

**ACT**

**ROADTEST REPORT**

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# Assessing low- Carbon Transition

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# Transport

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**December 2020**

## ACKNOWLEDGMENTS

ADEME and CDP warmly thank the companies involved in the roadtest of the transport methodology for their contribution to the methodology improvement:

Ferrovie dello Stato  
Eurotunnel  
SNCF  
Transdev  
La Poste  
ComfortDelGro

Transports Derval  
Andreani  
CMA-CGM  
Keolis  
Geodis  
Bolloré Logistics

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## SUPPORTED BY:



Climate-KIC is supported by the  
EIT, a body of the European Union 

Technical assistance provided by:



# Background and purpose of the document

**This document is part of the Assessing Low-Carbon Transition (ACT) initiative and provides the main details of the ACT® Transport road-test. As part of the development of a new ACT® sector methodology, this road-test is conducted in order to improve the draft methodology by the Technical Working Group.**

**The current report is intended in particular for the Steering Committee (ADEME and CDP), the technical working groups (TWGs) as well as those who will contribute to TWGs.**

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The road-test of an ACT sector methodology implies the production of a detailed feedback and associated reports from the companies involved in the process which remain confidential.

This report aims at providing key findings of the road-test and giving average results for the sample of companies assessed.

# Table of contents

<b>BACKGROUND AND PURPOSE OF THE DOCUMENT .....</b>	<b>3</b>
<b>1. ACT TRANSPORT ROAD-TEST .....</b>	<b>5</b>
<b>1.1. CONTEXT OF THE ROAD-TEST .....</b>	<b>5</b>
<b>1.2. ACT TRANSPORT METHODOLOGY.....</b>	<b>9</b>
<b>1.3. RESULTS OF THE COMPANY ASSESSMENTS .....</b>	<b>11</b>
<b>2. CONCLUSION / OUTPUTS .....</b>	<b>17</b>
<b>2.1. SUCCESS AND LIMITS OF THE ROAD-TEST: .....</b>	<b>17</b>
<b>2.2. RECOMMENDATIONS TO EXTEND IT TO THE REST OF THE SECTOR.....</b>	<b>17</b>
<b>2.3. CONTRIBUTION OF ACT® TO ENGAGE COMPANIES IN LOW CARBON TRANSITION .....</b>	<b>18</b>

# 1. ACT TRANSPORT ROAD-TEST

## 1.1. CONTEXT OF THE ROAD-TEST

### Transport sector

Global GHG emissions by transport sector increased from 15% in 2014 to 24% in 2017 (IEA). Hence, this sector plays an important role for decarbonising the World's economy. According to the IEA, CO<sub>2</sub> emissions from this sector must decrease by 32% between 2012 and 2050 for achieving the ETP (Energy Technology Perspectives) goal: limiting global warming to 2°C.

### Contributing to ACT: New sector development

Since 2015 and the COP21, ADEME and CDP have been working together on new methodologies to assess companies that have set climate commitments and want to take actions.

The ACT initiative allows to have a holistic approach in order to assess a company's climate strategy and determine how ready a company is to transition to a low-carbon economy. The ultimate goal is to drive action by companies and to put them on a low-carbon compatible pathway.

This methodology is based on a sectoral approach. Thus, the ambition of ACT<sup>®</sup> is to develop the most contributive sectors in terms of CO<sub>2</sub> emissions. It also implies that tools and methods need to be adapted for each new sectoral development process through different stages detailed as follows:

- Stage 1: Methodology development
- Stage 2: Methodology experimentation or roadtest
- Stage 3: Methodology implementation

In December 2020, ADEME and CDP have already released 4 ACT methodologies: **electric utilities, auto manufacturers, retail and building**. The next step is to expand it to new sectors (Oil&Gas, Cement and Transport), in which the ACT methodology has already been developed (Stage 1) and needed to be experimented through a road-test.

During the road-test of the ACT method with French SMEs and Mid-cap conducted in 2018, the transport sector has already been tested with eight companies: 4 SMEs and 4 mid-cap companies. The first principles and methodological elements, elaborated during this French road-test / context, were used as a basis in order to develop a full ACT transport methodology at an international level, thanks the TWG members.

Thus, ADEME and CDP have decided to conduct a specific road-test for the transport sector before releasing the methodology. This report is going to sum up the main elements and the key findings of the project.

### Goals of the road-test

The project's objectives are the following:

- **Broadening the scope of ACT** by delivering a new sector methodology which covers both freight and passenger transportation.

- **Testing the relevance of using one methodology / tool** to cover a broad range of transport modes: Road, rail, air and sea
- **Testing the consistency of a new methodology and tool** that have been previously drafted and improve them thanks to companies and analysts feedbacks.
- **Involving new stakeholders** into the ACT initiative

### Phase 1: Recruitment of companies

A particular focus has been brought on the selection of voluntary companies. At least 10 companies must be included in the road-test. On the one hand, the selection had to include companies from both freight and passenger transportation. On the other hand, the pool of companies also had to cover all of the transport modes covered by the methodology (Road, rail, air and sea) as follows:

	Categories	NACE Classification
	Passenger rail transport, interurban	49.10
	Freight rail transport	49.20
	Urban and suburban passenger land transport	49.31
	Freight transport by road	49.41
 	Sea & coastal passenger water transport	50.10
	Sea & coastal freight water transport	50.20
	Inland passenger water transport	50.30
	Inland freight water transport	50.40
	Passenger air transport	51.10
	Freight air transport	51.21

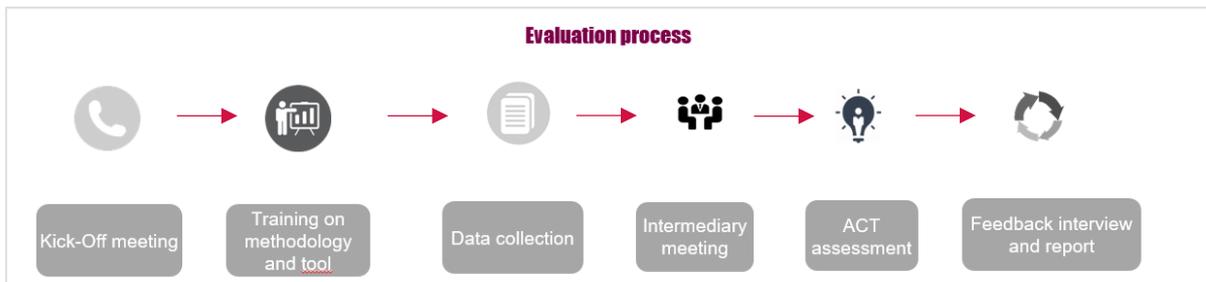
15 companies were finally selected for the road-test with different levels of maturity in terms of climate strategy. 12 companies participated as volunteers. Three extra companies were chosen and assessed based on public data in order to have a more representative sample.

- Andreani (Road)
- Bollore Logistics (Multimodal)
- Comfort Del Gro (Road)
- CMA-CGM (Sea)
- Eurotunnel (Rail)
- FS Italiane (Rail)
- Geodis (Multimodal)
- Keolis (Road)
- La Poste (Road)
- SNCF (Rail)
- Transdev (Road)
- Transport Derval (Road)
- Air Company 1
- Air Company 2
- Sea Company 1

## Phase 2: ACT Assessment

### ASSESSMENT PROCESS FOR VOLUNTARY COMPANIES

Each company received comprehensive support all along the ACT<sup>®</sup> Transport road-test provided by EKODEV & B&L évolution.



- **Kick-off meeting**: This meeting was the first contact between companies and their analyst and was the opportunity to discuss the first steps of the assessment. Also, the analyst could identify if the company had a clear understanding of ACT or if the company required an introduction to the methodology.
- **Awareness on methodology and tool**: A 2-hour meeting was set with each voluntary company in order to explain the specificities of the methodology and present the questionnaire that companies had to fill. When it was possible, several companies joined the same meeting in order to create synergies and common suggestions.
- **Data collection**: Each company had to collect data asked in the questionnaire in order to complete the assessment. All of them have been asked to have a critical point of view on the methodology and the tool in order to improve them.
- **Intermediary meeting**: In order to make sure that every company was on track in the data collection process and that they were collecting relevant and accurate data, an intermediary meeting was set with the analyst for a first pre-review. All questions were treated. Those which could not be answered by the analysts, were addressed during the Steering Committees with the analysts, CDP and ADEME.
- **ACT Assessment**: Assessments were conducted by analyst. These assessments enable to discover bugs and issues with the questionnaire, the assessment tool and the methodology. Additional technical meetings were set in order to discuss them before the finalization of the assessment in order to provide relevant results to the companies.
- **Individual feedback meeting**: Each company received individual feedback on their assessment in order to explain the score they received. This meeting was also the opportunity to collect feedback from companies on the roadtest. 4 key aspects were tackled through a questionnaire: Data collection process, ACT assessment, ACT methodology and ACT for the Transport sector.

### ASSESSMENT PROCESS FOR COMPANIES ASSESSED WITH PUBLIC DATA

Three companies were assessed based on public data. In order to do so, analysts used guidance and resources provided by the members of the ACT team at CDP. During a common meeting with other road-tests, CDP shared the methodology they used for the development of their benchmarks for Auto sector and Electric Utilities sector while using ACT methodology.

A list of sources was therefore shared by WBA in order to collect relevant and accessible data for an ACT assessment (company communications, bulk data sources with regulatory and industry data, CDP questionnaire, reputation platforms and news).

#### **INTERNAL QUALITY CHECK PROCESS**

Each assessment (questionnaire and individual feedback report) was reviewed by the Project Manager of the technical team in order to make sure that all assessments were consistent, relevant and similar. This specific step was included in the process to check that all indicators are understood correctly by the analysts and the company and assessed in a similar way.

Also, this full review enabled the technical team to take a step-back and see the big picture and have a proper overview of the road test in order to bring up relevant issues during the Technical Working Group.

### **Phase 3: Feedback and improvements**

In order to propose relevant solutions to improve the methodology, a series of meetings have been organized:

- **Internal meeting between analysts:** After each analyst collected the feedback of every companies, an internal meeting was set in order to discuss the issues faced during the roadtest and identify the areas of improvement.
- **Technical meeting with the methodology developer:** A technical meeting took place with Carbone 4, consultancy that originally developed the methodology, in order to discuss some methodological issues that were discovered during the assessments.
- **Technical Working Group and reports:** A TWG was organized in December 2020. In this meeting, companies could share their experience with the other members, average scores for the roadtest were presented and areas of improvements were discussed and validated by the TWG. Based on company feedback and previous technical meetings, analysts have proposed different solutions to improve the methodology and the assessment. These propositions were then formalized in a report which sums up all the modification brought to the methodology.

## 1.2. ACT TRANSPORT METHODOLOGY

### General approach

The main objective of the ACT method is to assess, by sector, a company's maturity with respect to the transition to a low-carbon economy. The ACT method is based on the methodology developed by the Science-Based Targets (SBT) initiative, and the Sectoral Decarbonization Approach (SDA), which itself is based on the scenario of the International Energy Agency for the description of the available carbon budget in a "low carbon pathway". The SDA determines, for each company, the theoretical carbon intensity pathway to follow in order to be aligned with a low carbon target. ACT methodology is also focusing on actions taken by companies in order to achieve the targets.

For more information, please refer to ACT Framework and other documents available on the website: <https://actinitiative.org/>

### ACT Transport Methodology assessment

The assessment generates three types of information

1. A rating that breaks down into three parts:
  - a. → a performance score (numerical grade between 1 and 20)
  - b. → a narrative score (letter grade from E to A)
  - c. → a trend score ("+", "=" or "-")
2. A description of the information on which the assessment is based
3. A summary of the assessment

### Focus on the ACT Transport Score

The **performance rating** is determined thanks to the answers provided by the company through a quantitative and qualitative questionnaire. This questionnaire is structured according to nine modules presented in the table below:

MODULES
1 Targets
2 Material Investment
3 Intangible Investment (R&D)
4 Sold Product Performance
5 Management
6 Supplier engagement
7 Client Engagement
8 Policy Engagement
9 Business Model

As mentioned before, the ACT Transport methodology was developed and adapted in order to take into account specificities of the transport sector.

Thus, the weighting of each module was also adapted depending on the operations of each company, depending on whether the company owns its fleet of vehicles or operates a subcontracted fleet, as follows:

MODULE	WEIGHT OWN FLEET	WEIGHT SUBCONTRACTING
1 Targets	15%	
2 Material Investment	30%	0%
3 Immaterial Investment (R&D)	5%	
4 Sold Product Performance	0%	30%
5 Management	10%	
6 Policy Engagement	15%	
7 Supplier Engagement	10%	
8 Client Engagement	5%	
9 Business Model	10%	

**The narrative assessment score** is based on four additional criteria of the company: their business model, their reputation, their strategic risks related to the climate change issue, and, lastly, the consistency and credibility of the data provided in the framework of the ACT assessment.

**The trend scoring** indicates how the score is expected to change if the assessment is conducted in the near future.

## 1.3. RESULTS OF THE COMPANY ASSESSMENTS

### Introduction:

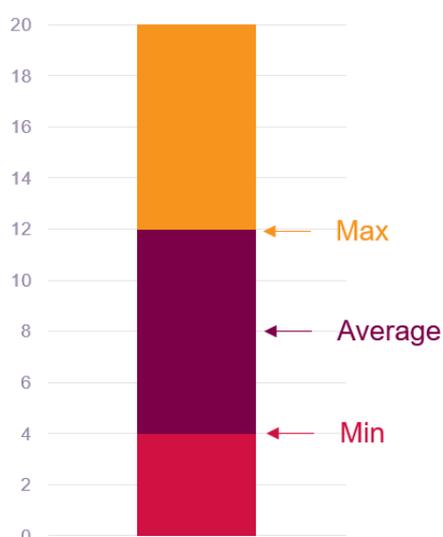
This section sums up the overall results obtained by the companies that have participated to the road-test at this phase of the project.

Readers may refer to the presentation of the ACT method provided in the previous section in order to understand the different results presented in this section.

### Overall Results:



### The Average Performance Rating for the sector



Three main findings can explain the average of sector performance score of 8 :

- **Methodology can be improved.** Companies faced some difficulties in answering specific modules (module 3 and 4) due to a lack of explanation or guidance within the tool. Also, the methodology was not fully adapted to all activities covered by the Transport Sector (public transport delegation and freight-forwarder for example).
- **GHG Reporting must be improved** in general for the sector in order to have a more robust climate strategy.
- **Different levels of maturity** were observed in the corporate climate strategies, represented by the gap in the performance score going from 4 to 12.

### The average assessment rating

The average score for the narrative assessments sits in the middle with a C for the sector and has been heterogeneous between companies (from E to A) and shows the different level of maturity that companies have on their climate strategy.

### The average trend rating

Average trend rating is "+" as almost all of the companies of the panel received a "+":

- Most companies are currently implementing actions and levers in order to structure their low-carbon strategy and will improve significantly their score in the coming years
- All participating companies are willing to do efforts in order to implement new business models and achieve their GHG reduction's targets

## **Overall profile of the 5 ACT dimensions**

### Commitment

Almost all companies have started to set GHG reduction targets but with a different level of accuracy (Absolute VS Intensity for example). Also, having intensity targets per mode of transport (when operating several modes of transports) is not a common practice so far but companies understood the necessity of doing it. Moreover, some companies do not use the standard metrics (ton.km or pass.km) in their current monitoring and reporting process; this makes their intensity targets difficult to include in the ACT assessment (no comparison possible with the sector benchmark).

Time horizons are mostly aligned with the lifetime of the vehicles in the companies' fleets.

### Transition Plan

Some companies have already established a detailed action plan to reduce their GHG emissions in order to reach their objectives.

Others are currently in the definition stage of their action plan and are not mature enough to present a robust Transition Plan.

### Present

A majority of companies have integrated GHG emissions in their reporting and in their actions as a real indicator. Some companies do not follow the same metrics used by ACT and the benchmarks, making it difficult to compare their activity to the benchmark. Most of the companies are currently undertaking actions to reduce the impact of their activity.

### Legacy

Most of the companies have very little historic GHG emissions data (very few companies have more than 3-4 years of robust data). As a result, it makes it hard to have an overview on the past trend of the company.

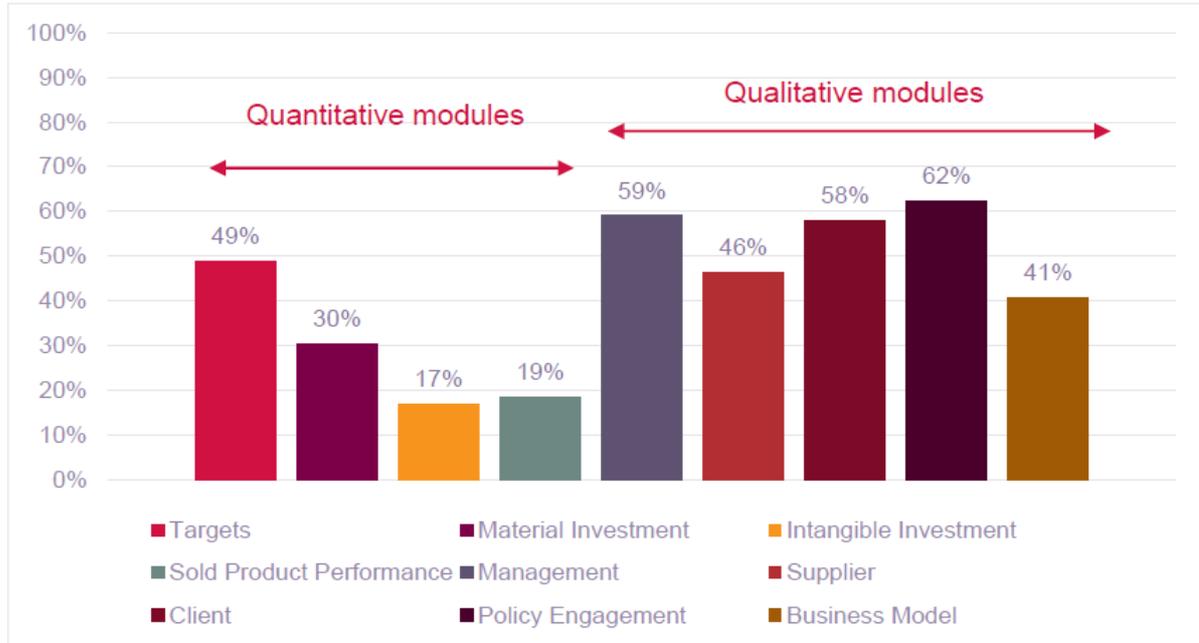
### Consistency

Companies have understood and integrated the absolute necessity of transforming their business model and undertaking a deep decarbonization. The company targets and transition plans show a solid willingness to achieve the goal of a low-carbon transition. However, the present and the legacy also emphasize the fact that the Transport sector needs to be more mature (data, common practices, business model, investments...) in order to facilitate this transition.

## Average ratings per module for the performance score

The graph below shows the average score obtained by the companies of the panel :

One of the pillars of the methodology is that ACT scoring is based on both quantitative modules and qualitative modules in order to assess the overall climate strategy:



- **Qualitative modules:** On average, companies have obtained rather high scores (between 41 and 62%). It reflects the fact that they already implemented actions in their strategy in order to improve their climate impact. For example, dialogue with all types of stakeholders on climate change subjects is one of the first actions that companies initiate when structuring their climate action. It also shows that the methodology is working well for these modules.
  - o **Management** (59%) reflects that climate issues have been mostly integrated within the corporate strategy and most of them have already drafted a transition plan with detailed actions. Few companies have implemented climate incentives.
  - o **Suppliers** (46%), this module obtained one of the lowest scores of the qualitative modules. It can be explained by the fact that companies only started recently to engage their suppliers in a low-carbon transition to reduce their GHG emissions. It represents one of the biggest areas of improvement for companies. As transport operators, it is necessary that companies work closely with suppliers in order to reduce the GHG emissions of their vehicles or subcontracted transport operations. This module is therefore useful to make companies understand how important it is to work with the entire value chain if they want to significantly reduce the GHG emissions related to their activity.
  - o **Clients** (58%): Companies have started to use some leverage to engage their clients in the GHG emissions reduction. This module has proved to be more relevant for most companies. We also identified different levels of maturity on this module.
  - o **Policy Engagement** (61%) has shown that companies engaged in the road-test were involved in multiple trade associations to enhance policies against climate change.
  - o **Business Model** (41%): All of the companies have started to implement new business models to prepare their transition to a low carbon economy. However, we could notice

different levels of maturity in the proposed business model (some companies are merely leading small-scale experimentations or R&D projects for low carbon services while others are expanding truly mature and profitable activities). The pre-selected categories seemed relevant for the Transport Sector.

- **Quantitative modules:** These modules have been the most difficult to assess for two main reasons:

Tools and Methodology need to be improved: Modules 2, 3 and 4 have been found difficult to assess due to two factors: (1) Some indicators were not adapted to company's activities and business sectors and (2) the questionnaire was not relevant to calculate some indicators.

A lack of company's reporting: Companies have encountered some difficulties to fill up the ACT questionnaire as some of their reporting was not completely adapted to the metrics used for the ACT assessment (t.km or pass.km).

- **Targets** (49%): Targets have received mostly a good score because most of the companies have set medium and long-term targets which are aligned with the benchmarks used in ACT Transport. However, not all of the targets could be properly assessed due to a problem of metrics to be compared to the benchmark used in ACT.
- **Material Investment** (30%): This module has been partially assessed because the questionnaire did not provide the right information to calculate one of the indicators (Locked-in emissions, 15% of the final score). A new template for the data collection questionnaire has been proposed and validated during the TWG.
- **Intangible Investments** (17%): Companies have encountered difficulties to provide this data as this module is not considered as a priority for these companies. However, R&D is an important lever for the sector and they need to implement R&D project in order to engage their suppliers. Thresholds in maturity matrices were considered too ambitious for all the indicators of this module and have been lowered in order to be aligned with the reality of the sector.
- **Sold product performance** (14%): This module has also been difficult to assess. Indeed, a maturity matrix has been designed because quantitative indicators were impossible to collect for companies. Although some questions addressed by the maturity matrix were hard to answer for companies (time horizon of investment, implemented actions with subcontractors, future emissions assessments), they agreed on the fact that all of them were relevant. Some guidance is going to be added in the questionnaire in order to help companies correctly answer the questions concerning subcontractor practices.

### **Average assessment rating by criteria for the narrative score**

The narrative scoring is calculated by combining four additional criteria (Business Model and Strategy, Consistency and Credibility, Reputation and Business Risk).

- **Business model & Strategy** are very heterogeneous from a company to another due to the diversity of the subsectors and maturity (intensity targets already set, consistent projection of the fleet, transition plan already started...).
- **Consistency and Credibility** is very linked to how long the company has been tracking GHG emissions and structuring its climate action. It appears that the common length of time that company had been tracking data for 2-3 years.
- **Reputation** has mostly contributed to improve the narrative score as the companies that took part of the road-test already have advanced practices and have integrated climate change issues in their strategy.

- **Business Risks** have been identified for many companies (operating modes of transport, energy mix and facilities in operating countries, client awareness, climate change, regulations...)

### **Avenues of improvement and trend score**

All voluntary companies are willing to make efforts in order to implement new business models and achieve their GHG reduction targets. Thus, and as required in the ACT framework assessment, points of improvement have been given to each company as a conclusion of their assessment. On average, each one has received 4 areas of improvement.

Here are the most recurring areas of improvement expressed in the panel assessments:

- ➔ Implement and keep track of GHG emissions accounting using appropriate metrics
- ➔ Anticipate the renewal of the fleet in order to improve the GHG performance of the fleet
- ➔ Set intensity targets per mode of transport
- ➔ Engage suppliers through strategic partnerships to improve the carbon performance of their services
- ➔ Improve monitoring of data on subcontractors (emissions, fleet, actions on climate change subjects)
- ➔ Set up management incentives with accurate KPIs
- ➔ Develop and test new business models already identified within the company
- ➔ Increase and track intangible investments related to climate change issues (both non-mature and mature technologies)

# 2. Conclusion / Outputs

## 2.1. SUCCESS AND LIMITATIONS OF THE ROAD-TEST:

In order to determine success and limits of the road-test, we decided to point out the goals and expectations we had at the beginning of the roadtest.

- *Goal 1: To test the consistency and operational application of a new ACT methodology for the ACT Transport sector (road, rail, air and sea).*  
In general, the methodology is consistent for the transport sector. However, some indicators, weighting and modules were not fully adapted to the companies' activities and still need to be corrected. For example, the specific case of public transport delegation was not tackled in the methodology.
- *Goal 2: To recruit 15 companies.*  
12 companies have participated in the roadtest. The recruitment phase was well conducted in order to recruit 14 companies through different channels (TWG, CDP, ADEME, consultancies, webinars...). Two companies did not go through with the entire roadtest process due to a lack of time and were replaced by assessments based on public data. All of the companies have found ACT useful during their assessment; All participants were willing to collect as much data as possible. Also, support and help provided by the analyst is playing a key role to motivate the companies during the whole ACT process
- *Goal 3: To select a relevant sample of companies*  
Regarding the diversity within the transport sector, the sample can be considered as relevant. Indeed, each transport mode has been covered by an assessment. Also, voluntary companies are operating in different activities (freight-forwarder, public transport operators, private operators etc...). Although most of companies are French, the panel is diversified.
- *Goal 4: To have consistent results and aligned with companies' expectations*  
The results provided at the end of the assessment process were mostly aligned with the companies' expectations regarding their level of maturity in the climate strategy.
- *Goal 5: To assess the feasibility of Modules 2 and 4*  
These modules represent the largest weighting for the methodology (30%). However, the indicators of these modules have been hard to assess due to several explanations: The company questionnaire was not clear enough and will be improved, companies were lacking important information needed for the data points, and the maturity matrix of Module 4 requires more guidance for companies.

## 2.2. RECOMMENDATIONS TO EXTEND THE ACT TRANSPORT METHODOLOGY TO THE REST OF THE SECTOR

Before finalizing the methodology, it is important to make some modifications. Thus, listed here are several aspects that should be taken into account:

- Improving the questionnaire: Guidance and more specific data requests will be added to the company questionnaire for indicators that have been difficult to assess (current fleet and projections, maturity matrices, investments on the fleet...)
- Adapting the indicators and weighting to the specific case of public transport delegation for Module 4 (time horizon of investment and future assessment), Module 6, Module 7 and Module 8 (weightings)
- Modifying Module 3 : maturity matrices have been adapted to be more realistic (thresholds have been decreased)
- Clarifying key elements of the methodology (Providing a checklist of evidences expected in Module 3 and 4)
- Displaying examples of good practices (To be done with Transport Department from ADEME)

## 2.3. CONTRIBUTION OF ACT<sup>®</sup> TO ENGAGE COMPANIES IN LOW CARBON TRANSITION

Through interviews conducted at the end of each assessment, the companies of the panel have provided their feedback on the ACT<sup>®</sup> methodology and how it helped them to structure their approach for a low carbon transition. Here are summarized the main and recurring themes:

- **How to involve everyone in the company's value chain end-to-end:** Although companies have started to work with their suppliers, their clients or in their policy engagement on the decarbonization of their sector, ACT<sup>®</sup> provides certain guidelines to go further and to address all aspects of a low carbon transition. For example, Module 4 is very challenging for companies and addresses topics that need to be linked with the actions implemented by subcontractors. Although some indicators could not be calculated, companies understood the relevance and the necessity to start reporting more data on subcontractor practices, R&D expenditure and employee training or medium and long-term projections of activity and associated emissions.
- **Challenge their business model:** Participants are aware that they have to transform their business model. ACT<sup>®</sup> assessment is challenging their operations with a holistic approach and can really help them to take actions based on GHG emissions accountancy.
- **Set targets and define action plan:** companies also noticed the importance of setting emissions intensity targets in intensity per mode of transport in order to compare their performance to the sector benchmark. Also, this will help them to keep track of the consequences of their actions in terms of GHG savings.