Non-Financial Reporting, TCFD and Sustainable Finance

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Sustainability Day 2019
Repsol’s approach to climate management
From Kyoto to Paris

The first company in the Oil & Gas sector to support the Kyoto Protocol and to communicate its ambition to reduce its carbon intensity by 40% by 2040
Rampol Climate Roadmap: commitments

- **3 Mt/y**
  NEW CO₂EQ PLAN BY 2025

- **-25%**
  METHANE INTENSITY REDUCTION BY 2025

- **-50%**
  OF ROUTINE FLARING REDUCTION BY 2025

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**Carbon intensity reduction**

- **2016**
  T CO₂/GJ (Base 100)

- **2020**
  Ambition

- **2040**
  Target

Baseline: 2017

Baseline: 2018
Carbon emission reduction pathway

IEA Sustainable Development Pathway

- NEW POLICIES SCENARIO
- SUSTAINABLE DEVELOPMENT SCENARIO

- Start curbing emissions now!
- Emission reduction progresses as new technology matures

- 44% EFFICIENCY
- 36% RENEWABLES
- 2% FUEL-SWITCHING
- 6% NUCLEAR
- 9% CSS
- 2% OTHER

Repsol Carbon intensity Pathway

- Potential Scenarios
- AMBITION 2040 - 40%

- Start curbing emissions now!
- Emission reduction progresses as new technology matures

2010 2020 2030 2040

2015 2025 2035 2045
Carbon Intensity Index

Primary Energy

- WIND, SUN,...
- GAS
- OIL
- BIOMASS

[Operated basis]

Transformation

- Power Gen
- t CO₂
- Downstream

Final Energy

- ELECTRICITY GJ
- NON FUEL PRODUCTS GJ
- FUEL PRODUCTS GJ
- t CO₂ / GJ

Supply energy (GJ) with the lowest possible emissions (CO₂)

Life-cycle (scope 1, 2 and 3 emissions)
Substitution impacts (power generation)
Transparent climate reporting
Alignment with TCFD: status
Toward a low-emissions future
Repsol climate Roadmap

Recommendations and Supporting Recommended Disclosures

GOVERNANCE
Disclose the organization’s governance around climate-related risk and opportunities

STRATEGY
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material

RISK MANAGEMENT
Disclose how the organization identifies, assesses, and manages climate-related risks

METRICS AND TARGETS
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

**ESG Ratings**

**2019**

- **Transition Pathway Initiative**
  - Level 4 (max. score)

- **CDP**
  - TBA Nov 2019
  - B (band Management) – new methodology

- **Vigeo Eiris**
  - 67/100 Advanced

- **MSCI**
  - pending

- **Sustainalytics**
  - 21.1/100 (risk-based scoring)

- **ISS ESG**
  - B- (from D- to A+, no sector company above B)

**2018**

- **Transition Pathway Initiative**
  - Level 4 (max. score)

- **CDP**
  - 58/100 Robust

- **Sustainalytics**
  - 84/100 (ESG performance-based scoring)

- **ISS ESG**
  - C+ (from D- to A+, no sector company above B)

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Carbon Performance: alignment with Paris Agreement benchmarks

'Repsol is one of the 2 companies in Oil&Gas sector that comes into alignment with the Paris Agreement before 2050'

- **Sustainalytics**
  - Distribution of Rating

- **MSCI**
  - Industry Rating Distribution

- **Sustainalytics**
  - Relative Performance

- **ISS ESG**
  - Distribution of Rating

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**Global Universe** 2,865 out of 12,420

**Oil & Gas Producers** (Industry Group) 4 out of 283

**Integrated Oil & Gas** (Subindustry) 1 out of 45

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**DISTRIBUTION OF RATING**

148 companies in the industry
Alignment with TCFD next steps

TCFD recommendations to be incorporated in Repsol's Integrated Management Report 2019

**Governance**
- Detail how the Executive Committee deals periodically with climate impacts as an integral part of key management processes (Budget, Business Plans, Strategic Plan, Risk Evaluation)
- Detail roles, responsibilities and organizational dependency of the Strategy Directorship with regards to climate change

**Strategy**
- **Risk management**: link mitigation of specific risks with new low-carbon business opportunities where applicable
- **Scenario analysis**: Provide more clarity on how the declared alignment with Paris links with specific company scenarios and objectives

**Risk**
- **Risk management**: detail the process for evaluation of emerging and climate risks and how materiality analysis fits in that process
- **Scenario analysis**: provide more detail of global and company scenarios used for identification of emerging and climate risks

**Metrics**
- **Emissions inventory**: provide historical data series for GHG inventory (scope 1, 2 and 3)
- **Targets and commitments**: improve details on calculation methodologies used for key metrics
Sustainable finance
The EU Action Plan

In June 2018, the European Commission set up a Technical Expert Group (TEG) on Sustainable Finance to assist it in developing:

**Taxonomy:** EU classification system to determine whether an economic activity is environmentally sustainable

**EU Green Bond Standard**

**Benchmarks** for low-carbon investment strategies: CTB (Climate Transition Benchmark for portfolios moving into a decarbonisation trajectory), PAB (Paris Aligned Benchmark for portfolios aligned with goals of the Paris Agreement)

Guidance to improve corporate disclosure of climate-related information aligned with TCFD recommendations
Inclusive and fit-for-purpose

Any initiative or project that make a **real contribution** to reducing GHG emissions, both short-term (start acting now!) and long-term

Technology neutral

**All** potentially promising technologies

Technology evolution and breakthroughs are **uncertain and not linear**

Protect competitiveness

Climate Change is a **global** issue, the EU to lead but not to decouple from global governance

Safeguard international competitiveness of **EU industries**

What principles should apply?
**TAXONOMY AND CLIMATE BENCHMARK OBJECTIVES**

**Taxonomy:** EU classification to determine whether an economic activity is environmentally sustainable

- List of economic activities with performance criteria v.a.v. contribution to environmental objectives
- Alignment with SDG and Paris Agreement

**Benchmarks** (Carbon Transition Benchmark and Paris Aligned Benchmark):

- Allow a significant level of comparability of climate benchmarks
- Increase transparency
- Prevent greenwashing

**TEG RECOMMENDATIONS RELATING BENCHMARKS**

- Relative decarbonization: From 30% to 50%
- Scenario Reference: IPCC 1.5 °C
- Differentiation between pre-defined Green and Brown assets
- Exclusion from PAB of companies with revenues >10% oil, >50% gas, >50% power gen >100 gCO₂/kWh
- -7% yearly linear reduction path of GHG emissions intensity until 2050

**TEG RECOMMENDATIONS RELATING TAXONOMY**

- Oil exploration, production and refining activities excluded
- Power generation: near-term threshold of 100 gCO₂/kWh for gas; hydro-pumping excluded
- Green bond standard aligned with taxonomy

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**Benchmarks and Taxonomy**

Is it fit-for-purpose?
Closing remark:

Back to basics
Repsol’s social license to operate and company strategy

WE ARE PART OF THE SOLUTION TO CLIMATE CHANGE

WE ARE FINDING NEW OPPORTUNITIES IN THE ENERGY TRANSITION AS AN ENERGY PROVIDER