



Action towards a low-carbon economy

Interview with
Steven Tebbe,
Managing Director, **CDP Europe**

CDP recently launched their latest study on corporate strategies on adaptation and mitigation at European level.

In view of the European Commission 2050 low-carbon roadmap, CDP offers with this study an overview of the role that companies in Europe can play in leading towards a low carbon economy. Eurosif interviews Steven Tebbe, CDP Europe's Managing Director, to find out more.

1. What compelled CDP to write this report?

After the international success of the Paris agreement last December, concrete actions to meet the COP21 global commitments must be taken. 2015 was the hottest year on record, being significantly warmer than 2014 and underlining the long-term trend of a rising global average temperature. Climate change is already happening, and significant impacts are evident. These will have severe consequences not only on health and the environment but also on the economy. If we do not want resource scarcities and pressures to be a major constraint on growth in the near future, we need to promote competitiveness, and sustainable business practices now. Climate change is already affecting European businesses in critical ways, making adaptation and mitigation efforts instrumental for their ongoing prosperity.

Thus the need for a report on ["Corporate strategies on climate change mitigation and adaptation"](#). For 15 years, CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their environmental information - making this information available to business, investment and policy decision-making. In this report, CDP analyzes the responses from European companies to the 2015 CDP Climate Change questionnaire and also reveals findings from CDP's Forests, Water, Supply Chain and Cities programs. It looks into the climate disclosures of the largest listed European companies, representing 63% of EU market capitalization; identifying the risks and opportunities occurring from physical and regulatory conditions and how these companies plan to adapt to these changes.

We believe this report is a key tool to understand the areas where business is advancing towards mitigation and adaptation in Europe.

2. Which are the strategies and measures companies are investing in more and why?

In the past years, many European companies have worked hard to reduce their carbon footprint and signal corporate support for a low-carbon economy as they realize the importance of becoming climate resilient and the opportunities that this brings to their business. Since 2014 CDP has produced the Climate A List, which is a leadership index recognizing company actions to reduce emissions and mitigate climate change in the past reporting year.

It has been produced at the request of 827 investors, who represent more than a third of the world's invested capital, and European companies made up almost half of the total climate leaders worldwide – with 52 out of 113 companies in the list.

In terms of leadership from European companies, according to the latest research, 99% of European companies are assigning responsibility for adaptation to climate change at board level as it's considered to be a crucial issue for business stability.

Furthermore, nearly all of these European companies had emission reduction initiatives in place and over 80% reported emission reduction targets. 60% of companies set absolute emission reduction targets and a few more have intensity emission reduction targets. Absolute emission reduction targets are an especially important measure, in order to reduce emissions in line with science to achieve well below 2 degrees Celsius. A larger number of European companies will need to set science-based emission reduction targets to achieve the scale of reductions required and can look to the [science based targets initiative](#), of which CDP is a founding member, for guidance on how.

3. Do you find that companies are equally able to factor in climate adaptation strategies as much as climate change ones?

In Europe, whilst the regulatory environment for the mitigation of climate change is well developed, there is no single adaptation directive or regulation requiring companies to adapt to the impacts of climate change at European level. In spite of this, European companies are already investigating and investing in understanding the impacts of a changing climate on their business and many have started to undertake significant adaptation actions.

For example, Carrefour has identified a direct risk of precipitation extremes which would have a high impact on some locations; as a result, they have mapped their locations and number of staff affected by this risk through conducting annual assessment studies in order to better understand and anticipate this risk. Carrefour will undertake prevention actions throughout the Group, and integrate these actions into day-to-day business activities.

However, there are still many companies lagging behind. If we consider that companies consider a lack of regulation and uncertainty regarding regulation as an inherent risk, adaptation regulation aimed at companies is needed to promote this corporate ambition. Policymakers should motivate companies to disclose, measure and manage their risks and opportunities in order to facilitate the transition to a low-carbon economy while securing growth and jobs.

4. Has policy been an enabler or a barrier for faster corporate developments? What do you ask from policy makers?

When asked to respond about risks and opportunities arising from changes in regulation related to climate change issues, 233 companies identified regulatory risks, and a slightly higher number (239 companies) identified regulatory opportunities.

Generally, clarity in regulations and their application at a supranational level is welcome. International agreements are seen as an opportunity that offer a level playing field for companies to operate in. The findings suggest that strong international agreements and clear regulations, like the Paris agreement, have the potential to contribute to driving transformation from business towards a low-carbon economy.

Companies are also signalling that a lack of certainty regarding policy and regulation can impede the corporate sector's ability to manage risks and identify business opportunities.

In light of this and to support business action towards a low carbon economy, CDP is asking policy makers to:

- Provide a clear framework for governments to work with the private sector to provide investment in the low-carbon economy and climate resilience at scale.
- Create a mechanism that ensures continuous improvement of current corporate targets and ambition to reduce greenhouse gas emissions further and faster.
- Foster equal treatment of mitigation and adaptation with governments leveraging private sector finance to build adaptive capacity.
- Define clear accounting and reporting rules, which provide detailed information to hold companies accountable for their commitments.

CDP believes that corporate Non-Financial Reporting will help investors by making more relevant information available from a larger number of European companies. It therefore represents a significant step forward for investors who seek timely, material, comparable and forward looking information on non-financial risks and opportunities, in order to make better informed investment decisions.

5. How can your report and data help the investor's community identify the most significant areas of risk for companies?

Acting as the climate bridge between investors and companies, CDP holds a unique position. Through its data, CDP guides businesses, investors and governments to make better informed decisions. CDP data enables investors to analyze the environmental risks and financial opportunities across their portfolios, which was also shown to generate sustainable and often superior shareholder returns; this also equips them to engage their investment portfolio companies on natural capital use and help protect their assets against the "risk" of future regulation in these areas, and alert company management to the risks from these.

And it all comes from ranking, scoring and comparing companies – identifying leaders and

laggards among potential investments leveraging CDP's awarded and fully transparent scoring methodology, which is published every year and works for thousands of companies worldwide alike.

CDP also engages in sector research for investors, providing the most comprehensive climate and water-related data in the market. CDP's team of analysts, which was voted no. 1 climate change research provider in 2015 by institutional investors, takes an in-depth look at high-emitting industries one by one. We started with the automotive industry, electric utilities, diversified chemicals, metals & mining and now cement. The upcoming reports will focus on oil & gas and steel.

Based on CDP data analysis, this report has identified risks and opportunities indicated by companies arising from changes in regulation as well as physical risks.

Many of the companies in the demand for energy saving products. In addition to this two main risks were frequently identified by companies: "reduction/disruption in production capacity" and "increased operational costs". The continuity and inability to do business are also a great concern. In terms of physical risks, precipitation extremes and droughts are by far the ones reported most frequently.

About Eurosif

Eurosif – The European Sustainable Investment Forum is the leading European sustainable and responsible investment (SRI) membership organisation whose mission is to promote sustainability through European financial markets. A partnership of national Sustainable Investment Fora (SIFs) across Europe, Eurosif draws from a pool of over 400 organisations and some of the main stakeholders within the sustainable investment industry. These organisations include institutional investors, asset managers, financial services, index providers and ESG research and analysis firms totalling over €8 trillion in assets. Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices.

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