

Carbon Update is written by Mike Scott and delivered to our clients and contacts as a service of IMS Consulting (Europe) Ltd

Mike Scott has 20 years' experience as a newspaper journalist, including nine years at the Financial Times

IMS Consulting provides carbon disclosure, management and reporting services to companies throughout Europe. IMS is an Accredited Provider for CDP.

Reflections on CDP

Now that the CDP submission season is over, what can companies learn from this year's process?

The main message to emerge from 2017's submissions is that the scoring is much stricter this year than in previous years and it is more difficult to achieve leadership status than in the past.

'Leadership' status is now much more about the actions you take as a company and less about what you disclose. The focus of the questionnaire has shifted towards specific actions that leaders in carbon management are expected to take. This included a focus on setting Science-based Targets (SBTs), on how much renewable energy companies purchased or generated and on their understanding and management of Scope 3 emissions (indirect emissions generated by activities that are out of the company's operational control). These include emissions generated by suppliers' activities such as extracting and producing materials and fuels, transportation and energy generation as well as outsourced activities such as waste disposal).

CDP has also changed the thresholds for companies to attain leadership level. While the requirements are similar to last year, the bar has been raised even higher and a top score will only be achieved by companies that are true leaders in carbon disclosure and management.

More rigour

Businesses understand that the process has to be more rigorous every year – if it is to make any difference, there must be continuous improvement. They have responded to the new requirements in a number of ways, most obviously by signing up to the SBTs, one of the more straightforward options for companies in developed countries, where many companies already set targets (see separate article for further details).

CDP wants to know whether you understand your Scope 3 emissions and what you are doing about them, which is a challenge for many companies. Scope 1 and 2 emissions are

pretty much measured, managed and understood but there remains a lot of uncertainty about Scope 3. CDP is encouraging businesses to think more about supply chain emissions, but it is a complex issue and progress has been quite slow.

Many companies see it as just too difficult to do. They realise the supply chain is where a large portion of their carbon is, but they don't know where to start. Supplier engagement is key to the process and this is another area that CDP are keen to emphasise through the scoring and through a separate 'Supplier Engagement Rating'.

Once you have greater visibility and understanding of your supply chain, you can start to get to grips with the emissions contained within it. Those companies that deal well with Scope 3 understand their carbon emissions profile and manage it effectively because they have done a lot of work on the issue over a number of years.

Many businesses are intimidated by the amount of work involved in submitting to CDP, because they think it is such a huge undertaking. But with the right expert help to guide you through it, it is manageable. Getting started is the most important thing, even if you don't have to hand all the data you need. You can start with estimated figures and qualitative assessments.

It is also hugely valuable just to find out what areas of your supply chain have the biggest impact and are most relevant to Scope 3. Companies should think of this as an on-going process, not a one-off event.

Next year, CDP will be introducing sector-specific questioning. This will make it even more important to get everything correct, because there will be more opportunity to be compared directly with your peers.

Work with an Accredited Provider

This is where working with Accredited Providers, such as IMS Consulting, who are fully briefed in advance on the changes and scoring protocols, will be crucial. These providers offer expert guidance and help you to gather the data you need in the most efficient way, and then help you to use that data not just for the CDP questionnaire but also to make your own business better by cutting waste, reducing costs and improving efficiencies.

The next CDP questionnaire will be sent out in February 2018 and the deadline for submissions will be as usual at the end of June 2018. The results of this year's submission will be announced later this Autumn.

To find out how IMS can help you to make your first submission to CDP or improve on your previous submission, contact Graham Sprigg (graham.sprigg@imsplc.com)

What we're all about. IMS helps innovators and leaders achieve positive sustainable change in their own organisations and wider society. We provoke, challenge and inspire people and businesses to aim high – by guiding, advising and educating. IMS is a trusted partner, wherever there is a business case for positive and responsible change.

What Are Science-based Targets?

Science-based Targets (SBTs) are expected to become a crucial part of the CDP process, but what exactly are they and what do they mean for your business?

Setting SBTs provide a way for companies to align their efforts to cut emissions with global efforts to keep average temperature rises below 2°C, the level that climate science suggests is the safe limit. They are an important way for businesses to demonstrate not just that they are doing their bit to help the environment but that the actions they are taking are based on a robust scientific approach.

The Science-based Targets Initiative, a collaboration between CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC), says that almost 300 companies have committed to the initiatives, with new signatories joining at an average rate of two per week. There are several ways to set a science-based target, which fall under three main approaches.

The first two are related to the 'carbon budget' – the remaining amount of carbon that can be emitted into the atmosphere to limit global temperature rises to well below 2°C. The sector-based approach divides the carbon budget by sector and then allocates it among the companies in that sector.

The absolute approach assigns to companies the same percentage of absolute emission reductions as is required globally – i.e. 49% by 2050 from 2010 levels.

Under the economic-based approach, the carbon budget is equated to global GDP and a company's share is determined by its gross profit.

49%

Global emission reduction required globally by 2050 from 2010 levels.

Committing to change

"Nearly 50 companies, including household brands such as Walmart, PepsiCo and Procter & Gamble, have taken the commitment to the next stage by adopting specific, ambitious targets that have been approved by climate experts," says Eco-Business, an Asia-Pacific cleantech-focused publication.

At IMS, we see companies reacting in three main ways to SBTs. The first group comprises businesses that are just looking for the points in the CDP questionnaire. This is obviously not what CDP wants but it is a start to engaging with the process. To have their targets approved, they will have to do much more.

The second group are companies that have really engaged with the process and are looking to get their SBTs approved by climate experts. For these companies, the SBTs are, if anything, not strict enough, as they have often already set targets that are more onerous than the SBTs require.

A final group is engaged but think that either the methodologies that are available are not appropriate for their sector or that they are not currently in a position to get involved and therefore it is better for them to wait until the time is right rather than sign up without being ready.

It is still very early days for the SBTs and, although companies are aware of them and signing up to them, the methodologies are not hugely advanced at the moment. As the initiative becomes more established it would be good to see the sector-based targets made more robust. Setting a Science-based Target is quite a complicated process and it requires a strong understanding of your own business.

Many companies consider SBTs and say that the requirements are just too general. But if you do go ahead, you need to ensure that the process you use is approved by the SBT Initiative, that it is robust and reliable. It is an area where IMS is seeing more interest and their experts can guide you through the process. The Science Based Targets Initiative has set strict criteria for approval and SBTs tend to have medium (2025-2030) to long (2050) timeframes for commitment, so it is important to get it right. Using an external consultant such as IMS's experts, who understand the process and requirements will bring you better results and is likely to save you money in the long run.

For more information, contact Vittoria.caselgrandi@imsplc.com

EPDs Gain Ground in Construction Sector

Environmental Product Declarations (EPDs) are becoming increasingly important in the construction sector, with many construction companies asking suppliers to provide EPDs for their products.

According to the consultancy 'Thinkstep', which issues a lot of them, an EPD is "a verified (and registered) document that communicates transparent and comparable information about the life cycle environmental performance of your products".

Developers say that products that carry a declaration help make buildings more sustainable by reducing their carbon footprint and making them more efficient. Because they are independently verified, they can give developers and their tenants – who are ever-more concerned about sustainability – reassurance about the provenance of the materials and products used in the building.

They can also help "future-proof" buildings by ensuring that their environmental, social and governance (ESG) credentials are robust and verifiable.

Developers can use the declarations to calculate the carbon footprint of a building while it is being designed, model the impacts of a range of different products and ensure minimum standards. British Land, for example, specifies standards for everything from timber (PEFC or FSC-certified) to natural stone (to be extracted from within the EU) to refrigerants and insulants (Global Warming Potential of less than 5).

A growing number of developers give preference to suppliers with EPDs but the simple fact of having an EPD does not automatically mean a product is environmentally friendly.

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Improving transparency

A growing number of developers give preference to suppliers with EPDs but the simple fact of having an EPD does not automatically mean a product is environmentally friendly. It is just a statement of a product's impacts and it may be an incomplete one at that, as not all data is always disclosed.

Nonetheless, EPDs provide a level of transparency about a product's 'ingredients' and impacts that has been lacking up to now, and that transparency should lead to higher standards because customers will gravitate towards better-performing products.

EPDs allow building products manufacturers to understand the impact of their products and some, such as Tarmac, are using them to gain a competitive advantage by showing they can meet specific customer requests and demonstrating compliance with environmental standards.

EPDs are also a really useful tool for companies looking to calculate their Scope 3 emissions and work out where the main impacts are in their supply chains.

The information contained within EPDs is also an increasingly important part of Building Information Modelling (BIM) systems, allowing them to calculate environmental footprints and lifecycle costs of buildings.

Despite all these advantages, EPDs are still a long way from being standard throughout the sector, although customer awareness and interest is growing. In part, this is because there are costs involved in developing EPDs – in registration fees, manpower and resources. They can also be unnecessarily technical and difficult to interpret.

We are not yet at the stage where customers will refuse to trade with suppliers that don't have EPDs, but the competitive advantages of having them are becoming clearer and, thanks to their role in everything from life cycle analysis to BIM, they are likely to become more common.

CARBON – part of your Licence to Operate

In the world of the Paris Accord on climate change, carbon is a business issue that will become increasingly difficult to avoid.

In addition to the targets governments around the world are imposing in the wake of Paris, there is growing pressure from investors and regulators for companies to disclose their carbon emissions, while consumers are also more interested in the environmental credentials of the companies they buy from.

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This, in turn, has led to initiatives such as CDP, Science-based Targets and the RE100, which has encouraged more than 100 of the world's largest businesses to commit to 100% renewable energy.

All of these issues are filtering down the supply chain, making it crucial for companies of all sizes and in all sectors to have an insight into the amount of carbon they are emitting and how they can profit from reducing it.

But equally, cutting carbon is becoming the business-savvy thing to do. There is a lot of focus in the media on the cost of green measures, and very little on the benefits.

Becoming more energy efficient, for example, is often a quick, easy and cheap way to cut energy bills with many measures paying back their investment within two years. Meanwhile, the companies committing to procuring all their electricity from renewable sources are doing so in part because the costs of renewables are falling rapidly and using clean energy removes the risk of price volatility.

There is a reputational benefit too, but the most important factor is that switching to renewables is now not just perfectly feasible but a sensible business decision. And the more companies that make the switch, the more widespread and cheap renewables become.

In the next few years, the focus of the government will switch to cutting emissions in transport and heat, where progress is lagging behind the electricity sector and where there is therefore a real opportunity to get ahead of the game. With the energy storage market set to surge in the years to come, the entire energy system will become increasingly electric.

Moving to a low-carbon transport fleet will leave companies better prepared for recently-introduced measures such as increased charges on diesel vehicles and the move to phase out the sale of internal combustion engine vehicles by 2040. Such a move was simply unthinkable as recently as last year – who knows when something similar will happen in the heating sector?

The journey to a low-carbon economy will be uneven, beset with obstacles and unexpected changes – but it will happen, so it pays to be as prepared as you can.

Cutting carbon is becoming the business-savvy thing to do.



Big Data, Good Data and Useful Data

“Data is the new oil”, the most valuable commodity of the age, has been a common refrain in 2017.

Like most clichés, it contains an element of truth. The amount of data generated is growing exponentially – “more data has been generated in the last two years than in the entire previous history of the human race”, announced a magazine called Analytics Week breathlessly earlier this year.

That's because so many of the things that we use are now hooked up with sensors and connected to the internet – not just smartphones and computers but also everything from individual washing machines and fridges to entire building management systems and industrial facilities.

And the data tide is only going to increase with the rise of smart grids, connected cities and autonomous cars, among other developments.

At the same time, having access to good quality data about your business is becoming more important, not just so that you can get the most out of your own operations and your supply chain but also because of the growing need for compliance activities and responding to initiatives such as CDP.

However, much of the data companies are generating is going to waste because they just don't have the resources to process and analyse it, or because it is trapped in departmental siloes and cannot be accessed freely across the business. While the media is full of talk about advanced analytics, machine learning and artificial intelligence, the fact is that in many companies, staff struggle to find the information they need because their systems are badly designed, not maintained or kept up-to-date or because the one person who knew how to find it has left.

Having a system where information is easy for anyone to find will be increasingly important in the future. But given the amount of data that is being generated, it will be just as important to be clear about what data you need when it comes to, for example, setting Science-based Targets or determining your Scope 3 emissions.

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- Analytics Week

Carbon News

The UK government has announced plans to channel **£246m** into battery storage technology research through an initiative called the Faraday Challenge

Climate Finance

Following the publication of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for reporting climate-related financial information in mainstream annual reports, the Climate Disclosure Standards Board (CDSB) has launched an initiative to highlight those companies that have committed to implement the recommendations in their own reporting.

By committing to disclosing their climate-related financial information by 2020, companies will be at the forefront of the climate finance agenda, the CDSB said. The recommendations are particularly important as countries move forward in implementing the Paris Agreement, it added.

Michael Bloomberg, former mayor of New York and chairman of the TCFD said that “without effective disclosure of these risks, the financial impacts of climate change may not be correctly priced – and as the costs eventually become clearer, the potential for rapid adjustments could have destabilizing effects on markets.”

The Task Force recommends disclosure in four key areas –

- **Governance** around climate-related risks and opportunities.
- **Strategy:** the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.
- **Risk Management:** the processes used by the organisation to identify, assess and manage climate-related risks.
- **Metrics and Targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Renewable Energy

The Climate Group’s RE100 initiative has reached its 100 members milestone three years earlier than planned as AkzoNobel, AXA, Burberry and Carlsberg Group joined with a commitment to 100% renewable power.

RE100, a joint initiative launched with CDP in 2014 to help large, influential businesses to switch to 100% renewable electricity across their global operations, includes 30 Global Fortune 500 companies. RE100 members have total revenues of US\$2.5 trillion and operate in a diverse range of sectors – from Information Technology to automobile manufacturing.

Climate Change

A new study by US researchers says there is only a 5% chance that the world meets the goal of the Paris Accord on climate change to limit temperature increases to 2°C by 2100.

The research, published in journal Nature Climate Change, says there is a 90% chance that temperatures will rise by between 2°C and 4.9°C.

“Our analysis shows that the goal of 2 degrees is very much a best-case scenario,” said lead author Adrian Raftery of the University of Washington in a statement. “It is achievable, but only with major, sustained effort on all fronts over the next 80 years.”

Energy Storage

The UK government has announced plans to channel £246m into battery storage technology research through an initiative called the Faraday Challenge. The Business, Energy and Industrial Strategy (BEIS) department said the funding will flow through three different streams.

The first will be a £45m research competition and the creation of a Battery Institute involving a consortium of universities, to tackle the main industrial challenges in creating a UK battery sector.

Innovate UK will run the second phase, aimed at bringing to market the most promising technologies to come out of the Battery Institute. Finally, the Advanced Propulsion Centre will focus on scaling up the technology through a National Battery Manufacturing Development facility.

The cost of electric car batteries was predicted to fall by 40% in 2017, and the UK energy storage market could grow 100-fold by 2020, according to Smartest Energy.

Together, they are creating around 146 terawatt-hours (TWh) in demand for renewable electricity annually – about as much as it takes to power Poland. Corporate adoption of renewable energy is both benefiting from and driving lower costs in the sector.

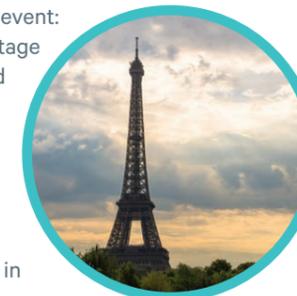
Helen Clarkson, CEO, The Climate Group, said large multinationals such as Google, IKEA and Walmart are demonstrating real leadership on renewables because it makes business sense. “We are now calling on companies to go one step further, and inspire their suppliers and peers to follow their lead,” she added.

IMS Consulting’s – Forthcoming Events

Paris Roundtable 21st September – CARBON

IMS is holding its first Paris Roundtable event: Turning Carbon into Competitive Advantage – Making More of Carbon Disclosure and Reporting, on September 21, 2017.

The event will be held at HOTEL ETOILE SAINT HONORE 214, Rue du Faubourg Saint-Honoré 75008 Paris and will start at 09:00. The event is free to attend but delegates need to register in advance with IMS Consulting.



We will be reviewing recent developments in carbon disclosure, drawing on the experiences of several companies whose CDP submissions have been managed by IMS this year. We will discuss how the knowledge that you gain as part of your carbon disclosure and reporting process can be used to create a competitive advantage for your business.

Who should attend? Senior Sustainability and Corporate Responsibility professionals, with an interest in making carbon management and reporting more relevant to business performance.

To Register, or for more details: Nadia.provenza@imsplc.com

London Roundtable 17th October – SOCIAL VALUE AND REPORTING

The latest in our popular series, this one day event focuses on two important topics: Social Value and Trends in Sustainability Reporting. The day is split into the two subject areas.

As usual, we will be welcoming clients and contacts to our central London conference venue at One America Square, EC3N 2LB – just minutes from Liverpool Street station and Tower Hill tube.

These events book up quickly, so to register your free place, contact Nadia. Nadia.provenza@imsplc.com



Profile on...

Vittoria Caselgrandi Sustainability Specialist – Carbon Disclosure

Vittoria works with IMS clients, helping them to understand and improve their carbon disclosures. She is the primary point of contact for CDP at IMS.

Vittoria joined IMS Consulting in January 2015. After studying English and French at the University of Pavia in northern Italy, she moved to England to study for a Master’s Degree in Environmental Policy and Management at the University of Bristol.

During her time on campus, she got involved in projects to encourage good environmental management in offices and university departments before joining IMS. Vittoria works on GHG Protocol-related issues and works with clients in France, Scandinavia and the UK with their CDP submissions.

“I wanted to do something that would have a positive impact,” she explains. “There is a lot going on in terms of sustainability in the UK.”

Vittoria speaks fluent Italian, and French.

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Another View

The Mike Scott Column

Business has taken a turn for the sustainable that is pretty much impossible to avoid. It is sustainability that links the subjects of all the articles in this newsletter, but it would be wrong to think that the issue is just a question of shoppers wanting to buy organic milk or Fairtrade coffee.

Clearly there is pressure from consumers, who are more interested than in the past in where the products they buy come from, how they are made and by whom. Moreover, thanks to the spread of social media and technology, it is increasingly easy for them to see if companies and suppliers are complying with environmental and ethical standards, or even simply doing the right thing.

But it is not just consumer pressure that is pushing sustainability up the business agenda. As the impacts of issues such as climate change, resource scarcity, water shortages and extreme weather events become more evident, it is becoming clearer that business is not immune.

The impact on the corporate world manifests itself in a whole host of ways. Many of them are top-down pressures – from the government announcing plans to phase out sales of non-electric cars to investors demanding to know the carbon emissions of the companies they invest in and those companies in turn asking the same thing of their suppliers.

The pressure from government, regulators and investors has led to a whole range of initiatives that aim to shed light on the environmental performance of corporations and the goods they sell. These include the CDP disclosures, Science-based Targets and Environmental Product Declarations that are explained elsewhere in this newsletter but there are many more – universal schemes such as the Global Reporting Initiative and the Greenhouse Gas Protocol as well as sector-specific initiatives such as the BREEAM and LEED green building schemes.

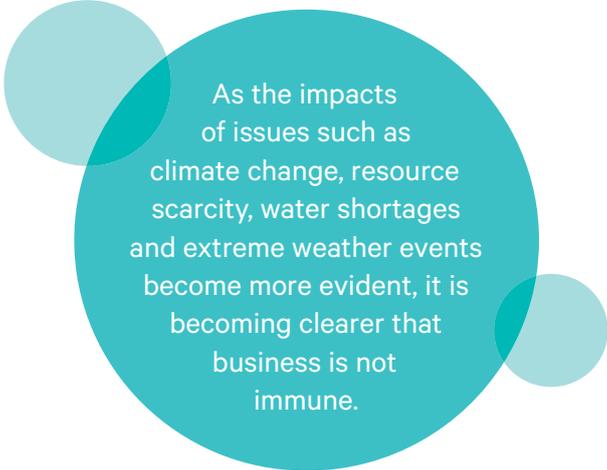
Because of all these external drivers to act, it is easy for managers to see the requirements of the various schemes – which often come down to a request for data – as nothing

more than an imposition and a distraction from getting on with business. But the point of all these initiatives is to shed light on a company's activities in a way that illustrates what their biggest impacts are and how to deal with them.

This is information that is just as useful to your business as to whichever initiative you are sending it to. If you are going to get involved with CDP or EPDs – and that will become harder to avoid as time goes by – you can treat it as an opportunity to gain new insight into your business, to identify ways that you can cut waste, improve efficiency, eliminate supply chain risks and identify new markets and products.

However, there is no denying that getting to grips with the various schemes and the data they require can be difficult and time-consuming, especially in an age where the amount of data is growing exponentially. This is where expert consultants such as IMS come in. They can help you identify what is important and what isn't, guide you through the idiosyncrasies of the various initiatives and – perhaps most importantly – help you to put to good use the information that you find.

IMS can help your business become more sustainable – not for sustainability's sake, but to build a better business.



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CARBON UPDATE is brought to you by IMS Consulting (Europe) Ltd

IMS provides sustainability strategy, disclosure, engagement and communications services to companies and organisations across Europe.

An Accredited Provider for CDP, IMS works with clients to help improve the understanding of carbon disclosure and the importance of good reporting. By building the business case for better carbon management, IMS helps your business become more responsible, resilient and sustainable.



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