

# Out of the starting blocks

## Tracking progress on corporate climate action

### Policymakers summary

**The entry into force of the Paris Agreement marks a step-change in the transition to a low-carbon world, by setting global goals to limit and adapt to climate change. Many companies had already understood the need for substantive action on climate before COP21, but the unprecedented speed with which the agreement has entered into force has proven just how quickly companies need to transform the way they do business.**

This report, the first in an annual series, establishes a baseline for corporate action on climate change. Over the next five years CDP, in partnership with We Mean Business, will track companies' progress in reducing greenhouse gas emissions in line with the Paris Agreement.

The report demonstrates the progress that business is already making to support the implementation of the Paris Agreement.

#### The Key Findings of this year's baseline report are:

- 1. Even before the Paris Agreement was ratified, almost all companies in the global sample were already taking action to reduce emissions. However, very few companies had set emissions reduction targets in line with the Paris mitigation goal.**

In fact, corporate emissions reduction targets reported by our baseline group before COP21, represent approximately **25%** of their share of emission reductions that are needed for them to be in line with a 2 degrees' emissions pathway.

- 2. An increasing number of companies are using an internal price on carbon in order to decide how to allocate their resources.**

Currently **29%** of companies from our baseline sample use an internal price on carbon, while a further **19%** plan to do so in the near future. Therefore, we expect **about half** of our sample to be using an internal price on carbon by 2017 and reporting this by 2018.

- 3. Targets to increase the proportion of energy generated from renewable sources are being set across all industry sectors.**

Renewable energy is expected to play a major role in the global shift to a low-carbon economy. 11% of companies in our sample reported setting targets to increase their use of renewable energy,

while 5% (of which only around a quarter are in the utilities sector) have set a target for increasing their *generation* of renewable energy.

- 4. 62 companies have demonstrably "decoupled" emissions growth from revenue growth. These companies have dramatically outperformed the rest of the sample in financial terms.**

The success of these leaders points the way for others to realise the opportunity for innovative companies to achieve business success while contributing to the Paris goals. The 62 companies concerned increased their revenue by 29% over the last five years while reducing emissions by 26%. The rest of the companies in the tracking sample had a 6% decrease in revenue over this period while increasing their GHG emissions by 6%.

Continued commitment by companies will be essential to deliver and reach the long-term mitigation goal of the Paris Agreement. But their impact will be limited without more active policy intervention. Once governments create policy that favors a low-carbon economy, companies can be even more ambitious in their efforts to cut emissions. That will, in turn, make it easier for governments to achieve their NDCs – and even go beyond them.

