Business leadership in a transition to low-carbon economy

Juliana Lopes, Director CDP Latin America
05\textsuperscript{th} November 2014
On behalf of 767 institutional investors representing US$92 trillion.
CDP – what we do

- USE INFORMATION TO MAKE INVESTMENT AND PURCHASING DECISIONS
- INVESTORS AND COMPANIES
  - REQUEST ENVIRONMENTAL INFORMATION AND ACTION
- COMPANIES AND SUPPLIERS
  - USE INFORMATION TO IMPROVE ENVIRONMENTAL PERFORMANCE AND BUILD RESILIENCE
  - MAKE TRANSPARENT INFORMATION ON CRITICAL ENVIRONMENTAL RISKS, OPPORTUNITIES AND IMPACTS
- CITIES
  - MEASURE THEIR ENVIRONMENTAL IMPACT
- COMPANIES AND CITIES
  - REDUCE EMISSIONS
  - SAFEGUARD WATER RESOURCES
  - PREVENT THE DESTRUCTION OF FORESTS
  - MAKE TRANSPARENT INFORMATION ON CRITICAL ENVIRONMENTAL RISKS, OPPORTUNITIES AND IMPACTS
Global champions

- The A List: assessment of nearly 2,000 companies against CDP’s respected scoring methodology.
187 companies from around the world are leading the corporate charge to mitigate climate change.
Decrease emissions

Companies on the Climate Performance Leadership Index (CPLI) 2014 have reduced their emissions in the last reporting year.
Decrease emissions

That’s equivalent to removing 7 million cars from our roads for a whole year.
Increase returns

The CPLI has outperformed the Bloomberg World Index by 9.6% in the last four years.

Source: data in US$ from 1/10/2010 to 22/9/2014, source ECPI based on data by Thomson Reuters Datastream and Bloomberg.
Invest for win-win results

All companies using CDP’s climate change program are:

- Investing;
- Reducing; and
- Enjoying a good internal rate of return.

<table>
<thead>
<tr>
<th>Leaders’ investments achieve on average…</th>
<th>Others’ investments achieve on average…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions reductions of 9% per company</td>
<td>Emissions reductions of 6% per company</td>
</tr>
<tr>
<td>Internal rate of return (IRR) of 57%</td>
<td>Internal rate of return (IRR) of 50%</td>
</tr>
</tbody>
</table>
Precision

75% of A Listers are on track to meet their emissions targets, versus 59% of non-leading peers.
The need to go further

Targets tend not to go beyond 2016/17, which suggests a lack of long-term strategy to meet the global carbon budget.
High intensive sectors - Energy

- Five energy companies able to meet the leadership criteria
- Biggest risks reported: regulation, such as cap and trade schemes, air pollution limits and carbon taxes
- Timeframe: three years
High intensive sectors - Utilities

- Risk from uncertainty around forthcoming regulation, and the impact of new cap and trade or carbon tax schemes, almost as many reported this as a potential opportunity either by leveling the playing field or allowing the growth of low carbon electricity generation.
Latin America
Climate change program in Latin America

- 37 responding companies, from 80 invited
- 62% (23) have emissions reduction targets. For most of these respondents (30% of total), these commitments are expressed in intensity figures
Engagement with policy makers

![Bar chart showing the number of companies engaged in various activities.](chart.png)

- Direct engagement: 15 companies (with targets), 9 companies (without targets)
- Funding research organizations: 13 companies (with targets), 4 companies (without targets)
- Trade associations: 20 companies (with targets), 4 companies (without targets)
- Other: 7 companies (with targets), 7 companies (without targets)
- No: 2 companies
Invest for win-win results

In Latin America company investments of R$ 3 billion was invested in 2013. The average reduction achieved as a result of the investment is 5.1 tCO2e per US$1,000.
Climate change opportunities

“More stringent building codes are likely to foster the development of new materials and constructive solutions; this will give innovative companies like CEMEX a competitive edge and will allow for higher margins on these new products.”

86% of the companies perceive opportunities related to regulation and to other climate-related developments, such as reputation and consumer behavior change for instance (81%).
‘Internal carbon prices’ into business strategy and risks management
CDP carbon pricing analysis
Some examples of internal carbon pricing

From 2013 disclosures to CDP:

- Exxon Mobil: $60
- Royal Dutch Shell: $40
- Xcel Energy Inc. $20
- Google Inc: $14
- Microsoft Corporation: $6-7
Global Corporate Use of Carbon Pricing

This report looks at 2014 data from CDP’s global investor climate program;

Some examples:

- Europe: BASF, Renault, Morrisons;
- Africa: Sappi, AngloGold Ashanti
- Asia: Essar Oil, Nippon Paper Industries, LG Electronics
- Latin America: Braskem, BRF Foods, Cemex, Cemig, Natura
Thank you
Any questions?

juliana.lopes@cdp.net