

Caring for Climate Series

# ARE YOU ALIGNING YOUR EMISSION REDUCTION TARGETS WITH CLIMATE SCIENCE?



Caring for Climate



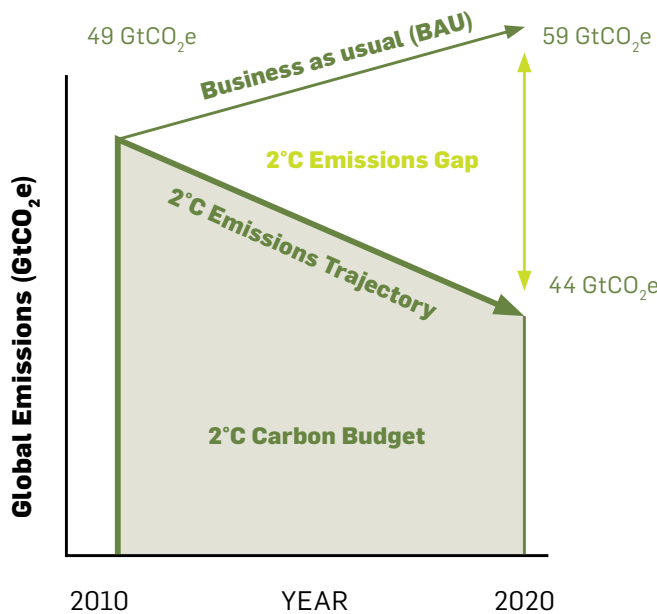
**The global climate change agenda is entering a critical phase.**

Negotiations are increasingly geared towards reaching a universal climate change agreement at the UN Climate Change Conference (COP21/ CMP11) in Paris in December 2015. In tandem, the Post-2015 Development Agenda is moving into a crucial phase and Governments are expected to agree upon a set of global sustainable development goals in September 2015. Corporate target-setting aligned with these goals can be a key mechanism for businesses to demonstrate their commitment to addressing climate change and advancing the global development agenda. Leading companies are now taking action to mitigate climate-related risks and capture the economic opportunities from a low-carbon transition – consistent with the international target of limiting global warming to less than 2°C compared to pre-industrial temperatures.

**BEYOND BUSINESS AS USUAL**

While progress by business is visible, the urgency and scope of the climate challenge requires accelerated and more widespread action. Business will need to set more ambitious climate goals and commit to advocate for a low-carbon economy. Strengthening corporate target-setting is a scalable strategy to engage global businesses as part of the solution and will increase transparency and accountability for businesses as they address climate change.

A couple of decades ago, only a handful of forward-looking companies were measuring and disclosing their greenhouse gas emissions. Today, it is common practice for businesses not only to report their annual emissions but also to undertake efforts to reduce their carbon footprint. However, climate science shows that if current efforts remain the same, the world will likely exceed 4°C of global warming by the end of the century. The negative consequences for our ecosystems, well-being of our communities, infrastructure and economy would be substantial.



**UNDERSTANDING THE 2°C EMISSIONS GAP**

**The Emissions Gap.** In 2010, 49 gigatonnes of carbon dioxide equivalent emissions (GtCO<sub>2</sub>e) were emitted globally. In a business-as-usual scenario, the global emissions are expected to rise to 59 GtCO<sub>2</sub>e by 2020. However, to remain on the 2°C pathway for 2020, the emissions would need to be lower at 44 GtCO<sub>2</sub>e. Thus, the 2°C pathway emissions for 2020 would need to be 5 GtCO<sub>2</sub>e lower than the emissions from 2010, and 15 GtCO<sub>2</sub>e lower than the business-as-usual scenario.

## THE 2°C PATHWAY

In the latest report of the Intergovernmental Panel on Climate Change (IPCC), climate models show that in order to limit global warming to no more than 2°C, the level of emissions in 2050 needs to be at least 40-70% below emissions in 2010. On a linear trajectory, this requires emission reductions of 10-17.5% every decade.

## THE BENEFITS OF SCIENCE-BASED TARGETS

The time is right for companies around the world to demonstrate leadership on climate action by aligning corporate voluntary greenhouse gas reduction targets with climate science. By doing so, companies will improve performance through resource efficiency and innovative solutions; become more sustainable and competitive in the long run; and improve stakeholder reputation and investor trust. Setting emission reduction targets aligned with the 2°C pathway legitimizes the company's partnerships with international organizations and advances UN climate goals and issues.

Additionally, understanding and managing climate risks and the adaptation benefits in working towards the 2°C pathway brings increased business resilience and thus improved performance.



- Improved performance through resource efficiency and innovative solutions
- Stakeholder reputation and investor trust
- Increase business resilience by understanding and managing climate and regulatory risks
- Opportunity to engage and partner with international organisations
- Respect and support of UN climate goals and issues

## ARE BUSINESSES DOING ENOUGH?

According to data reported to CDP, over 80% of the largest 500 companies in the world have already adopted commitments to reduce their greenhouse gas emissions. Some have put in place absolute emission reduction targets while others have adopted carbon intensity targets or energy-specific targets – for example, energy efficiency and uptake of renewable energy. However, current climate science shows that additional progress needs to be made and emissions can be avoided through creating greenhouse gas emission budgets for both corporate operations and throughout the value chain.

## ALIGN CORPORATE TARGETS WITH CLIMATE SCIENCE

A number of methods has been developed to help companies identify the level of emissions needed to be consistent with the 2°C goal. The following steps can help companies calibrate their emission reduction targets with climate science.

1

### PROJECT THE LEVEL OF ACTIVITY FOR THE COMPANY

How much growth are you expecting in your company for a given analysis period? Are some business lines expected to grow more than others?

2

### IDENTIFY A LEVEL OF EMISSIONS COMPATIBLE WITH THE 2°C PATHWAY

There are several tools that help companies identify emission levels and create carbon budgets that are in line with the 2°C pathway. Some of these tools are based on least-cost mitigation trajectories for specific sectors or countries, while others are based on 2°C global carbon budgets and projections of economic growth.

3

### SET TARGETS COMPATIBLE WITH THE 2°C PATHWAY

By setting a science-based benchmark for the specific level of emissions (or budget), a company can identify the changes that need to occur in the business in order to be in line with a 2°C trajectory. These changes may involve adjustments in the production processes, improved efficiency, changes in the source of energy, changes in the type, source and amount of materials used, redesign of products and in some cases even transformation of the business model itself.

4

### ADJUST STRATEGY, ADJUST TARGETS

As the targets and strategy are based on activity projections, these projections need to be updated regularly to reflect actual scenarios and any significant structural changes. In some cases, a company may grow faster than expected, in others, unforeseen structural changes can alter actual activity levels.

For more information and tools on how to set greenhouse gas emission reduction targets aligned with climate science, visit: [www.sciencebasedtargets.org](http://www.sciencebasedtargets.org).

