

Global Summit 2021

From carbon budget to business decarbonisation strategy

March 25th 2021 – 4:00 pm



Enabling non-executive directors to engage effectively in a strategic debate about the climate challenge for their businesses



OUR OFFERING

- Toolkits and information to help navigate climate change in the boardroom
- Events and workshops tailored for non-executive directors
- Peer networking and community



OUR SUPPORTING CHAIRS

- **Jean Lemierre**, Chair of BNP Paribas
- **Denis Kessler**, Chair and CEO of Scor
- **Lorenzo Bini Smaghi**, Chair of Société Générale

We are part of the Climate Governance Initiative launched by World Economic Forum.



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Global Summit 2021



Antonio Carillo Dobado
LafargeHolcim



Charlotte Gardes
Ministère des Finances



Romain Poivet
ADEME



Vicky Sins
World Benchmarking Alliance

From carbon budget to business decarbonisation strategy: corporate climate accountability indicators

Today's agenda

- **Climate and Energy benchmark: Vicky Sins**
- **European sustainable finance plan is about to change the practices: Charlotte Gardes**
- **ACT initiative : Romain Poivet**
- **Panel discussion : LafargeHolcim**

From carbon budget to business decarbonisation strategy

ACT initiative: a framework to assess companies' decarbonization strategy



Romain POIVET

ACT Initiative® Coordinator

Division for Climate Change Adaptation
Urban Planning and Low Carbon
Pathways

**ADEME (French Agency for the
Ecological Transition)**



RÉPUBLIQUE
FRANÇAISE

*Liberté
Égalité
Fraternité*

ACT | **ASSESSING LOW
CARBON TRANSITION**®



Consistency between climate science and companies' strategies

Chapter Zero France

Do you have a
decarbonization expert
in your company's board ?

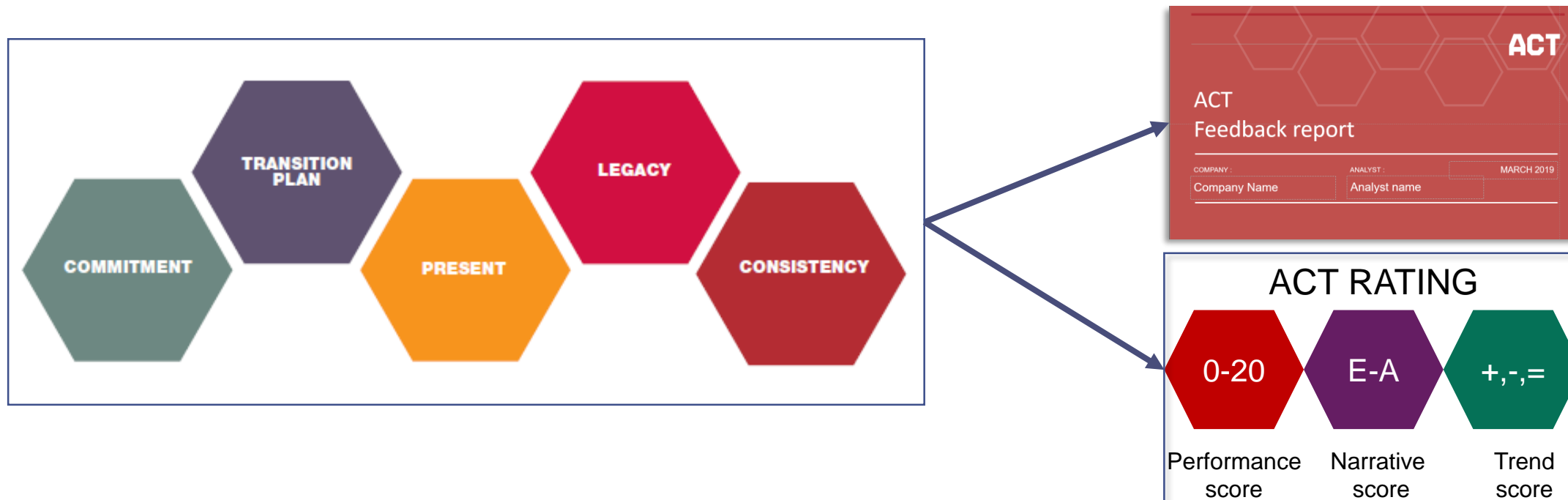
No, but we have
communication experts
in the company !



Adapted and translated from Xavier Gorce's original drawing

What is the ACT initiative ?

ACT is the only international initiative of the UNFCCC's Marrakech Partnership for Global Climate Action that creates an “accountability framework and sectorial methodologies” to assess how companies' strategies and actions are contributing to the Paris Agreement mitigation goals.



If Paris agreement's mitigation goal was a Marathon



The company transparently informs that it considers to run the marathon (...in order to secure/reassure sponsors)



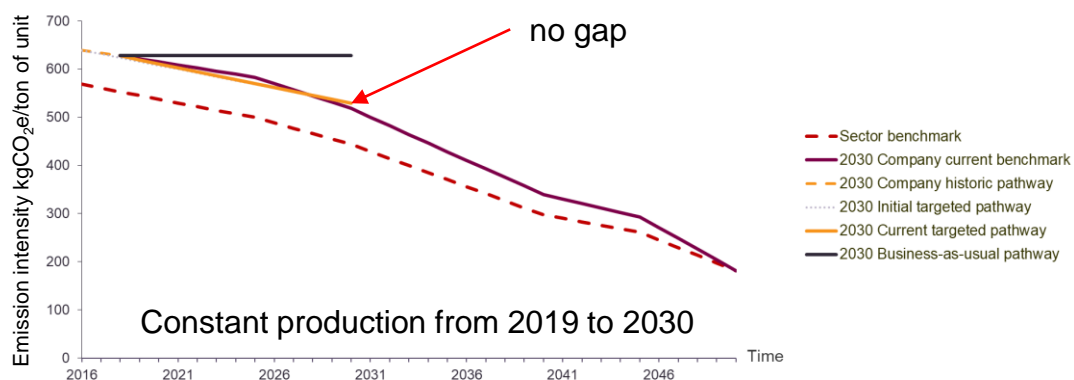
The company has demonstrated that it actually wants to run the marathon



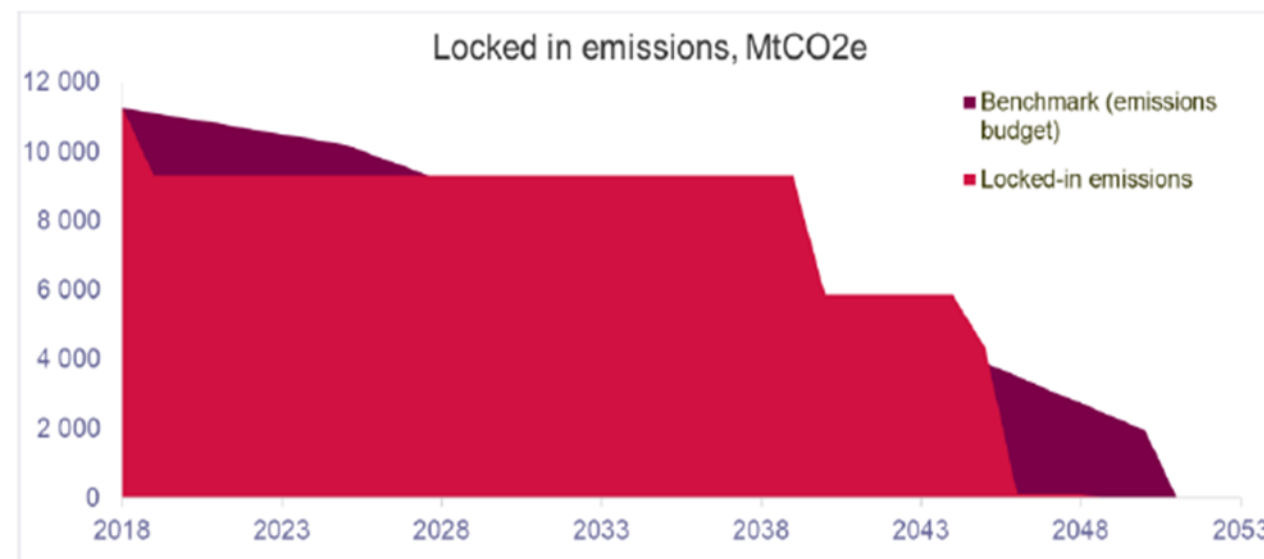
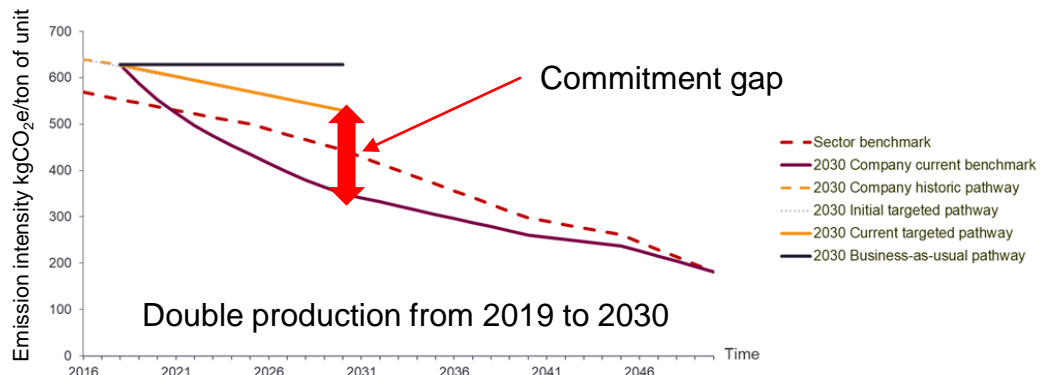
The company demonstrates that it will run the marathon and has a training program and relevant equipment to successfully run it

Locked'in emissions : set the target but miss the goal

Emission intensity kgCO₂e/ton of unit



Emission intensity kgCO₂e/ton of unit

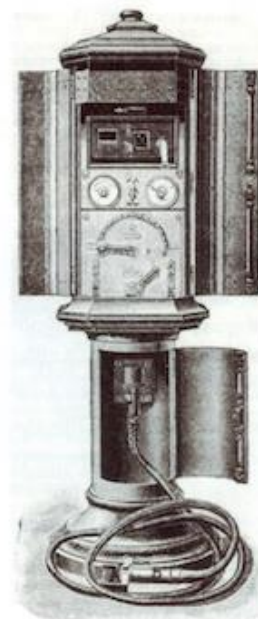


In this case the company will over exceed its theoretical carbon budget

Low carbon R&D : Technical innovation doesn't come for free and needs a suitable field



Electric car « Jamais contente », 1899

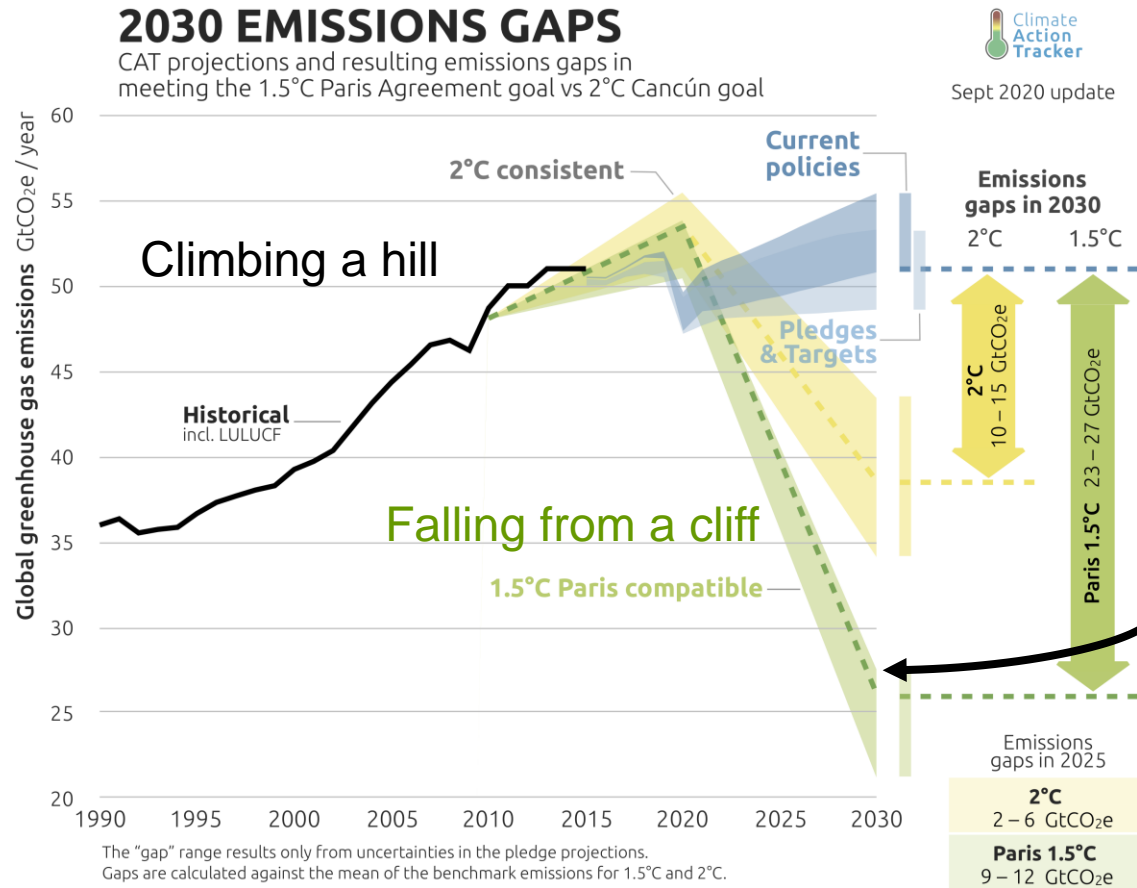


Electric car charging station, 1899



Electric car, 2020, (ADEME)

Low carbon business models to imagine now



**BACK
TO
THE FUTURE**

This world is to be imagined

Associated low carbon business models too !

Most existing ones are based on high emitting models

From carbon budget to business decarbonisation strategy

Climate and Energy benchmark



Vicky Sins

Decarbonization & Energy
Transformation Lead

World Benchmarking Alliance

Benchmarking for a better world

- Business has to play a key role in leading the transformative change required to achieve the UN Sustainable Development Goals (SDGs).
- WBA develops free and publicly available benchmarks that measure and compare company performance on the SDGs.
- Benchmarks equip investors, governments, civil society, individuals and companies with the information they need to engage and step up.
- In doing so we create a system that recognises leadership and creates accountability for those that continue to lag behind.



Electric Utilities Benchmark – an example

Ambition

Just 4/50 companies with Paris-aligned emissions reduction targets

Need should transition planning

Companies are not implementing resilient, long-term strategies to enable a low-carbon transition

Governance & Leadership remuneration

45/50 companies tie executive incentives to fossil fuels (or do not report on this)

High fossil fuel dependency

70% of companies are already locked-in to exceeding their carbon budgets to 2033

Growth of renewables critically needed

Only 12% of installed capacity is from solar and wind, with 60% relying on coal, oil, gas.

Low-carbon R&D to drive decarbonisation

Under 50% reporting on sufficient financial commitment to low-carbon innovation



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European sustainable finance plan is about to change the practices



Charlotte Gardes

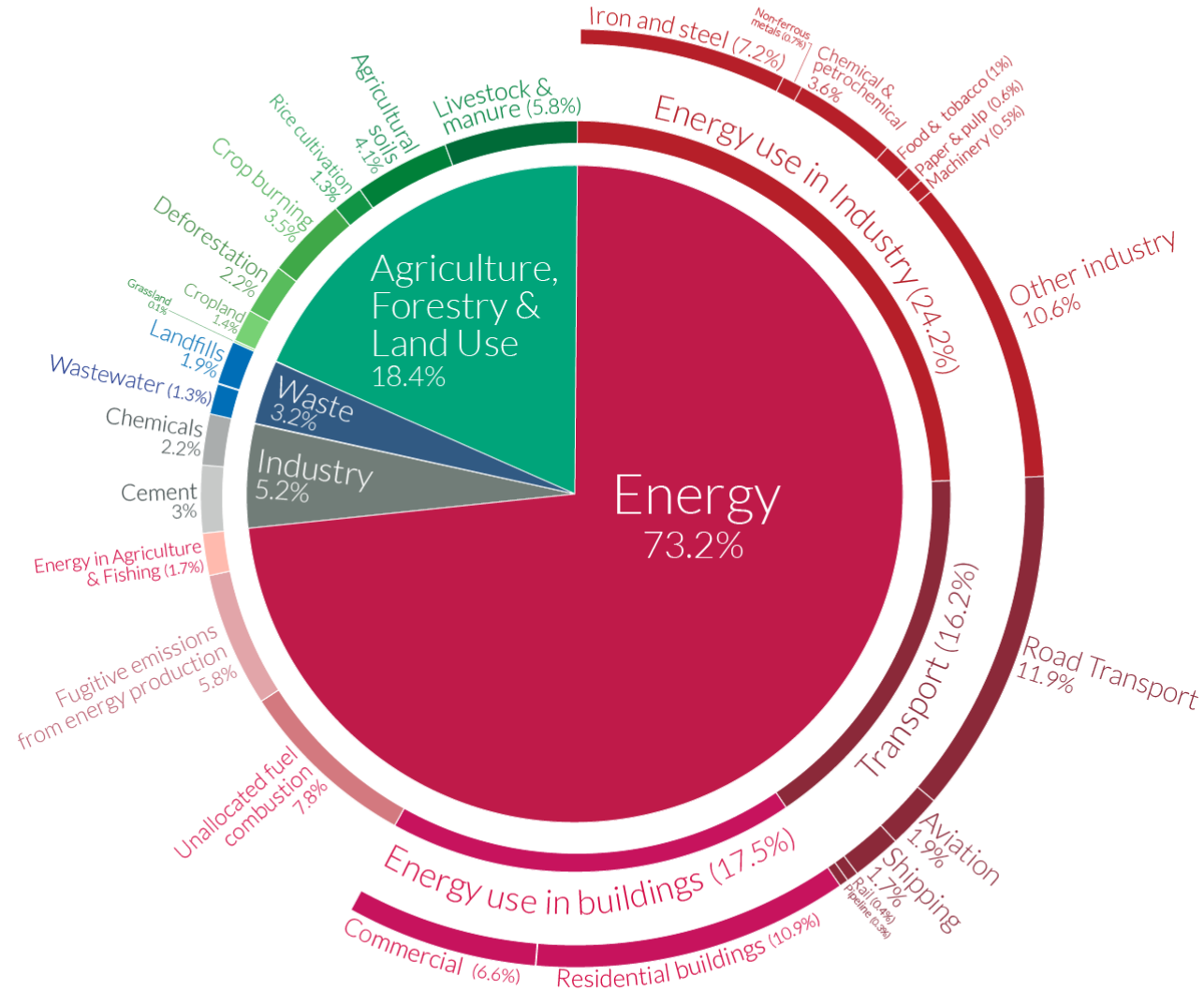
Deputy Head of the Sustainable Finance,
Corporate Law, Accounting Standards and
Corporate Governance Unit

French Ministry of Economy and Finance

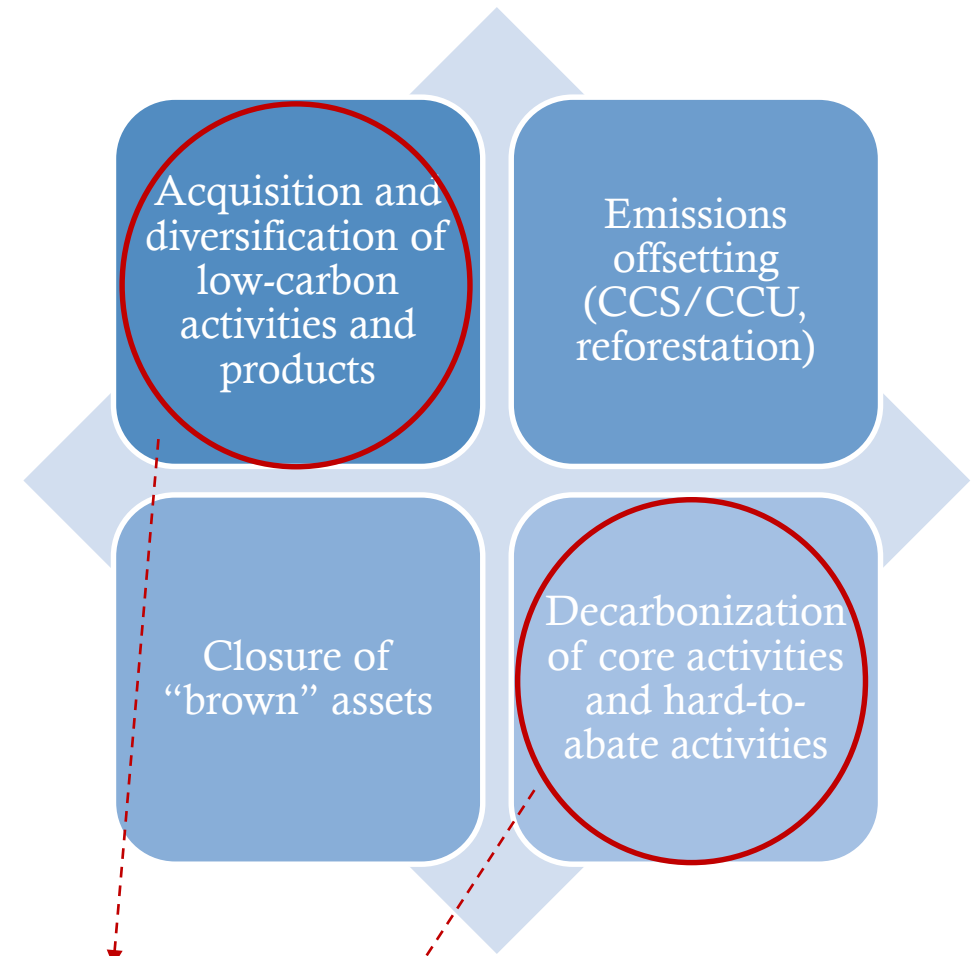
Global greenhouse gas emissions by sector

Our World
in Data

This is shown for the year 2016 – global greenhouse gas emissions were 49.4 billion tonnes CO₂eq.



Transition is a multifaceted topic and related corporate disclosure must reflect these different levers



Role of the EU Taxonomy

The Taxonomy Regulation recognizes the particularity of sectors where low-carbon technologies are not yet commercialized... but how to disclose a transition strategy?

Already low carbon

Very low, zero or net negative emissions.
Compatible with net zero CO2 economy by 2050.

Likely to be stable and long term

Contribute to transition

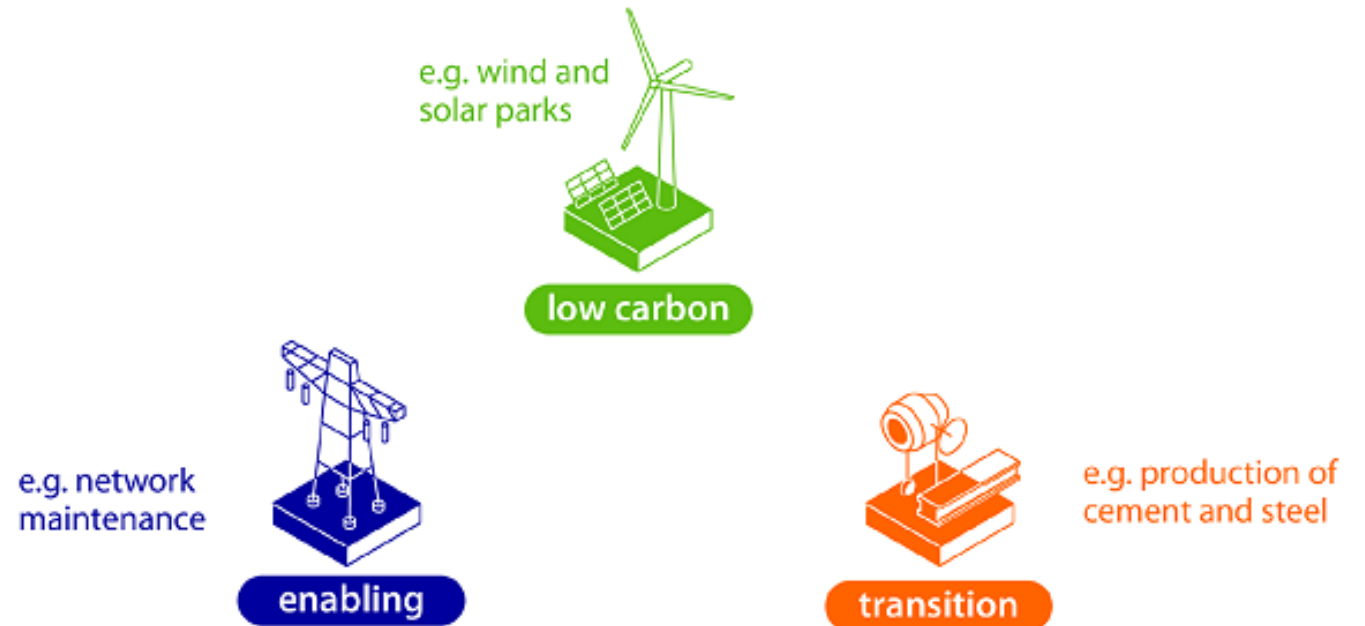
...to a net zero emissions economy in 2050

Likely to be revised regularly and tightened over time

Enabling emission reductions

...in the first two types of activities.

Consistent with those activities being enabled



The Taxonomy now covers the sectors responsible for nearly 95% of GHG emissions in the European Union.

Clearly define how a transition plan that ultimately achieves the thresholds of the Taxonomy can be fully or partially financed by instruments aligned with the Taxonomy, so as to make the Taxonomy an indisputable tool for the development of transition

Key objectives of the Taxonomy

(as per Regulation 2020/852)

1. Common language/metric system for the greening of the financial sector

- Standardization of labelling criteria for financial products and instruments
- Strengthening investor confidence through greater transparency and readability

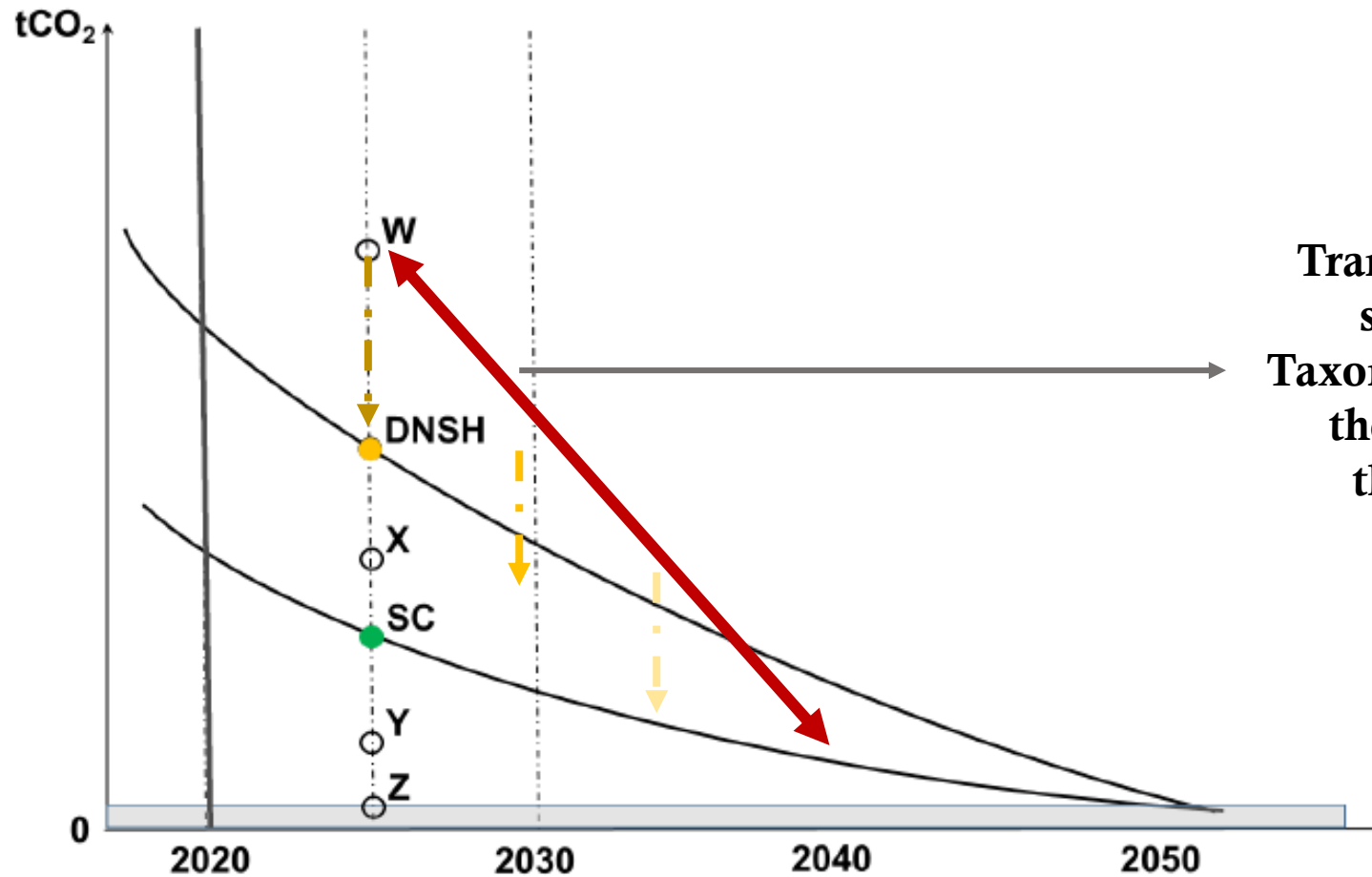
2. Accompanying the transition to carbon neutrality

- Remove obstacles to the functioning of the internal market in financing the transition to sustainable projects, in particular in the framework of the Green Deal.

Companies rely on multi-annual transition plans

- Reaching the Taxonomy thresholds may require combining several decarbonation technologies on the same site (e.g. steel, cement, etc.).
- The deployment of these technologies can be achieved gradually, but the current text only funds investments that allow the "sustainability" thresholds to be reached.

The Taxonomy must be able to standardize the transition plans of companies as soon as their decarbonation trajectory allows them to reach sustainability thresholds: the role of the delegated act under Article 8 of the EU Taxonomy Regulation (by June 2021)



Transition plan aimed at achieving a substantial contribution to the Taxonomy's sustainability objective (on the set decarbonation trajectory), through successive investments

Need to "certify" the trajectory
(e.g. ADEME's "Assessing Low Carbon Transition")

A dual objective for the financial sector

1. **To share a common understanding of the path of companies towards the sustainability thresholds of the Taxonomy**, through the financing of the most emitting sectors in order to reach the carbon neutrality objective.
2. **Ensure that the Taxonomy is the shared, science-based reference on transition and sustainability for the entire financial sector**, while broadening its use - beyond "sustainable/ESG" products and instruments alone.

Standardize business transition plans to include improvement measures to “stay on track”, within capital expenditures (CapEx) aligned with the Taxonomy

*Delegated Act under Article 8 of Regulation 2020/852 under preparation
EU sustainability standard-setting*

Expanding the potential use of Taxonomy

- Possible linkage to "sustainability-linked loans/bonds" type instruments" and "transition bonds“, thanks to the notion of trajectory
- Development of standards at the EU level

Enable a link between products with a sustainable investment objective (as defined by the Disclosure regulation, amended by the Taxonomy regulation) **and the methodologies of the climate indices** (under the delegated acts "Benchmarks") "Paris Aligned Benchmark" and "Climate Transition Benchmark".

Contribute to the assessment and management of transition risk by market participants (e.g. work on the 2nd and 3rd pillars of Basel by the EBA) **based, in particular, on the deviation from the decarbonation trajectory.**

Usefulness in portfolio alignment methodologies (risk measurement and mitigation tool) - as highlighted by the UNEP-FI/FBE report (2021)

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Panel discussion

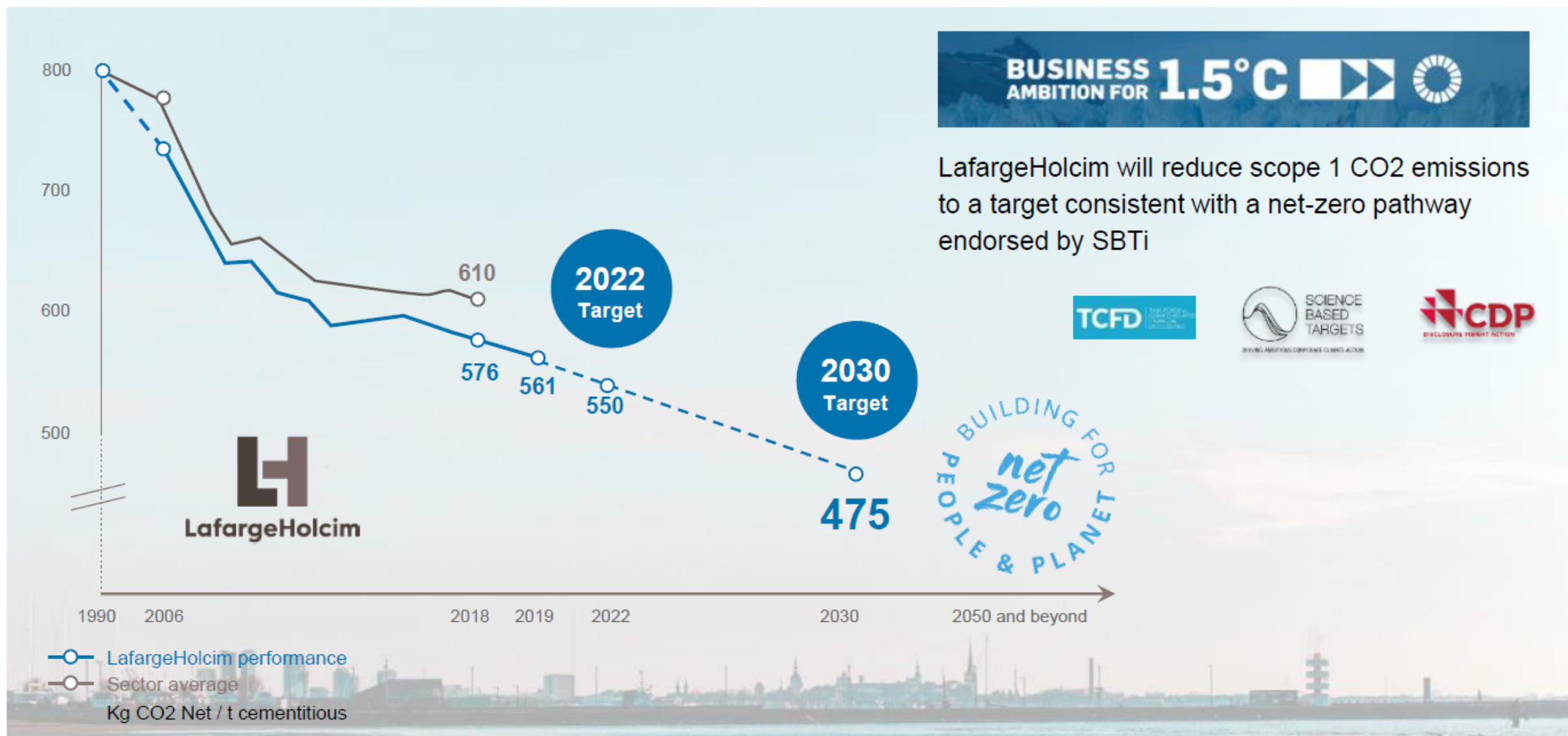


Antonio Carrillo Doblado

Sustainable Development,
Head Climate and Energy

LafargeHolcim

Our pathway to net zero



Q&A



JOIN US !

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**Become a member of
Chapter Zero France ...**

**... and join the community of
directors committed to the
transition to net zero carbon.**