26 Apr 2024

Project Workshop: GHG Emissions Accounting and Reporting for Transport

About us

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions.

What we do

Information is the fundamental basis for action.

We focus investors, companies, cities and governments on building a sustainable economy by measuring and acting on their environmental impact.

Impact

Disclosure is increasingly demanded by capital markets and customers and is now an expected business norm.

CDP
DISCLOSURE INSIGHT ACTION

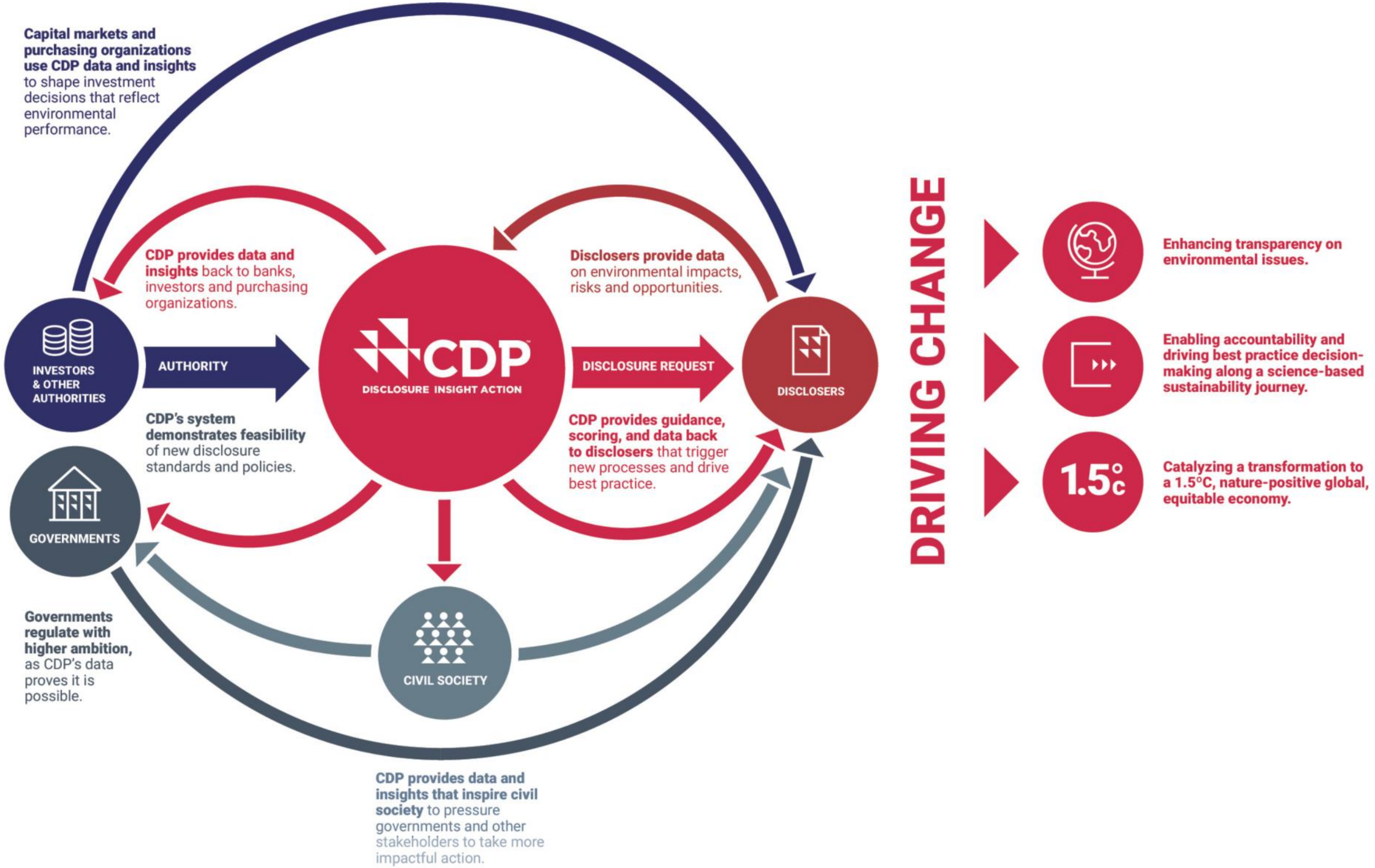
740+ investors,
with US$136+ trillion of assets

330+ purchasing organizations,
with an annual spend of US$6.4 trillion

23,000+
disclosing companies

1,100+
disclosing cities, states & regions

Theory of change



Write once, read many

Disclosure data use cases	Data, tools and analytics providers	End users of sustainability data	End users of sustainability data
Access to capital	Bloomberg, REFINITIV, STOXX, ISS ESG, MSCI, LSEG	BNP PARIBAS ASSET MANAGEMENT, IFC, cpr asset management, BANQUE DE FRANCE EUROSYSTÈME, Goldman Sachs, AVIVA INVESTORS	Access to specific investment/lending products; Access to preferential interest rates
Competitive advantage	Trucost ESG Analysis S&P Global, SUSTAINALYTICS a Morningstar company, SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION, ecovadis	VCMI, SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION, WWF, Customers, WSJ, FT FINANCIAL TIMES	Cost savings, business opportunities, company value alignment; Public perception, market reputation
Access to buyers	CLARITY AI, NZDPU Net-Zero Data Public Utility	Microsoft, Walmart, L'ORÉAL, AstraZeneca	Procurement requirements, winning procurement bids
Compliance / navigating regulation	pwc, BCG, GREENOMY	European Commission, 環境省 Ministry of the Environment Government of Japan, GOUVERNEMENT Liberté Égalité Fraternité	Prepare for regulatory / compliance requirements; Manage risk of litigation from public and private sector actors

CDP

23,200 companies worth **66%** of global market capitalization

By aligning its platform, CDP enables organizations to disclose against market and regulatory requirements while ensuring global capital markets and procurement teams have **the most robust**, **decision-useful environmental data**.

2023 Disclosure Insights

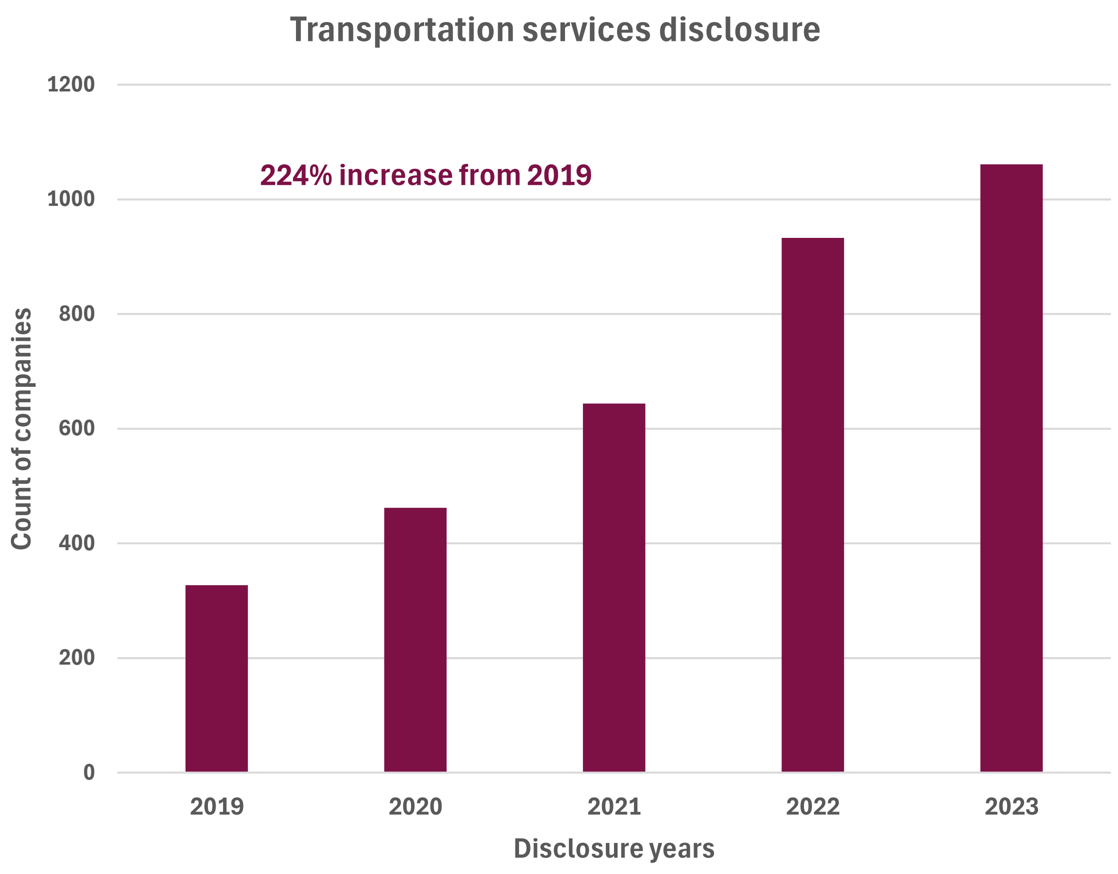
Transportation services

Disclosure – Transportation services

- Transport accounts for more than a third of CO_2 emissions from end-use sectors (IEA, 2023).

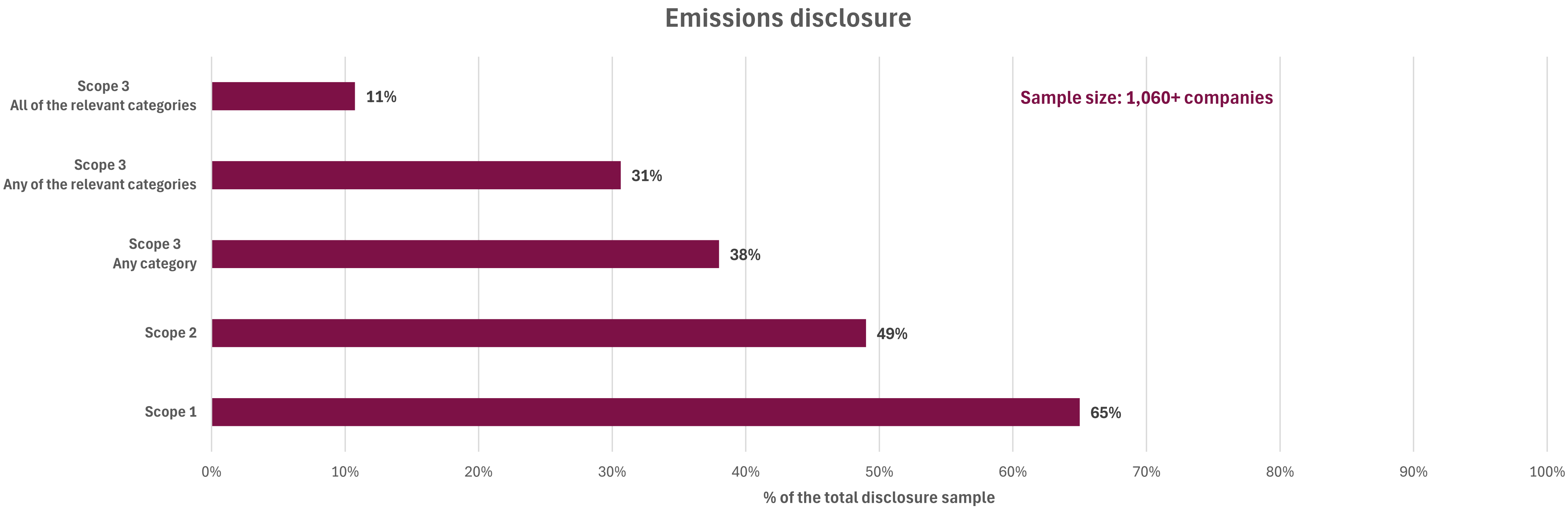
- CDP introduced sector-specific questions in 2018, including focused questions for the transport sector.

- ~1,060 climate change disclosures in 2023 from the transportation services industry – 224% increase from 2019.



Emissions disclosure

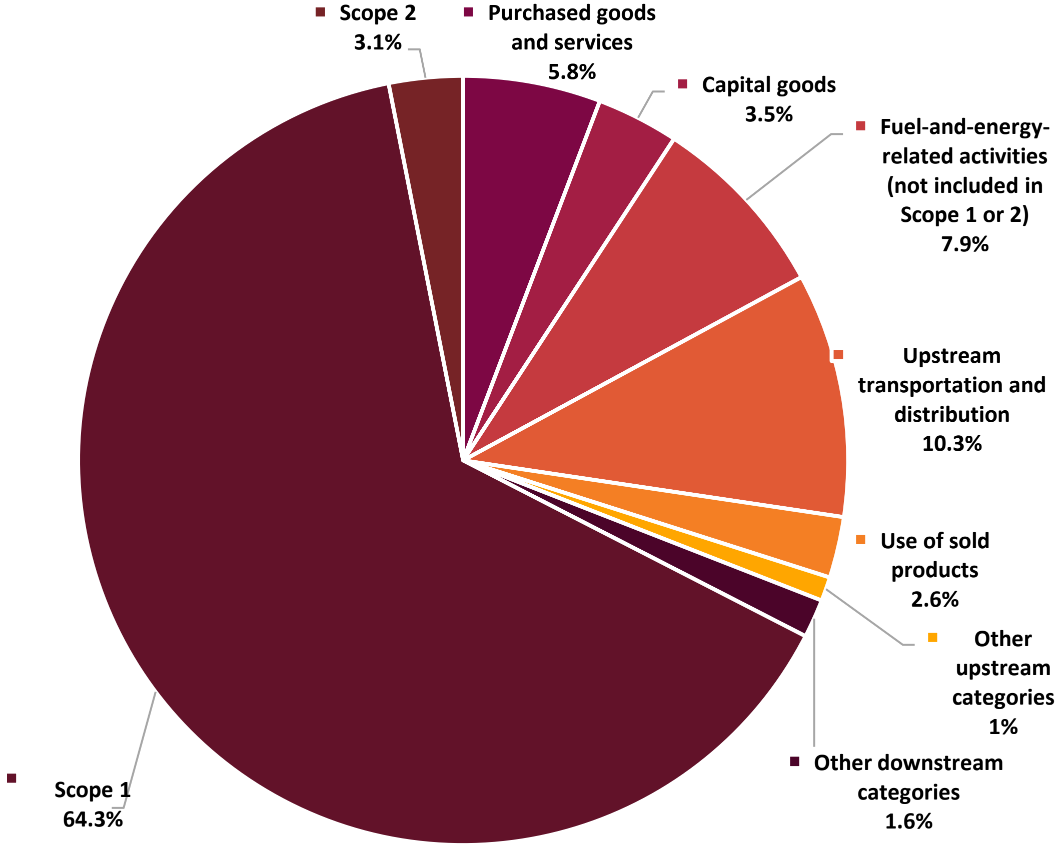
- 65% of the ~1,060 companies disclosed Scope 1 and around half of the disclosers reported their Scope 2 emissions.
- Only 38% of 2023 transportation services disclosers report on Scope 3 emissions.
- Scope 3 disclosure on relevant categories is significantly lower.



Source: CDP 2023

Scope 3 Categories as % Total Scope 1+2+3 emissions

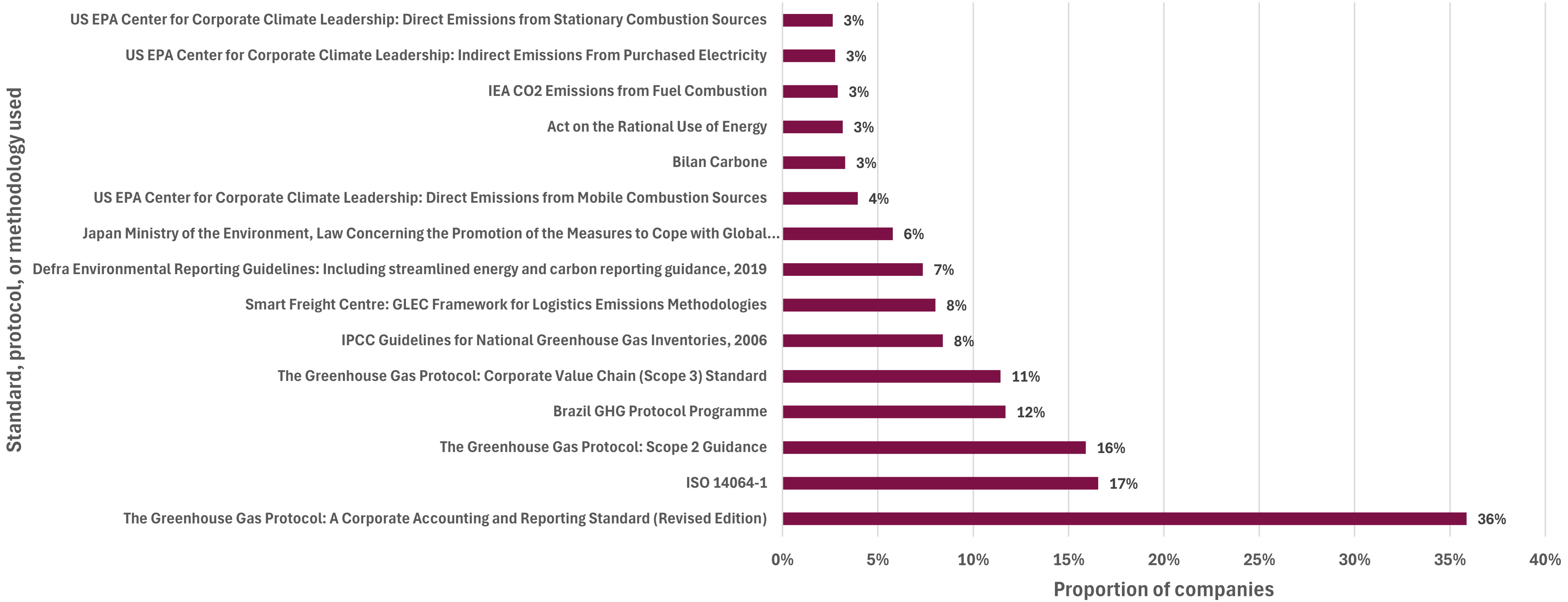
- Scope 3 accounted for about 33% of the total emission inventory for Transportation services companies*.
- Category 1: Purchased goods and services to account for the emissions from the production of vehicles.
- Category 3: Fuel and energy related activities to account for emissions from extraction, production and transportation of fuels used (combusted under Scope 1).
- Category 4: Upstream transportation and distribution to account transportation emissions required to move goods from supplier to the reporting company.



Source: [CDP 2022]

*Based on a sample of 117 investor requested companies from the transportation services

Standard, protocol, or methodology used for GHG accounting



Above percentage is out of the total number of companies that provided emission figures in any of the GHG scope.
Companies can select multiple options in response to this question

Source: CDP 2023

Third-party verification or assurance process in place

- Starting from 2023,100% of Scope 1 and 2, and at least 70% of a Scope 3 category must be verified to be eligible for CDP “A” score.

- In 2023, the proportion of companies that reported having a third-party verification or assurance process in place for their reported emissions are:
  - 324 companies; 47% out of those that reported their Scope 1 emissions
  - 257 companies; 49% out of those that reported their Scope 2 emissions (Location/Market based)
  - 207 companies; 52% out of those that reported their Scope 3 emissions (any category)

Source: CDP 2023

Scope 3 emissions: challenges

- Corporate Value Chain (Scope 3) Accounting and Reporting Standard requires that companies account for all Scope 3 emissions (each category), however the criteria for identifying relevant scope 3 activities are qualitative, which leads to ambiguity in their interpretation.
- Collecting scope 3 data requires more effort and wider engagement both within the reporting company, and with partners in the value chain, compared to Scope 1 and 2.
- Lack of direct control or ownership has often been used by companies as justification for not taking responsibility for accounting and reducing scope 3 emissions

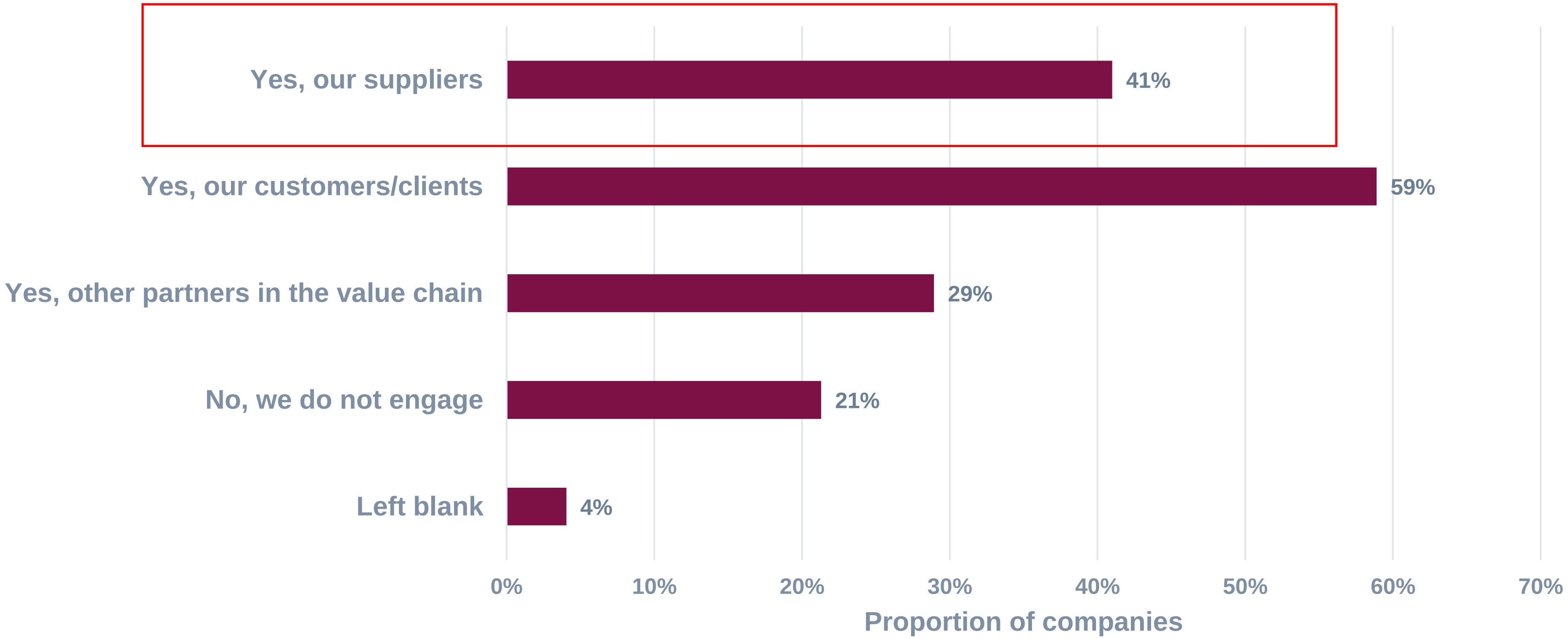
Table [6.1] Criteria for identifying relevant scope 3 activities

Criteria	*Description*
Size	They contribute significantly to the company's total anticipated scope 3 emissions (see section 7.1 for guidance on using initial estimation methods)
Influence	There are potential emissions reductions that could be undertaken or influenced by the company (see box 6.2)
Risk	They contribute to the company's risk exposure (e.g., climate change related risks such as financial, regulatory, supply chain, product and customer, litigation, and reputational risks) (see table 2.2)
Stakeholders	They are deemed critical by key stakeholders (e.g., customers, suppliers, investors, or civil society)
Outsourcing	They are outsourced activities previously performed in-house or activities outsourced by the reporting company that are typically performed in-house by other companies in the reporting company's sector
Sector guidance	They have been identified as significant by sector-specific guidance
Other	They meet any additional criteria for determining relevance developed by the company or industry sector

Source: GHG Protocol Corporate Value Chain Accounting and Reporting Standard

Value chain engagement

- Supplier engagement plays an essential role in addressing Scope 3 emissions and achieving corporate climate targets.



Source: CDP 2023

Alignment with frameworks and standards

A rapidly evolving landscape

CDP
DISCLOSURE INSIGHT ACTION

2000
GRI first sustainability reporting standards

2001
GHG Protocol published

2007
CEO Water Mandate launched

2015
Paris Agreement adopted at COP21

2017
Launch of TCFD recommendations

2018
CDP aligns with TCFD recommendations

2019
AFi published, CDP aligns

2020
EU published sustainable finance taxonomy

2021
International Sustainability Standards Board (ISSB) formed

2021
GFANZ formed at COP26 to focus on financial climate action

2022
US SEC publishes draft climate disclosure rule (March)

2022
EU CRSD adopted (Nov)

2023
ISSB standards published (June)

2023
ESRS adopted (July)

2023
CDP incorporates EU taxonomy

2024
2024 SEC climate disclosure rule finalized

2024
15+ jurisdictions implemented or developing mandatory disclosure

2024
CDP aligns with the IFRS S2 issued by ISSB

2024 onwards
CDP launches new disclosure platform with integrated environmental questionnaire

Enabling standards-aligned disclosure globally

CDP
DISCLOSURE INSIGHT ACTION

Aligned

TCFD — TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
since 2018

EU TAXONOMY
Reflected since 2023

IFRS
S2 since 2024

GREENHOUSE GAS PROTOCOL

Expanding alignment

Approx. 75% aligned with the Proposed US SEC rule, further alignment ongoing

EFRAG
Furthering alignment with European Sustainability Reporting Standards (ESRS) ongoing via an official partnership

TNFD
Partially aligned with TNFD disclosure recommendations, working towards full alignment

Key takeaways

- Along with Scope 1 and Scope 2, Scope 3 is significantly important. Companies should account for all the relevant Scope 3 categories, which vary depending on the activity undertaken by the reporting company, organizational structure and how the inventory boundaries are drawn.
- Accounting for GHG emissions helps identify and manage climate-related risks and opportunities.
- Emissions accounting and climate reporting is becoming mandatory in many jurisdictions.
- Emissions data is increasingly used in investment and purchasing decisions.
- Most of the current reporting standards and regulations, as well as CDP platform, are aligned with the GHGP, TCFD recommendations and IFRS S2. Companies that already do the accounting and reporting aligned with these, are well prepared for emerging mandatory disclosure requirements.

THANK YOU

www.cdp.net

Contact

CDP

DISCLOSURE INSIGHT ACTION