ACT

SECTOR METHODOLOGY SUMMARY

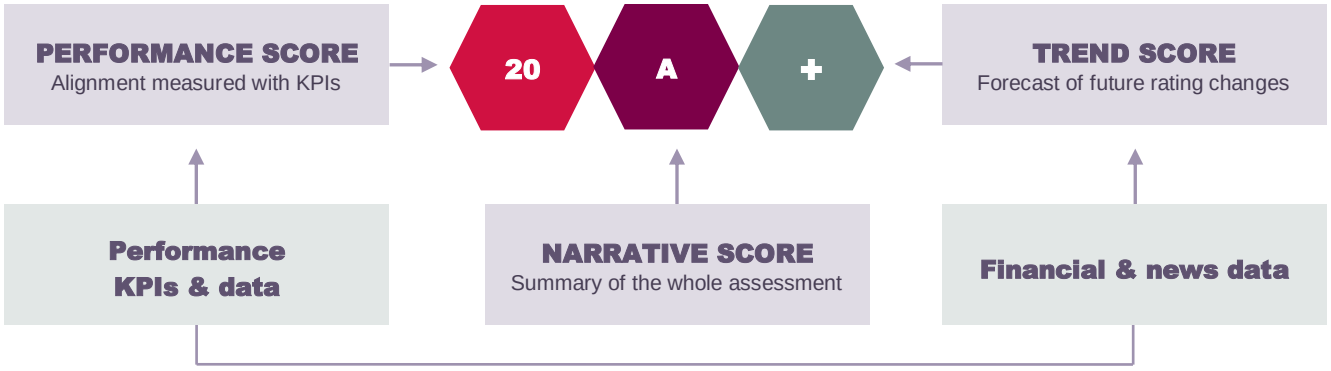
Assessing low-Carbon Transition

Electricity

VERSION 1.0 | FEBRUARY 2019

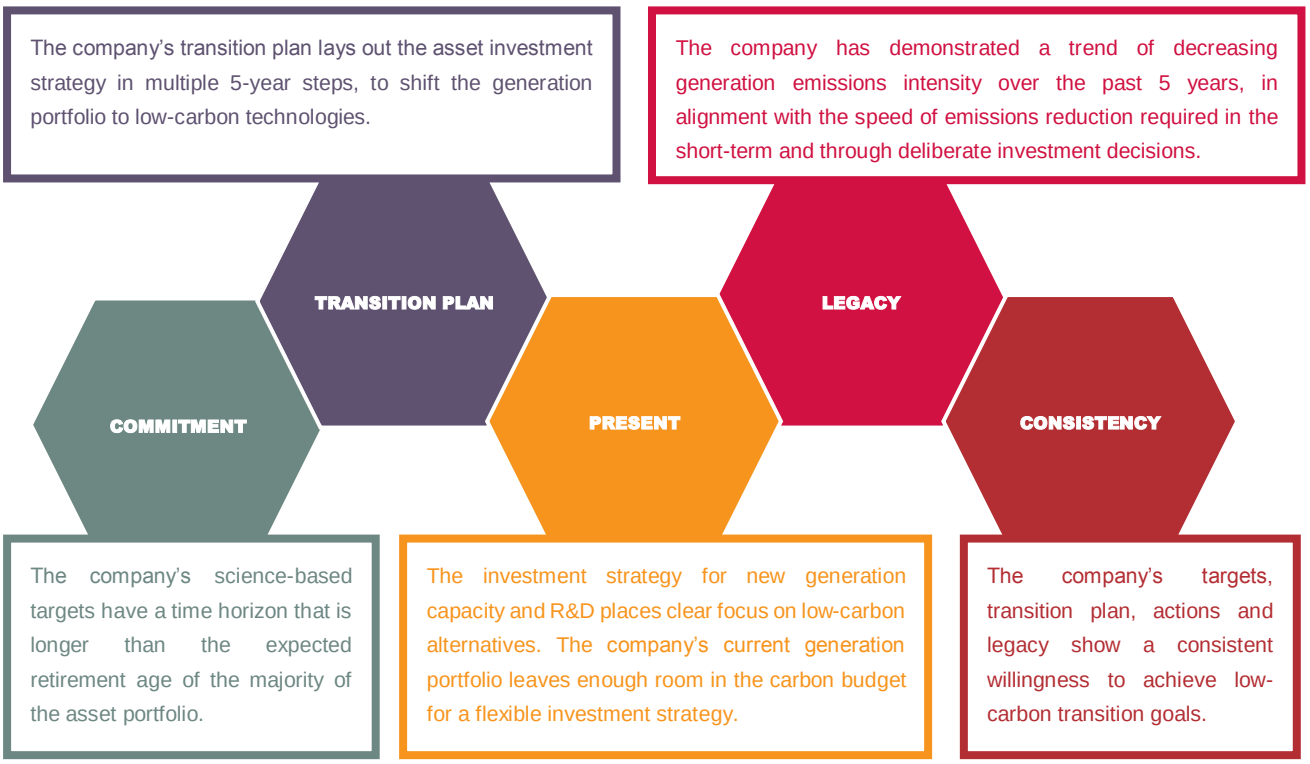
THE ACT RATING

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 A COMPANY IN THE ELECTRICITY SECTOR



CONTEXT & PRINCIPLES OF THE ELECTRIC UTILITIES ACT METHODOLOGY

The Electric Utilities (EU) sector is key for achieving global climate goals as it is responsible for a quarter of global emissions, and the transition of other sectors is also reliant on its decarbonisation. Although many technological advances have been made in low-carbon electricity production, most current power plants are still fueled by fossil fuels and many of them are far from retirement. Since current and new installed capacity will lock in emissions for years, successful transition planning requires investment decisions to be made now. For these reasons, the ACT Electricity sector methodology focuses on *Material Investment* (i.e. present and projected electricity production portfolio) and *Targets*. It will also consider factors such as R&D in low-carbon technologies, and qualitative information such as the company's climate action management. Electric utilities have a well-defined primary activity (i.e. electricity production), which allows the use of one carbon intensity indicator based on physical production (i.e. gCO_2/kWh).

BENCHMARK

For the Electricity sector, the Sectoral Decarbonisation Approach (SDA) only takes into account emissions from electricity generation, excluding other business segments (e.g. T&D activities). SDA for Electricity is, by default, developed with the use of the IEA ETP 2DS scenario's pathways. The generic sector benchmark pathway is adapted into regional pathways. The company decarbonization pathway and carbon budget are derived considering the geographic distribution of the company's generation assets. In the figure below, an example of a company decarbonization pathway (orange) a and carbon budget (area below the curve) is shown. The budget can be met or not depending on the emissions locked in by the generating portfolio (illustrated in blue).

KEY INDICATORS

MODULE (% = MODULE WEIGHTING)	INDICATOR*
TARGETS (20%)	1.1 Alignment of Scope 1+2 emissions reduction targets
	1.2 Time horizons of targets
	1.3 Achievement of previous targets
MATERIAL INVESTMENT (35%)	2.1 Trend in past emissions intensity
	2.2 Locked-in emissions
	2.3 Trend in future emissions intensity
IMMATERIAL INVESTMENT (10%)	3.1 R&D for low-carbon transition
MANAGEMENT (20%)	4.1 Oversight of climate change issues
	4.2 Climate change oversight capability
	4.3 Low-carbon transition plan
	4.4 Climate change management incentives
	4.5 Fossil fuel power incentives
	4.6 Climate change scenario testing
POLICY ENGAGEMENT (5%)	5.1 Company policy on engagement with trade associations
	5.2 Trade associations supported do not have climate-negative activities or positions
	5.3 Position on significant climate policies
BUSINESS MODEL (10%)	6.1 Integration of the low-carbon economy in current and future business model

* More information on the indicators and modules rationales are available in the full sector methodology

FIGURE 1 COMPANY CARBON BUDGET