

Non-Financial Reporting, TCFD and Sustainable Finance

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EMD Technology Development,
Resources and Sustainability

Sustainability Day 2019

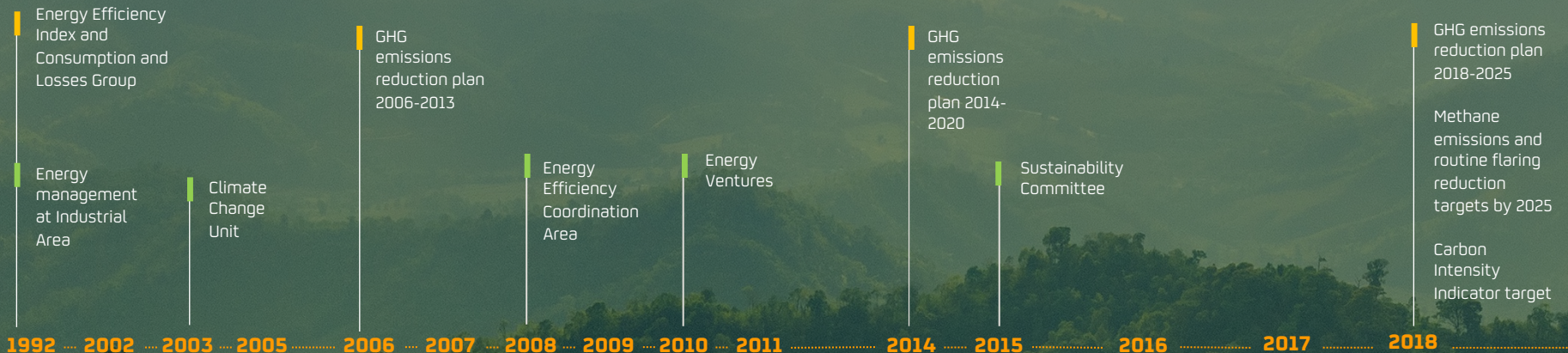


Repsol's approach to climate management

From Kyoto to Paris

The first company in the Oil & Gas sector to support the Kyoto Protocol and to communicate its ambition to reduce its carbon intensity by 40% by 2040

25 YEARS
facing climate
change



TRANSPARENCY

METRICS AND TARGETS

ADHESION TO INITIATIVES

ORGANIZATION

STRATEGY

Repsol Climate Roadmap: commitments

-3 Mt/y

NEW CO₂EQ PLAN
BY 2025

Baseline: 2017

-25%

METHANE INTENSITY
REDUCTION BY 2025

-50%

OF ROUTINE FLARING
REDUCTION BY 2025

Baseline: 2018

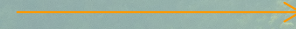
Carbon intensity reduction

2016



T CO₂/GJ
(Base 100)

2020



↓ **3%**
2020
Target

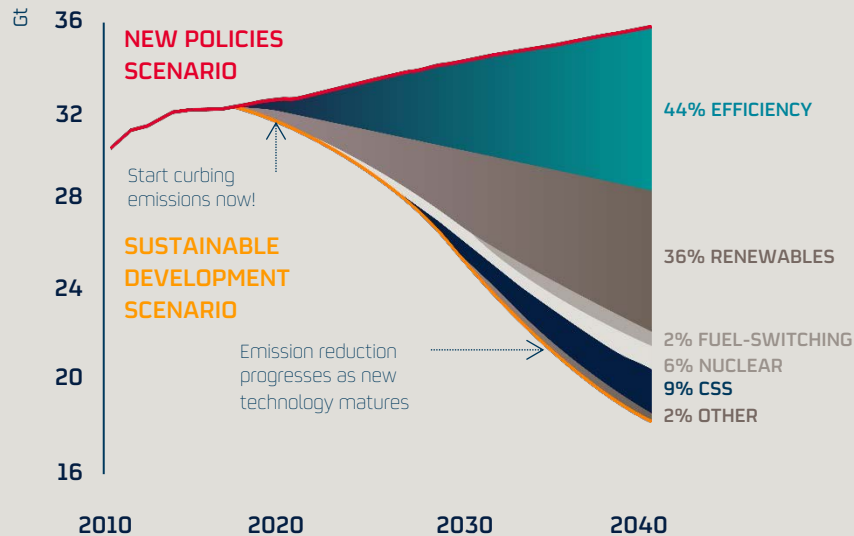
2040



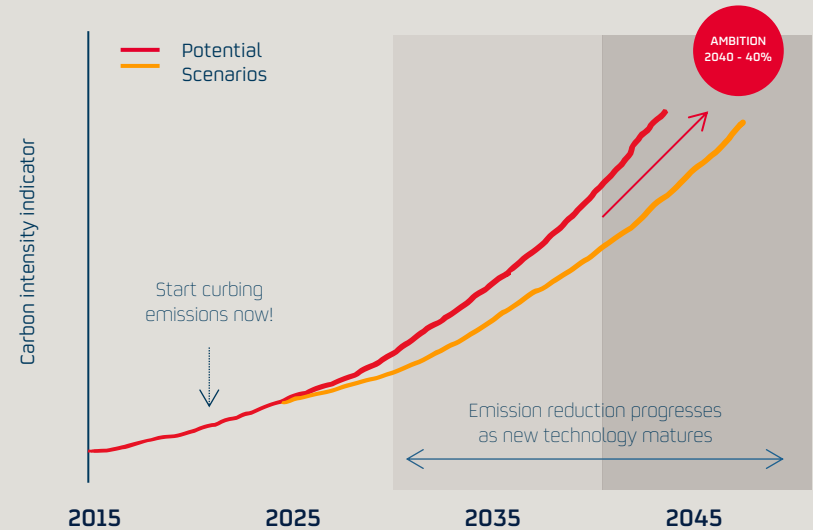
↓ **40%**
2020
Ambition

Carbon emission reduction pathway

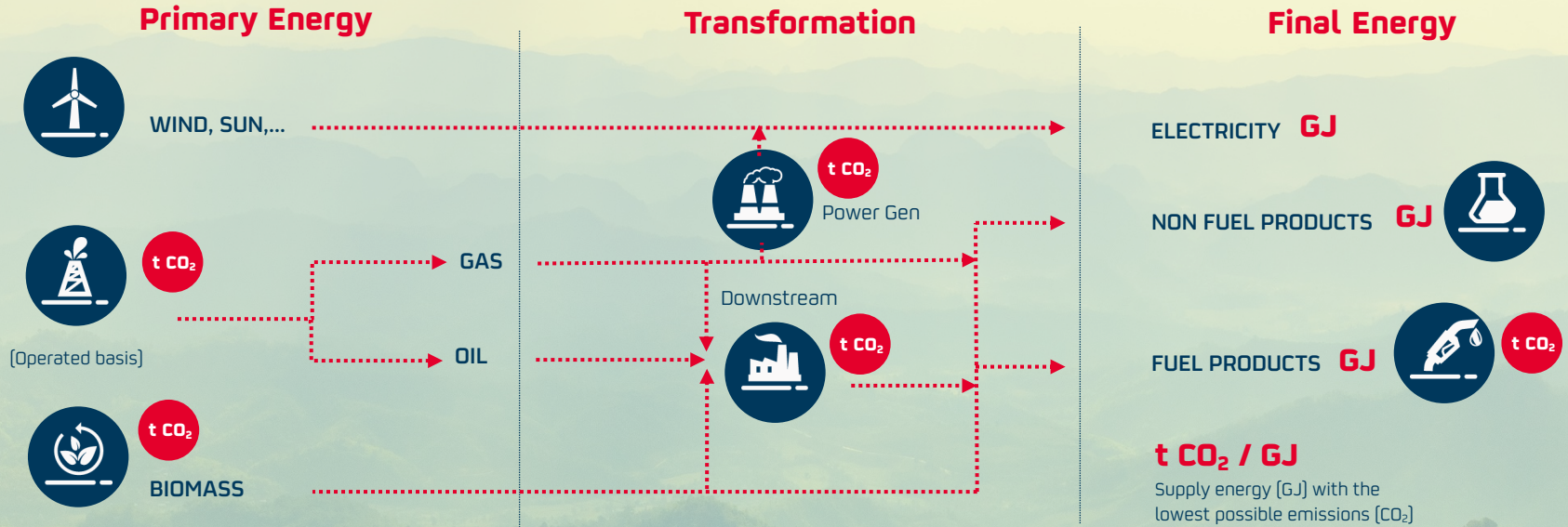
IEA Sustainable Development Pathway



Repsol Carbon intensity Pathway



Carbon Intensity Index



Life-cycle [scope 1,2 and 3 emissions]
Substitution impacts [power generation]

Transparent climate reporting

Alignment with TCFD: status

Toward a low-emissions future Repsol climate Roadmap

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Recommendations and Supporting Recommended Disclosures

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GOVERNANCE

Disclose the organization's governance around climate-related risk and opportunities

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

ESG Ratings

	2019	2018
	Level 4 (max. score)	Level 4 (max. score)
	TBA Nov 2019	B (band Management) – new methodology
	67/100 Advanced	58/100 Robust
	pending	AA (from CCC to AAA; only 1 peer in AAA)
	21.1/100 (risk-based scoring)	84/100 (ESG performance-based scoring)
	B- (from D- to A+, no sector company above B)	C+ (from D- to A+, no sector company above B)

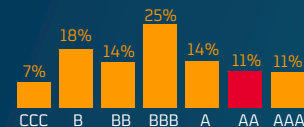


Carbon Performance: alignment with Paris Agreement benchmarks




'Repsol is one of the 2 companies in Oil&Gas sector that comes into alignment with the Paris Agreement before 2050'



INDUSTRY RATING DISTRIBUTION

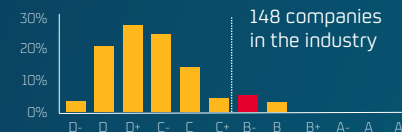


RELATIVE PERFORMANCE

	Rank [1 st = lowest risk]
 Global Universe	2,865 out of 12,420
 Oil & Gas Producers (Industry Group)	4 out of 283
 Integrated Oil & Gas (Subindustry)	1 out of 45



DISTRIBUTION OF RATING



Alignment with TCFD next steps

TCFD recommendations to be incorporated in Repsol's Integrated Management Report 2019



Governance

Detail how the **Executive Committee** deals periodically with climate **impacts** as an integral part of key management processes [Budget, Business Plans, Strategic Plan, Risk Evaluation]

Detail roles, responsibilities and organizational dependency of the **Strategy Directorship** with regards to climate change



Strategy

Risk management: link mitigation of specific risks with new low-carbon business opportunities where applicable

Scenario analysis: Provide more clarity on how the declared alignment with Paris links with specific company scenarios and objectives



Risk

Risk management: detail the process for evaluation of emerging and climate risks and how materiality analysis fits in that process

Scenario analysis: provide more detail of global and company scenarios used for identification of emerging and climate risks



Metrics

Emissions inventory: provide historical data series for GHG inventory (scope 1, 2 and 3)

Targets and commitments: improve details on calculation methodologies used for key metrics

Sustainable finance

The EU Action Plan

In June 2018, the European Commission set up a Technical Expert Group (TEG) on Sustainable Finance to assist it in developing:

Taxonomy: EU classification system to determine whether an economic activity is environmentally sustainable

EU **Green Bond** Standard

Benchmarks for low-carbon investment strategies: CTB (Climate Transition Benchmark for portfolios moving into a decarbonisation trajectory), PAB (Paris Aligned Benchmark for portfolios aligned with goals of the Paris Agreement)

Guidance to improve corporate **disclosure** of climate-related information aligned with TCFD recommendations

What principles should apply?



Inclusive and fit-for-purpose

Any initiative or project that make a **real contribution** to reducing GHG emissions, both short-term (start acting now!) and long-term



Technology neutral

All potentially promising technologies
Technology evolution and breakthroughs are **uncertain and not linear**



Protect competitiveness

Climate Change is a **global** issue, the EU to lead but not to decouple from global governance

Safeguard international competitiveness of **EU industries**

Benchmarks and Taxonomy

Is it fit-for-purpose?

TAXONOMY AND CLIMATE BENCHMARK OBJECTIVES

Taxonomy: EU classification to determine whether an economic activity is environmentally sustainable

- List of economic activities with performance criteria v.a.v. contribution to environmental objectives
- Alignment with SDG and Paris Agreement

Benchmarks [Carbon Transition Benchmark and Paris Aligned Benchmark]:

- Allow a significant level of comparability of climate benchmarks
- Increase transparency
- Prevent greenwashing

TEG RECOMMENDATIONS RELATING BENCHMARKS

- Relative decarbonization: From 30% to 50%
- Scenario Reference: IPCC 1.5 °C
- ✘ Differentiation between pre-defined Green and Brown assets
- ✘ Exclusion from PAB of companies with revenues >10% oil, >50% gas, >50% power gen >100 gCO₂/kWh
- ✘ -7% yearly linear reduction path of GHG emissions intensity until 2050

TEG RECOMMENDATIONS RELATING TAXONOMY

- ✘ Oil exploration, production and refining activities excluded
- ✘ Power generation: near-term threshold of 100 gCO₂/kWh for gas; hydro-pumping excluded
- Green bond standard aligned with taxonomy

An offshore oil rig is silhouetted against a sunset sky over the ocean. The rig's complex structure of towers and cranes is visible against the bright horizon. The sky transitions from a deep blue at the top to a warm orange and yellow near the horizon, with scattered white clouds. The ocean surface shows gentle waves in the foreground.

Closing remark:
Back to basics

Repsol's social license to operate and company strategy

RESPECTFUL

TRUSTWORTHY

Back to
basics

INNOVATIVE

Climate Change and Energy Transition

→ WE ARE PART OF THE **SOLUTION**
TO CLIMATE CHANGE

→ WE ARE FINDING **NEW OPPORTUNITIES** IN THE ENERGY
TRANSITION AS AN ENERGY PROVIDER



REPSOL