

# EMERGING CLIMATE TECHNOLOGY INITIATIVE

## How can corporates meet the post-2030 challenge?

An increasing number of companies have credible transition plans to cut their emissions by 2030. To achieve net zero by 2050, most companies will rely on emerging climate technology (ECT) that exists at a higher price point (the 'Green Premium') to its fossil fuel incumbent and therefore not yet available at a mass market level. Investment is needed now to enable ECT to be deployed at scale - but why take the risk when the reward and recognition is so far in the future? This market failure needs to be addressed by incentivizing investment into ECT. Gaining recognition through impact measurement and disclosure can constitute an important incentive.

## We can learn from history

Many clean energy innovations – wind, solar – are cheap enough to compete with the high emissions technologies they were designed to replace. But the decline in price took decades. Today, ECTs that could significantly reduce emissions are either in need of maturation or face deployment challenges because profits from these key innovations are still years away. If we are to reach net zero by 2050, we cannot wait decades for this next generation of clean technologies to become competitive with fossil fuel incumbents. We urgently need to build

the financing structures and recognition mechanisms that will help turn them into viable commercial products much more quickly.

*Markets need to develop more quickly. This does not mean skipping any steps - it is a process that can be accelerated, just like with the Covid-19 vaccine. Availability of funding and concerted action speed-up the process that would normally take many years.*

### The Emerging Climate Technology Framework

To support investment in ECT, CDP in partnership with Breakthrough Energy, have developed a new Framework that helps to estimate, monitor, and attribute climate impacts of project finance investment that accelerates ECT deployment. The Framework is technology neutral and is applicable to a wide variety of ECT. It can be used by any investor to estimate potential climate impacts of investments, covering both avoided emissions and emissions reduction potential. The ECT Framework can be applied to investments or procurement of ECT whether via grants, equity, loans, or procurement contracts.

## Why invest in Emerging Climate Technology?

The ECT Initiative brings together climate leaders, helping them articulate the climate impact of these key investments in-line with a Paris aligned 1.5°C future. Investing in ECT will be a vital element of a credible

transition plan, enabling companies to effectively respond to an evolving regulatory landscape and adapt to changes in their industries.

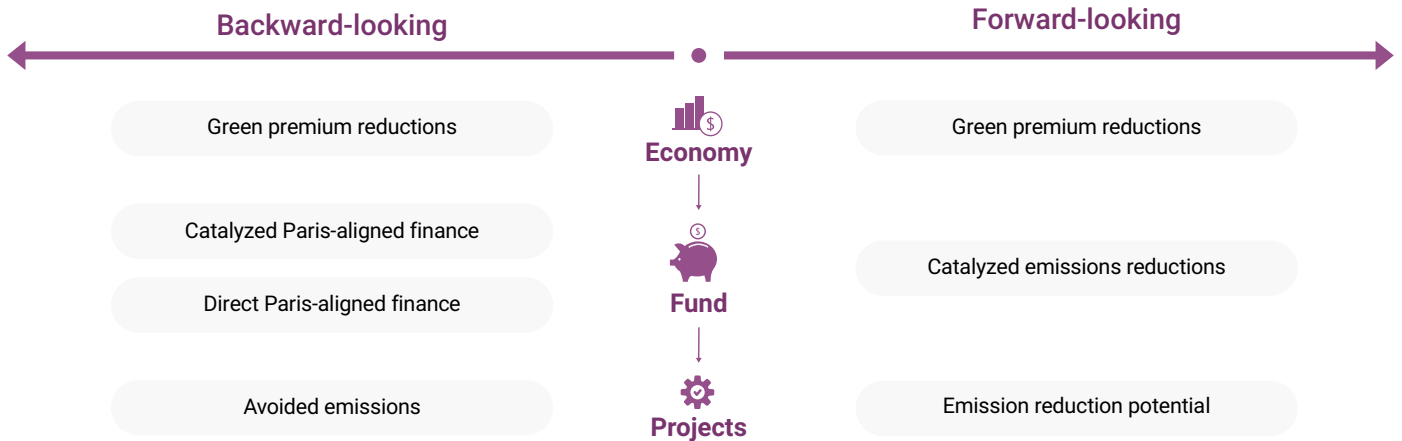


\*Climate leaders should only consider such investments once they have fully investigated their scope 1-3 value chain and set science-based targets through the SBTi.

## Impact metrics

Companies do not currently have a way to talk about the work they are doing to help reduce future global emissions through their investment in ECT. To do this, the Framework provides principles, rules and metrics that seek to quantify the forward-looking climate impact of investments. The Framework also proposes

monitoring and transparency requirements that look at the investment results using backward-looking impact metrics. These metrics enable asset owners and asset managers to justify and articulate their long-term ECT investments to their stakeholders. For full details on the impact metrics please refer to the ECT Framework.



## Conclusion

At its heart, the ECT Framework is an impact investment framework supporting long-term transition planning, by helping investors and corporates to identify and articulate the potential future impact of investing into emerging climate technology. Historically, the impact of these investments has been difficult to quantify and, in a world focused on short term returns, there are very few mechanisms for receiving recognition where returns are 10-20 years in the future. Investing in line with the ECT Framework helps raise the bar, change behaviors and supports leaders in business and finance to make the right choices for a better world and a healthy planet.



### About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 590 investors with over \$110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, reduce greenhouse gas emissions, safeguard water resources and protect forests. CDP is a founding member of the Science Based Targets initiative and We Mean Business Coalition. Visit [cdp.net](http://cdp.net) or follow us @CDP to find out more.

### For more information

For more information on how emerging climate technology can assist with long-term decarbonization plans please contact [ECTInitiative@cdp.net](mailto:ECTInitiative@cdp.net)

