

Joint Press release
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New research on how to assess corporate alignment with the Paris climate goals.

Business plays a central role in transitioning the economy to a low-carbon future. More and more companies claim to align their business models with the goal of the Paris agreement by setting targets for net-zero emissions by 2050. In part, they are responding to a growing demand from institutional investors. However, it can be difficult to assess the credibility of corporate climate plans and targets. Concerns about greenwashing are proliferating.

In a new article in *Nature Communications*, researchers from the University of Queensland, Oxford and Princeton are making an important contribution to greater transparency and clarity around corporate climate commitments. They describe and compare three commonly-used frameworks for assessing “Paris-compliance” – the Science-based Targets Initiative (SBTI), the Transition Pathway Initiative (TPI), and the Assessing Low-Carbon Transition (ACT) initiative.

The analysis finds that all three methods to evaluate corporate alignment with the goals of the Paris Agreement have deficiencies. It puts forward an alternative approach that is both scientifically rigorous and fully transparent, and finds that very few companies are on emissions trajectories that are “Paris compliant”.

The analysis was supported by a collaborative research project on decarbonization pathways in the steel sector co-funded by Norges Bank Investment Management (NBIM). NBIM manages the sovereign wealth fund of Norway according to a mandate set by the Norwegian Ministry of Finance. Assets under management are USD 1 trillion. The fund has for a long time had clear, public expectations of how the companies it invests in should manage climate risk. This includes an expectation that companies have climate transition plans and set short-, medium- and long-term goals for emission reductions taking account of the Paris Agreement. The expectations are the basis for company dialogue, with a focus on the highest relative and absolute emitters.

The collaborative research project examined emissions and production data on 90 steel production companies and generated findings with direct relevance to investors. Poor emissions data quality and coverage makes it difficult to accurately assess the historic emissions of companies and establishing baseline years for their emission targets. Taking this data uncertainty into account, we find that already in 2019, most companies assessed had emitted more carbon than their entire carbon budget allowance under a “Paris compliant” pathway toward 2060. This suggests that deep decarbonization will be required this decade to meet “Paris-compliance”.

To follow updates of the research program Company Climate M.A.P. (Measuring Alignment with the Paris Agreement), visit www.areyoupariscompliant.com

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