

Greening companies narrative – DISCUSSION DRAFT

1 sentence

[In a crisis / To meet a tough challenge] everyone needs to pull together, so to get to Paris we need to embrace not just green companies but greening companies too – companies with scale and know-how, with the ambition to get ~~greener~~ lower carbon and a plan for how to do it.

1 paragraph

[In a crisis / To meet a tough challenge] everyone needs to pull together. 70% of global emissions come from industry, transport and energy. To meet the Paris goals the world cannot just rely on green companies to transform these sectors. We need to support greening companies too – companies with scale and know-how, with the ambition to get ~~greener~~ lower carbon and a plan for how to do it. And in return we should expect transparency and relentless progress.

Short version

- [In a crisis / To meet a tough challenge] everyone needs to pull together.
- The carbon budget is finite and it is running out fast.
- 70% of global emissions come from industry, transport and energy. To meet the Paris goals the world cannot just rely on green companies to transform these sectors.
- We need to support greening companies too – companies that are not ~~low carbon~~ greener today, but have the ambition to get ~~lower carbon~~ greener and a plan for how to do it.
- These are companies with scale and know-how trying to make the system greener, rapidly.?
- They can't all move at the same speed, but they can all make contributions to global net zero.
- So, we need to support those greening companies and make room for them in the conversation.
- We should use policies – like carbon pricing – to reward greening and disadvantage companies who don't work towards lower carbon.
- And investors should look at both the positive climate impact and sustainable long-term value that greening companies can offer as part of a balanced portfolio. For a greening company, exposure to carbon risk comes with exposure to low carbon opportunity.
- But in return we should expect transparency and relentless progress.
- Because ultimately the world needs as many greening companies as possible.
- Only then can the world transform at the ~~pace~~ it needs to achieve the Paris goals.

Commented [DM1]: Q1. Should we use the word 'crisis' or similar?

Legal have flagged potential issue with the word 'crisis'.

The original drafting included pace/urgency as an essential part of the argument (see Q.3 below). 'Crisis' was intended to establish this urgency.

It is also important to note that the mainstream debate on climate is moving towards use of 'crisis/emergency'. E.g. John Kerry has called on governments to "treat the crisis as the emergency that it is" (Jan 2021).

By using that language we risk putting pressure on ourselves ('so why then aren't you doing more?') but by not using it we risk counting ourselves out of the conversation before we've got started – even in the eyes of mainstream stakeholders.

Included here is a potential alternative, however it lacks the immediacy, impact and emphasis on pace of 'crisis'.

Commented [DM2]: Q2. Are greening companies only about lowering carbon?

Legal have suggested that we articulate that by 'greener' we mean lower carbon in order to head off inclusion of other sustainability issues.

Can we confirm that we want to constrain greening companies to be about carbon?

This gives us clarity and focus to the argument – particularly as it is centred on the emissions challenge of getting to Paris. It is not clear that you need greening companies to solve the biodiversity challenge, for example.

However, it risks missing out other elements of our sustainability work (particularly with the launch of the sustainability frame), and issues that are increasingly significant with stakeholders (e.g. ESG investors)

Commented [DM3]: Q.3 The required pace of the transition to meet Paris is central to the argument for why we need greening companies – is there a reason why we cannot focus on scale and pace?

In the original drafting pace is essential to the argument why we need green and greening companies; if scale is the only issue then green companies alone can solve the challenge – we just have to wait long enough.

But that is time we do not have.

Legal has suggested changing 'pace' to 'scale'.

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Long version

In a crisis everyone needs to pull together. The carbon budget is finite and it is running out fast. **To get to Paris, global emissions need to fall much faster.**

- According to the IPCC the world needs to cut emissions by 7.6% every year between 2020 and 2030 to be on track to limit warming to 1.5°Cⁱ.
- That's a bigger reduction than the estimated 7% drop experienced in 2020 as much of the world locked down to tackle COVIDⁱⁱ - repeated every year over the decade.
- And this past year has demonstrated that the uncoordinated reduction of emissions at that scale comes with intolerable consequences for human well-being.
- It has shown that we can't just turn off the tap on fossil fuels without an alternative.

Commented [NMA(4): I think this is true, but I worry at linking it with the previous bullet. It suggests that in 2020, it was cutting down on fossil fuels that caused hardship.

I think it needs to be reformulated. I don't have an immediate suggestion but would be happy to help.

70% of global emissions come from industry, transport and energy. To meet the Paris goals these sectors need to be transformed.

Green companies are playing a vital role. But the world cannot just rely on green companies. There is not enough time.

- Renewables – the fastest growing source of energy in history – today account for just 5% of total global energy demand.
- Despite total renewable energy consumption having grown by 300% globally over the last 10 years.

We need to support greening companies too – companies that are not low carbongreen today, but have the ambition to get lower carbongreener and a concrete plan how to do it.

- We should remember that many of the world's low carbongreen companies didn't start off that way. Companies like Ørsted have spent years greening themselves, supported by government and society.

Greening companies are companies with scale and know-how trying to make the system greener, rapidly.

- We can't wait for new green (low carbon) companies to be born and mature to the size required to have impact at the scale and pace we need.
- The market in electric vehicles demonstrates why we need both low carbongreen companies and greening companies to be in action:
 - Tesla has turbocharged the EV market and made significant and important advances in battery technology.
 - Last year, Tesla sold half a million carsⁱⁱⁱ. Fewer than 1% of the 73m cars sold globally^{iv}.

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- So, to get combustion engines off the road the whole industry is going to have to play its part: Volkswagen which sold 9.3m^{vi}; Toyota which sold 8.9m; and Renault Nissan which sold 8m^{vi}.

Greening companies can't all move at the same speed, but they can all make a contribution to global net zero.

For some people, asking companies they see as the polluters to help transform industry, transport and energy may be counterintuitive. It may even be unpalatable to those who believe that the way forward is to put them out of business.

- But refusing to support companies that are pivoting towards lower carbon – just because, like most of the world, they still depend on fossil fuels – is counter-productive. It risks pushing those companies to double down on fossil fuels instead of making whatever contribution they can to moving the world towards lower carbon.
- Because what the world needs is a massive, unprecedented and sustained shift in energy demand **and** supply, away from fossil fuels and towards low carbon – either of them moving without the other will fail.
- That is only feasible if we encourage, support and reward greening companies in moving away from fossil fuels and scaling low carbon, alongside our support for green companies.

And we need to support greening companies as part of our efforts to achieve a just transition. Millions of livelihoods depend on them, and they can play an important role in greening those jobs.

So, we need to be inclusive. We need to make room for greening companies in the conversation.

We can't simply exclude any company which is not already a fully green company:

- That's the lesson of the Paris Agreement - the need to be inclusive, to embrace all companies who genuinely want to change and to help them do so.
 - Many people were sceptical about an approach that accepted all countries, regardless of their starting point or ambition.
 - But today under Paris major emitters – Japan, China, the US – are ratcheting up their commitments to net zero.
- Unfortunately, that's not the approach being taken towards companies at COP26. Companies who want to make real contributions to achieving Paris are being shut out because they are not signed up to Race To Zero.

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We should use policies – like carbon pricing – to reward and encourage greening companies, not to shut them out.

- Take the EU Sustainable Finance Taxonomy. It needs to include and recognise the contribution gas, CCUS, biofuels and blue hydrogen can make to give the transition moment.
- One survey suggested that only 2% of German companies' activities by revenue meet the taxonomy's level of ambition for climate action and sustainability.
- That's not going to get these companies – with their resources and expertise – committed to greening their activities. The pursuit of 'perfect' is shutting out 'good' and 'better'.

We need investors to look at both the positive climate impact and sustainable long-term value that greening companies can offer as part of a balanced portfolio.

- Investors investing in greening companies:
 - Recognising that there is a competitive value proposition in greening.
 - Including greening companies in a balanced portfolio.
 - Recognising that continued investment can help to accelerate the world's progress towards the Paris goals.

And society can also support greening companies:

- By buying the low carbon products they want;
- By pressing for an accelerated transition, whilst remaining understanding of what is feasible;
- By understanding that there cannot be a single standard or single pathway to net zero, that some can do more and faster than others; but there can be the expectation that everyone should go as fast as they can; and
- By recognising and supporting the full range of contributions those companies can make – through technology development, policy advocacy, collaboration with their customers, and shifting their investment - contributions that won't necessarily show up fully in the kind of measures that are currently being applied to greening companies.

But support should not be unconditional. In return, greening companies need to:

- Set an ambition for net zero;
- Describe a timeline with interim aims and targets that set a realistic path to get there;
- Disclose a credible business plan that can achieve their targets and aims, while remaining a successful business; and
- Contribute where they can to a just transition using their links into communities as employers, suppliers and retailers.

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And greening companies need to be transparent – to demonstrate that their actions match their words.

- There need to be consistent disclosure standards so that companies can be held to account and their progress can be compared.
- They need to set goals, aims and targets; monitor, manage and disclose progress against those targets.
- And they should expect to ratchet up these targets over time.

And where companies are not greening, they should face actions that hit the bottom line:

- Policymakers and regulators should introduce policies that disadvantage carbon-intensive activities and forms of energy like a meaningful carbon price.
- Investors should engage, and where they feel they can no longer influence companies positively they should exercise their right to divest and be clear why.
- Consumers – where they can afford it and feel able to – should vote with their wallets and choose other brands, other companies.

Because ultimately the world needs as many greening companies as possible.

- It will take leadership. In each sector, some companies are going to have to go first – greening their businesses and showing that it can be done.
- If they fail, few will follow.
- But if they succeed it will be clear that greening is a winning strategy.

Only then can the world transform at the pace it needs to achieve the Paris goals.

ⁱ <https://www.unenvironment.org/news-and-stories/press-release/cut-global-emissions-76-percent-every-year-next-decade-meet-15degc>

ⁱⁱ [https://www.carbonbrief.org/global-carbon-project-coronavirus-causes-record-fall-in-fossil-fuel-emissions-in-2020#:~:text=Global%20carbon%20dioxide%20\(CO2\)%20emissions,effects%20of%20Covid%2D19%20lockdowns.&text=Combined%20with%20the%20impacts%20of,total%2040GtCO2%2C%20the%20estimates%20suggest](https://www.carbonbrief.org/global-carbon-project-coronavirus-causes-record-fall-in-fossil-fuel-emissions-in-2020#:~:text=Global%20carbon%20dioxide%20(CO2)%20emissions,effects%20of%20Covid%2D19%20lockdowns.&text=Combined%20with%20the%20impacts%20of,total%2040GtCO2%2C%20the%20estimates%20suggest)

ⁱⁱⁱ <https://ir.tesla.com/press-release/tesla-q4-2020-vehicle-production-deliveries>

^{iv} <https://www.iea.org/data-and-statistics/charts/global-car-sales-by-key-markets-2005-2020>

^v <https://investor.gm.com/news-releases/news-release-details/gm-2020-sales-far-outperform-us-industry-fourth-quarter-and>

^{vi} <https://www.focus2move.com/world-car-group-ranking/>