

New research finds slow climate progress in high-emitting industries

New report from Transition Pathway Initiative (TPI) analyses paper, cement, steel, aluminium and chemicals sectors

- Only **19%** of the largest, listed industrial companies are aligned with a pathway to keep global warming to 2°C or below.
- **29%** are set to align their emissions with the Paris Pledges by 2030 - up from 24% in 2018. The number of cement companies aligned with the pledges has more than doubled since 2018.
- But there has been no improvement in the carbon performance of the aluminium or steel sectors, and industry as a whole is moving too slowly to limit warming to 2°C or below.

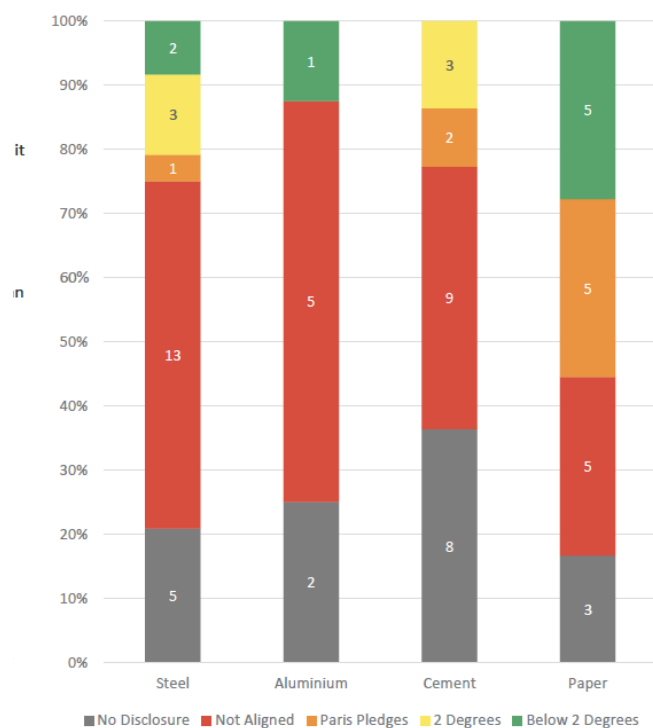
(03 February 2020, London). New research by the Transition Pathway Initiative finds that 29% of the largest publicly-listed industrial companies are set to align their emissions with the Paris Pledges by 2030, up from 24% in mid-2018. These companies are aligned with the emission reduction pledges made by national governments in the Paris Agreement. However, those pledges are not anticipated to keep global warming below dangerous levels, and the report finds that **fewer than one in five companies (19%) are aligned with a pathway to keep global warming at 2°C or below.**

TPI assessed the Carbon Performance of 72 companies across 4 sub-sectors: paper, cement, steel and aluminium. It also assessed Management Quality on climate for 100 companies across five sectors, including chemicals. Taken together, **these five sectors produce over 2/3 of direct industrial CO₂ emissions.**

The research was carried out for TPI by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics.

Faith Ward, Co-Chair of the Transition Pathway Initiative and Chief Responsible Investment Officer at Brunel Pension Partnership, said:

“Industrial sectors like steel and cement face tough challenges to decouple emissions from production, but make no mistake, these industries must transform themselves if they are to survive the low carbon transition and play their part in achieving the goals of the Paris Agreement. Today’s TPI data shows it can be done – with 14 companies now aligned with a path to keep global warming



below 2 °C. Yet most industrial companies are significantly off-track on climate and that is an abdication of corporate risk management that must be urgently corrected.

The report also found:

- The proportion of companies disclosing their emissions has increased from 61% in 2018 to **76%**. Much of this improvement comes from companies listed in Asia (especially China) and Russia.
- More companies are setting long-term reduction targets. In 2018 only five industrial companies had set a 2030 target that was aligned with the Paris Pledges or better. Now **14** companies have done so.
- Particular improvements are visible in the cement sector - where the number of companies aligned with the Paris Pledges or better has risen from two to **five** since 2018; and in paper, where **10** of 18 companies are now aligned with the pledges or better.
- The steel sector has shown a significant improvement in climate management quality. Its average management quality score has risen from 1.8 in mid 2017, to **2.4** this year. However it has not improved its Carbon Performance, with only **six** out of 24 companies still aligned with the Paris Pledges.
- At **3.0**, the chemicals sector has the highest average management quality score of all sectors assessed by TPI. Yet the largest chemicals company by market capitalisation, DowDuPont, is only on Level 1.

Edward Mason, Head of Responsible Investment at Church Commissioners for England, said:

“Many of the companies covered by this report face significant technical challenges decarbonising the industrial processes in which they are involved. But TPI’s analysis shows that leading companies, even in the toughest sectors like steel and cement, have grasped the imperative to decarbonise and are setting targets at the level of ambition society and investors alike require. Having committed to transition our portfolio to net zero emissions by 2050, the Church Commissioners expect to see ambitious targets consistent with the goals of the Paris Agreement across the industrial sectors in which we invest.”

Craig Martin, Chief Pensions Officer at the Environment Agency Pension Fund, said:

“Responding to the climate emergency is an urgent priority for us as long-term investors, and TPI data helps us to do that. The latest research shows that within the industrial sector there are clear winners and losers emerging on climate, which will guide our investment decisions and engagements in the years to come.”

Notes to editor

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- The full list of TPI members [is available here](#). The Industrial sector report is available on request



- The TPI research studied the Management Quality of 100 industrial sector companies and the Carbon Performance of 72 companies. For Carbon Performance there were 24 steel companies, 18 paper, 22 cement and 8 aluminium. The Chemical sector was not studied for Carbon Performance as it requires more detailed disclosure – including physical outputs - than the sector currently provides.
- Management Quality covers companies’ governance of greenhouse gas emissions and the risks and opportunities arising from the low-carbon transition. Carbon Performance assessment involves quantitative benchmarking of companies’ emissions pathways against both the ambitions of and pledges to the 2015 UN Paris Agreement. Both of these assessments are based on company disclosures, derived from publicly available third-party websites. TPI cannot take responsibility for the accuracy of these sources.
- ‘Carbon Performance’ involves quantitative benchmarking of companies’ emissions pathways against 3 benchmark scenarios. These are:
 1. **Paris Pledges**, consistent with emissions reductions pledged by countries as part of the Paris Agreement (i.e. NDCs).
 2. **2 Degrees**, consistent with the overall aim of the Paris Agreement, albeit at the low end of the range of ambition
 3. **Below 2 Degrees**, consistent with a more ambitious interpretation of the Paris Agreement’s overall aim

About TPI:

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies’ preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. It is backed by over 50 asset owners with over \$18 trillion of combined assets under management or assets under advice. More information: www.transitionpathwayinitiative.org