

COMMITMENT TO CARBON NEUTRALITY

Carbon neutrality has emerged as a critical concept in the global effort to address climate change. To reach carbon neutrality, businesses, local communities, and research institutions develop and implement comprehensive climate action plans. These plans include leveraging renewable energy sources, enhancing energy efficiency, supporting

sustainable transportation, and implementing measures to reduce emissions across various sectors.

This white paper aims to provide an overview of carbon neutrality, discuss scope 1, 2, and 3 emissions, and explore initiatives undertaken by Civitas to achieve carbon neutrality.

WHAT IS CARBON NEUTRALITY?

Carbon neutrality balances the emissions of greenhouse gases (GHGs) with equivalent emissions reductions or removals. It means that the net emissions of GHGs, such as carbon dioxide, from an entity (e.g., company, organization, or individual) are zero after accounting for the offsetting measures.

Achieving carbon neutrality typically involves reducing greenhouse gas emissions from various sectors, such as energy production, transportation, and industry, and offsetting any remaining emissions through emissions elimination, carbon sequestration, or renewable energy projects

The first priority for any organization striving for carbon neutrality is to implement measures to minimize greenhouse gas emissions and then take steps to offset any remaining emissions by investing in projects that reduce or remove carbon dioxide from the atmosphere. By achieving carbon neutrality, companies aim to mitigate their environmental impact.

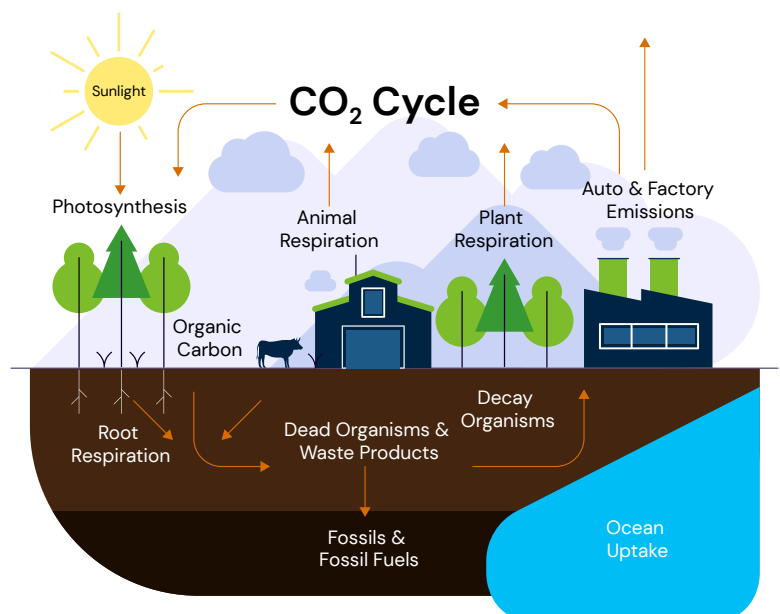


Figure 1- UCAR Center for Science Education Carbon Cycle Diagram

UNDERSTANDING EMISSIONS CATEGORIES AND ACCOUNTING

The Greenhouse Gas Protocol (GHG Protocol) is the most widely recognized and internationally accepted GHG accounting and reporting standard. The GHG Protocol Corporate Accounting and Reporting Standard, published in 2001 and updated in 2004 and 2015, defines the three scopes and their respective emissions sources. Organizations, governments, and sustainability frameworks have widely adopted these definitions for reporting and managing GHG emissions. The GHG Protocol is a collaboration between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The GHG Protocol's goal in introducing the scopes was to create a standardized framework that allows organizations to comprehensively account for their emissions and identify areas where emissions reduction efforts can be focused. The measures help organizations assess direct and indirect emissions, enabling a more holistic understanding of their carbon footprint and the associated mitigation opportunities throughout the value chain.

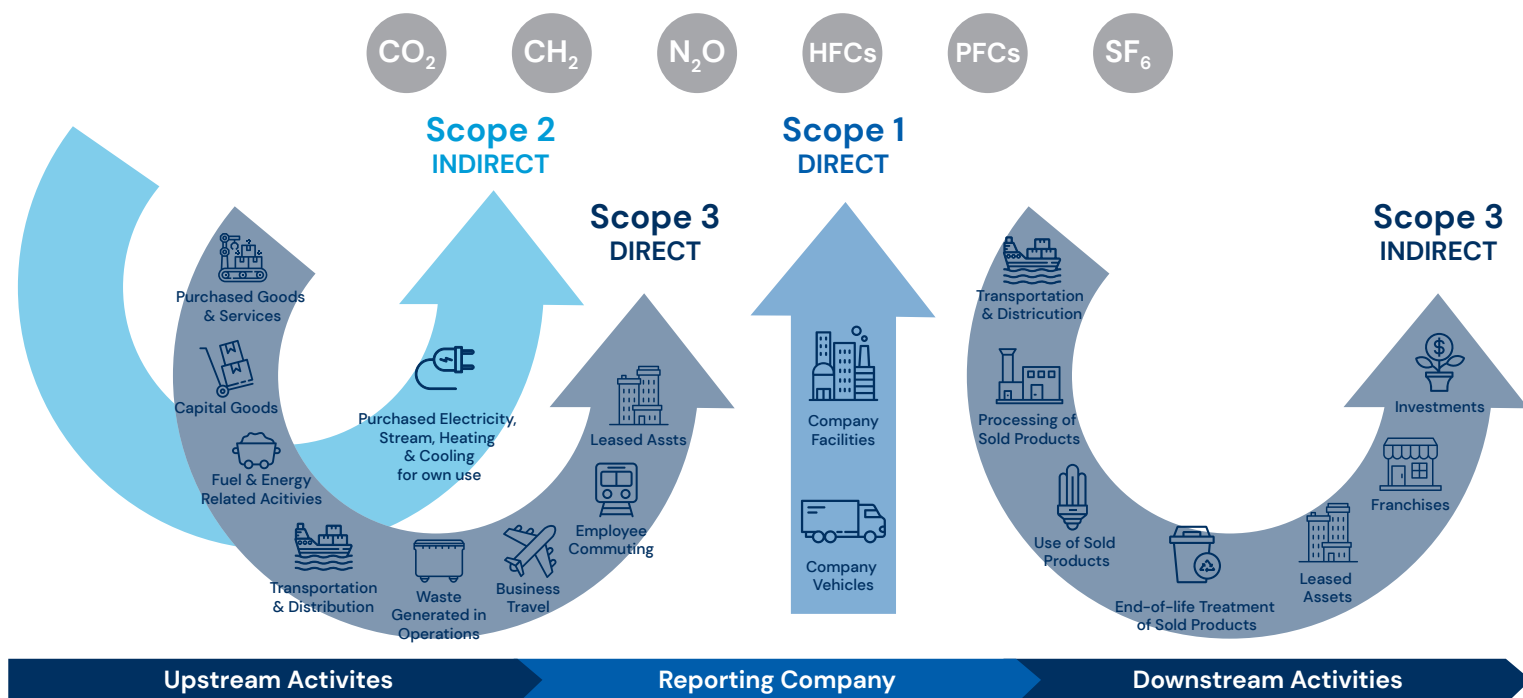


Figure 2: US EPA - Scope 1, 2, and 3 Inventory Guidance

Scope 1 Emissions

Scope 1 emissions are direct emissions from sources owned or controlled by an organization. In the context of the oil and gas industry, scope one emissions primarily include the release of CO₂ and other GHGs from the combustion of fossil fuels during exploration, extraction, refining, and transportation processes. Methane emissions from leaks and venting during these operations are also considered scope one emissions.

Scope 2 Emissions

Scope 2 emissions are indirect emissions associated with generating purchased energy an organization consumes. These emissions result from the production of electricity and heat that an organization purchases from external sources. In the oil and gas industry, scope two emissions are mainly related to the electricity consumed in refineries, processing plants, and other facilities.

THE CIVITAS STANDARD

Civitas, a sustainability leader in the oil and gas industry, has set ambitious emission reduction goals to mitigate its environmental impact. Civitas is responsible for implementing and following robust environmental sustainability protocols that protect public health and safety, air, water, land, and wildlife. It is honored to be Colorado's first carbon-neutral oil and gas company.

Our company's embrace of achieving carbon neutrality drives our culture and vision. As good corporate citizen, we're already incentivized to drive down our emissions. However, securing a carbon neutral target keeps us accountable and delivers economic incentives to innovate and further minimize emissions. Whatever emissions we can't eliminate, we're forced to expend in capital in the form of offsets.

Civitas calculates an internal cost of carbon to evaluate capital and operational expenditures in terms of their relative potential to reduce carbon dioxide equivalent emissions per dollar spent in managing climate-related risks. The price incorporates values such as the market cost of voluntary carbon offset credits, carbon offset credits in globally regulated markets, the published federal social cost of carbon, and the intrinsic cost of carbon based on actual carbon-reduction projects within Civitas.

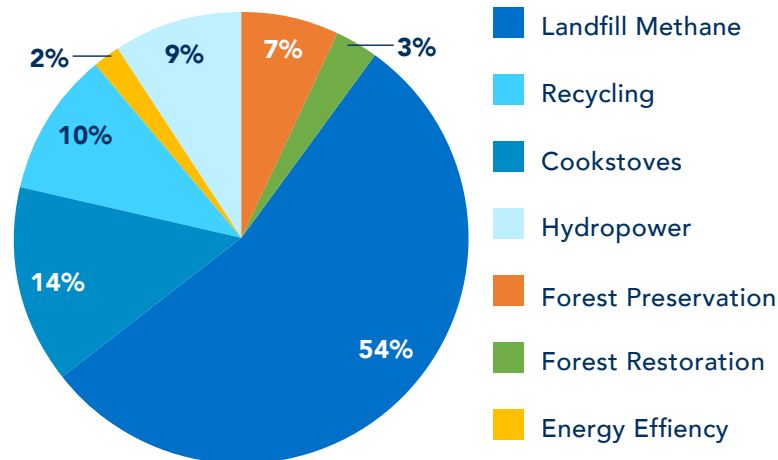
The company's internal cost of carbon is used as a strategy to minimize climate-related risks, select projects with low-carbon emissions, and prioritize projects with high emissions reduction values. Projects with returns near or below the internal cost of carbon receive priority in the budgeting process. This process ensures that Civitas continues to mitigate climate risk as efficiently as possible.

Carbon Offset Portfolio

Residual scope one emissions that have not yet been or cannot be eliminated are offset with certified offset credits validated and offered through the four most credible voluntary carbon offset project registries — American Carbon Registry (ACR), Gold Standard, Climate Action Reserve (CAR), and Verra's Verified Carbon Standard (VCS) program.

Civitas offsets scope two emissions with Green-e® certified renewable energy certificates (RECs), assuring that the company's renewable energy certificates are legitimate, measurable, and only claimed by one party.

Civitas' disciplined investment principles include a dynamic approach to offset selection over an array of offset types. The company prioritizes methane-eliminating projects, high-quality U.S.-centric nature-based offsets with clear additionality, energy efficiency, and international offsets with co-benefits mitigating negative environmental or social impacts. Civitas stays current with the evolving nature and availability of different offset types as it manages its portfolio.



**67% USA AND
33% INTERNATIONAL**

CIVITAS' EMISSION REDUCTION TARGETS AND INITIATIVES:



1. Carbon Neutrality: Civitas aims to remain carbon neutral across Scope 1 and 2 emissions. This commitment involves prioritizing reducing and eliminating operational emissions and offsetting residual emissions annually.



2. Greenhouse Gas Emissions Intensity: Civitas has committed to reducing its greenhouse gas emissions intensity by a fixed 2.5% annually from the 2019 Subpart W baseline. This reduction is averaged over ten years, indicating a long-term commitment to sustainability.



3. Zero Routine Flaring: Civitas endorsed the World Bank initiative 'Zero Routine Flaring by 2030' in 2022. By phasing out this source of emissions, Civitas demonstrates its dedication to responsible energy production.



4. Pneumatics Emissions Reduction: Civitas aims to reduce pneumatics emissions by over 80% by 2025 from a 2021 baseline. Civitas committed \$15 million to a comprehensive natural gas pneumatic retrofit reduction scheduled for completion by the end of 2023.



5. Absolute Scope 1 Emission Reduction: Civitas aims to reduce absolute Scope 1 emissions by 50% by 2027 from a 2021 baseline. This reduction target showcases the company's commitment to significantly mitigating its direct emissions.

"The DJ basin in many respects is leading the way in terms of driving down emissions and really delivering the lowest carbon product that we can onshore. So we're proud to be a part of that challenge."

CHRIS DOYLE
CEO

Furthermore, Civitas has undertaken additional initiatives that align with its emission reduction goals:

- **Voluntarily Plugging Orphaned Wells:** Civitas voluntarily pledged to plug 42 orphaned wells, over 10% of Colorado's orphan well inventory, left by previous operators. By filling and capping these wells, which can emit greenhouse gases, including methane and carbon dioxide, Civitas contributes to reducing emissions and the effects of climate change.
- **Responsibly Sourced Gas Certification:** Civitas has more than 30 wells certified to produce Responsibly Sourced Gas (RSG). This certification validates Civitas' commitment to producing clean energy with a lower emissions footprint, supporting the energy transition. In 2023, Civitas plans to obtain additional energy certificates for up to nine existing sites, and 11 new locations, increasing available RSG deliveries by a multiple of 50. Certification requires an independent third-party review with rigorous design, operations, and practice analysis. It validates Civitas' commitment to produce affordable, reliable, clean energy production.
- **Methane Emissions Reporting:** Civitas has implemented the OGMP 2.0 (United Nations Environmental Program) for comprehensive methane emissions measurement and tracking. By fulfilling Level 4 and Level 5 disclosure guidelines, Civitas ensures accurate and transparent reporting of methane emissions.

"We believe it is important that operators like Civitas leverage their expertise and resources to address the unfortunate legacy of orphaned wells and we call on other operators to follow this example in charitable cleanup efforts."

STACI TARUSCIO
Co-Founder + Board Chairman
Fellow Environmental Partners

Civitas' emission reduction targets and environmental management practices often surpass regulatory requirements, reflecting the company's dedication to exceeding industry standards. Civitas achieves compliance and emissions reduction objectives by implementing projects such as natural gas pneumatic retrofits, optimization of compressor systems, pipeline looping, and electrification.

Civitas demonstrates its commitment to environmental stewardship and sustainable practices through a comprehensive approach to emissions reduction, industry-leading initiatives, and a focus on responsible energy production.

Carbon neutrality serves as an important tool in combating climate change. Civitas recognizes the need to transition toward a carbon neutral future. It has been implementing forward-leaning strategies to reduce scope one and scope two emissions. By investing in advanced technologies, renewable energy, R&D, and collaborative partnerships, Civitas aims to achieve carbon neutrality while providing safe, clean, and reliable energy.