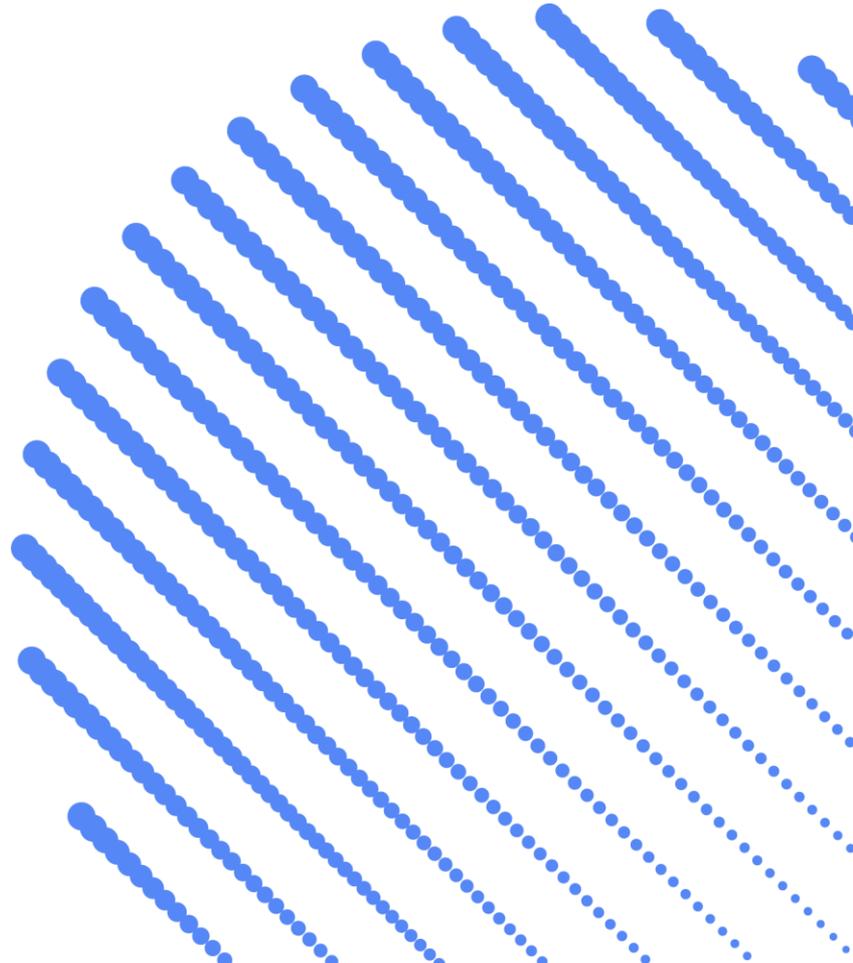




Transition
Pathway
Initiative

The State of Transition in the Coal Mining, Electricity and Oil and Gas Sectors: TPI's Latest Assessment

Professor Simon Dietz, London School of Economics



About the Transition Pathway Initiative

What is TPI and what is it for?

A global initiative led by Asset Owners, supported by Asset Managers

Established in January 2017, investors supporting TPI have over £7/\$9.3 trillion AUM

An open access online tool, now with data on 183 companies in 7 sectors with a high impact on climate change

TPI assesses companies' carbon management and performance, in line with the recommendations of TCFD

Enabling investors to understand how the transition to a low-carbon economy could affect their portfolios



TPI Partners



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INVESTMENT MANAGEMENT

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INVESTMENT MANAGEMENT

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Pension Fund
Forum

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The Collective Asset Pool for Greater Manchester
Metropolitan and Greater Yorkshire Pension Funds

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Union
Investment

USS

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BENEFITS | INVESTMENTS

West Midlands Pension Fund

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An overview of the TPI Methodology and Tool

Overview of the TPI Tool

TPI assesses companies on:

1. Management Quality
2. Carbon Performance

Largest public companies by market cap and highest emitters in 7 sectors:

- 64 fossil fuel producers (coal mining and oil and gas)
- 41 electricity utilities
- 58 carbon-intensive manufacturers (cement, paper and steel)
- 20 auto manufacturers

Transition Pathway Initiative

in partnership with:

About | TPI Tool | Methodology | Publications | News

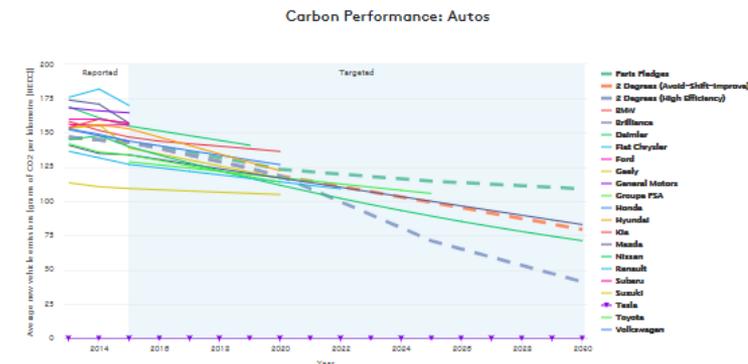
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TPI Tool

The TPI tool enables the assessment of companies' carbon management quality and carbon performance, within a selected sector.

A tutorial to help you use the tool can be found [here](#).

[Download complete data set as an MS Excel file](#)



TPI Design Principles

Company assessments based only on publicly available information

Outputs useful to Asset Owners and Asset Managers

Builds on existing initiatives and disclosure frameworks, such as TCFD

Pitched at a high level of aggregation; applies to firm as a whole



Management Quality

Level 0

Unaware

Level 1

Awareness

Level 2

Building capacity

Level 3

Integrating into operational decision making

Level 4

Strategic assessment

Data provided by FTSE Russell

Company does not recognise climate change as a significant issue for the business

Company explicitly recognises climate change as a relevant risk/opportunity for the business

Company has a policy (or equivalent) commitment to action on climate change

Company has set GHG emission reduction targets

Company has published info. on its operational GHG emissions

Company has nominated a board member/committee with explicit responsibility for oversight of the climate change policy

Company has set quantitative targets for reducing its GHG emissions

Company reports on its Scope 3 GHG emissions

Company has had its operational GHG emissions data verified

Company supports domestic & international efforts to mitigate climate change

Company has a process to manage climate-related risks

Company discloses materially important Scope 3 GHG emissions (coal, oil and gas)

Company has set long-term quantitative targets (>5 years) for reducing its GHG emissions

Company has incorporated ESG issues into executive remuneration

Company has incorporated climate change risks and opportunities in its strategy

Company undertakes climate scenario planning

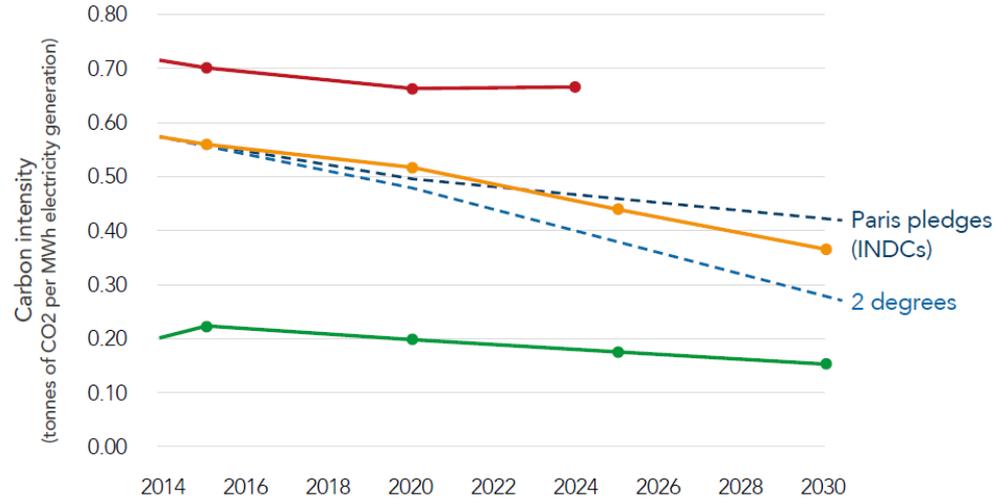
Company discloses an internal carbon price

Carbon Performance

Tests alignment of company targets with Paris goals: science-based targets

Benchmarks:

- National pledges (NDCs) to the Paris Agreement; the 'Paris Pledges'
- 2°C target
- *New* Below 2°C target



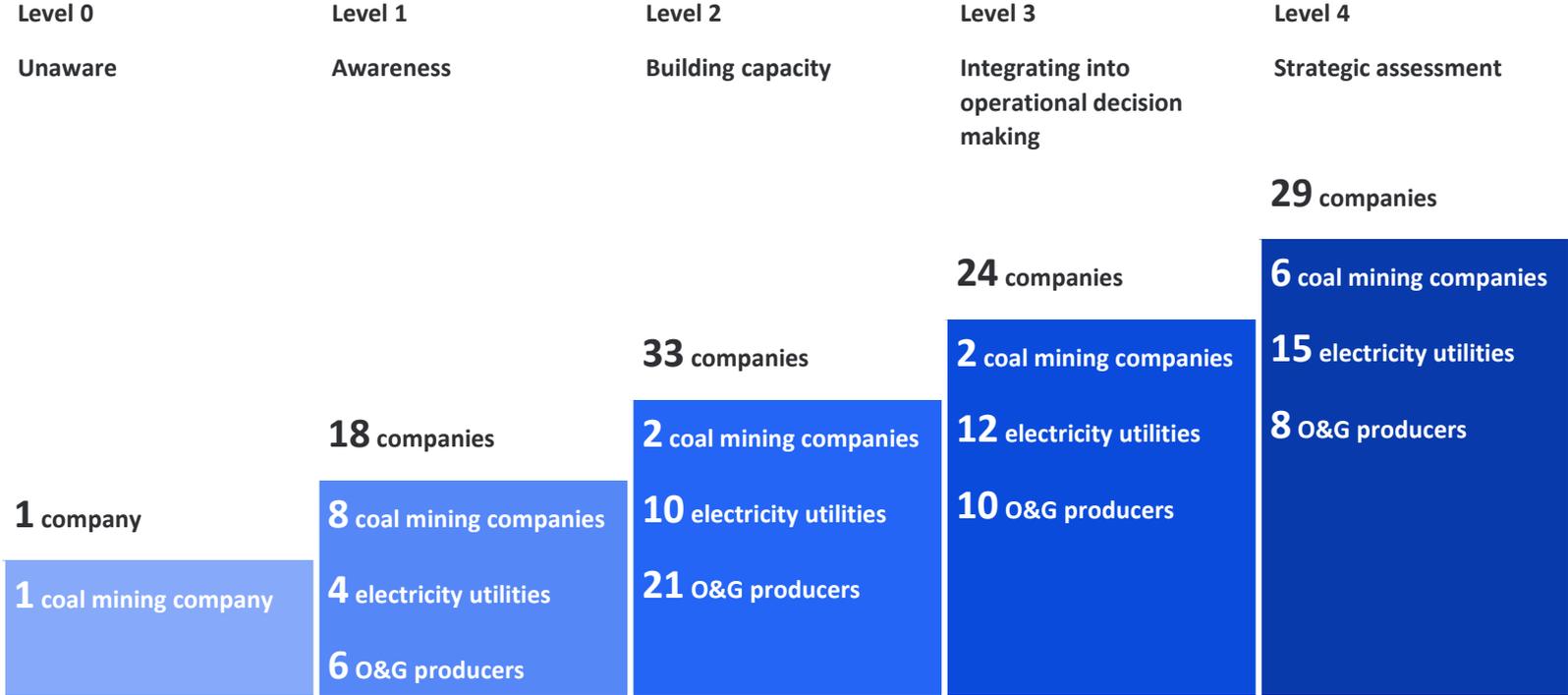
— Company A's current carbon intensity and future targets are not aligned with the Paris pledges or 2 degrees

— Company B's current carbon intensity is aligned with the Paris pledges or 2 degrees, but its future target is only aligned with the Paris pledges

— Company C's current carbon intensity and future targets are aligned with 2 degrees

Latest results: coal mining, electricity, and oil and gas

Management Quality level



Management Quality level

Average company is going from “Building capacity” (Level 2) to “Integrating into operational decision making” (Level 3), i.e. it:

- Explicitly recognises climate change as a business risk/opportunity
- Has made a policy commitment to action

And is at the point of:

- Setting an emissions reduction target
- Disclosing operational emissions



4* companies

Some companies satisfy all Management Quality criteria

These companies do all the basics, and:

- Have quantitative, long-term targets
- Incorporate ESG into executive remuneration
- Incorporate climate change risks/opportunities in company strategy
- Undertake climate scenario planning
- Disclose an internal carbon price

4* Company	Sector
AGL Energy	Electricity
Anglo American	Coal mining (general mining)
BHP Billiton	Coal mining (general mining)
National Grid	Electricity
Equinor (formerly Statoil)	Oil and gas
Repsol	Oil and gas

Trends in Management Quality

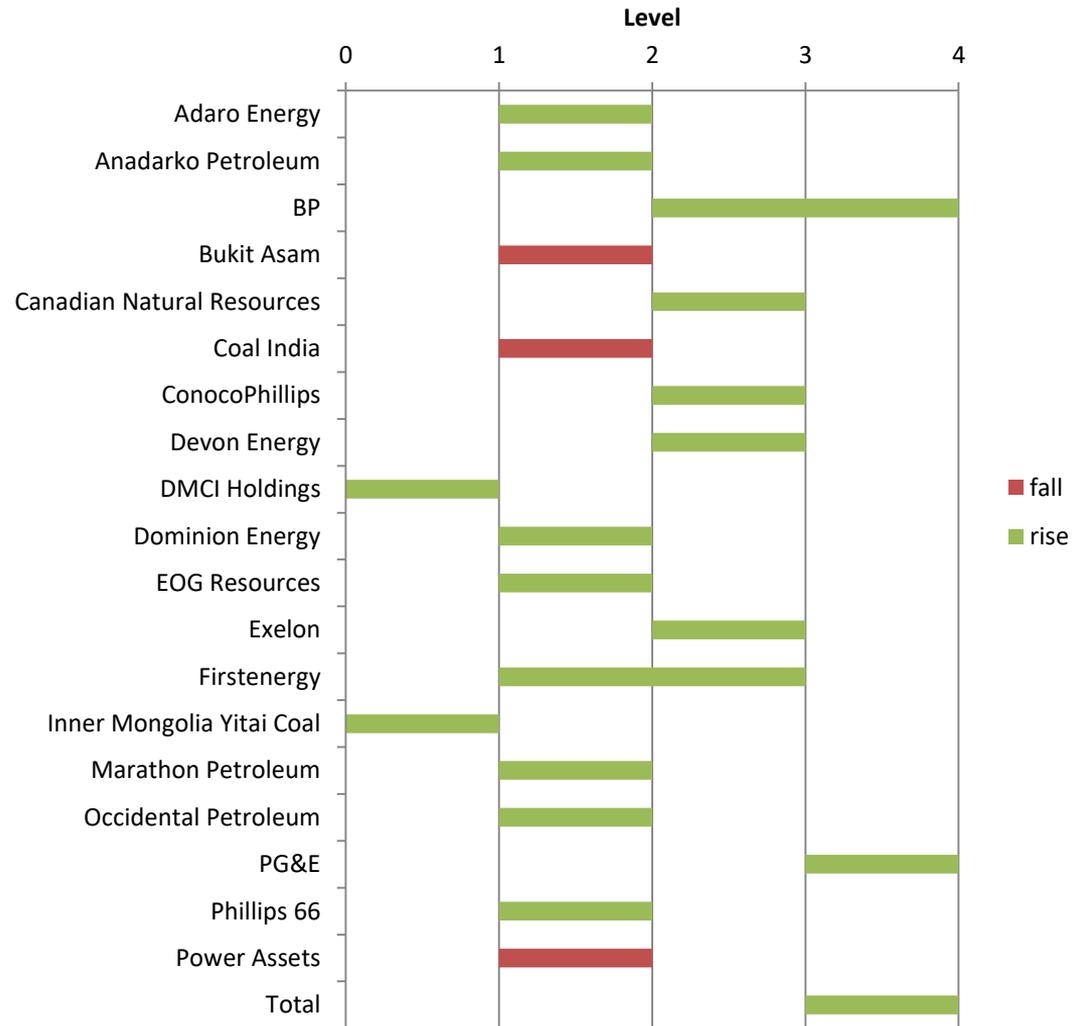
We see progress from 2017

17 out of 54 companies have moved up; 3 have moved down

8 companies move up by explicitly recognising climate change as a business risk/opportunity

Another 6 companies move up by setting emissions reduction targets

There is more progress at lower levels



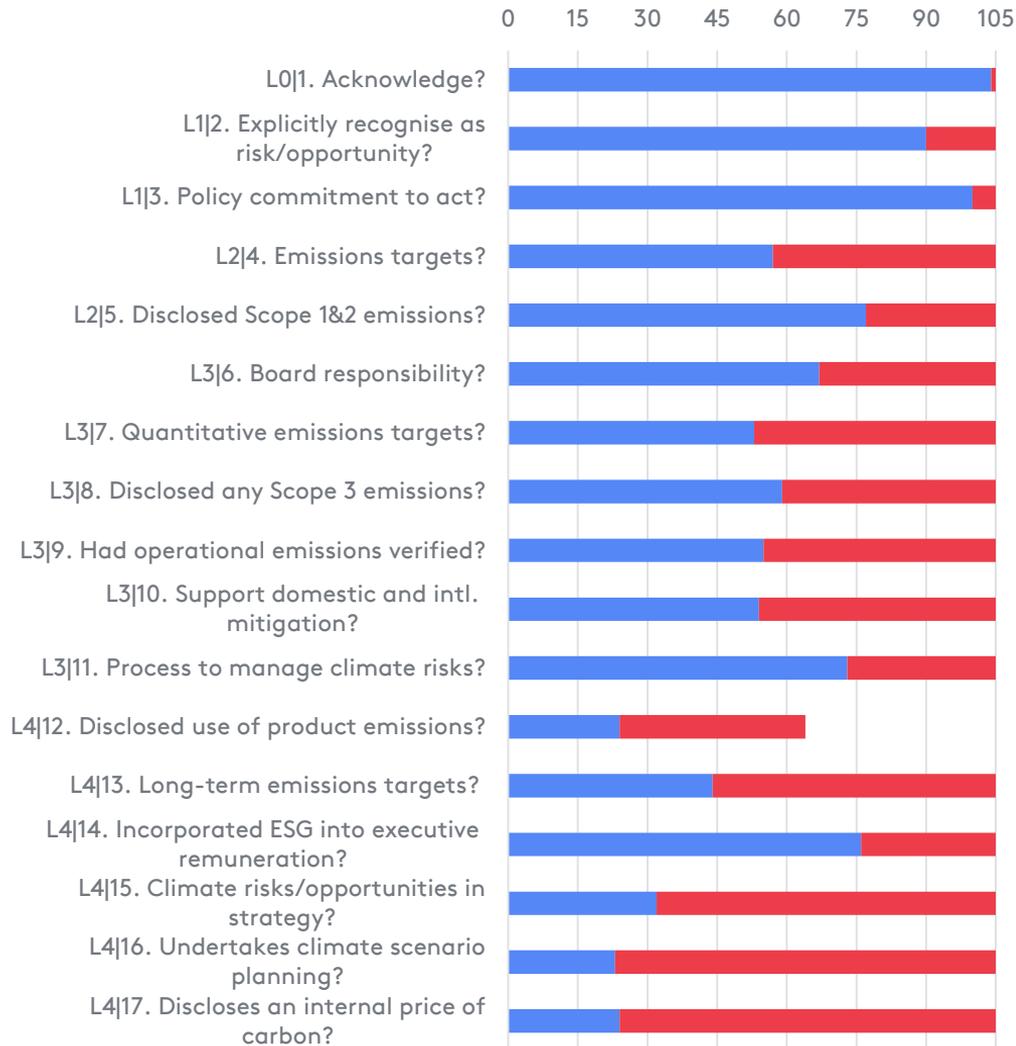
Management Quality: indicator by indicator

Most companies do basics; few take the more advanced steps

Almost all have policy and explicitly recognise climate change as business risk/opportunity

Most disclose emissions, manage climate change risks, and incorporate ESG into executive remuneration

Few incorporate climate change risks/opportunities into strategy, undertake climate scenario planning, or disclose internal carbon price



Carbon Performance of electricity utilities

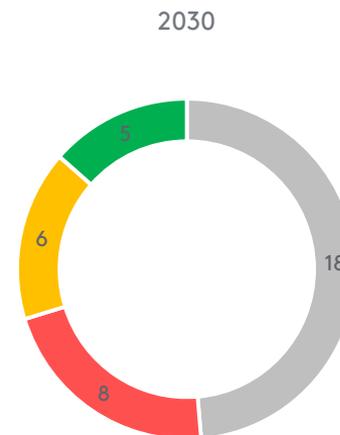
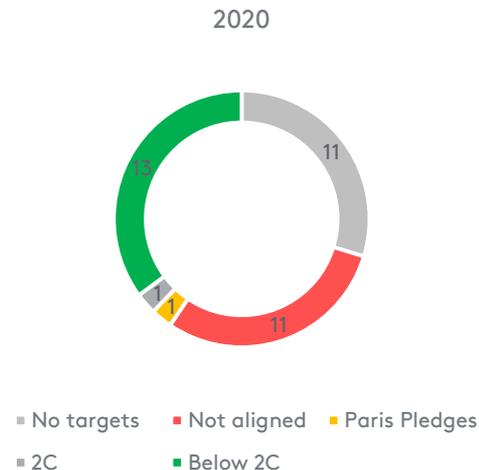
We assess 37 electricity utilities with a significant electricity generation business

Quantitative emissions targets are relatively common in electricity, but still many are missing

In 2020, >50% of targets are aligned with Paris Agreement in some form

But failing to keep pace by 2030

Little difference between Below 2°C and 2°C



Carbon performance in coal mining, and oil and gas

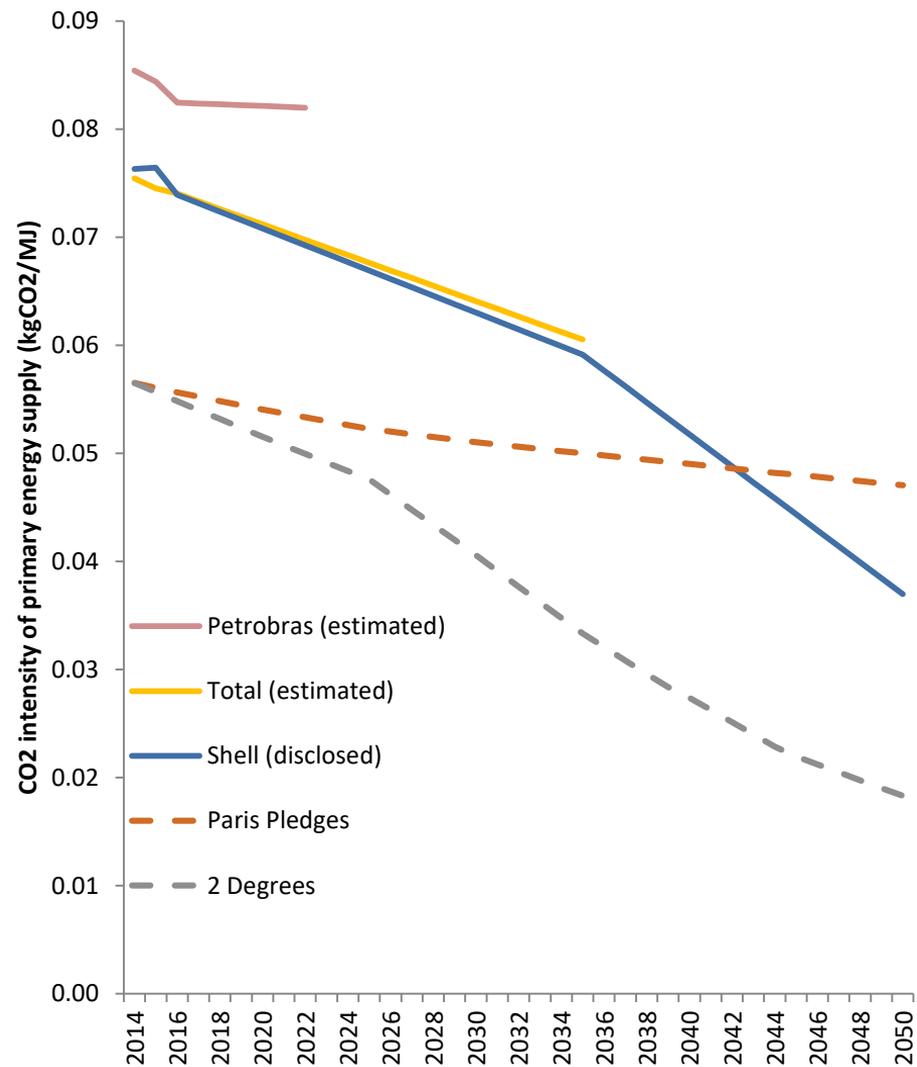
No targets in coal mining, or oil and gas, which include downstream emissions from use of sold products

TPI proposal for how to assess Carbon Performance in oil and gas, based on Shell's recently stated ambitions

Performance measure: carbon intensity of primary energy supply

Long-term goal: *diversify* out of oil and gas

Similar approach possible in mining, perhaps looking at carbon intensity of revenue



Summary of results

Measurable progress over the past 18 months, particularly in carbon management

More electricity utilities are making the transition to renewable energy

However, most companies still not taking a strategic approach to climate change (are not on Level 4)

Most electricity utilities either do not have quantitative, long-term emissions targets, or their targets do not keep pace with what the Paris Agreement requires



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