

Investing in Energy for Today, Tomorrow and our Future

2023 SUSTAINABILITY REPORT



Table of Contents

01. Introduction 3

Message from Ben Dell, Managing Partner 4

About Kimmeridge 5

About this Report 6

Kimmeridge’s Long-Term Energy Framework 7

Our Investment Strategies 9

02. Governance 10

Sustainability Governance & Leadership 11

Portfolio Company Engagement 14

Q&A with our Managing Director, Head of Sustainable Investment & Engagement 15

03. Climate 16

Climate Strategy 17

GHG Emissions: Our Approach to Transparency, Accountability, and Impact 19

04. Safety 21

Safety Overview 22

2023 Initiatives 23

Cybersecurity 24

05. Human Capital 25

Human Capital Overview 26

06. Sustainability Performance 28

Case Study: Net Zero at Kimmeridge Texas Gas (KTG) (Fund V, VI, and SoTex Co-Invest) 29

Case Study: Scaling Nature-Based Solutions at Chestnut Carbon 30

Kimmeridge Funds’ Sustainability Data 31

01

Introduction

Message from Ben Dell, Managing Partner

As we present our inaugural sustainability report, I am proud to share our firm's commitment to responsible investment in the energy sector. Our approach is rooted in the belief that achieving a sustainable energy future requires a pragmatic, all-encompassing strategy that balances reliability, affordability, and environmental stewardship.

At our core, we recognize that the path to net-zero emissions is not a choice between conventional and renewable energy sources, but a measured transition that leverages the strengths of both. Our investment philosophy reflects this understanding, with a portfolio that spans the US upstream industry, LNG infrastructure, innovative renewable energy solutions, and a premier nature-based carbon offset platform.

Key highlights of our approach include:

Integrated Sustainability: We have embedded sustainability considerations throughout our investment process, from deal origination to exit, ensuring that environmental, social, and governance factors are incorporated into our decision-making.

Innovation in Conventional Energy: Our investments in the Eagle Ford in South Texas and Commonwealth LNG on the US Gulf Coast demonstrate our strategy of seeking to aggregate low-cost assets, reduce emissions in traditional energy production, and meet global energy demand.

Net-Zero Commitment: Our flagship funds' investment in the Eagle Ford aims for net-zero emissions (Scope 1+2).

Pioneered Carbon Removals: Through our strategic investment in Chestnut Carbon, we are advancing large-scale nature-based solutions, by developing high-quality carbon removal projects that deliver meaningful climate impact while setting new standards for the voluntary carbon market.

Engagement over Divestment: We believe in the power of active ownership. By engaging with our portfolio companies, both private and public, we look to drive better sustainability practices across the energy industry and set standards that peers aspire to follow.

Research and Advocacy: We advocate for industry-wide improvements in sustainability practices, contributing to the broader dialogue on the energy transition.

In 2023, Kimmeridge achieved several strategic milestones, raising over \$1 billion through our sixth flagship fund and co-investments.

We established our presence in the Eagle Ford trend and made our initial investment in [Commonwealth LNG](#). Building on this momentum, in 2024 we have strengthened our Eagle Ford position and secured a controlling stake in Commonwealth LNG, creating an integrated position that combines upstream assets with Gulf Coast liquefaction capacity. These milestones showcase our progress in building a low-cost, low-emission integrated natural gas champion. With our expertise and investments in the voluntary carbon market, we believe we are uniquely positioned to deliver low carbon intensity natural gas to the market, and have the ability to provide customers with wellhead-to-water verified zero-emission LNG.

Since our inception in 2012, Kimmeridge has raised over \$5.6 billion across eleven funds and co-investments, including our innovative Carbon Solutions and Public Engagement strategies. This track record demonstrates our ability to identify and capitalize on opportunities that align with our investors' interests and sustainability goals.

As we navigate the complex landscape of energy investment, we remain committed to our dual objectives of generating strong returns for our investors and contributing to a sustainable energy future. We believe that by embracing all forms of energy production, we can create a resilient, cost-effective, and environmentally responsible energy system.

This report highlights our strategy and progress across our firm and investment portfolio. It also serves as a roadmap for our continued efforts. We invite you to engage with us as we work towards a sustainable energy future.

Sincerely,



Ben Dell
Managing Partner

“As we navigate the complex landscape of energy investment, we remain committed to our dual objectives of generating strong returns for our investors and contributing to a sustainable energy future.”



About Kimmeridge

Founded in 2012, Kimmeridge is an alternative asset manager specializing in the energy sector. The firm is distinguished by its deep technical expertise, proprietary research, and data-driven analysis.

Our investment philosophy is grounded in fundamental research and a commitment to industry thought leadership. Guided by our core values of integrity, innovation, and teamwork, Kimmeridge strives to deliver differentiated returns across our three strategic investment sleeves: Private Investments, Public Engagement, and Carbon Solutions. The Private Investments strategy targets high-quality oil and gas assets in North America. The Public Engagement strategy invests in public energy companies to advocate for shareholders and drive business model reform. The Carbon Solutions strategy takes a comprehensive and pragmatic approach to investing across the energy transition landscape. We focus on technologies that drive both durable decarbonization and sustainable returns.

90+

Investment and
Operations Professionals
in New York and Denver

\$5.6B+

Raised Over \$5.6 billion of
Limited Partner Commitments
Since Inception



About this Report

Our approach is informed by stakeholder engagement, strategic business insights, and our commitment to a more sustainable future.

Framework and Scope

The report provides a summary of Kimmeridge (the “Firm,” “we,” or “our”) and our approach to sustainability, including environmental, social, and governance (“ESG”) topics and related progress and metrics. We report our sustainability insights and metrics using internationally recognized reporting standards. We continually assess established and emerging reporting frameworks to guide our reporting practices. This report has been guided by energy industry standards and the recommendations outlined in the Task Force on Climate-Related Financial Disclosures. Reporting also follows the AXPC ESG Metrics and Framework Template.

The 2023 Sustainability Report covers data from January 1 to December 31, 2023. The Sustainability Data in the appendix represents portfolio company performance for upstream, operated assets across Kimmeridge Funds IV, V, and VI, and related co-investment vehicles.

Please visit our firm’s [Responsibility](#) page for additional information on Kimmeridge’s sustainability efforts. To learn more about how we integrate sustainability considerations into our investment management processes, please visit our [Sustainable Investment Policy](#).

Stakeholder Engagement

Proactive stakeholder engagement is central to our sustainability program. This dialogue informs our strategies and enables portfolio companies to develop targeted sustainability solutions and goals. Our diverse stakeholders include investors, financial sector partners, local communities, employees, portfolio company leadership, suppliers, and government entities—all of whom offer invaluable perspectives. These insights enhance our understanding of risks, opportunities, and stakeholder priorities.

Materiality Analysis

When identifying the issues most relevant to our business and strategy, it’s not “one size fits all”. A comprehensive sustainability program starts by identifying material issues which are important to both stakeholders and the success of our business. We collaborated with an independent third party to conduct a materiality assessment, engaging our limited partners, stakeholders, and industry peers on key sustainability issues. The resulting sustainability insights and data informed our sustainability reporting, focusing our disclosure topics on human capital management, climate, and our net zero strategy.

Our inaugural Sustainability Report covers the topics that matter most to our stakeholders. We completed more than 15 hours of interviews with employees from all levels, including Managing Partners, Heads of Investment Teams, Investor Relations, Heads of Talent, Operations, and employees from our portfolio companies. Informal feedback was collected about the sustainability topics each group considers most relevant in their relationship with the firm. Through the process, we collected candid feedback as to how our employees view Kimmeridge’s sustainability policy, the evolution of ESG, sustainability integration into our practices, and areas for improvement in the coming year.



Kimmeridge’s Long-Term Energy Framework

We believe all consumers want a low-cost energy supply delivered on demand with a minimal carbon footprint. We foresee a future where fossil fuels—offset by carbon capture and storage and nature-based carbon removals—will compete with renewable energy assets coupled with energy storage. The price of carbon and energy storage will be critical in this equation, and is expected to evolve significantly over the next decade.

At Kimmeridge, our perspective on the future of energy is rooted in a deep understanding of market dynamics and environmental imperatives, while remaining mindful of consumer preferences. We believe the energy landscape is evolving towards a more complex, interconnected system where multiple sources compete to meet the world’s growing energy demands while addressing climate change concerns. The energy landscape will likely be composed of two significant areas:

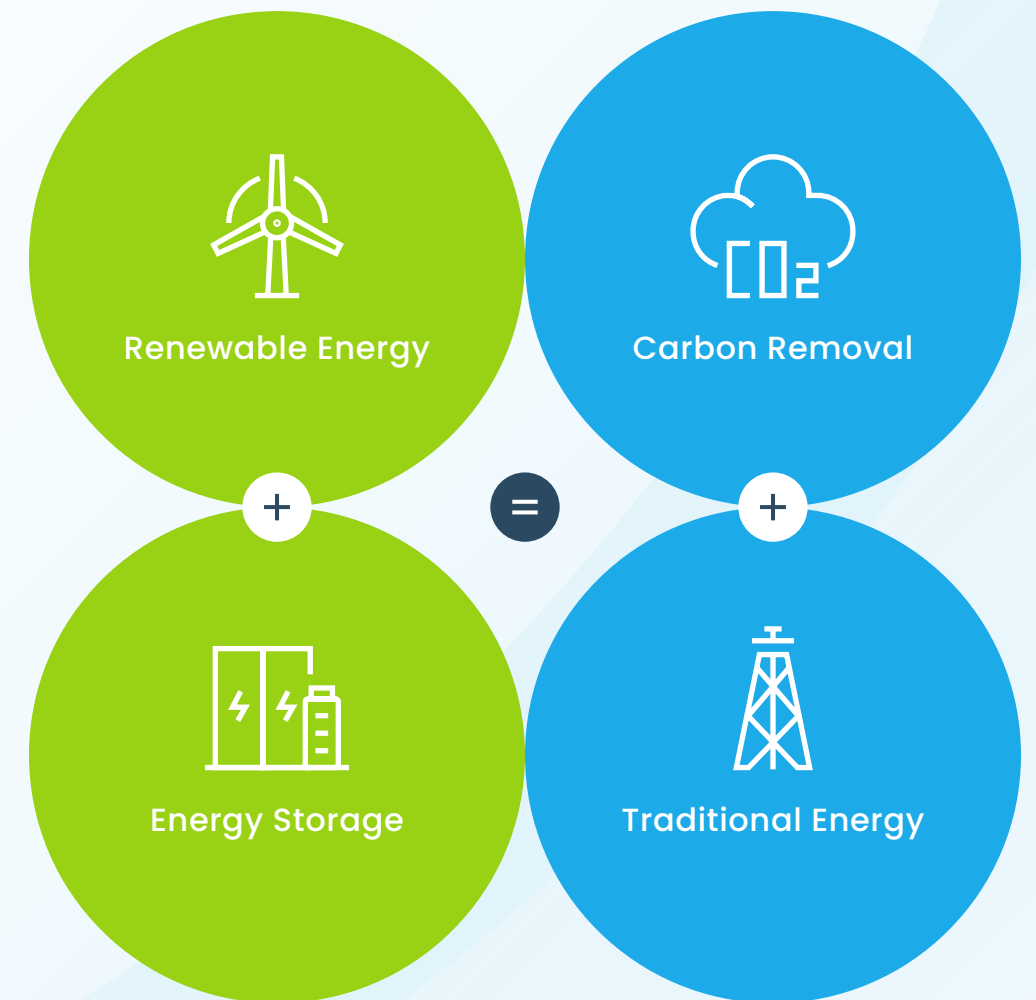
FOSSIL FUELS WITH CARBON OFFSETS

Nature-based solutions and carbon capture, utilization and storage (CCUS) technologies, alongside traditional fossil fuels, will continue to play a significant role in the global energy supply mix. Nature-based solutions, particularly afforestation, represent some of the most cost-effective and deliverable carbon abatement measures. These solutions sit at the front end of the carbon removal curve, offering high-quality, long-term, and scalable impact with proven verification methodologies. Afforestation stands out as one of the most economically viable and readily deployable carbon removal mechanisms available today, providing both carbon benefits and valuable ecosystem services.

While nature-based solutions provide cost-effective carbon removal, technological solutions like carbon capture will also be essential to meeting global climate goals. The International Energy Agency (IEA) projects that CCUS could contribute up to 15% of cumulative emissions reductions needed to reach net zero in the Sustainable Development Scenario. Importantly, moving the net zero ambition from 2070 to 2050 would require almost 50% more CCUS deployment.¹

RENEWABLE ENERGY WITH STORAGE

Renewable energy sources, particularly solar and wind, paired with advanced energy storage systems, are rapidly gaining market share. Bloomberg New Energy Finance predicts that by 2050, 56% of global electricity will come from wind and solar.²





Critical Factors Shaping the Energy Transition



CARBON PRICING

The evolution of carbon pricing mechanisms will be crucial in determining the competitiveness of different energy sources. The World Bank reports that 64 carbon pricing initiatives are currently in place or scheduled for implementation globally.³

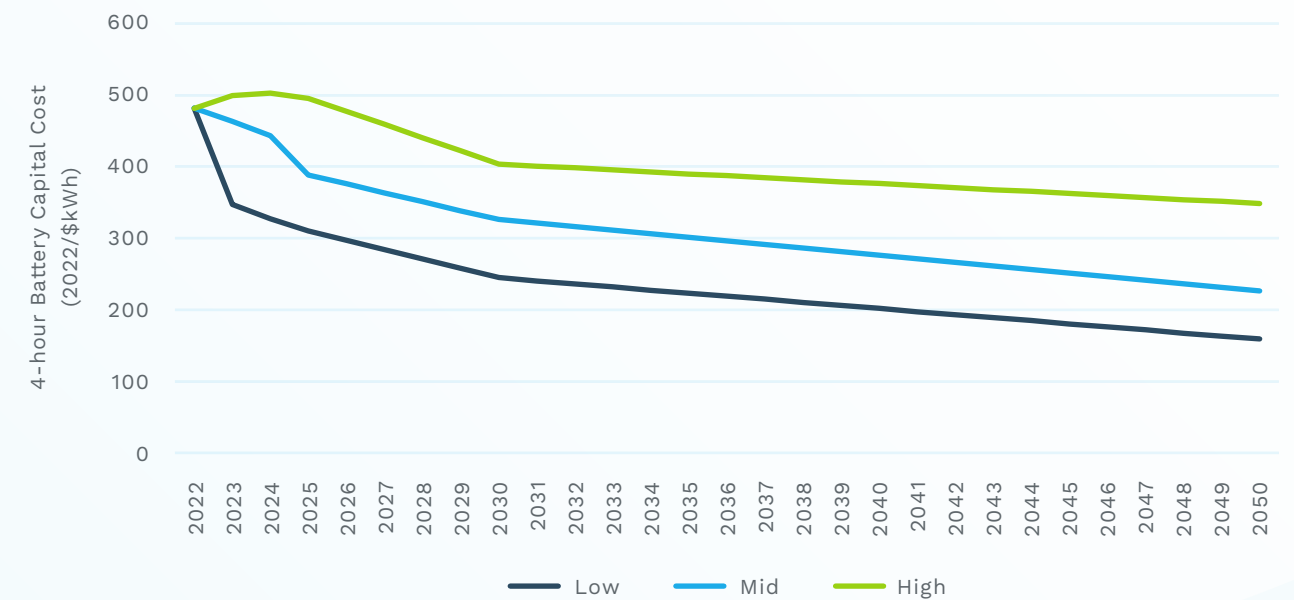


ENERGY STORAGE COSTS

The declining cost of energy storage technologies will be pivotal for the widespread adoption of intermittent renewable energy sources. According to the National Renewable Energy Laboratory, utility-scale battery storage costs have fallen by more than 70% since 2015.⁴

Battery cost projections for 4-hour lithium-ion systems

These values represent overnight capital costs for the complete battery system.



Our Investment Strategies

Our investment strategies are shaped by our outlook on energy. We focus on investing in assets at the low end of the cost curve. Our strategy spans both public and private sectors and capital structures. This flexibility maximizes impact and returns across diverse markets.



Traditional Energy & Infrastructure

Our flagship strategy targets oil and gas assets at the front end of the cost curve. With a best-ideas approach, we focus on asset quality while demonstrating flexibility in our investment structures.



Public Engagement

Our public engagement investment strategy focuses on publicly-listed energy companies with high-quality assets that need business model reform, better alignment of executive and shareholder interests, and/or improved environmental stewardship.



Carbon Solutions

Our carbon solutions team focuses on investments at the front of the carbon cost curve. Our investments span various industries, including solar and wind development, carbon removals, and software, all unified by the goal of advancing the energy transition without sacrificing economic returns.

02

Governance

Sustainability Governance & Leadership

The Sustainable Investment Team integrates sustainability governance policies, systems, and analysis into our investment processes and operations.

Oversight

Kimmeridge’s Sustainable Investment Team is composed of professionals with extensive expertise in the energy industry, sustainability, and finance. Operating on a hub-and-spoke model, this team integrates sustainability across the firm and individual investment strategies, while supporting Kimmeridge’s portfolio companies. The team works closely with our legal, compliance, and investment teams to implement the firm’s Sustainable Investment Policy. A key priority for the team is aligning our directly operated upstream assets within flagship Fund VI to achieve net zero Scope 1+2 emissions. Led by our Head of Sustainable Investment and Engagement, the team reports to the Chief Operating Officer and provides quarterly updates to the partnership, which oversees our overall sustainability strategy.



Sustainability Milestones

2022

Sponsored Veritas, GTI Energy’s Methane Emissions Measurement + Verification Initiatives

2023

Collaborated and Endorsed the Ceres Investor Network E&P Net Zero Round Table and Principles

2023

Participated in the University of Texas at Austin Energy Institute’s Permian Dialog Initiative

2023

Appointed Managing Director, Head of Sustainable Investment and Engagement

2023

Raised Flagship Fund VI with a Net Zero Target for Scope 1+2 Emissions for Our Directly Operated Upstream Investments

2024

Adopted Carbon Credit Procurement Policy

2024

Achieved net zero emissions for KTG’s full emissions profile for 2023 through the purchase of high-quality voluntary carbon credits

Our Sustainability Benchmark

Kimmeridge developed a proprietary Sustainability Benchmark to facilitate consistent application of sustainability considerations throughout the investment lifecycle. This approach helps us manage risks, enhance capital allocation decisions, and drive value creation by focusing on material factors that can help the team identify significant risks and opportunities. Additionally, the Sustainability Benchmark standardizes policies, procedures, practices, and target-setting across our portfolio companies.

While universally applicable, the Sustainability Benchmark is designed to adapt to each investment’s unique characteristics and level of operational control. Operational control is crucial, as it affects our ability to influence outcomes, and our approach adapts to the diverse types of investments and levels of control across our portfolio. The graphic below highlights elements of the Sustainability Benchmark.



Sustainability Across Our Investment Process

We recognize that a comprehensive understanding of sustainability factors and climate-related risks and opportunities can support our goal to deliver risk-adjusted returns to our investors. To that end, we embed sustainability across our investment process. To do so, we leverage the Sustainability Benchmark and proprietary data analysis.

While we maintain annual sustainability performance monitoring across our entire portfolio through comprehensive questionnaires and engagement, we develop tailored approaches for each investment based on its unique characteristics and circumstances. We implement detailed action plans and enhanced reporting protocols for investments where we maintain operational control. We continuously evaluate and enhance our reporting tools to improve data collection and analysis capabilities, enabling us to better assess performance and identify opportunities for improvement.

The Sustainable Investment Team conducts early-stage due diligence beyond traditional economic indicators. The team assesses climate-related risks and opportunities, water risks, and safety statistics alongside factors like local carbon pricing. This comprehensive evaluation allows us to capture and calibrate key economic inputs, determine the costs of elevating investments to our benchmark standards, and develop a robust Day 1 action plan.

We engage closely with management early in the investment phase to prioritize key sustainability initiatives. Our Sustainable Investment Team leads work with portfolio companies to align their operations with the standards outlined in our Sustainability Benchmark. We implement targeted improvements and provide ongoing support through workshops focused on project planning, emissions reduction target development, and ensuring data integrity and auditability.

Throughout the operating phase, we continuously monitor progress and track performance against sustainability metrics. Regular reporting keeps all stakeholders informed of outcomes and helps identify areas for further improvement. This ongoing engagement ensures that our investments align with our broader sustainability and climate objectives.

At exit, we aim to demonstrate the enduring value created through our sustainability initiatives, and ensure continuity beyond our ownership period. The sustainability programs, metrics, and governance structures we help establish become integral to each portfolio company’s operating strategies. By documenting and quantifying the tangible benefits of sustainability improvements—from operational efficiencies to risk mitigation—we seek to maximize exit value while ensuring these practices continue to deliver stakeholder benefits well into the future.

01. Pre-Investment

Kimmeridge evaluates how potential new investment opportunities align with the firm’s overarching sustainability principles and standards outlined in the Sustainability Benchmark.

Kimmeridge considers material sustainability risk and value creation levers when assessing investment opportunities through our due diligence process. The outcome of the sustainability analysis is presented to the investment team and/or partners and considered in the review of the investment opportunity.



02. Early Stage

Kimmeridge is committed to improving sustainability performance and disclosure practices for investments in which we have a majority stake or operational control. Regardless of ownership level or control, Kimmeridge actively engages with portfolio companies throughout the ownership period.



03. Operating

Kimmeridge routinely collaborates with portfolio company leadership to implement key sustainability initiatives that protect against downside risk and support value creation.



04. Exit

We aim to capture the potential upside from our sustainability efforts, demonstrating the value created through our integrated ESG approach.

Portfolio Company Engagement

Engaging with portfolio companies can improve sustainability performance, while industry engagement propels collaboration and innovation.

We believe that engagement is far more valuable than divestment. Our engagement efforts aim to drive continued improvement in sustainability performance among portfolio companies, particularly in the upstream energy sector. Kimmeridge believes that a low-carbon future for E&P companies involves operating more efficiently while measuring, reporting, and minimizing environmental impact. We are committed to using our capital, expertise, and global resources to help companies across the energy industry better manage their environmental footprint. This commitment extends to advocating for environmental practices and sustainability metrics enhancements, ensuring measurable and impactful outcomes across our investments and industry engagements.

This differentiated strategy ensures that across our diverse portfolio—from privately-held, controlled assets to public equity positions—we consistently drive sustainability advancements tailored to each investment’s specific context and our level of influence. Kimmeridge’s engagement strategy adapts to the unique characteristics of each portfolio or asset:

CONTROLLED, PRIVATE ASSETS

The Sustainable Investment Team works closely with leadership to embed sustainability deeply into business practices for assets under our operational control. We actively implement our Sustainability Benchmark, identifying and strategically enhancing environmental stewardship, social responsibility, and governance practices to create lasting value.

NON-CONTROLLED ASSETS OR PUBLIC INVESTMENTS

In cases where we lack direct operational control, including our public engagement fund holdings, we take a proactive advisory role. Our approach includes:

- Active engagement with management to understand critical sustainability issues
- Strategic recommendations for improvements based on identified opportunities
- Continuous monitoring of public and proprietary data sets for actionable insights
- Regular communication to address information gaps and track progress

Thought Leadership

We have published numerous reports on the future of energy, the energy transition, and how we reach a net zero goal while building strong businesses within our industry:

February 2020 [Preparing the E&P Sector for the Energy Transition – A New Business Model](#)

September 2020 [Charting a Path to Net Zero Emissions](#)

November 2020 [Bringing Alignment and Accountability to the E&P Sector](#)

June 2021 [Why the Energy Industry Needs a Carbon Offset Exchange](#)

July 2021 [Executive Compensation: The Good, the Bad, and the Ugly](#)

July 2022 [Why Net Zero Should Be the Standard for the E&P Sector](#)

August 2023 [Accelerating the Carbon Market: A Call for a Standardized Rating System for Removal and Avoidance Credits](#)

Industry Engagement

Kimmeridge actively contributes to advancing constructive dialogue about sustainability topics across the energy sector. Below is a summary of our various industry initiatives:

- Kimmeridge is the only asset manager to sponsor Veritas, GTI Energy’s Methane Emissions Measurement + Verification Protocols
- Our leadership collaborated with and endorsed the Ceres Investor Network E&P Net Zero Round Table and Principles
- We are participating in the Energy Institute at the University of Texas at Austin’s Permian Dialog Initiative, which aims to reduce emissions in the Permian Basin
- Kimmeridge leadership regularly presents on emissions-related trends, including methane measurement, monitoring, and reporting; investing in the energy transition; and the role carbon offsets play in decarbonization strategies
- Our Head of Sustainable Investment and Engagement has presented to the ESG committee of the E&P industry trade association, AXPC, on the importance of environmental stewardship underpinning sustainable business models

We believe our active industry engagement drives sector-wide innovation and knowledge exchange and reinforces the industry’s resilience.

Q&A with our Managing Director, Head of Sustainable Investment & Engagement

Our Managing Director and Head of Sustainable Investment and Engagement, Megan Hays, leads Kimmeridge’s sustainability initiatives, integrating environmental, social, and governance principles into our investment strategies and operational practices. She brings more than 15 years of experience in investor relations, corporate strategy, mergers and acquisitions, capital markets, and sustainability in publicly-traded and privately-held E&P companies.

What is Kimmeridge’s strategy regarding sustainability, and what are some of the most important developments over the past two years?

At Kimmeridge, sustainability is integral to our investment and operating strategy. We invest across the energy spectrum, from low-carbon solutions to traditional oil and gas. Our approach embeds sustainability considerations throughout the investment lifecycle. We actively engage with our portfolio companies, leveraging our research to drive their transition to more sustainable business models. This approach isn’t about ticking boxes; it’s about sniffing out risks, seizing opportunities, and safeguarding returns throughout our investment horizon.

The past two years have seen significant advancements in our sustainability efforts. A dedicated team now spearheads our initiatives, guided by a newly developed internal performance benchmark. Advocacy for “net zero by 2030” as the industry standard for upstream oil and gas producers has become a cornerstone of our approach. Through strategic partnerships, we’ve amplified our impact across the industry. We’re not just adapting to a changing energy landscape—we’re actively shaping it.

What are some of the biggest challenges in determining, committing to, and achieving net zero emissions, and what role do carbon offsets play in your journey to net zero?

The path to net zero isn’t for the faint of heart. It presents numerous challenges, from building and maintaining an accurate emissions inventory across a growing portfolio to identifying and implementing effective abatement solutions. As we progress, the complexity and cost of these projects often increase. It’s a delicate balance—driving down emissions while maintaining operational efficiency and robust returns.

Carbon offsets play a strategic, albeit secondary, role in this journey. Our primary focus remains on direct emissions reductions. However, we turn to high-quality carbon credits that meet rigorous international standards for those emissions that are hard to abate. These offsets serve as a bridge, filling the gap while we innovate and implement more comprehensive reduction strategies. This pragmatic approach allows us to make steady progress toward net zero without compromising our commitment to value creation and operational excellence.

What are the requirements for energy companies to maintain competitive relevance and achieve sustainable returns over the next decade?

The answer is deceptively simple, yet challenging to execute. Energy companies must recognize that profitability and sustainability are not opposing forces but complementary goals. To be sustainable, a company must be profitable, and vice versa. Mastering this delicate balance will position energy companies for long-term success.

Achieving this balance requires a multifaceted approach. Operational excellence remains crucial—efficient cost management and productivity gains are more important than ever. The real differentiators, however, will be those who can adeptly navigate a changing regulatory landscape, particularly around carbon pricing and emissions standards. Perhaps most importantly, companies must redefine their value proposition to investors, demonstrating a clear path to sustainable returns in a low-carbon future. This means not just adapting to the energy transition, but actively participating in it.

How does your team leverage its expertise to inform investment decisions across the energy landscape?

We recognize that global energy demand will continue to grow, and no single energy source can solve the trilemma of affordability, reliability, and sustainability. By maintaining a technology-agnostic approach, we broaden our investment universe and avoid potential blind spots, enabling us to make well-informed decisions across the energy landscape.

Our expertise in decarbonizing the oil and gas value chain allows us to identify technically and economically compelling technologies that complement our investment portfolio. A great example is our technical deep dive into emissions monitoring technology. This creates a powerful feedback loop, as these investments have the potential to generate returns for our investment portfolio and help us achieve our emissions reduction goals.

03

Climate

Climate

Driving industry change, leading by example, and utilizing innovative technology enables financial performance and climate responsibility to work in unison for the future.

Climate Strategy

Kimmeridge recognizes the urgent need to address climate change. The firm leverages its deep energy sector experience to drive meaningful climate action industry-wide. We actively engage with industry leaders on critical climate topics and advocate for transparent climate disclosures and ambitious emissions reduction targets through our white papers. To demonstrate our commitment, we aim to lead by example. We carefully assess the climate implications of each potential investment and closely monitor the performance of our portfolio companies. This approach involves detailed quantification of emissions footprints for both existing portfolio assets and prospective acquisitions.

While we prioritize assets at the front end of the cost curve, our unique positioning allows us to acquire and transform assets at the high end of the carbon curve. By acquiring and transforming assets with suboptimal GHG emissions profiles and aligning them with our net zero aim, we maximize our environmental impact and potentially enhance exit values, demonstrating that climate responsibility and financial performance can be mutually reinforcing.

Net Zero Aim

Kimmeridge is committed to setting ambitious climate targets that demonstrate leadership in environmental stewardship. Underscoring our commitment, our flagship Fund VI has set a net zero aim for Scope 1+2 emissions for its upstream operated assets, demonstrating our dedication to reducing the environmental profile of our operations while integrating high-quality carbon offsets in line with best practices. Currently, operated upstream assets in Fund V, VI, and SoTex Coinvest are held within our portfolio company, Kimmeridge Texas Gas (KTG), which operates in South Texas.

KTG’s path to net zero is rooted in operational emissions reductions. Our initiatives include:

Methane Reduction Strategy: Asset-wide pneumatic device replacement program, completed in the third quarter of 2024

Fugitive Emissions Mitigation: Implementing an advanced leak detection and repair program, including conducting aerial surveys (flyovers) to enhance detection capabilities

Operational Equipment Improvements: Transitioning from diesel to natural gas-powered equipment for drilling and completion operations

Renewable Energy Integration: Collaborating with Kimmeridge’s solar expert to evaluate renewable power deployment opportunities

Additionally, we’ve implemented internal carbon pricing to drive accountability, incentivizing our operational leadership to identify and mitigate emissions sources. Guided by our Carbon Credit Procurement Policy, we selectively procure high-quality carbon credits for unavoidable emissions.

The Role of Carbon Markets in Achieving Net Zero

Carbon markets play a crucial role in our net zero aim, offering a mechanism to counterbalance emissions that cannot be immediately eliminated. However, the current landscape is complex and lacks standardization, presenting challenges for investors and companies alike.

The quality attributes of carbon offsets are key to their efficacy and include additionality, verifiability, and duration. High-quality projects, such as afforestation in long-deforested areas, exemplify these traits. Yet the varied nature of projects, from direct air capture to nature-based solutions, complicates market participation.

Written in partnership with Chestnut Carbon, “Accelerating the Carbon Market: A Call for a Standardized Rating System for Removal and Avoidance Credits” advocates for a global, standardized rating system based on additionality and duration. This would enhance transparency and comparability crucial for building market confidence. For instance, a simplified system could grade projects on their percentage of carbon removal versus avoidance, and the duration of carbon storage.

Forests merit special attention in this context. Their long-term carbon storage potential often surpasses engineered solutions, highlighting the importance of balancing natural and technological approaches to carbon removal.

Investing in carbon removal activities is essential as we progress towards our net zero goals. However, this investment hinges on developing a robust market with standardized ratings to drive economically rational investment in carbon removal projects.

Net Zero

KTG achieved net zero emissions for 2023 through its comprehensive approach to carbon management and purchase of high-quality carbon credits.

Climate Risks and Opportunities

Climate-related risks and opportunities have the potential to significantly impact our firm's strategy, financial performance, and operational landscape. Aligned with the TCFD guidelines, we assess these factors through our comprehensive due diligence process, integrated strategic and financial planning, and proactive engagement with portfolio companies. This approach ensures climate considerations are embedded across our entire investment lifecycle, from initial assessment to ongoing management and eventual exit.



CLIMATE RISKS: PHYSICAL AND TRANSITION

Physical risks can directly impact the properties, facilities, and infrastructure of the businesses we invest in, while indirectly disrupting operations and supply chains. Transition risks, such as evolving regulations, can also pose challenges. With increasing focus on climate abroad and in the US, new proposals, initiatives, and rules are being enacted. Policies related to permitting requirements, carbon pricing, or emission limits could hinder asset development or increase consumption costs, affecting demand. These changes can directly impact the financial position of our portfolio companies, potentially increasing their capital expenses or operating costs. Understanding and managing these risks is crucial to ensuring the resilience and sustainability of our investments.



CLIMATE OPPORTUNITIES: INVESTMENTS

Our Carbon Solutions strategy represents a climate opportunity to accelerate the energy transition to net zero. By focusing on investments at the front end of the cost curve, we leverage our direct operations and land aggregation expertise to decarbonize industry and commercialize alternative sources of energy. This strategic approach allows us to capitalize on early-stage opportunities with the greatest potential for impactful emission reductions.



GHG Emissions: Our Approach to Transparency, Accountability, and Impact

In the upstream sector, managing GHG emissions is both an environmental and a business imperative that directly enhances the investment case. Effective emissions management demonstrates operational efficiency, risk management, and forward-thinking leadership. While carbon dioxide (CO₂) is the most well-known GHG, others such as methane (CH₄), nitrogen oxides (NOx), and sulfur oxides (SOx) play significant roles in the industry’s climate impact and, ultimately, in shaping a company’s attractiveness to investors. Effectively managing these emissions, especially fugitive methane from operations, storage, and transportation, is crucial in mitigating the industry’s environmental impact. Also, better emissions management means more product is transported through the sales pipeline and sold.

While CO₂ emissions from combustion processes present a long-term climate challenge, it’s methane that demands immediate attention. As a potent short-lived climate pollutant, each kilogram of methane has a global warming potential equivalent to about 30 kilograms of CO₂ over a 100-year timespan. This underlines the urgent need for effective methane emissions management, as it not only reduces the industry’s environmental impact but also enhances its attractiveness to investors. Furthermore, the contributions of NOx and SOx to air quality issues and indirect warming effects should not be overlooked.

Taking Stock in the Industry’s Progress and Kimmeridge’s Role

From 2016–2022, US upstream emissions increased by 2%, while oil and gas production expanded by 36%, demonstrating a substantial decrease in emissions per unit of production. In other words, the industry has shown that increasing production while effectively managing emissions is possible. We observe an industry that is prioritizing several emissions reduction strategies, including:

- Eliminating routine flaring
- Eliminating “high-bleed” pneumatic devices

- Expanding continuous monitoring programs and increasing leak detection frequency
- Joining the United Nations’ Oil & Gas Methane Partnership 2.0

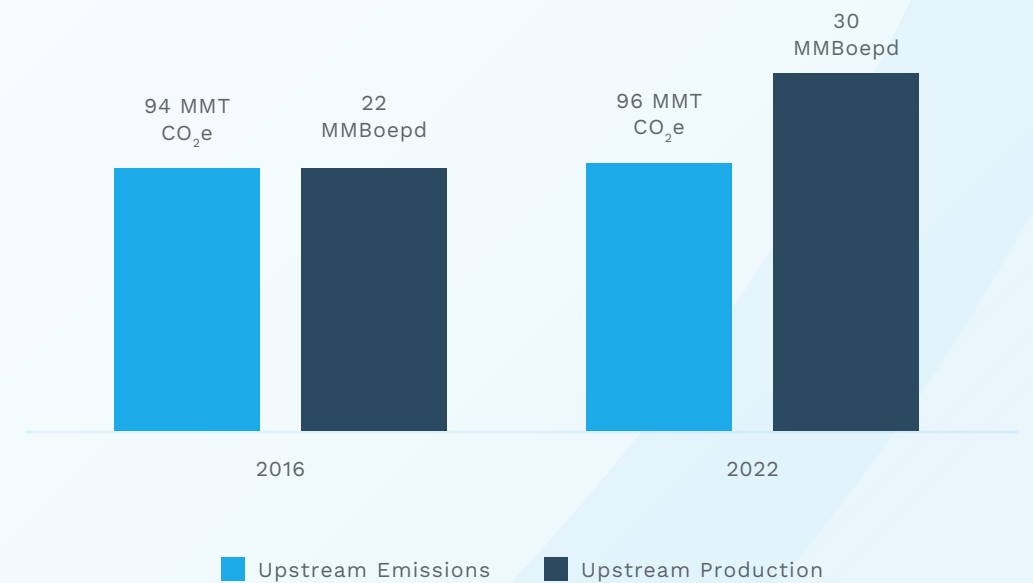
For our part, Kimmeridge fills a critical gap in emissions-related guidance for the upstream sector. While standard-setters like the Science Based Targets Initiative have largely eschewed the upstream oil and gas industry, we recognize its vital role in the global economy and energy supply mix. Our published white papers provide nuanced, sector-specific strategies for emissions reduction, acknowledging that low-carbon, domestic oil and gas production is an essential component of a balanced, long-term energy portfolio. This approach ensures that the industry isn’t marginalized but guided towards sustainable practices aligning with global climate goals.

Our September 2020 white paper, “Charting a Path to Net Zero Emissions,” set a new standard for the upstream sector, outlining five principles for emissions reduction:

- Eliminate routine flaring by 2025
- Reduce US methane intensity below 0.2% of gas production by 2023
- Halve total upstream intensity by 2030
- Implement routine monitoring and independent verification of emissions
- Align reporting with SASB standards and TCFD recommendations

At the time of publication, only one upstream company (Range Resources) had a net-zero aim; in the year following the report, over a dozen companies made net-zero commitments. Our role in providing clear, actionable targets and best practices has been instrumental in accelerating the industry’s transition towards more sustainable operations and enhanced transparency, inspiring others to follow suit.





US Upstream GHG Emissions and US Oil & Gas Production⁵





Technology, Advocacy, and Impact

Across our initiatives, Kimmeridge is catalyzing change across the energy sector to advance emissions reduction targets and strengthen emissions reporting standards.

- 
 Kimmeridge leverages proprietary technology with a custom dashboard that integrates EPA's greenhouse gas reporting data, enabling in-depth analysis and peer/regional benchmarking.
- 
 Our emissions assessment combines EPA data with near-real-time flaring information from Enverus and publicly reported data from state oil and gas divisions, ensuring a comprehensive and current view. We also leverage company sustainability reports and various data platforms.
- 
 We advocate for urgent action in mitigating and avoiding emissions, verifying performance data, establishing reduction targets (on an absolute and intensity basis), and disclosing roadmaps for achieving targets.
- 
 We support industry groups helping companies measure, reduce, and report GHG emissions. For example, in 2023, we collaborated with and endorsed the Ceres Investor Network E&P Net Zero Round Table and Principles. We are the only asset manager supporting Veritas, GTI Energy's methane emissions measurement and verification initiative.

Our efforts have resulted in significant public acknowledgment of two of our largest investments in Kimmeridge's Public Engagement strategy, which received awards for their differentiated ESG strategy and communication. California Resources Corp. received the Energy Transition Award from Platts Global Energy Awards for perseverance in developing solutions to help reduce carbon emissions and tackle climate change. Chesapeake received the IR Magazine ESG Reporting Award, honoring its passion and dedication while delivering on its commitment to safe and sustainable operations.

04

Safety



Safety

Safety is embedded in our culture and ingrained in our operations to benefit employees, contractors, and our communities.

We recognize that a robust safety culture is fundamental to our operations and long-term success. We work closely with our portfolio companies to implement effective safety programs and foster a culture where safety is paramount. This proactive approach mitigates risks and workplace accidents, and enhances overall operational efficiency.

Our commitment to safety is reflected in our governance structure and oversight. Safety performance is reviewed at the board level for portfolio companies where we retain operational control. In other cases, we conduct annual reviews to ensure consistent oversight. At KTG, our Sustainable Investment Team engages in weekly meetings with HSE leadership. This frequent interaction facilitates timely, constructive dialogue and allows for rapid response to any emerging safety concerns.



2023 Initiatives

Comprehensive Safety Manual

In 2023, we developed a comprehensive safety manual applicable to all our upstream-operated assets. This digital manual is available to all employees and contractors, and outlines a wide range of critical areas, including:

- Specific roles and responsibilities
- Safety standards
- Regulatory requirements
- Occupational safety
- Vehicle safety
- Motorized equipment operation
- Occupational health and industrial hygiene

This manual was created through a collaborative process that sets it apart. We gathered input from our operating teams in Houston and Wyoming and various functional departments, including the Sustainable Investment Team, Human Resources, Regulatory, and Legal. This cross-functional approach ensures the manual is comprehensive, practical, and aligned with regulatory requirements and our operational realities.

Online Safety Management Platform

We also implemented an online safety management platform to complement our safety manual. This centralized system integrates the manual, standards, processes, work systems, and data into a single, accessible location. Key features of the platform include:

- Interactive training modules
- Internal and regulatory inspection tools
- Corrective action tracking

The platform has significantly improved our safety operations by:

- Automating safety-related workflows
- Assigning and tracking corrective actions
- Providing enhanced visibility into safety performance and compliance across the company

Impact and Results

Implementing our comprehensive safety manual and online management platform has yielded tangible results. Since their introduction, we have observed a notable decrease in near-miss and safety incidents across our operations.

This positive trend reinforces our commitment to continually improving our safety practices. As we move forward, we remain dedicated to fostering a culture of safety that protects our employees, our contractors, and the communities in which we operate.





Cybersecurity

Kimmeridge's comprehensive approach to cybersecurity is reflected in our robust data protection protocols, which are integrated into several key policies, including our **Written Information Security Plan, Contingency & Disaster Recovery Procedure, and Business Continuity Plan**. These policies ensure the proactive and comprehensive handling of all potential cybersecurity threats.

We prioritize cybersecurity awareness and education through comprehensive training programs tailored to our employees. Our employees participate in an annual cybersecurity awareness session. Employees also participate in an individual annual cybersecurity training. In 2023, we achieved 100% participation in this training program. We conduct quarterly phishing tests to maintain high vigilance and engagement throughout the year, ensuring our employees are continually prepared to recognize and respond to potential cyber threats. Our ongoing initiatives are designed to instill a thorough understanding of cybersecurity best practices and safeguard our firm's assets and data from evolving cyber risks.

In 2023, we implemented an advanced email security technology that significantly mitigated the risk posed by spam and malicious emails, thereby enhancing our capability to safeguard firm communications.

Data Privacy

Kimmeridge is committed to safeguarding the privacy and security of personal data. Our commitment to privacy and data protection is outlined in our [Privacy Policy](#). To ensure the safety of the personal information and data we manage, we collaborate closely with our Compliance team and cybersecurity advisors to adhere to global privacy laws and stay current with evolving regulations. We implement technical and organizational measures such as encryption, security assessments, access controls, email security, and employee training. We believe that every employee has a responsibility to protect the firm and ensure data security, which is why we prioritize cybersecurity and compliance training for all employees.

05

Human Capital



Human Capital

Our success and impact in the energy sector are directly linked to the expertise and diverse perspectives of our team.

Cultivating an Inclusive Workplace

We have more than 90 full-time employees in our offices in New York and Denver. As our company grows, we seek to preserve the core elements of our entrepreneurial approach, while formalizing programs, policies, and practices that support our talent objectives.

At Kimmeridge, fostering an inclusive work environment is a core leadership responsibility guided by our comprehensive diversity, equity, and inclusion (DEI) mission statement. Our [DEI mission statement](#) emphasizes the core values of innovation, integrity, and teamwork, which have guided the firm since its inception. Diverse teams, bringing together diverse thoughts, backgrounds, and experiences, drive creative strategies and achieve superior outcomes. We aim to create a workplace that attracts top talent and fosters continuous growth and mutual respect by embedding these principles into our daily operations.

To attract and retain top talent, we prioritize onboarding processes that include detailed orientation sessions, regular check-ins, and tailored development plans. Our commitment to continuous feedback and performance assessments helps employees understand their progress and areas for improvement, fostering a culture of transparency and accountability. We aim to build a team that is high-performing, deeply engaged, and committed to our shared goals.

In 2023, Kimmeridge conducted mandatory training to prevent harassment and discrimination in the workplace. The training was designed to educate our employees on what constitutes workplace harassment, including verbal, physical, and visual forms, based on protected characteristics like race, gender, religion, sexual orientation, and disability, and to provide clear guidelines on how to report and address such behavior if encountered.

Growth and Development




In the fall of 2022, the firm conducted a comprehensive culture survey, followed by a Hogan assessment for all employees, providing everyone with a personalized report. This initiative, driven by leadership, included an in-depth discussion among the partners to review their results collectively. Additionally, the partners underwent a 360-degree feedback process, evaluating themselves, each other, and other employees. This exercise proved invaluable in helping each partner identify and understand their growth opportunities, fostering a culture of proactive development and enhanced teamwork at the firm.

Kimmeridge recognizes that a robust professional and leadership development program is essential for cultivating a pipeline of skilled and motivated leaders who can steer the firm toward our strategic objectives. While formalizing our program, we have conducted numerous professional development sessions to nurture talent from within. For instance, we offer speech and presentation coaching to all employees, and a trainer visits our New York office monthly for individual sessions. In addition, we have conducted leadership development workshops focusing on building a leadership philosophy, giving feedback, and advocating for oneself.

We also partner with specialized technical training programs to enhance our team's capabilities. We enrolled ten associates in an intensive four-day financial modeling class and another ten in the School of Energy program in Houston, Texas. This two-day program equips participants with the tools and knowledge to navigate the evolving energy sector. These targeted upskilling initiatives ensure that our team remains at the forefront of industry trends and analytical practices.

Ethics

We are committed to upholding the highest ethical standards. Our comprehensive approach includes:

- 
Robust Policy Framework
 We maintain an employee handbook and a compliance manual, which includes our code of ethics. These living documents are regularly updated to reflect the latest regulatory developments.
- 
Dedicated Oversight
 Our legal and compliance team works closely with our head of talent to ensure our policies remain current and effective.
- 
Employee Engagement
 All employees must certify their understanding and compliance with our policies annually. We also conduct annual training programs to foster a culture of integrity.
- 
Influence
 We extend our commitment to ethical standards by encouraging and supporting strong ethics and compliance programs in our portfolio companies.

Kimmeridge Gives Back

At Kimmeridge, our dedication to giving back is demonstrated through the “Kimmeridge Gives Back” program, which organizes volunteer initiatives across our offices. In 2023, our team participated in several programs to support the communities where we live and work.

Memorial Sloan Kettering Cycle for Survival

A highlight of our philanthropic efforts is our participation in the Memorial Sloan Kettering Cycle for Survival event, raising critical funds for cancer research programs to foster a culture of integrity.

Dedisse Forest Health Project

Kimmeridge proudly donated to the Dedisse Forest Health Project, an essential initiative to improve forest health and mitigate fire risks in Denver Mountain Parks. The dedicated efforts of Kimmeridge volunteers further supported the project.

Encore Community Services

Kimmeridge volunteers delivered meals to support Encore Community Services, an organization dedicated to providing seniors a safe and welcoming environment, offering meals, social services, and housing assistance.

Field Day at PS20M

Volunteers from Kimmeridge assisted in organizing and running a field day for students at PS20M, a local New York school. Their efforts helped create a fun and engaging experience for the children, and for our employees!



06

Sustainability Data

Case Study

Net Zero at Kimmeridge Texas Gas (KTG) (Fund V, VI, and SoTex Co-Invest)

KTG produces low-cost natural gas from its approximately 160,000 net acres in the Eagle Ford Shale of South Texas, with current production of approximately 370 MMcfe/d. The company leverages its strategic location to access global markets through Mexican export channels, LNG terminals, and Gulf Coast pipelines.

We are committed to demonstrating natural gas’s pivotal role in the global transition to lower-carbon energy solutions. To this end, KTG has established a net zero target for its Scope 1+2 emissions. KTG prioritizes operational emissions reductions and procures high-quality carbon credits to address remaining unabated emissions.

Key emissions reduction initiatives and achievements include:



Methane Reduction Program

- Pneumatic devices, essential for controlling liquid levels, temperatures, and pressure during production, were targeted to minimize methane releases
- Completed comprehensive pneumatic device replacement program in the third quarter of 2024
- Upgraded intermittent-bleed devices to low-bleed alternatives

Projected emissions reduction equivalent to removing 2,000 passenger vehicles annually



Enhanced Leak Detection and Repair

- Invested in Optical Gas Imaging camera technology, enabling:
- Precise leak detection and source identification
 - Verification of repair effectiveness
 - Increased frequency of equipment surveys
 - Documentation of both expected and previously unidentified emission sources



Equipment Modernization

- Transitioning from diesel to natural gas-powered equipment for drilling and completion operations
- KTG is targeting 50% operational conversion in 2024

Projected emissions reduction equivalent to removing 9,700 passenger vehicles annually

Net Zero




KTG achieved net zero emissions for 2023 through its comprehensive approach to carbon management. Following emissions accounting and regulatory reporting, KTG offset its emissions through the purchase of high-quality voluntary carbon credits. The credits were carefully selected in accordance with Kimmeridge’s Carbon Credit Procurement Policy and align with international standards, ensuring the effectiveness of our offsetting initiatives. This milestone represents a significant step in our ongoing sustainability journey.

Case Study

Scaling Nature-Based Solutions at Chestnut Carbon

Chestnut Carbon is a nature-based carbon removal developer and manager of U.S. forestry projects. Using proprietary technology, Chestnut Carbon delivers high-quality carbon credits while enhancing biodiversity, restoring ecosystems, and creating economic opportunities through partnerships and community engagement. The company also buys and restores marginal crops and pasturelands, working with local experts to plant native species and develop biodiverse ecosystems. These additional efforts would only occur with the existence of a global carbon credit market.

Chestnut’s long-term projects capture and sequester millions of tons of carbon dioxide, stored for over 100 years under its registered project design. With a commitment to mitigating risks and benefiting local communities, Chestnut Carbon’s nature-based solutions provide immediate and enduring environmental and economic benefits:

- 
High-Quality Carbon Credits
 Proprietary technology ensures accurate measurement and verification under the rigorous Gold Standard® accreditation, with co-benefits to biodiversity and ecosystem restoration
- 
Significant Carbon Sequestration
 Long-term projects sequester millions of tons of CO₂, with carbon stored for 100+ years under the registered project design
- 
Community and Economic Benefits
 Partnerships with local landowners, foresters, and community organizations create jobs and economic opportunities while restoring lands to their natural state

Ensuring Environmental Integrity

Environmental integrity is a top priority for Chestnut. Chestnut’s projects are Gold Standard® certified, ensuring they adhere to the most rigorous and comprehensive verification program available today. Gold Standard takes a unique approach to land-use activities that sequester carbon or avoid GHG emissions, focusing only on mechanisms that deliver high environmental integrity. The Gold Standard emphasizes conservative accounting practices and avoids leakages, ensuring that forestry projects do not unintentionally lead to increased deforestation or degradation elsewhere.

FOREST FOOTPRINT (AS OF 12/31/2023)	
Acres Leased	67,631 Acres
Acres Owned	21,395 Acres
Seedlings Planted	10,146,522 Seedlings
Acres Certified by the Forest Stewardship Council	17,411 Acres
Carbon Sequestered by Forests	66,283 MT CO₂e

Partnerships and Projects

CORPORATE BUYERS

Chestnut’s focus on additionality, durability, verifiability, and co-benefits aligns with the needs of the most discerning corporate buyers. In 2023, Chestnut executed a first-of-its-kind 15-year carbon off-take agreement with Microsoft.

AFFORESTATION

In 2024, Chestnut Carbon announced the completion of Phase 2 of the largest afforestation project in the U.S., registered with the Gold Standard for Global Goals, the industry’s leading standard. Phase 2 entailed planting 10 million trees and acquiring over 21,000 acres of marginal crop and pastureland, an area equivalent to 1.5x the size of Manhattan. With its first 10 million trees, Chestnut Carbon will sequester approximately 5 million tons of CO₂ over the next 50 years.

RESTORATION

Through our Sustainable Restoration Project, Chestnut develops new forests on marginal crop and pasture lands across the U.S. Chestnut has more than eight restoration projects totaling more than 8,300 acres of land. Each project location has been previously used for activities such as rice fields, hay production, or cattle pastureland. Now, over 6,100 acres are dedicated to afforestation efforts. The projects are designed to restore diverse natural ecosystems, improve air and water quality, and support wildlife suitable to each site. Chestnut collaborates with local foresters, landowners, nurseries, and specialists to plant a biodiverse array of hardwood and pine seedlings optimized for each region’s soil, drainage, native species, and community land use. We thoughtfully design, plant, and monitor each site to ensure high survivorship.

Kimmeridge Funds' Sustainability Data

The table below represents portfolio company data for upstream, operated assets across Kimmeridge Funds IV, V, and VI, and related co-investment vehicles for 2023.

Performance data presented in this table includes estimates and may be incomplete for certain metrics due to partial-year ownership of acquired assets.

2023

GREENHOUSE GAS EMISSIONS

Scope 1 GHG Emissions (Metric tons CO ₂ e)	186,125
Scope 1 GHG Intensity Scope 1 GHG Emissions (Metric tons CO ₂ e)/Gross Annual Production as Reported Under Subpart W (MBoe)	9.90
Percent of Scope 1 GHG Emissions Attributed to Boosting and Gathering Segment	N/A
Scope 2 GHG Emissions (Metric tons CO ₂ e)	N/A
Scopes 1 & 2 Combined GHG Intensity (Scope 1 GHG Emissions (Metric tons CO ₂ e) + Scope 2 GHG Emissions (Metric tons CO ₂ e))/Gross Annual Production as Reported Under Subpart W (MBoe)	N/A
Scope 1 Methane Emissions (Metric tons CH ₄)	1,307
Scope 1 Methane Intensity Scope 1 Methane Emissions (Metric tons CH ₄)/Gross Annual Production—As Reported Under Subpart W (MBoe)	0.07
Percent of Scope 1 Methane Emissions Attributed to Boosting and Gathering Segment	N/A

FLARING

Gross Annual Volume of Flared Gas (Mcf)	343,348
Percentage of gas flared per Mcf of gas produced Gross Annual Volume of Flared Gas (Mcf)/Gross Annual Gas Production (Mcf)	0.00327
Volume of gas flared per barrel of oil equivalent produced Gross Annual Volume of Flared Gas (Mcf)/Gross Annual Production (Boe)	0.01826

2023
SPILLS

Spill Intensity
Produced Liquids Spilled (Bbl)/Total Produced Liquids (MBbl) **0.082**

WATER USE

Fresh Water Intensity
Fresh Water Consumed (Bbl)/Gross Annual Production (Boe) **0.438**

Water Recycle Rate
Recycled Water (Bbl)/Total Water Consumed (Bbl) **16.2%**

Does your company use WRI Aqueduct, GEMI, Water Risk Filter, Water Risk Monetizer, or other comparable tool or methodology to determine the water-stressed areas in your portfolio? **N/A**

SAFETY

Employee TRIR
of Employee OSHA Recordable Cases x 200,000 / Annual Employee Workhours **N/A**

Contractor TRIR
of Contractor OSHA Recordable Cases x 200,000 / Annual Contractor Workhours **N/A**

Combined TRIR
of Combined OSHA Recordable Cases x 200,000 / Annual Combined Workhours **N/A**

SUPPORTING DATA

Gross Annual Oil Production (Bbl) **1,282,203**

Gross Annual Gas Production (Mcf) **105,108,356**

SUPPORTING DATA CONTD.

Gross Annual Production (Boe)	18,800,262
Gross Annual Production (MBoe)	18,800
Gross Annual Production—As Reported Under Subpart W (MBoe)	18,800
Total Produced Liquids (MBbl)	4,374
Produced Liquids Spilled (Bbl)	359
Fresh Water Consumed (Bbl)	8,237,909
Recycled Water (Bbl)	1,335,514
Total Water Consumed (Bbl)	—
Employee OSHA Recordable Cases	1
Contractor OSHA Recordable Cases	3
Combined OSHA Recordable Cases	4
Annual Employee Workhours	N/A
Annual Contractor Workhours	N/A
Methodology	—
Annual Combined Workhours	—