ACT – Assessing low-Carbon Transition

Public Consultation Summary for ACT Pilot

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In partnership with:

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1.1 Introduction

This document is the formal summary of responses from the consultation feedback exercise on the ACT pilot methodologies that ran from February 2016 – January 2017.

The stakeholder engagement process followed a 'phased approach'; consisting of both feedback from Technical Working Group (TWG) meetings, Advisory Group (AG) meetings and an online public consultation period. TWG and AG meetings took place between February and May 2016, whereby stakeholder groups invited to participate in the project could give feedback on the initial ACT methodology. The methodology was then altered with respect to their feedback. Between September 2016 and January 2017, the methodology was then opened to public consultation on the Collaborase platform. During this period, a broader set of stakeholders interested in the project were encouraged to submit their feedback. The consultation was publicised via the social media channels of ADEME, CDP and the project team. Members of the project team and technical and advisory groups were also encouraged to publicise the consultation through their networks. This ensured optimal outreach, and that the process involved as many people as possible. This engagement exercise sought the views of key stakeholders from a range of organisations, including NGOs, industries and government.

The lengthy consultation process was vital for the development of the methodology for several reasons. To begin with, it was imperative that there was a wide range of feedback, given from different stakeholders. This ensured that the methodology reflected the needs of its users and potential future users in its development. Additionally, the methodology used in the ACT pilot phase is a new and experimental approach to assessing companies, and therefore required feedback at all stages in its development to ensure the methodologies are understandable and meet their goal of assessing the low-carbon transition.

Whenever the methodology developers accept a critique and propose to include it in a following update of the methodology, this refers to the next step in the ACT pilot development. It is expected that each methodology will be expanded upon before 2020 in following pilot projects or a more expansive rollout of the ACT assessments.

1.2 Respondents

In the public consultation feedback on Collaborase, there were a total of 198 reviewers and 142 comments on the methodologies. A breakdown of this can be seen below:

Table 1: Overview of respondents by methodology

Meth	Reviewers	Comments	Note
Framework	89	31	
Electric	41	35	(up to 35 from 5)
Auto	34	42	(up to 42 from 9)
Retail	34	34	(up to 34 from 3)
Total	198	142	

The vast majority of the commenters that disclosed their place of work were from industries. These included companies that were involved in the ACT pilot project, and also companies from the same sector who were not assessed. Most of the commenters from these industries held a senior position in their organisation.

Figure **1** outlines the proportion of stakeholders that commented on the ACT methodology.

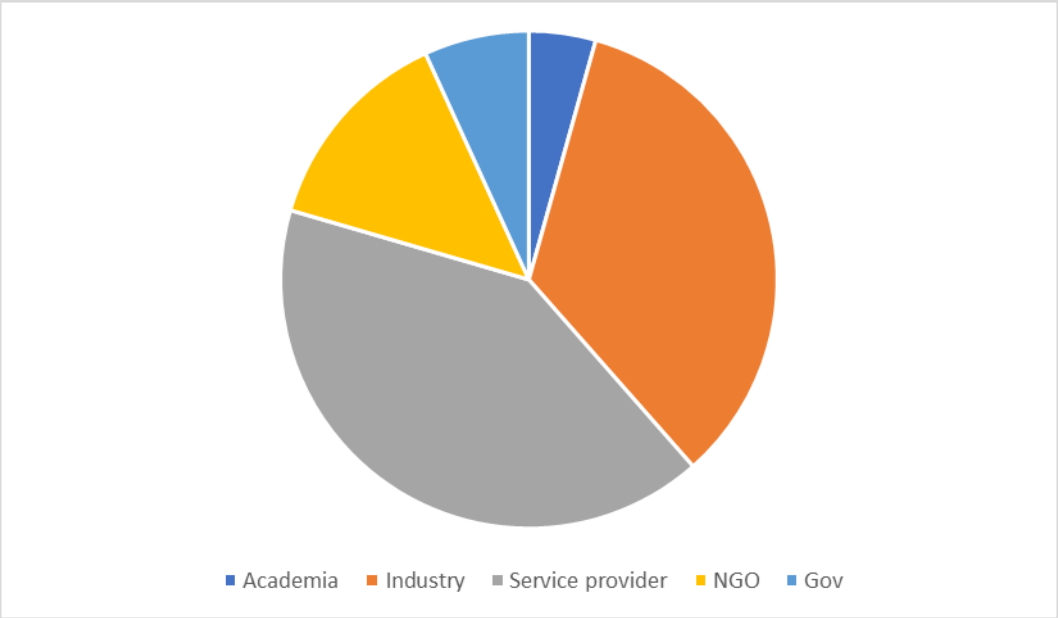

Figure 1: proportion of different stakeholders that commented on the methodology

Of these:

- 41% worked at a service provider
- 34% worked in industry
- 14% worked for an NGO
- 7% were from government officials
- 4% worked in academia

1.3 Comments on indicators and data

For all sectors, the ACT methodology projects emissions into the future to make a statement about the company's future alignment with the low-carbon economy, following the goal of future orientation. The majority (over 60%) reviewers commented on the details of the indicators that were developed. Notably, questions focussed on the calculation method of future emissions for fixed assets such as electric power plants, or sold products such as passenger vehicles.

1.3.1 Comments on indicators that measure current and future emissions:

On predicting emissions for power plants in the Electric Utility sector, the methodology looks all the way to 2050 to estimate emissions from the asset portfolio and compare the applicability of emissions reduction targets to this portfolio. Reviewers expressed concern that such long time horizons are uncertain, and that targets may therefore not be meaningful. The ACT project team recognized this concern around reliability of future projections. Whilst 2050 is relatively distant for most companies low-carbon transition planning, most electric utilities companies own or operate assets which are predicted to be in use at or after this date. Therefore, the horizon of 2050 is generally expected to be relevant to company operations, and company valuations and financial and operational planning will go up to or past this horizon. To ensure that there is a strong link between company operations and the horizon on which long term targets are judged, the benchmarking of target time horizons has

been capped at the 3rd quartile of ranked technical lifetimes[1]. In other words, the horizon is adjusted to run to the date when three quarters of the company's emitting assets have retired. (See the Electric Utilities methodology for more details). It ensures that very long time horizons are based on a robust estimation of the overall lifetime in a company's asset portfolio without undue influence by very long and uncertain lifetime estimations.

Reviewers also commented that future annual generation could be influenced by many external factors (for example weather, national public policy, or economic factors) and therefore may be difficult to predict. The ACT project team recognizes this uncertainty, and therefore does not project emissions farther in time than 2020. The data is found reliable enough to make a 4-year prediction, given the long project realization times in the electric utility industry. The predictions are based on existing asset base data and any decommissioning that is planned and confirmed between now and 2020.

For auto manufacturers, the main concern raised was over the assumption that real emissions data may not be used in a global company assessment model. Company respondents expressed that they do not generally report on real emissions data, rather they report on fuel consumption or emissions from test cycles, whose methodology is different per territory. Despite these concerns, the ACT project team chose to proceed with a data request for globally comparable emissions data for the most important car markets internationally. Despite the current lack of such a standardised global system, it was assumed that car makers do have data on the real emissions of their vehicles, and that under the confidential nature of ACT they would be able to report on them. It was also recognized that this problem of measurement differences across territories is not a problem that can be solved within the pilot project, and it requires the adoption of a global measurement standard for vehicle emissions measurement to replace the local standards.

The approach chosen for the pilot was not 100% successful as only a minority of car makers reported to the methodology requirements. Despite this, the fact that some car makers could provide this data sets a precedent for other companies to do so. It is clearly not impossible and OEMS do have access to this information. An alternative approach reviewers have suggested is to ask only for the local test cycle data, and then use test cycle conversion factors such as those developed by the ICCT to make them comparable and useable for the ACT assessment. Barring international developments on a global standard, this is a likely route for future developments of the ACT Auto methodology which could be implemented by the project team in an update, so there is no reliance on the implementation of a global testing framework.

The initial draft of the methodologies was not clear on whether annual vehicle miles travelled (VMT) was used or if vehicle lifetime was being used as a proxy, so some commenters raised that the annual travel by a vehicle is the determinant of future emissions, not its lifetime. The ACT assessment models do recognize this and use VMT as the determinant parameter of future emissions. The methodology, specifically the indicators in module 4 'Fleet emissions', was updated to clarify that VMT was used in response to the comment[2].

For the retail sector, the main comments on the measurement of emissions and the setting of targets revolved around the setting of boundaries between different emissions categories. To accurately measure and benchmark emissions, the ACT Retail assessment model splits emissions from different sources such as energy, logistics and refrigerant leakage, and asks

[1] For more details on this approach see indicator EU 1.2 in the ACT Electric Utilities Methodology, available on http://actproject.net/resources/

[2] See indicator AU 4.1 in the Auto manufacturing methodology available on the website in the above footnote.

companies for separate emissions figures, activity figures and targets on these categories. Questions were asked about which GHG Protocol Emissions Scope (1, 2 or 3) these emissions categories were placed, and how the relative importance of each of these categories is calculated in the final score for the relevant emissions and targets indicators.

When scoring targets across the three methodologies, ACT proposed a minimum requirement (reflecting current CDP scoring methodology practice) that targets should cover at least 70% of emissions within the boundary that the target covers. One reviewer raised the important issue that to know whether 70% of emissions are included, the company needs to have measured or at least estimated all its emissions with robust emissions metrics. Therefore, ACT could require 100% of emissions within scope to be covered. This was recognized, however being able to measure an emissions source does not equate to having the ability to mitigate it. Given the ambitious nature of ACT, the maximum scoring requirement was increased to > 95% of emissions in Scope, but targets are excluded when they have a lower emissions coverage. 100% coverage requirements are principally not used in most of the scoring to allow companies some leeway to exclude small elements for feasibility reasons.

1.3.2 Comments on indicators that measure R&D investments

The only indicator in the category of intangible investments was related to R&D expenditures. It was scored to identify if the investment was in low-carbon technology, and whether it was in non-mature (high score) or mature (low score) technology. Firstly, some reviewers did not agree with the distinction between R&D in fossil-fuel based technologies, and low-carbon technologies, citing that both technology types will be important in the near and medium term future. Second, reviewers also expressed that it was not clear from the methodology how a technology can be defined as 'mature' or 'non-mature' and expressed concerns that a credible scoring methodology could be developed for this area.

The ACT project team ultimately chose to still make these distinctions. Primarily, the distinction between low-carbon technology and fossil-fuel based technology is based on the very ambitious need identified in climate scenarios for fossil-fuel based technology to be rapidly phased out in favour of low-carbon alternatives. Second, the distinction between mature and non-mature technology is based on analysis on renewable energy R&D Priorities[3] [4]. For a more recent perspective, information on the average levelized costs energy for these technologies was used to identify where additional R&D could have a significant cost-reduction effect[5]. Investing in a technology that is already competitive has less marginal cost benefits than one that needs more help to make it competitive. It should be highlighted that ACT still assigns positive points to R&D in any direction, but the highest scoring categories are reserved only for those companies who invest most heavily in those technologies that are seen by the research community as in the most need of additional R&D, taking current levelized costs in account.

The project team does recognize the difficulties in trying to identify complex R&D programmes that can apply to multiple technologies as 'mature' or 'non-mature'. The R&D

[3] Renewable Energy – RD&D Priorities: Insights from IEA Technology Programmes. IEA, 2006. Available here: https://www.iea.org/publications/freepublications/publication/renewable-energy---rdd-priorities.html

[4] Research priorities for renewable energy technology by 2020 and beyond, EUREC, 2009. Available here: http://bookshop.europa.eu/en/research-priorities-for-renewable-energy-technology-by-2020-and-beyond-pbLB7809676/

[5] Renewable power generation costs in 2014. IRENA, 2015.

indicator and accompanying data request will therefore be reviewed in its entirety in the next update for the Electric Utilities or Auto methodology.

1.3.3 Comments on qualitative indicators:

The qualitative indicators featured in the consultation feedback included business model, policy engagement, supply chain, sold product performance, and management. Most these comments were regarding the business model indicator, in particular for the Auto Manufacturing sector, whilst the Electric Utilities sector had very few comments relating to qualitative indicators.

For the auto sector, reviewers commented early on the difficulty of benchmarking car-rental and car-sharing, which was initially given a high importance in the initial AU 7.1 indicator. After internal discussions, it was decided that there was ambiguity as to whether these schemes actually reduced emissions or not, and thus the importance of such indicators was reduced in the ACT assessment.

Another key comment was regarding the fleet emissions pathway indicator, whereby the original indicator consisted of the identification by the company of the main regulatory changes that have, or are likely to impact, and their public positioning on them. This indicator was modelled after the current CDP Climate Change questionnaire, which due to its broad and cross-sectoral nature has a focus on climate policy. The indicator was then further specified to focus on a few key regulations that were mentioned in the consultation feedback.

For the retail sector, the consultation feedback highlighted that there is an argument for making downstream hotspotting analysis separate from upstream hotspotting in the retail sector to quantify indirect emissions. The reasoning behind this division involves the diverse nature of the retail sector. For example, for food retail one of the most important downstream elements is customer waste. For non-food products, such a textile, emissions from energy use in production of the raw materials may be more significant. In ACT, the hotspotting indicator was assessed by a maturity matrix, and whilst the current sub-divisions do not specifically mention upstream and downstream, one of the dimensions in the scoring matrix is ‘scope’, which is focused on relevant sources from downstream and upstream. A future improvement for the next update of the scoring system is to include upstream and downstream sub dimensions in the scoring matrix to emphasize the difference in approach between the two parts of the value chain.

1.3.4 Comments on data request and data gathering method

ACT uses a variety of data sources to calculate and/or assess the indicators and define the ratings. A rough categorization of these sources is:

(i) a company questionnaire,
(ii) a quantitative data validation process with external data providers,
(iii) data from the CDP questionnaire cycles, and
(iv) general online/company sources that are available in the public domain.

A considerable number of comments were received on the data points that were requested from companies to do the assessment. This was mostly received during the TWG phase, when most of the company representatives made their comments.

Overall data consultation process with companies

As the methodologies were developed, companies were presented with drafts of the data request to review. Each indicator that was initially proposed also included indications of data

that was likely to be required, even before specific questions had been formulated. This ensured that consultation participants could provide feedback on this directly during indicator development. The data that was requested by companies was also split using a 'shall' and 'should' typology, whereby data points that are deemed minimum necessary for an assessment (mandatory) 'shall' be reported, and ideally all data points 'should' be reported for an optimal data submission. Following comments the balance of shall and should data points was adjusted as it became clear that certain data points, while desirable, might be difficult for companies to provide on the timescale of the ACT pilot data submission period.

The ACT project wishes to incentivize disclosure of the optimum data required to make an appropriate and useful assessment, and therefore for the pilot phase few concessions were made to concerns of data gathering difficulty by prospective responders. This was ultimately the right choice, despite some data points being difficult to acquire data for. Many comments were received from company representatives stating that the request for new and unfamiliar data points has helped them identify and optimize internal structures to gather it, and brought new opportunities to evaluate internal performance. As this was a pilot project, it was felt that it was better to try and acquire data and adjust the request later if necessary, rather than not asking for the data at all.

Specific notes on data gathering

During the technical working group consultation and the public consultation period, many comments were provided on the quantitative data request in ACT. This is unsurprising, as the large amount of quantitative data is the more novel aspect of this to the companies, whereas the qualitative data request questionnaire is very similar in style and type of content to the CDP Climate Change questionnaire or other sustainability reporting frameworks, which all but one of the pilot companies is responding to.

For the auto sector, many concerns were raised on the request for globally comparable emissions data. The main discussion on this is in section 1.3.1. An addition that can be made from the data perspective is the confidentiality concerns raised, whereby many reviewers, also from outside of companies, expressed scepticism that any data outside of that already required by regulatory bodies would be disclosed. In alignment with what was said in section 1.3.1, it does indeed appear that most auto companies are reluctant to provide emissions data for territories where policy does not require this explicitly.

For the electric utilities sector, a major novel element of the data gathering process is asset level data validation. To reduce the data collection burden, ACT elected to use an external data provider (GlobalData[6]) to provide information on the companies' generation assets. Companies were then provided with this list and asked to validate it and correct any mistakes. The decision to do this was in part fuelled by feedback from the Technical Working Group that providing a list of all assets could be challenging for companies, and the validation of an existing list would be preferable.

1.4 Comments on overall ACT methodology

1.4.1 Comments on the ACT Benchmarks used in the assessments

ACT uses the Sectoral Decarbonization Approach (SDA) to establish company-specific decarbonization pathways. For some sectors ACT has also added to the SDA approach with more sector-specific benchmarks, or geographical specificity.

[6] https://www.globaldata.com/

A reviewer expressed scepticism whether the main assumption for the energy sector behind the SDA method used (all companies converge in intensity in 2050) holds up in the real world. The reviewer proposed a scenario where there will be some companies which provide natural gas back-up generation to the majority of renewable energy companies in a low-carbon world. We subscribe to this view that the final make-up of the energy sector (or any sector) in 2050 cannot be expected to be homogeneous in terms of emissions intensity across companies. However, the decarbonization pathways that are generated by this method in the short-term future present a slightly more ambitious pathway for companies who are above the average, and a slightly less ambitious for those who are below, which we deem a fair benchmark for all companies involved to spur action in the short-term. In conclusion, while the final endpoint in 2050 may be an unrealistic model of the emissions of any one company, the product of this assumption does hold up in the short-term future.

We recognize that transforming into a low-carbon company requires more effort, investment and strategic turn around, than presenting one-self as part of the fossil-fuel 'back-up' part of the energy sector. Therefore, we do not wish to incentivise companies to choose the 'easy way out'. For every company whose average emissions intensity is above the ambitious benchmark in 2050, another company should be below that benchmark. Furthermore, all companies in the sample analysed have both fossil fuel and renewable assets, and all need to be held to the same standard and be held accountable to the transformation to the low-carbon economy.

It was also noted that on the other side, lower-carbon companies may not be incentivized enough to undertake low-cost abatement actions, such as decarbonizing their vehicle fleet, when presented with a less ambitious pathway. We do not find this relevant, as ACT focuses only on the emissions sources that make up the vast majority of the company's emissions, i.e. electricity generation. We also do not subscribe to the view that requiring a less ambitious decarbonization pathway for their main activity necessarily implies a reduced incentive to mitigate emissions from other emissions sources.

Other reviewers expressed concerns that the version of SDA published when the methodology was developed may not be advanced enough for the goals of ACT. For example, for the Retail sector, there is no specific activity indicator and thus SDA applies a less advanced methodology for 'heterogeneous sectors'. Reviewers also raised that the automotive methodology was limited in usefulness as it did not incorporate several important details such as vehicle types, region specificity and the measurement method for vehicle emissions. This was recognized in ACT, and where possible attempts were made to improve on the methodology to make it more applicable to ACT. For example, for the Electric Utility and Auto Manufacturing sector, geographic specificity was added to the SDA model, so that companies in certain territories get more applicable benchmarks. For the Retail sector, the developers attempted to develop a homogeneous SDA by splitting out the most important emissions sources for retail, and asking retailers to provide an emission split by these sources, instead of trying to rely on a single activity indicator. This did introduce a high level of complexity, which may be misaligned with the materiality of some of these emissions sources to the sector overall (see the ACT report for more reflection on this issue). In the future, the ACT methodology will closely follow the developments of the SDA, and there exist feedback mechanisms between the ACT project team and the SDA developers to improve the methodology from what was learned during its advanced implementation in ACT.

1.4.2 Comments on verification

Verification is an important element of ACT, whereby the developers have considered the verifiability of the data used at every point in the methodology, and looked for ways to

improve this verifiability. The project partner ClimateCHECK has developed a guidance document for verifiers on each data point in the current ACT data requests.

Within the current methodologies, reviewers expressed that it was not very clear at this point on the definitions used, such as what is meant by 'verification status' of a data point, and what constitutes a 'verified' determination. Does this mean independent third party assurance, or accredited assurance? Is there a scoring implication to verification? Further, it was unclear to reviewers where in the data request the evidence of verification should be provided.

Due to the limited scope of the ACT pilot project, no active verification step was carried out on the data submitted by the companies, and the data request did not explicitly request any verified data. Furthermore, the guidance for verifiers was only completed after the data was submitted and the assessments carried out, and was not in the scope of the public consultation. The ACT team recognizes that the current documents do not reflect the most recent work done on verification and that the methodologies therefore need updating to reflect it.

1.4.3 Comments on ACT rating outputs

The ACT outputs consolidate to a three-part rating, that includes a performance score (1 – 20), assessment rating (A – E) and trend score (-, =, +). This rating model was briefly outlined in the methodological framework consultation, though it was not part of the sector specific methodologies. Each company also received a 10-page feedback report and a feedback call where these results were presented.

Reviewers' comments focused mostly around the dimensions that are part of the assessment narrative. The assessment narrative takes another look at the performance score and reviews the company's overall business model, consistency, reputation and risks. A reviewer noted that a useful addition could be an evaluation of the company's operational performance, to see how the strategy the company proposes is being implemented, if at all. The ACT methodology does not currently specify a focus on implementation of strategy at the operational level, although the 'consistency & credibility' dimension does include provision for the assessor to flag any cases where a company has a strong strategy but does not seem to be implementing it sufficiently. Overall, reviewers found the information provided in the methodology on the assessment outputs to be too limited. This is because the tools to operationalize the scoring were developed after the consultation document was published, which meant that these developments were not publicly available. The current versions of the public methodologies have been updated with a more detailed overview of the ACT outputs to address the questions raised in consultation.

Another recurring theme in the comments was that reviewers would like to see an official output on the quality of the data used. While this was not specified in large detail in the consultation document, each company feedback report includes a data quality statement that details the data sources used for the assessment and some specific notes on the limitations of the data used for the assessment. However, this is only very limited information, and the original draft of the ACT methodology had envisioned a more structured approach. The ACT detailed report gives an aggregate analysis on how this could be presented, and future versions of the ACT methodology should develop this more structured approach to a data quality statement.

Finally, an important comment was raised on how exactly reputational concerns are interpreted within this framework, which requested examples of reputational issues

potentially affecting the score. There are three main reasons why a company may receive a score downgrade due to reputational concerns:

1. Any behaviour directly impacting climate performance, such as deceptive or fraudulent emissions testing or reporting.
2. Other serious issues that call into question the credibility of data reported. This relates to the overall credibility of any data reported by the company, which could be damaged by incidents such as accounting scandals or evidence of fraud.
3. Extremely serious incidents that call into question the credibility of the management of the company, thus undermining confidence in its ability to deliver on its strategy or transition plan.

The current rationale in the methodology document focuses only on issue 1, such as when emissions figures presented are later proven unreliable. Future versions of the methodology should be updated to reflect this expanded definition of reputational issues, as it was developed for the pilot assessment process. It should be noted that score downgrades are only anticipated to occur in exceptional circumstances.

1.5 Additional dimensions to be considered in the methodology:

What was said	Our response
The auto methodology should include a life cycle approach.	This is important and is supported by ACT, however, this it was not prioritized in the pilot due to the focus on fleet emissions. Future updates of the methodology will cover this.
It should be made clear the way in which ACT provides feedback for companies.	This was covered in the report. However, we will also put an example of the company feedback reports on the website.
ACT should include the integration of a Baseline scenario, as with the GHG Protocol Policy and Action Standard.	The developers have avoided this because of the political nature of choosing any baseline scenario, as baseline scenarios can be very dependent on technological and economic assumptions about the world. Our current methodology implementation does not require a detailed baseline scenario and therefore we have chosen to use a static emissions intensity as our baseline.
The methodology should include 'company operations/operational activities/operational practices' as one of the listed elements.	We have taken this on board and will consider including this in the next phase of ACT.
There should be an inclusion of a 'confidence indicator'. This will show if relevant indicators have been difficult to assess, and therefore if the confidence in the result is low.	We have taken this on board and will consider including this in the next phase of ACT.
The methodology misses an opportunity by focusing solely on CO2 emissions with no mention of radiative forcing. If the methodologies were truly holistic, company assessments would consider and encourage the mitigation of short-lived	The ACT methodology did consider other greenhouse gas climate forcing, although we acknowledge that there was a large focus on carbon. We have taken this on board and will consider including this in the next phase of ACT.

climate forces, for example, methane, black carbon, tropospheric ozone.	
Some of the sources of GHG emissions that relate to the business models are taken into account. In the framework definition, the set of indicators did not address how the business model planning could lead to incompressible GHG emissions in the future. More elements could be added in the business model category to include 'value chain structural/infrastructure emissions'. These corresponded to the 'emissions debt' or 'inevitable emissions' that are automatically generated by the choices made regarding the supply chain structure.	We recognize that our indicators that address incompressible (locked-in) emissions are not strongly linked to business model planning. It is a point of improvement to be made in the methodologies to further develop the business model indicators. We will include research into the concepts proposed by the reviewer to undertake this exercise.
The methodology should include staff influence beyond management. There is an important dimension of company culture influence that could be included.	We take this comment on board, although it should be mentioned that this is very difficult to assess. Therefore, its inclusion in the next phase of ACT depends on how we can form an easily assessed indicator around this.
The 'Use of Sold Products' retail indicator should include a component on longevity, including built to last, reparability and retailer support for this.	This is recognized as an important point, and even though durability is often the responsibility of the manufacturer, the retailer has an important part to play in reparability. It is also recognized as a positive intervention in Module 3 already, though it may be recognized more specifically in the company business model assessment.
For waste reduction strategy incentives in the retail methodology, a capacity building approach could be to ask what is done to give the management the means to achieve the targets and how they are trained and assisted on it.	We have taken this on board and will consider including this in the next phase of ACT.

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