and gas operations, Chubb will no longer underwrite new greenfield projects that occur in IUCN management categories I-V in the World Database on Protected Areas.

Summary

This new policy extends Chubb's upstream oil and gas conservation criteria to now include new midstream as well.

Analysis

- *Step Forward but with Loopholes* - This new criteria extends Chubb's existing upstream (extraction) oil and gas policy to now include midstream (eg. pipelines and methane export terminals). While this new policy indicates forward motion by extending its coverage to other sectors it also brings with it the same loopholes as the original policy.
- *Falls Short on the Science* - The science is clear that we cannot afford the expansion of oil and gas anywhere, and this policy falls short by only applying to a fraction of oil and gas projects proposed on land and sea.
- *East African Crude Oil Pipeline (EACOP)* - Chubb is among the minority of global insurers who have yet to publicly rule out insuring EACOP, a proposed, highly controversial crude oil pipeline on the cusp of being built through the heart of Africa. So far the project has displaced tens of thousands of people and if built would endanger water resources for millions of people and wildlife. The pipeline's proposed route cuts through numerous conservation areas listed in the World Database of Protected Areas, like Murchison Falls National Park in Uganda, which is a IUCN category II. Therefore, underwriting EACOP is not compatible with Chubb's new midstream standards and we urge Chubb to join the 28 other global insurers that have already publicly committed not to provide coverage to the project.
- *Fails to Address Impact* - By focusing on narrowly defined boundaries of protected areas the policy does not address the actual impact that oil and gas operations can have on nearby ecosystems and communities. For example, this policy allows Chubb to insure an extensive industrial build out of oil and gas facilities adjacent to protected areas despite the devastating impact it might have on them. Air and water pollution do not simply cease to exist when they encounter a protected boundary, but have a cascading and cumulative impact on surrounding ecosystems.
- *Only New, Not Existing and Expanding Projects* - This policy does *not* apply to existing projects and proposed expansion only new "greenfield" operations. Many midstream oil & gas projects already exist in communities overburdened with industrialized pollution and a legacy of environmental racism. By not addressing existing midstream operations, Chubb is perpetuating sacrifice zone areas – such as the Permian Basin and Cancer

Alley – which are located in predominantly Black and Brown communities. Chubb must hold its insureds accountable to community impacts while working towards a managed phase out of all its oil and gas clients.

- *Awaiting Additional Upstream Standards* - Chubb again states that additional upstream conservation criteria are still under development despite announcing in March 2023 that they would be completed by the end of 2023. These additional criteria are necessary steps to strengthen the policy by applying to a wider range of conservation areas like Key Biodiversity Areas and Category VI of the World Database on Protected Areas. Chubb should also address its exposure in the Amazon region in addition to its intentions to address mangrove forests, global peatlands, and Arctic lands.
- *Indigenous Rights* - Chubb's criteria also ignore the crucial role that Indigenous Peoples play in land stewardship. Though Indigenous people comprise just 5% of the world's population, the lands they steward protect a staggering 80% of global biodiversity. Studies have found that the best way to protect tropical forests, for example, is to uphold and defend Indigenous land rights to ancestral territory. Therefore, any meaningful conservation standards must be coupled with robust policies on Free, Prior, and Informed Consent (FPIC) with Indigenous Peoples.
- *Human Rights and Public Health Impacts* - While conservation standards are an important step to protecting biodiversity Chubb's criteria continue to ignore the impact of its underwriting on human rights and community health. Chubb must acknowledge the interrelationship between environmental and human health and adopt policies that address the material risks to public health that communities experience while living near the oil and gas facilities that it insures. These impacts include elevated risks of cancer, heart disease, respiratory illness, reproductive issues, loss of livelihoods, and premature death. Chubb's recent Sustainability Report (pg 11) acknowledges the reputational risk the company faces from continuing to not address the perceived human rights impacts of its insured.

Updated Methane Emissions Standards

Policy Details

- **For oil and gas producers with annual revenues less than $1 billion**, Chubb will continue to provide insurance coverage for clients that implement evidence-based plans to manage methane emissions, including, at a minimum, having in place programs for leak detection and repair, the elimination of non-emergency venting, and adopting one or more measures that have been demonstrated to reduce emissions from flaring. Clients will have a set period of time to develop an action plan based on their individual risk characteristics. We may decline coverage if a potential policyholder cannot meet our methane performance expectations.
- **For oil and gas producers with annual revenues greater than $1 billion**, Chubb expects our insureds will achieve a methane emissions intensity of 0.2% or less by 2030 across their global operations. Chubb will continue to provide coverage for clients that are able to report their methane emissions intensity, are engaging in direct

measurement of methane emissions, and demonstrate progress towards achieving methane emissions intensity of 0.2% or less. We may decline coverage if a potential policyholder cannot meet our methane performance expectations.

- **For midstream oil and gas operations with annual revenues greater than $1 billion**, Chubb expects our insureds will achieve a methane emissions intensity of 0.2% or less by 2030 across their global operations. Chubb will continue to provide coverage for clients that are able to report their methane emissions intensity, are engaging in direct measurement of methane emissions, and demonstrate progress towards achieving near zero methane emissions intensity. We may decline coverage if a potential policyholder cannot meet our methane performance expectations.
- **For midstream oil and gas operations with annual revenues less than $1 billion**, Chubb will continue to provide insurance coverage for clients that implement evidence-based plans to manage methane emissions, including, at a minimum, having in place programs for leak detection and repair and the elimination of non-emergency venting and adopting one or more measures that have been demonstrated to reduce emissions from flaring. Clients will have a set period of time to develop an action plan based on their individual risk characteristics. We may decline coverage if a potential policyholder cannot meet our methane performance expectations."

Summary

Chubb offers more details to its upstream methane criteria released in March 2023, by distinguishing between its different approaches for smaller and larger clients while extending these criteria to now include midstream oil and gas operations.

Chubb will continue to insure upstream and midstream oil and gas clients in the following ways:

- Smaller clients (annual revenues less than $1 billion) that implement "evidence-based plans" to manage methane emissions, including addressing leak detection, non-emergency venting, and flaring.
- Larger clients (annual revenues greater than $1 billion) that achieve a methane emissions intensity of 0.2% or less by 2030 across their global operations. This includes measurement and reporting.

Analysis

- *Expanded Scope and Details* - It is encouraging to see Chubb's new methane criteria expand in scope to now include midstream oil and gas operations and additional implementation details and metrics. A policy is only as effective as its implementation and it's clear Chubb is making advances in this area since it first announced its methane criteria in March 2023 and launched its Methane Resource Hub in November 2023.
- *Clear Consequences* - Publicly and explicitly stating that Chubb will deny coverage to oil and gas clients that don't meet its criteria is an important market signal of the clear consequences of inaction. This type of language is exactly what is needed to be more broadly applied to all coal, oil and gas clients that don't meet a science based 1.5˚C

pathway for all of their emissions, including methane. Unfortunately, Chubb is a long way off from this critical end goal.

- *Insuring Methane Expansion* - This policy allows Chubb to make relatively small operational reductions to its clients' methane emissions while continuing to be a top insurer behind the massive build out of methane export terminal expansion on the US Gulf Coast. Chubb must address this hypocrisy by setting clear standards to rapidly transition away from oil and gas clients that are implicated in the global expansion of methane emissions.
- *Measurement Loophole* - The criteria only applies to the oil and gas operational emissions, not Chubb's overall Scope 3 Insurance-Associated Emissions (IAEs) of its insureds. It is telling that Chubb publicly released these criteria in response to a shareholder resolution requiring Chubb to track and disclose its Scope 3 emissions, which would work towards closing a critical loophole in its criteria.
- *Open-ended Timelines and Loopholes* - The compliance timeline for smaller oil and gas clients is vague and undefined other than a "set period of time to develop an action plan". It does not specify a timeline for actually meeting the criteria. While that standard for larger clients of achieving a methane emissions intensity of 0.2% or less by 2030 is a clearly defined standard, it contains a sizable loophole by allowing any client who can "demonstrate progress" and report and measure their methane emissions to presumably delay compliance long past 2030.
- *Emissions Intensity is Not Absolute* - Utilizing a methane emissions intensity standard instead of measuring absolute emissions allows for multinational oil & gas corporations to continue to emit relatively large amounts of methane in comparison to their outsized global emissions. Additionally, the inclusion of "evidence based" plans is conspicuously omitted from the criteria for larger clients.

Conclusion

Chubb's policy represents another step forward, but the company remains far from aligning with 1.5ºC. These are the urgent, near-term commitments on fossil fuels and Indigenous rights that Chubb failed to make in its latest policy announcement, as detailed in Insure Our Future's annual letter to the insurance industry, released in April 2024:

1. Immediately cease insuring new and expanded coal, oil, and gas projects.

2. Immediately stop insuring any new customers from the fossil fuel sector which have not published a transition plan aligned with a credible 1.5°C pathway, and stop offering any insurance services which support the expansion of coal, oil and gas production even among existing customers. By the end of 2025, completely phase out all insurance services for existing fossil fuel company customers which have not published such a transition plan.

3. Immediately divest all assets, including assets managed for third parties, from coal, oil, and gas companies which have not published a transition plan aligned with a credible 1.5°C pathway

and scale up investments in a just, equitable, and rapid global transition to a clean energy economy.

4. Immediately define and adopt binding targets for reducing your insured emissions which are transparent, comprehensive and aligned with a credible 1.5°C pathway.

5. Explore ways to bring fossil fuel companies to court in order to make polluters rather than insurance customers pay for the growing costs of climate disasters.

6. Immediately establish, and adopt as policy, robust due diligence and verification mechanisms to ensure clients fully respect and observe all human rights, including a requirement that they obtain and document the Free, Prior, and Informed Consent (FPIC) of impacted Indigenous Peoples as articulated in the UN Declaration on the Rights of Indigenous Peoples.

7. Immediately bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen in line with a credible 1.5°C pathway in a transparent way.

To live up to its word and bring about the transition to a low-carbon economy it claims to support, Chubb must immediately cease insuring all fossil fuel expansion projects, regardless of whether they are located in conservation areas or have plans to reduce operational methane emissions.

Chubb can begin this transition by addressing the urgent human rights impacts on communities by immediately, publicly committing to not provide insurance for the East African Crude Oil Pipeline and announce a managed phase out of all methane emitting oil and gas clients.