

For the first time “Le Monde Economie” publishes Eurosif / “Le Monde” indicators for environmental and social performance of international companies.

Oil giants emit the most CO₂

In partnership with the European Social Investment Forum (Eurosif) and with the support of the European Commission, “Le Monde Economie” publishes the first in a series of articles on the social and environmental performance of large, international companies. This edition examines greenhouse gas (GHG) emissions in four industrial sectors (steel, cement, chemicals, oil). Other topics will be introduced on a regular basis covering different sectors (banks, transportation, etc.) or different themes (equality, work accidents, etc.).

This first table [on page 2] shows that among industrial sectors (not including transportation and electricity), the oil companies emit the largest amounts of greenhouse gases (GHG), which are responsible for climate warming. The absolute value of the emissions is of course in proportion to the size of the company. However, if you divide the emissions measured in the CO₂ equivalent in tons (teqCO₂) by sales, the average ratio for oil companies (400 teqCO₂ per million euros) is clearly lower than that for cement (5 400), steel (2 200) and chemical (500) companies, according to data calculated by Ernst & Young. In other words, the “carbon intensity” for cement companies is more than ten times higher than it is for oil companies.

However, inside a same sector the differences can be extremely important, even with similar sales figures, as is the case for example between Exxon Mobil and BP. This can be partly explained by the differences in environmental impacts between exploration and production activities vs. refining, as shown by indicators published by firms who make such distinctions. But this is not the case for all, which makes comparisons challenging. It is difficult to isolate the differential part of performance which reveals the company’s desire to limit GHG emissions.

This problem is also encountered in other sectors when comparing groups that have one dominant activity with those that have several different lines of work, for which the “carbon intensity” can vary. For example, the Irish group CRH produces both cement as well as construction material; Bayer covers both the chemical and the pharmaceutical sectors.

“Comparisons can also be limited by data not being available, different reporting parameters and varying consolidation methods, or, diverse calculation principles and reporting process requirements used by companies,” warns Eric Duvaud, head of sustainable development department at Ernst & Young. This is why we provide a score that reflects the quality of information that has been published. We deemed it necessary to publish data that was available “as is” in order to encourage companies to improve diffusion of reliable and comparable non-financial data.

Expectations in this area are growing throughout society in general, and also in business and financial markets. Funds specialised in socially responsible investment (SRI), as well as pension funds and institutional investors conscious of preventing risks linked to their reputations, in front of the general public and most of all in front of the law, are looking for information that allows them to measure a company’s ability to anticipate, prevent and limit these risks. This explains Eurosif’s participation in publishing these indicators, as they bring together the main European actors and partners in the area of SRI.

Employees are also interested in these performances since their responsibilities are often linked to the behaviour of their company. They also concern young graduates looking for a job, as they pay attention to activities of potential future employers. Just like consumers, who increasingly base buying decisions on a company’s activities concerning the environment, or human or social rights.

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PUBLIC DATA

Information published in the following table was collected and processed by the consulting firm Ernst & Young based on company documents available to the general public: annual reports, social balance sheets, “sustainable development” or “socially responsible” reports, web sites, etc. The selection of companies was made based on 2004 sales figures (or 2003 when 2004 was not available), published in Fortune’s Global 500.

Greenhouse Gas Emissions (GHG) in four industrial sectors				
	2004 sales figures in millions of dollars	2004 CO2 emissions (in teqCO2 millions)	t CO2/t of product	Reporting quality** (1 to 3)
Steel			t steel	
Arcelor (Luxemburg)	37 532	NA	1.55	2
Nippon Steel (Japan)	31 537	61.00	NA	2
Mittal Steel (UK/Netherlands)	22 197	NA	NA	3
Posco (South Korea)	20 929	65.00	2.20	2
Corus Group (UK/Netherlands)	17 099	29.20	NA	2
Oil			teq CO2 kg/millions of barrels	
BP (UK)	285 059	81.70	EP: 23.5	1
Exxon Mobil (USA)	270 722	138.00	EP: 27.5 R: 30	2
Royal Dutch Shell (Netherlands/UK)	268 690	112.00	NA	1
Total (France)	152 610	69.40	NA	1
Chevron Texaco (USA)	147 967	61.80	NA	1
Conoco Phillips (USA)	121 663	53.00*	EP: 20* R: 33*	2
Sinopec (China)	75 077	NA	NA	3
ENI (Italy)	74 228	60.51	NA	2
China National Petroleum (China)	67 724	NA	NA	3
Valero Energy (USA)	53 919	21.20*	R: 35.1*	3
Marathon Oil (USA)	45 444	NA	NA	3
Statoil (Norway)	45 440	9.80	NA	1
Repsol YPF (Spain)	44 858	21.47	NA	1
Chemicals				
BASF (Germany)	46 687	27.58	NA	1
Dow Chemical (USA)	40 161	33.70	NA	1
Bayer (Germany)	37 012	5.4*	NA	2
Dupont (USA)	27 995	25.06*	NA	2
Mitsubishi Chemical (Japan)	20 372	8.43*	NA	3
Sabic (Saudi Arabia)	18 329	NA	NA	3
Akzo Nobel (Netherlands)	15 781	2.45	NA	2
Cement			kg CO2/ t cement	
Lafarge (France)	17 955	84.10	687	1
CRH (Ireland)	15 274	15.00	NA	2
Holcim (Switzerland)	11 476	71.50	672	1
Heidelberg (Germany)	8 556	39.60	723	1
Cemex (Mexico)	8 149	43.27	745	1
Italcementi (Italy/France)	5 615	34.96	740	1
Taiheiyo (Japan)	2 880	16.12	760	2
<p>NA: non applicable or not available *2003 data ** Note 1: CO2 emissions available in public annual reports with a clear and pertinent perimeter Note 2: CO2 emissions available, but without precise information on perimeter and reliability Note 3: CO2 emissions and/or reporting not available teqCO2: CO2 equivalent in tons EP: exploration/production R: refining</p>				
Source: Ernst & Young, based on information published by companies.				

Dominique Bé (European Commission): “Employees feel more and more co-responsible for their employers’ activities”

Why is information from the public on company’s environmental and social performances such an important issue for Europe’s economic development?

If the European Union (EU) wants to reach the objective, set in Lisbon in 2000, of “sustainable” growth which is respectful of the environment, general social well-being and the values it defends, companies have to improve their performances in these areas. They will benefit from competitive advantages in world markets where the use of clean technology, respect of natural environments and rights of local communities are becoming strong arguments.



Employees, consumers, and investors have the possibility to influence a company’s activities by their own behaviour. Experience shows that companies are sensitive to the effects their activities have on their reputation. They feel the impact from the behaviour of their consumers – a boycott campaign, even if it does not have strong economic consequences, creates a strong negative image, as well as the impact from the behaviour of their investors – who pay more and more attention to risks of lawsuits – and even from their employees, who feel, and in fact are, more and more co-responsible for their employers’ activities.

Does the increase in the number of sources of information (“sustainable development” reports, rating agencies, ethical engagement policies, etc.), but also in various types of labels (“green” products, “fair trade”, etc.) run the risk of confusing and discouraging the general public?

It is indeed a risk. Ideally, third parties should be able to guarantee the relevance of this type of information and of indicators published, as well as the methodology used to elaborate them. It seems that rating agencies and consumer associations would increasingly like to play this role. In Western Europe, with the exception of France perhaps, the evaluation and degree of corporate social responsibility (CSR) is becoming a major issue for consumer associations. They develop, often in partnerships with rating agencies, methodologies that are more

and more effective in this area. On the other side, companies are organising themselves, usually within a given sector, in order to develop common evaluation and reporting methodologies. Their goal is not only to justify their activities in a domain, but also to prevent a group of companies from developing unfair competition by jumping on the CSR bandwagon. In the end, their ultimate goal is that CSR no longer represents an area of competition. I am referring to, for example, the Social Clause Initiative of the (French) Federation of Commerce and Distribution (FCD) or the Business Social Compliance Initiative (BSCI), launched by mass distribution European corporations.

But can the companies be judges as well as actors when evaluating their own performances? And do the associations really have the means to control organisations as complex as multi-national companies? Shouldn’t the third parties be public authorities or, why not, the European Commission?

This isn’t a path that is currently being taken at the European level: the Commission’s view aims at encouraging initiatives resulting in a balance of power among market players. Remarkable steps have been taken on an international level, such as UN initiatives on human rights and companies, and, at a national level, in several European countries that are developing public CSR strategies. More shocks will be necessary, such as the Enron affair in the corporate governance domain, for public authorities show a real desire to intervene.

Interview conducted by Antoine Reverchon

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2000 Dominique Bé is named head of European policy on sustainable development for corporate social responsibility at the European Commission.

1985 He joins the Commission.

1983 He is assigned to the United States mission in relation to the European Union.

1981 He works for the Federation of Enterprises in Belgium.