



# Putting a price on risk

Carbon pricing in the corporate world

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# CDP

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A wide-angle photograph of the Paris skyline at dusk or dawn. The Eiffel Tower is the central focus, with its intricate lattice structure clearly visible. The city's buildings are illuminated with warm lights, and the sky is a soft mix of orange and blue. A semi-transparent dark red rectangular box is overlaid on the left side of the image, containing white text.

## Putting a price on risk:

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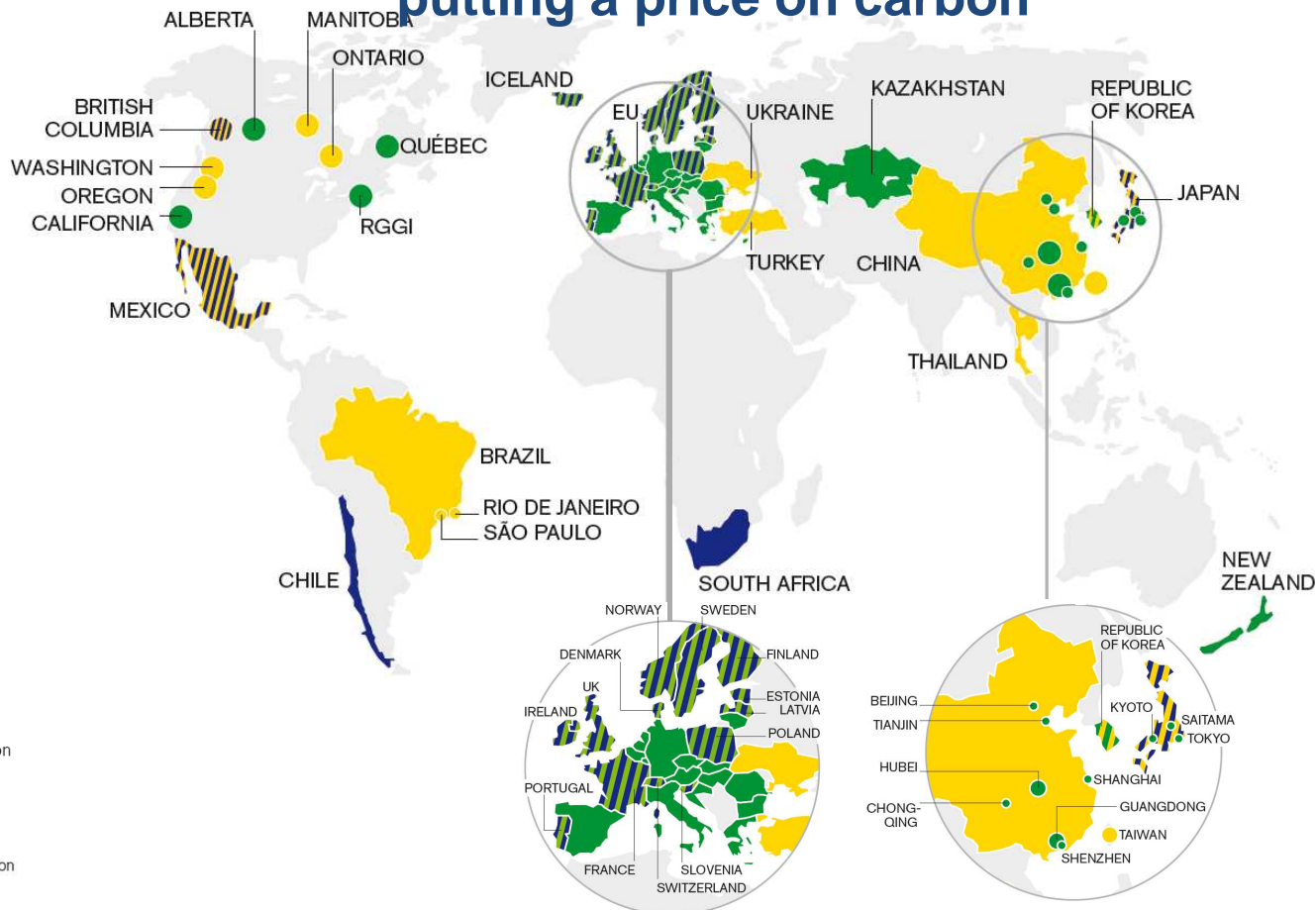
## Expansion of national and subnational jurisdictions putting a price on carbon

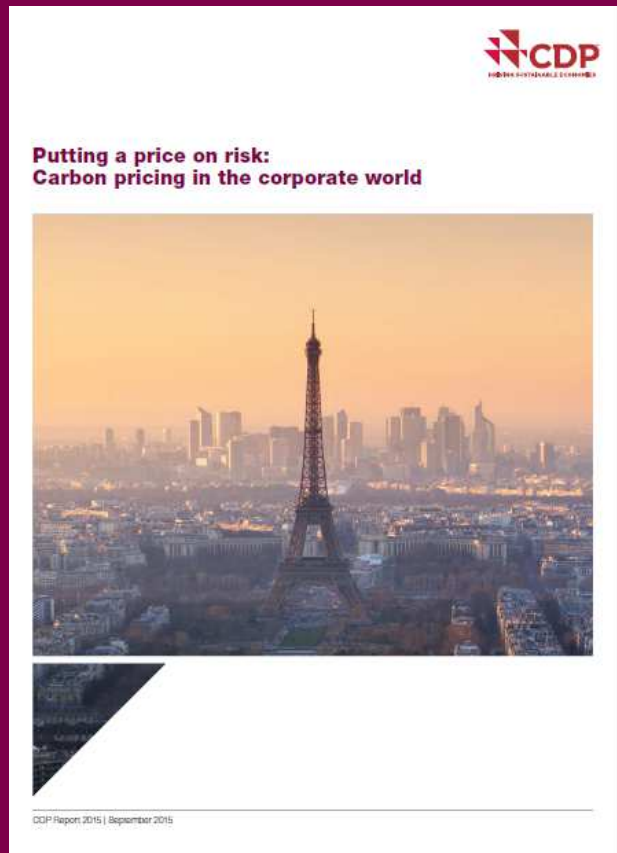
Carbon pricing initiatives almost doubled since 2012, jumping from 20 to 38

About 7 GtCO<sub>2</sub>e or 12% of global GHG emissions, a threefold increase over the past decade.

China and the U.S. two countries with largest volume GHG emissions covered

-  ETS implemented or scheduled for implementation
-  Carbon tax implemented or scheduled for implementation
-  ETS or carbon tax under consideration
-  ETS and carbon tax implemented or scheduled
-  ETS implemented or scheduled, tax under consideration
-  Carbon tax implemented or scheduled, ETS under consideration





# 1000+ companies

are now disclosing to their key stakeholders that they currently price their carbon emissions – or intend to in the next two years – to try to meet their climate change risks.

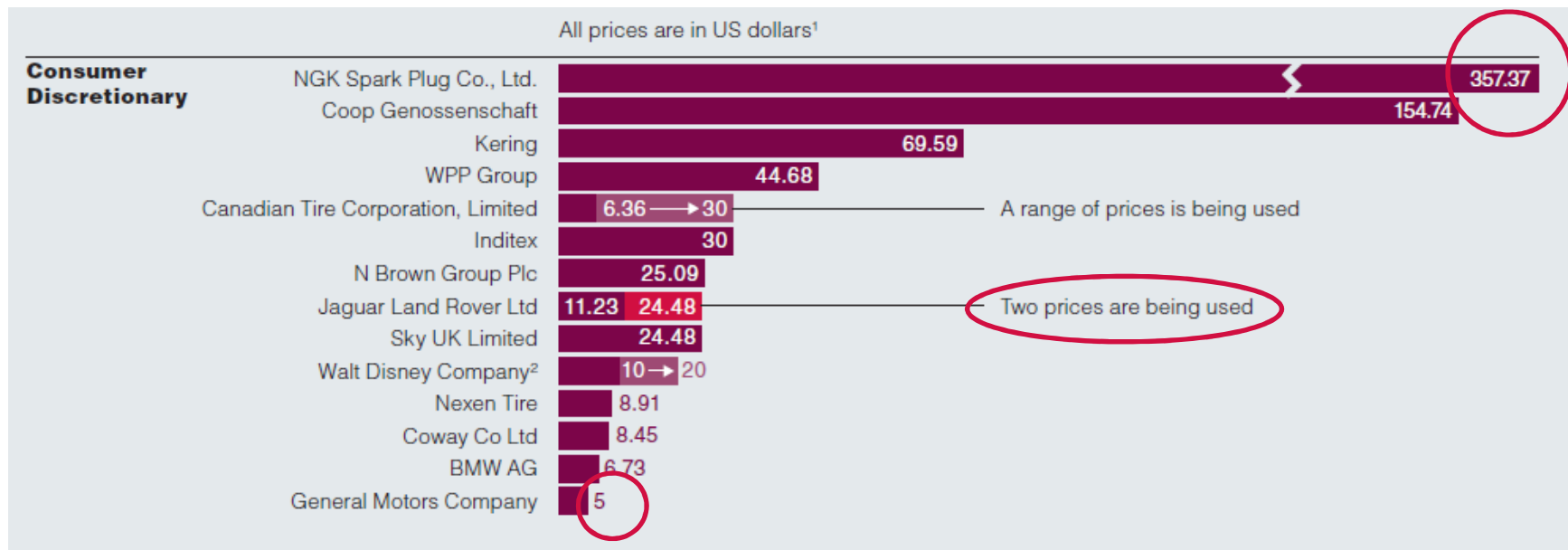
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# Results

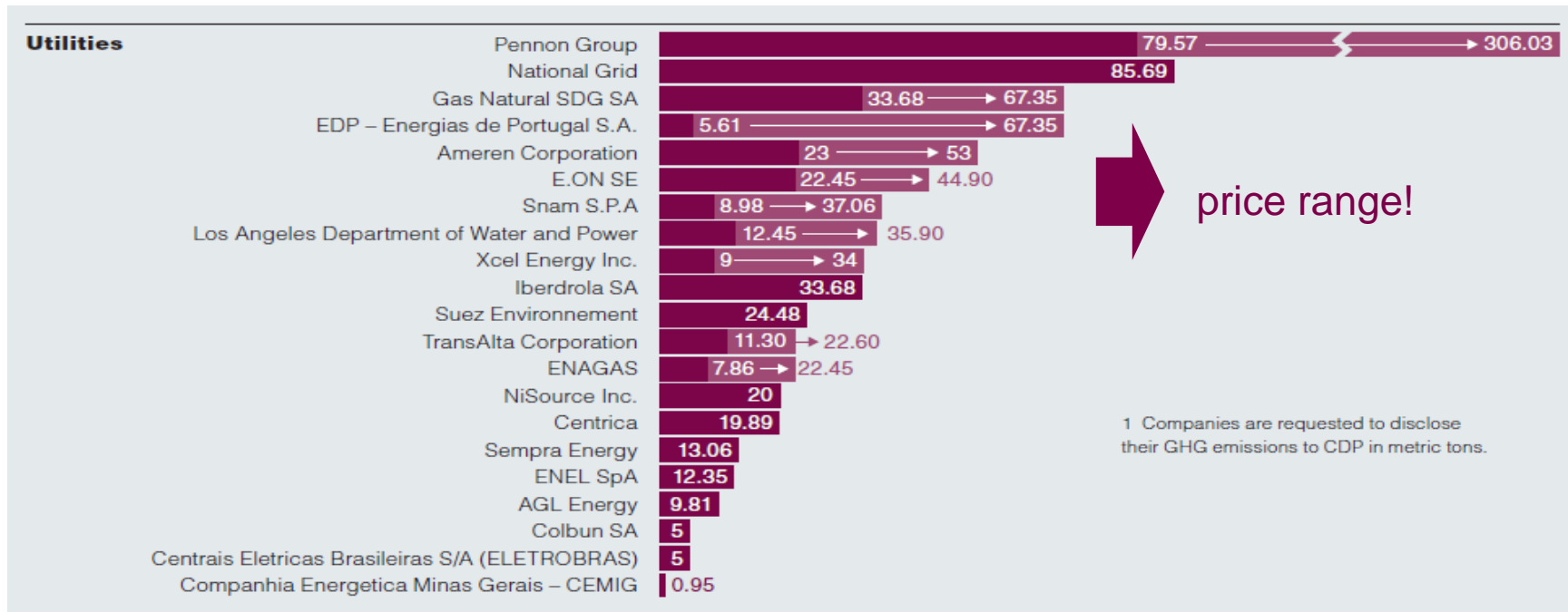
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- ▼ 437 companies use an internal price on carbon in 2015, up from 150 in 2014.
- ▼ 583 companies who are not currently using an internal price on carbon anticipate doing so in the next two years
- ▼ Drivers are incentivizing investments in clean energy and emissions reductions & risk mitigation
- ▼ Tenfold increase from Asian corporations
- ▼ High African emitters are also adopting the approach

# Internal carbon prices by sector

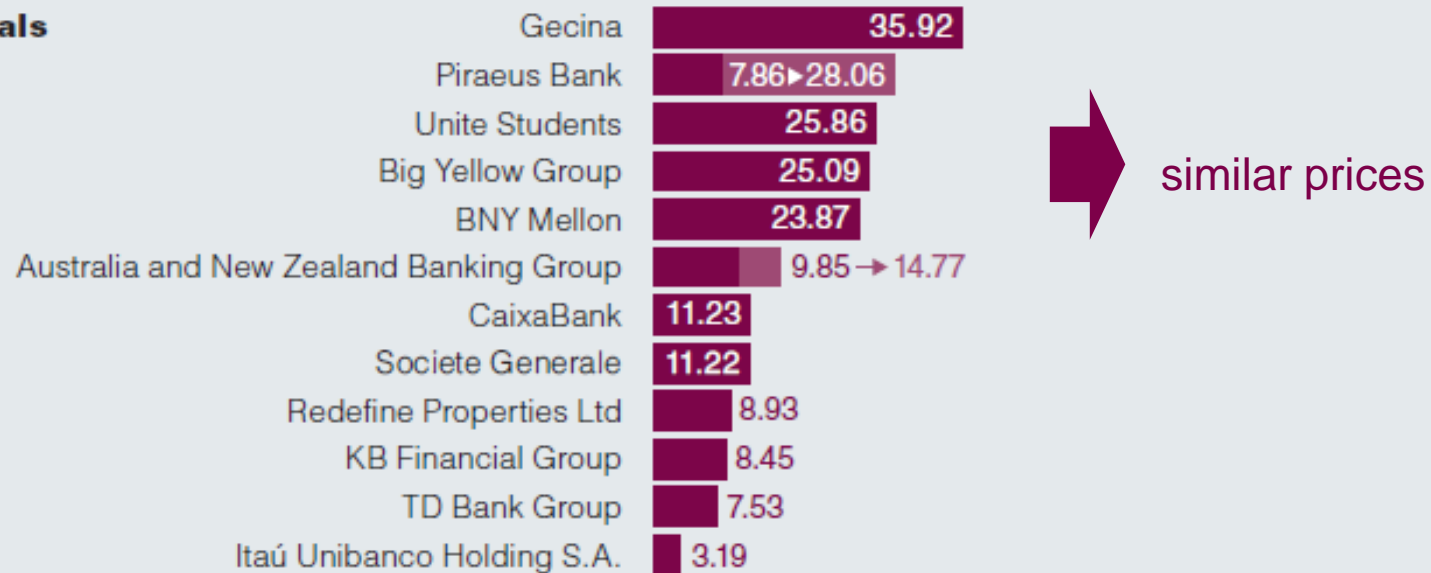


# Internal carbon prices by sector



# Internal carbon prices by sector

## Financials

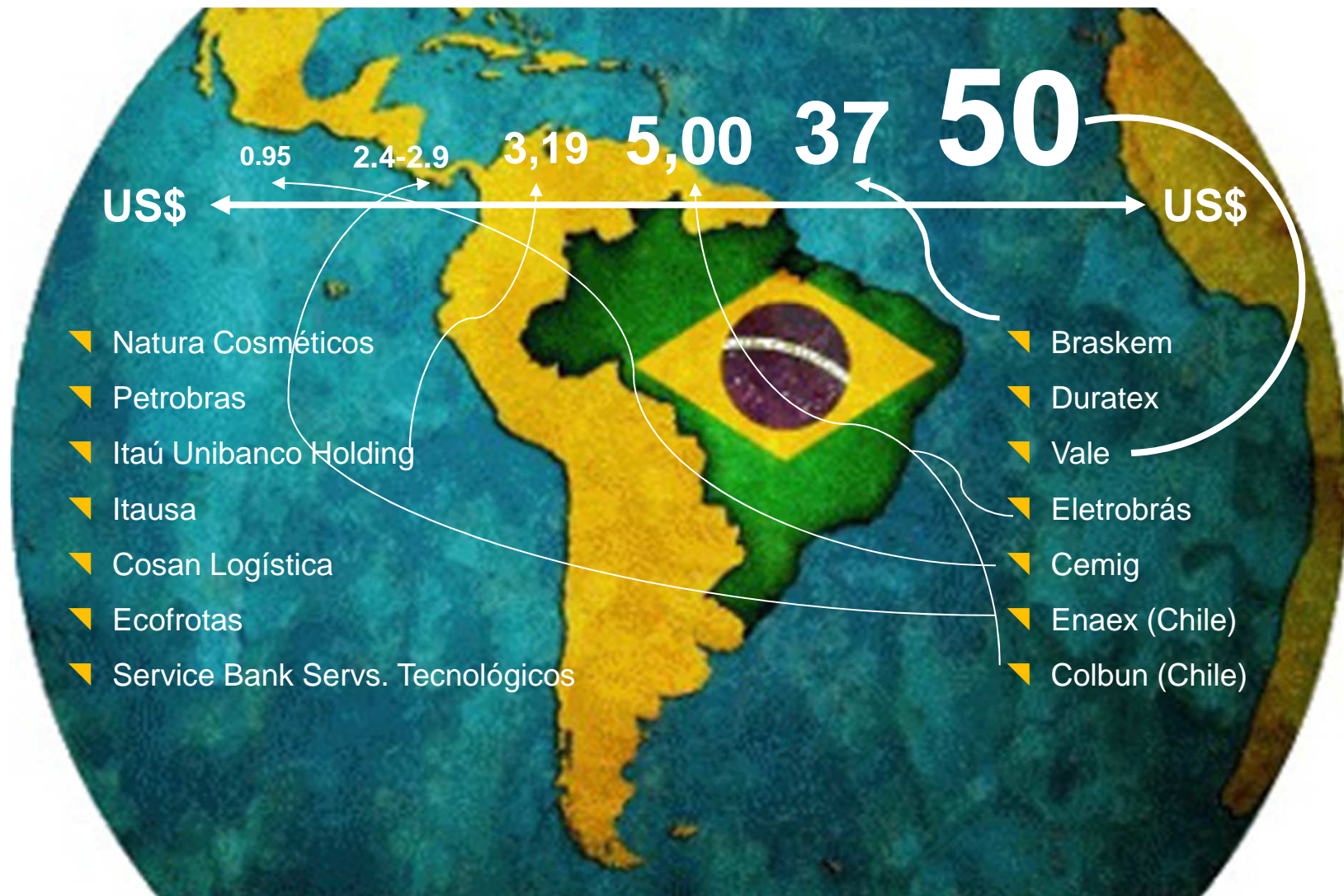




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# 0,95 - 367 US\$

Is the price range between sectors and companies applying a price on carbon. Companies apply a fixed price per tCO<sup>2</sup>e, a price range or two different prices. Highest gap comes from the consumer discretionary industry with NJK from Japan (367US\$) and General Motors, US (5US\$). The lowest price applied comes from Brazil. Material sector has the highest participation rate for price applied.



# Internal carbon price in the next 2 years



<b>Materials</b> Klabin S/A Packaging Products del Peru, Peru	<b>Energy</b> Ecopetrol Sa, Colombia	<b>Financials</b> BanColombia SA, Colombia
	<b>Utilities</b> AES Tiete SA Cia Paranaense de Energia-COPEL EDP-Energias do Brasil S.A. Eletropaulo Empresa de Energia de Bogota	<b>Consumer Discretionary</b> B2W Companhia Global do Varejo Lojas Americanas S/A
	<b>Consumer Staples</b> BRF S.A JBS S/A Smart Pack, Colombia Vina Concha y Toro S A, Chile	<b>Industrials</b> CCR DSR Transportes Rodoviaros Grupo Libra New Space Proc.E Sistemas Trans Pantanal LTDA Transportes Cavalinho

# **In their own words**

**Company excerpts from 2015 CDP disclosures**

**NATURA COSMETICOS SA**

Brazil, Consumer Staples

Natura understand that every carbon project has its own peculiarity such as: benefits, costs and challenges to keep the project activities

**ITAÚ UNIBANCO HOLDING S.A.**

Brazil, Financials

We use a price estimate for carbon emissions in our company evaluation models as part of

**ITAUSA INVESTIMENTOS ITAU S.A.**

Brazil, Financials

...uses the internal price of carbon to build

scenarios that predict the pricing in its activities and services and study what the company's role would be in a possible Cap&Trade; Trade in Brazil. The creation of scenarios the carbon price of the European enables the company to better understand what financial implications this would have on its business from the standpoint of costs and fees on products and services. CO<sub>2</sub>e penalties if reduction targets are not met and also how to manage this risk or opportunity. ...One of the scenarios to analyse financial implications possible regulatory risks used prices from European carbon markets for every carbon equivalent emission. In this exercise financial estimate amounted to around R\$ 8.5 million, considering the emissions of scope 1 and 2 of the Company. In the expectation that global agreements regarding GHG emissions will become mandatory in 2020 and that Brazil has to reach the emission reduction targets, the convenience of a Cap & Trade is under discussion.

**BRASKEM S/A**

Brazil, Materials

Aiming to benefit projects that present a reduction in GHG emissions, Braskem is testing

**VALE**

Brazil, Materials

Considering Vale's Carbon Goal and the regulatory risks identified for our business (ii), in 2014, Vale developed its own MAC Curve (Marginal Abatement Cost Curve) to identify the best cost effective mitigation options and further select and prioritize projects below a threshold price...Vale chose a flat threshold price of carbon of US\$ 50,00 per tCO<sub>2</sub>e over time as a proxy to carbon price in order to achieve Vale's carbon goal...

**DURATEX S/A**

Brazil, Materials

Duratex uses the internal price of carbon to build scenarios that predict the pricing of carbon in its activities and services and also to study what the company's role would be in a possible Cap&Trade...One of the scenarios set up to analyse financial implications caused by possible regulatory risks used prices from the European carbon markets for every carbon equivalent emission. In this exercise, the financial estimate amounted to around R\$ 8.5 million, considering the emissions of scope 1 and 2 of the Company. In the expectation that global agreements regarding GHG emissions will become mandatory in 2020 and that Brazil has to reach the emission reduction targets, the convenience of a Cap & Trade in Brazil is under discussion.



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# Conclusion

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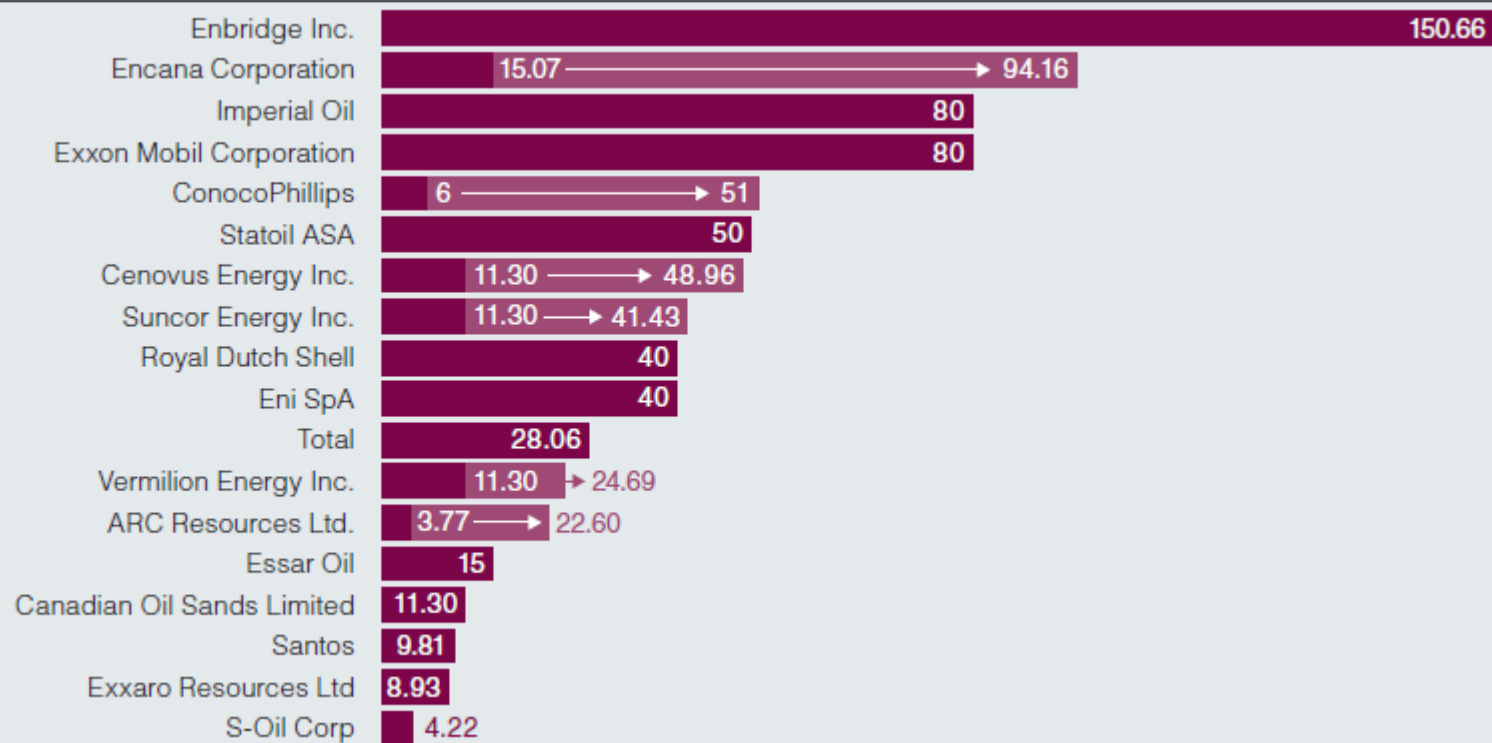
- ▼ Part of focusing on their competitiveness, corporations are actively planning to account for carbon as a standard cost of doing business
- ▼ Climate change is now part of mainstream business decision-making and represents a bona-fide line item in the standard budget assumptions of successful companies.
- ▼ As expectation builds for governments to agree a global deal on limiting greenhouse gas (GHG) emissions in Paris this December, the CDP data shows how a growing number of businesses have been diligently preparing by incorporating a price on these emissions into their every day decision making.

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CDP Report:

<https://www.cdp.net/CDPResults/carbon-pricing-in-the-corporate-world.pdf>

## Energy





# Internal carbon prices by sector

