



## INTERVIEW

### 2°C ALIGNMENT: RISK & OPPORTUNITIES ANALYSIS BASED ON A BOTTOM-UP APPROACH



**Guillaume Neveux**  
Founding Partner– I Care & Consult

**Guillaume Neveux** is co-founder and president of I Care & Consult, an environmental consultancy company founded in 2008. He is in charge of the development of extra-financial metrics for the financial sector and is expert of the Energy and Mining & Metals sector. He is also coordinating the projects of research & development of the company. Before founding I Care & Consult, Guillaume had accumulated over 10 years of experience in large companies (Total, VINCI) and in Strategic Consulting (Boston Consulting Group). Fascinated by the challenges raised by environmental issues, he decided to devote himself full time to the creation and growth of I Care & Consult. Guillaume is a graduate engineering of MinesParisTech (P94).

**I Care & Consult** is a leading independent consulting and innovation company for environmental transition, it assists companies, investors and public organizations in the success of their “environmental transition”. Thanks to its eight poles of expertise, it can propose innovative solutions for a wide range of environmental issues. Its goal is to help clients turn their “large environmental footprints” into “strong environmental productivity”. I Care & Consult contributed through technical advice to [Natixis’ Green Weighting Factor methodology Development](#).

#### Q1. What makes 2°C alignment a unique approach?

The 2°C alignment concept does not focus on the absolute level of carbon intensity, which is very sector dependent. One needs to compare its carbon intensity with sectorial peers, and foremost, to what is required from its sector to achieve a 2°C pathway collectively.

#### Q2. What is your opinion on the private sector’s willingness and action towards low-carbon transition? Do you consider the 2°C alignment a fad or a reality?

While most companies are not yet 2°C aligned, we find companies’ awareness is arising. The notion of pathway and dynamic is key: climate transition will not occur overnight but in a “transition window” of 10-20 years. We have observed some trailblazers that have started to act as early as 2010. The historical trajectory between 2010 and 2018 reveals a lot and demonstrates how a company could bend its climate performance to comply with a 2°C pathway.

“

*The notion of pathway and dynamic is key: climate transition will not occur overnight but in a “transition window” of 10-20 years.*

”



## INTERVIEW

### 2°C ALIGNMENT: RISK & OPPORTUNITIES ANALYSIS BASED ON A BOTTOM-UP APPROACH

#### Q3. How do you engage companies to become 2°C aligned?

We developed a three-step process to help companies turn the “2°C alignment” concept into an operational action. First, we perform a 2°C stress test to reveal financial risks and opportunities of climate scenarios. Second, we define an ambitious 1.5°C trajectory in line with stakeholders’ requirements such as SBTi. Third, we build a bottom-up GHG reduction action plan to match this trajectory based on necessary levers to be implemented in the next 5-15 years.

#### Q4. Could you tell us more about bottom-up action plans? How do you translate macro decarbonization scenarios into five, ten, fifteen-year strategies and investment decisions at corporate level?

First, we choose to build our analysis on worldwide or sectorial scenarios instead of national low-carbon strategies (namely the NDCs) because large companies have continental or global footprints (exceptions are seen on electricity utilities, which are mostly operated at national level).

Then we take three steps to develop operational plans.

1. Target setting based on SBT and ACT’s framework, which are helpful tools that translate macro targets into corporate trajectories for 2020-2035. We also refer to related 2°C scenarios for each of the markets and sectors where a company is active.

2. Bottom-up simulation on different combinations of operational levers required to reach the above target, which allows companies to envision the pace of progress and the action plan to be implemented.

We recommend to build two action plans:

- A 5-Year Action Plan to capture all the levers that can be implemented with current state-of-art technology and product/market structure;
- A 15-Year Action Plan to prepare for the next wave that requires more fundamental changes in either technologies or product and service mix.

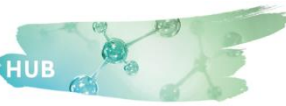
3. Investment & cost evaluation for each of these levers in order to get a sense of the total financial costs and benefits of the action plan as well as to help prioritizing the levers. Internal carbon pricing is also a useful tool to facilitate decision-making.

#### Q5. How do you assess a given company’s 2°C alignment?

We developed an internal methodology called “SB2°A” to provide a simplified analysis on the alignment of a company’s static and dynamic climate performance with the latest 2°C/1,5°C scenario. The methodology is rooted in a dynamic ecosystem of increasing initiatives responding to growing demand by investors. These initiatives share the same key principle: each sector has its specific role in the climate transition and every company, no matter which sector it comes from, can become 2°C aligned if it reduces its carbon footprint enough. Acknowledging the different analysis principles and methodological bias, the SB2°A is built on the regularly updated scenarios from International Energy Agency (IEA), the commitment platform from Science-based Target Initiative (SBTi) and the 2°C strategic analysis framework from ACT Project.



[Follow our “Transition Tightrope” Series Publication](#)



## INTERVIEW

### 2°C ALIGNMENT: RISK & OPPORTUNITIES ANALYSIS BASED ON A BOTTOM-UP APPROACH

“

*Each sector has its specific role in the climate transition and every company, no matter which sector it comes from, can become 2°C aligned if it reduces its carbon footprint enough.*

”

#### Q6. How do you ensure the robustness of the action plan for the avoidance of “2°C alignment greenwashing”?

As external analysts, although we have the capacity to provide a comprehensive and external analysis, our hands are sometimes tied by the limited data disclosure (only a very few companies have claimed a 2°C alignment objective as of 2019. For those who do disclose their low-carbon objectives, we chose to apply a “caution discount” to evaluate the confidence level (subject to external certification) and the probability of the realization of such commitments.

#### Q7. What else is needed to address the “greenwashing” challenge?

We call for international standardization on methodologies and auditing. We also need third party opinion providers that can independently assess companies’ compliance with international standards using commonly agreed methodologies. In that sense, SBT and ACT have provided the first elements of standardization but there is still a long way ahead before a sound comparable database of assessment of low carbon strategies of the companies is formed.

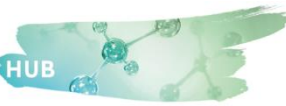
#### Q8. Oil & Gas companies are at the center of the transition. How do you define an ambitious, consistent, game-changing and sufficient transition strategy for them?

What we consider as an ambitious transition strategy for an oil & gas company is to transform its oil & gas business into a “global energy” business. It requires the company to reorient its pure fossil fuel and high carbon intensive portfolio to a more balanced portfolio that consist of no coal, less oil, more gas, and of course, renewable energy such as biomass and low carbon electricity. This is the move that Neste has made, and the objective claimed by Total and Shell.

“

*What we consider as an ambitious transition strategy for an oil & gas company is to transform its oil & gas business into a “global energy” business. It requires the company to reorient its pure fossil fuel and high carbon intensive portfolio to a more balanced portfolio that consist of no coal, less oil, more gas, and of course, renewable energy such as biomass and low carbon electricity.*

”



## INTERVIEW

### 2°C ALIGNMENT: RISK & OPPORTUNITIES ANALYSIS BASED ON A BOTTOM-UP APPROACH

The shift, however, is not an easy one, and the pace of change can be challenging, as it would require different business models and new investments, which can be cash-consuming and bear low margins. In addition, they would have to compete with other type of actors such as electric utilities.

I Care & Consult has been assigned by CDP and ADEME the task of establishing the ACT framework for the Oil & Gas sector that will provide an internationally recognized framework to assess the low carbon transition of the Oil& Gas companies.

**Q9. Some products from “high-emitting industries” have beneficial end-uses and serve as enablers of the transition. This is what the TEG calls “greening by” activities. How do you assess it?**

True, we have incorporated such dimension in our assessment. Often, we adopt a Life Cycle Analysis (LCA) approach while assessing activities. For example, for a battery manufacturer, we will assess the use of its battery in an electric vehicle, and for a mining company, we will take into account the applications of the mineral in low-carbon solutions. In other words, we will have to consider aluminum’s role in lighter vehicle

construction, Neodymium’s role in wind energy, and the use of lithium in batteries. We then combine the two perspectives: the alignment of the company’s own activities such as energy efficiency and the alignment of the markets where the company is present.

“

*Often, we adopt a Life Cycle Analysis (LCA) approach while assessing activities. We then combine the two perspectives: the alignment of the company’s own activities such as energy efficiency and the alignment of the markets where the company is present.*

”