

# Internal Carbon Pricing: Trends and Benefits

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April 6, 2017



#### CDP: Only Global Environmental Disclosure System

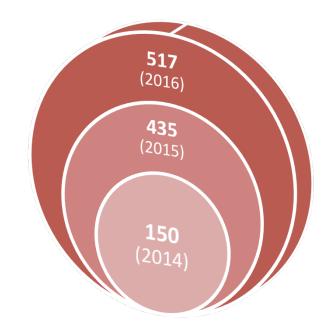




## Growing momentum for internal carbon pricing

## Established as a helpful tool to prepare companies for the low-carbon economy

- 1. Navigate emissions regulations
- 2. Drive carbon and energy efficiencies
- 3. Manage and mitigate carbon risk





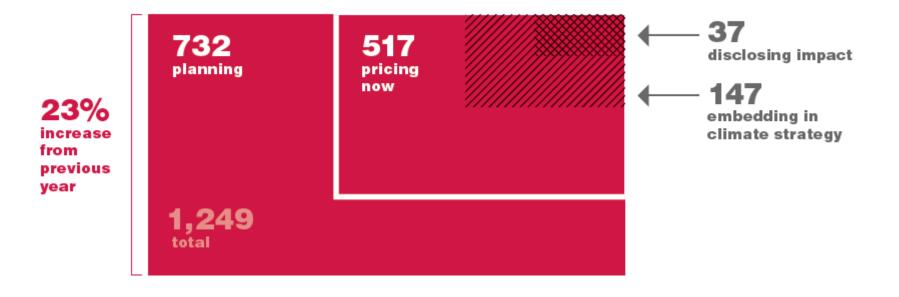
#### Task Force on Climate Related Disclosure

products and services designed for a low-carbon economy."

- **▼** Policy risk
- Critical input parameter for metrics and targets scenario analysis: "Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from
- Internal carbon prices and assumptions of how they develop over time.



## Corporate carbon pricing: 2016 numbers





## Many companies may be at risk

- Over 3,200 companies not adopting
- Over 500 of these are in high-emitting industries
- ▼ 400 HQ in countries likely to or already have a price

Companies not pricing carbon

500+ potentially at regulatory risk



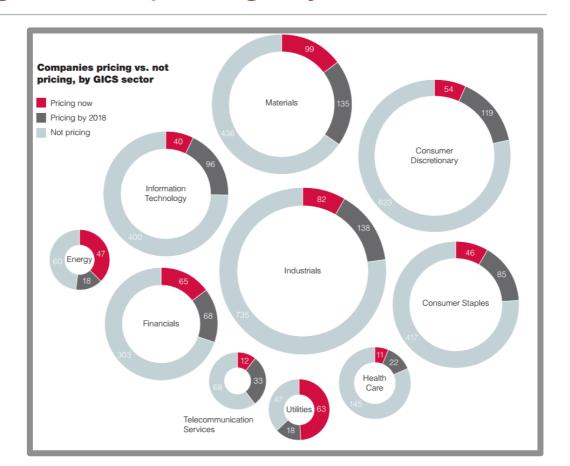
1,223 not diclosing their practice 3,234 not pricing



## Companies pricing vs. not pricing, by sector

# 1 in 5 Companies planning/pricing

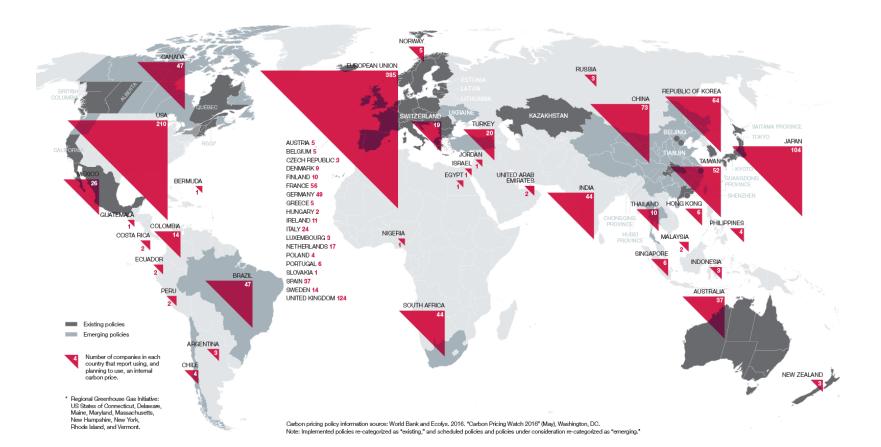
- Utilities 63%
- **▼** Energy 52%



#### Policy and corporate carbon pricing

Where companies are using an internal carbon price and where carbon pricing policies currently exist or are emerging





#### Regional trends

#### Notable regional increases

Country	2015 total	2016 total	Increase from 2015–2016
Brazil	27	47	74%
China	54	73	35%
Indla	27	44	63%
Japan	69	104	51%
Mexico	13	26	100%
Republic of Korea	48	64	33%
USA	147	210	43%



### Embedding a price into business strategy

Companies identify it as effective approach e.g.

■ Incentive to reallocate resources toward low-carbon activities

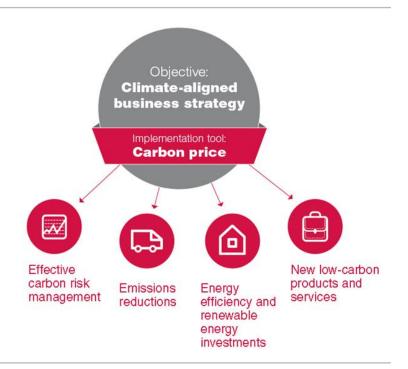
■ Business case for **R&D** investments

Helps reveal hidden risks and opportunities



## Carbon pricing is already delivering change

- 37 companies already report tangible impacts
- eg. Budget reallocations; EE investments; energy purchases; new business lines





## Making the business case

Creates incentive to reallocate resources toward low-carbon activities.

#### Impacts:

- ▼ Improves return on investment
- Supports business-case for energy efficiency projects and renewable energy procurement

#### Arçelik A.S.

Consumer Discretionary, Turkey

- Established net-zero emissions goal
- ▼ Via energy efficiency projects and energy generated from renewable sources
- Implement carbon price to support business case for projects (38% reduction in 1 year)
- ▼ Future plans for internal carbon fee



#### Innovation in capital expenditures

Improves the business case for *R&D investments* 

#### Impact:

- Reduces emissions from manufacturing process
- Development of low-carbon products/services

#### **Saint-Gobain**

Industrial, France

- Uses 2 carbon prices
- CAPEX shadow price on energy-related investments
- Higher price to drive investment in R&D to accelerate the delivery of "breakthrough" technologies
- To increase market share in energy-saving products for existing-building and new-building markets.



## Identifying risks & informing strategy

Reveal hidden risks and opportunities in a company's own operations and supply chain.

#### Impacts:

- Navigate an array of carbon pricing regulations
- Mitigate risks and optimize on opportunities

#### **Harmony Gold Mining**

Materials, South Africa

- Reduce risks and identify opportunities
- Informed new business strategy (50% RE procurement)
- Drive investment in emission reduction projects (36 projects, ~150k MWh/year)
- Adapt to the effects of a changing climate

