

# Assessing low-Carbon Transition

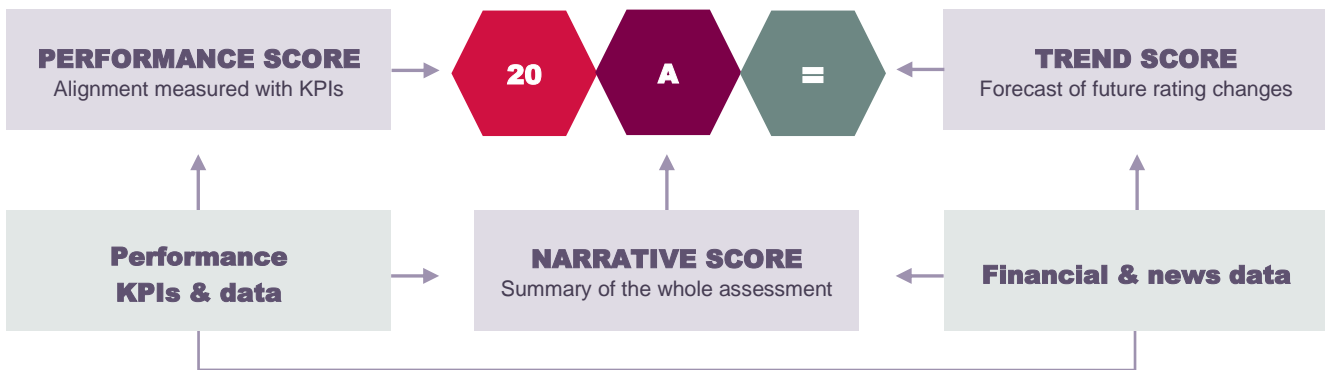


## Chemicals

VERSION 2.0 January 2024

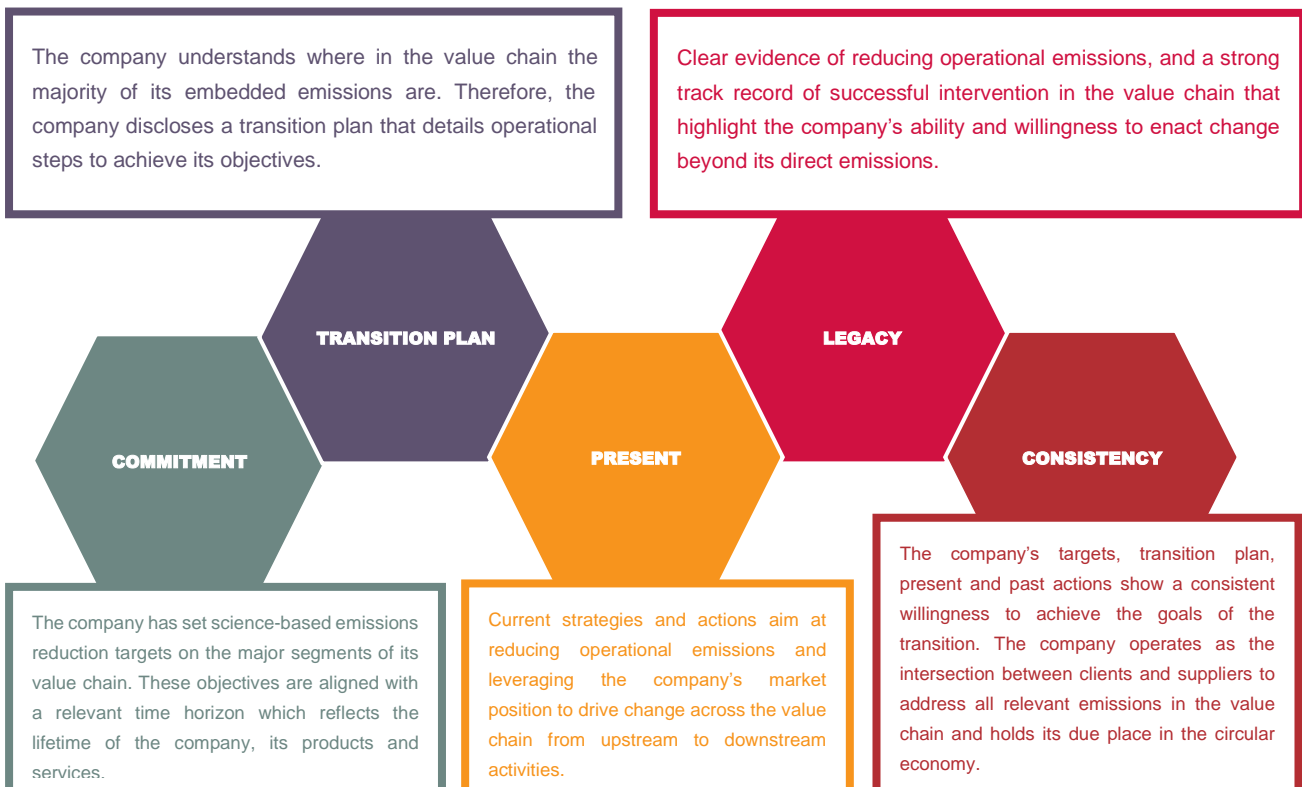
### THE ACT RATING

The ACT rating is based on 3 scores (performance, narrative and trend) as shown in the diagram below.



The maximum achievable rating is 20A= and the minimum is 1E=. To achieve the maximum score, a company must be completely aligned with the low-carbon transition.

### ALIGNED STATE FOR CHEMICALS COMPANIES



## CONTEXT & PRINCIPLES OF THE ACT ELECTRICITY METHODOLOGY

The chemicals sector accounts for 18% of the emissions from heavy industries, which amounts to 1.5 GtCO<sub>2</sub> – 4% of global emissions<sup>1</sup>. The chemicals sector is the largest industrial energy consumer, mainly because around half of the sector's energy input is consumed as feedstock.

The ACT Chemicals methodology considers companies producing at least one of the primary chemicals arising from either petrochemistry or inorganic chemistry<sup>2</sup>. The indicators and their weightings vary depending on the type of activities covered by the company and their respective share of related emissions.

The methodology rewards companies that contribute to the low-carbon transition of the sector, including switching to low-carbon processes or supporting the development of low-carbon products portfolio.

## BENCHMARK

The ACT Chemicals methodology uses emissions reduction pathways that are based on the Sustainable Development Scenario (SDS) from the International Energy Agency (IEA). Sectoral pathways are available for the following chemicals (see examples on bottom right):

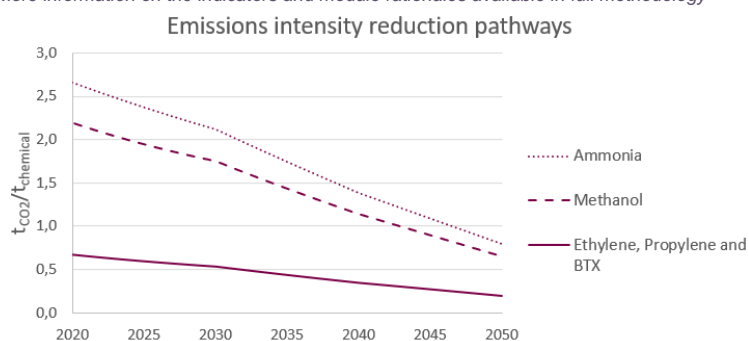
- Ethylene
- Propylene
- Butadiene
- BTX (Benzene, Toluene, Xylenes)
- Methanol
- Hydrogen
- Ammonia
- Chlorine

These pathways are applicable in the Sectoral Decarbonisation Approach. For chemicals for which no sectoral pathway is available, the Absolute Contraction Approach is used.

## PERFORMANCE INDICATORS

MODULE (% = MODULE WEIGHTING)	INDICATORS*
1. TARGETS (15%)	Alignment of scope 1+2 emissions reduction targets
	Alignment of scope 1+2+3 emissions reduction targets
	Time horizons of targets
	Achievement of past and current targets
2. MATERIAL INVESTMENT (10 – 32%)	Past performance – Scope 1+2 emissions
	Trend in future - Scope 1+2 emissions
	Locked-in emissions
	Low-carbon, mitigation and carbon removal technologies CAPEX share
	Energy management
3. INTANGIBLE INVESTMENT (10%)	R&D spending in low-carbon, mitigation and carbon removal technologies
	Company low-carbon patenting activity
4. SOLD PRODUCT PERFORMANCE (2 – 24%)	Trend in past – Scope 1+2+3 emissions
	Trend in future - Scope 1+2+3 emissions
	Low-carbon hydrogen as a feedstock
	Alternative feedstocks for petrochemical-based products
	Inorganic chemistry yield & valorisation
5. MANAGEMENT (12%)	Oversight of climate change issues
	Climate change oversight capability
	Low carbon transition plan
	Climate change management incentives
	Climate change scenario testing
	Carbon pricing integration
6. SUPPLIER ENGAGEMENT (10%)	Strategy to influence suppliers to reduce their GHG emissions
	Activities to influence suppliers to reduce their GHG emissions
7. CLIENT ENGAGEMENT (4%)	Strategy to influence clients to reduce their GHG emissions
	Activities to influence clients to reduce their GHG emissions
8. POLICY ENGAGEMENT (5%)	Company policy on engagement with trade associations
	Trade associations supported do not have climate-negative activities or positions
9. BUSINESS MODEL (10%)	Position on significant climate policies
	Integration of the low-carbon economy in current and future business models

\* More information on the indicators and module rationales available in full methodology



<sup>1</sup> IEA. The Future of Petrochemicals. 2018

<sup>2</sup> See the list in full methodology, section 3.2