

Assessing low-Carbon Transition

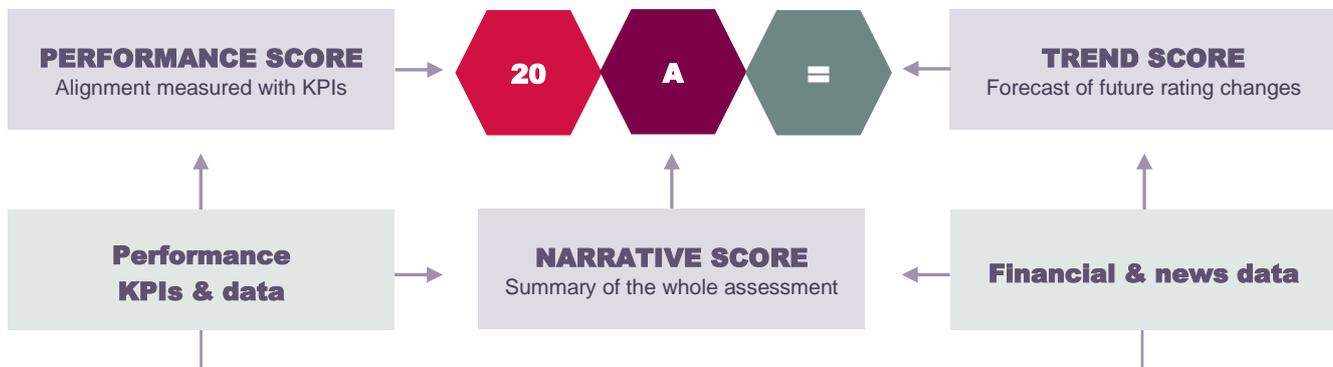


Pulp & Paper

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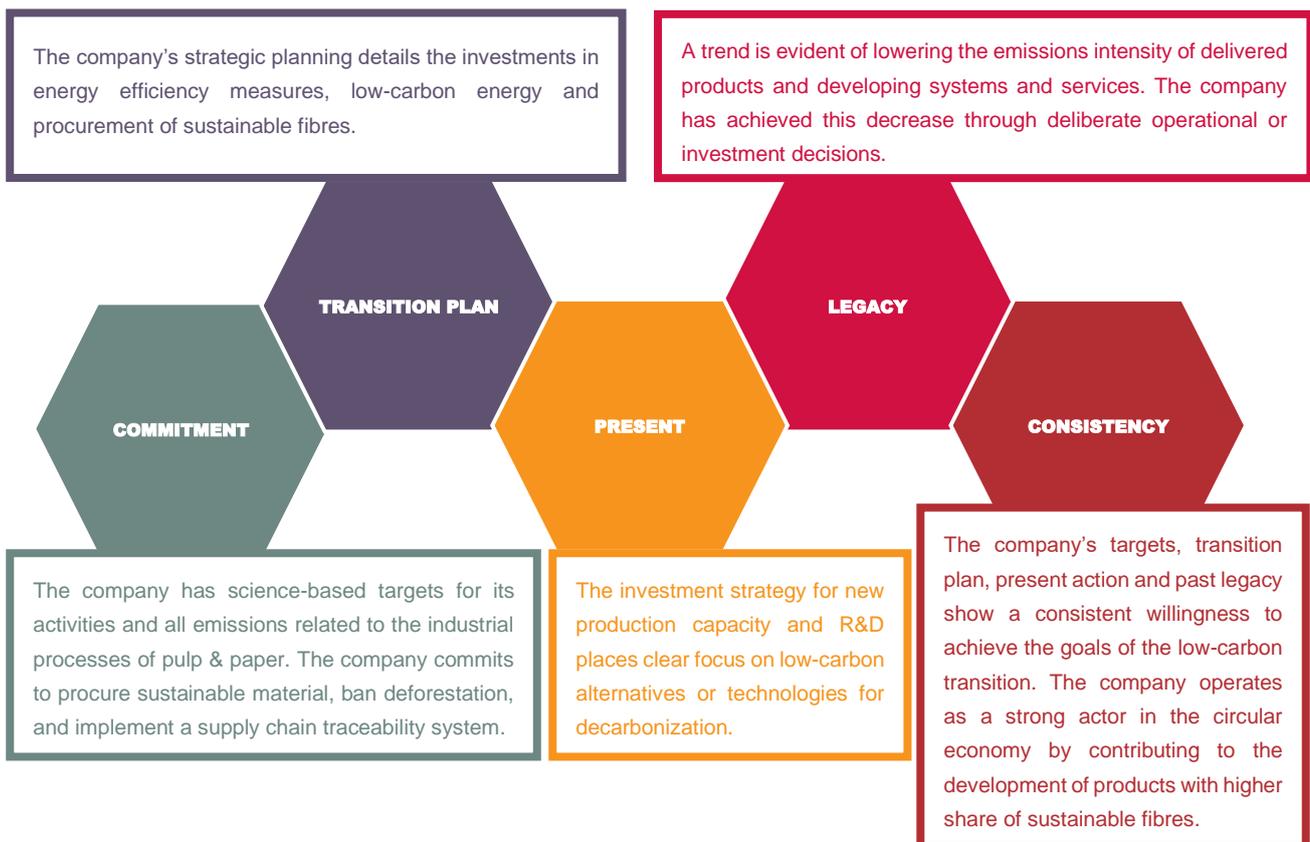
THE ACT RATING

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 PULP & PAPER SECTOR



CONTEXT & PRINCIPLES OF THE ACT PULP & PAPER METHODOLOGY

As the fourth most energy-intensive industry, accounting for 5.6% of the industrial energy consumption according to IEA, the pulp & paper sector has an important role to play in global decarbonization efforts.

The ACT methodology splits companies into three types: pulp companies; paper & board manufacturers, and paper & board converters. Three broad categories of emissions are taken into account: upstream emissions (forest tending and harvesting, woodchip production, and non-fibrous material production), manufacturing and transport. The indicators and their weightings vary depending on the type of activities covered by the company.

The methodology rewards companies that implement low-carbon processes and use low-carbon energy, that commit to ban deforestation and that foster circular economy (use of recovered or alternative fibres).

BENCHMARK

The ACT Pulp & Paper methodology uses ETP 2017 from IEA¹ as a benchmark scenario.

This scenario is disaggregated for the three main activities of the sector, enabling a granular assessment of a company's activities (see Figure 1).

The benchmark is applicable to a Sectoral Decarbonisation Approach.

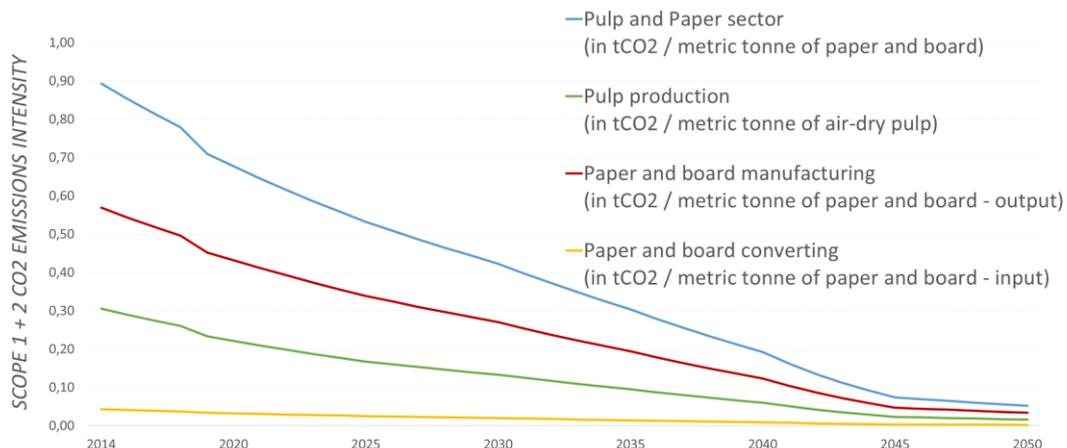
Upstream emissions (forest tending and harvesting, woodchip production, and non-fibrous material production) are assessed qualitatively within the methodology, as there was no benchmark available during the methodology development; this will be modified in future updates.

PERFORMANCE INDICATORS

MODULE (% = MODULE WEIGHTING)	INDICATORS*
TARGETS (15%)	1.1 Alignment of scope 1+2 emissions reduction targets
	1.2 Alignment of scope 3 emissions reduction targets
	1.3 Time horizon of targets
	1.4 Achievement of past and current targets
MATERIAL INVESTMENT (12-27%)	2.1 Trend in past emissions intensity
	2.2 Trend in future emissions intensity
	2.3 Share of low-carbon CAPEX
	2.4 Locked-in direct emissions
	2.5 Transition towards low-carbon energy
INTANGIBLE INVESTMENT (5-10%)	3.1 R&D in low-carbon technologies and low-carbon products
SOLD PRODUCT PERFORMANCE (13-26%)	4.1 Trend in past products specific performance
	4.2 Share of recovered fibres and virgin fibres from sustainably managed forests in the sold material
	4.3 Action on deforestation and sustainable wood procurement
	4.4 Inbound and outbound transportation emissions performance
MANAGEMENT (10%)	5.1 Oversight of climate change issues
	5.2 Climate change oversight capability
	5.3 Low-carbon transition plan
	5.4 Climate change management incentives
	5.5 Climate change scenario testing
SUPPLIER ENGAGEMENT (4-8%)	6.1 Strategy to influence suppliers to reduce their GHG emissions
	6.2 Activities to influence suppliers to reduce their GHG emissions
CLIENT ENGAGEMENT (5-9%)	7.1 Strategy to influence clients to reduce their GHG emissions
	7.2 Activities to influence clients to reduce their GHG emissions
POLICY ENGAGEMENT (5-6%)	8.1 Company policy on engagement with associations, alliances, coalitions or thinktanks
	8.2 Associations, alliances, coalitions and thinktanks supported do not have climate-negative activities or positions
	8.3 Position on significant climate policies
	8.4 Collaboration with local public authorities
BUSINESS MODEL (10%)	9.1 Business models and new business activities supporting low-carbon processes
	9.2 Business models and new business activities supporting the development of new innovative low-carbon products

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

FIGURE 1: BENCHMARKS USED



¹ Energy Technology and Perspectives, International Energy Agency, 2017