

# Non-Financial Reporting, TCFD and Sustainable Finance

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Sustainability Day 2019

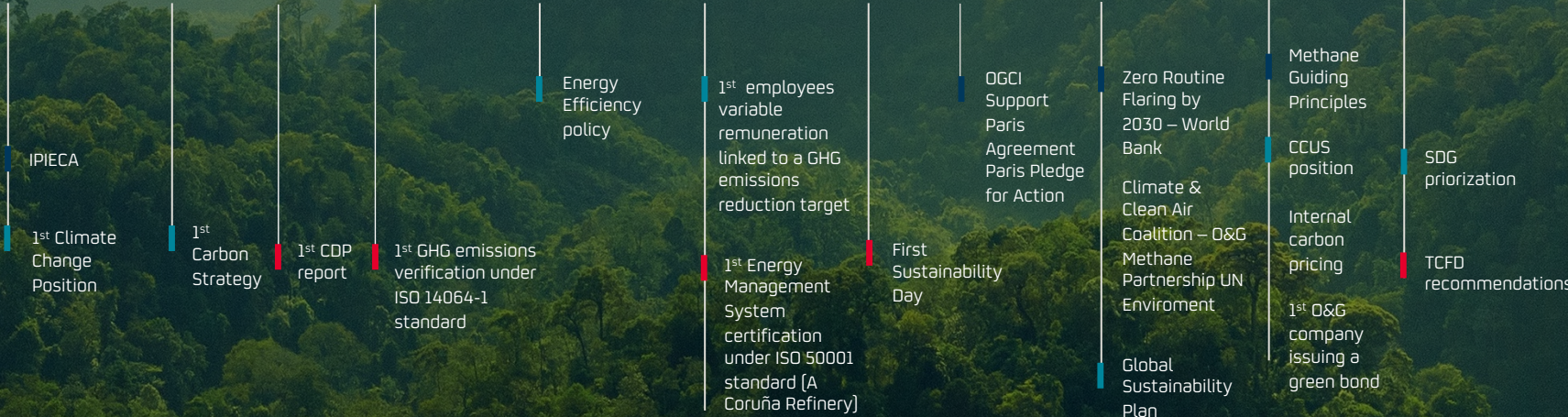
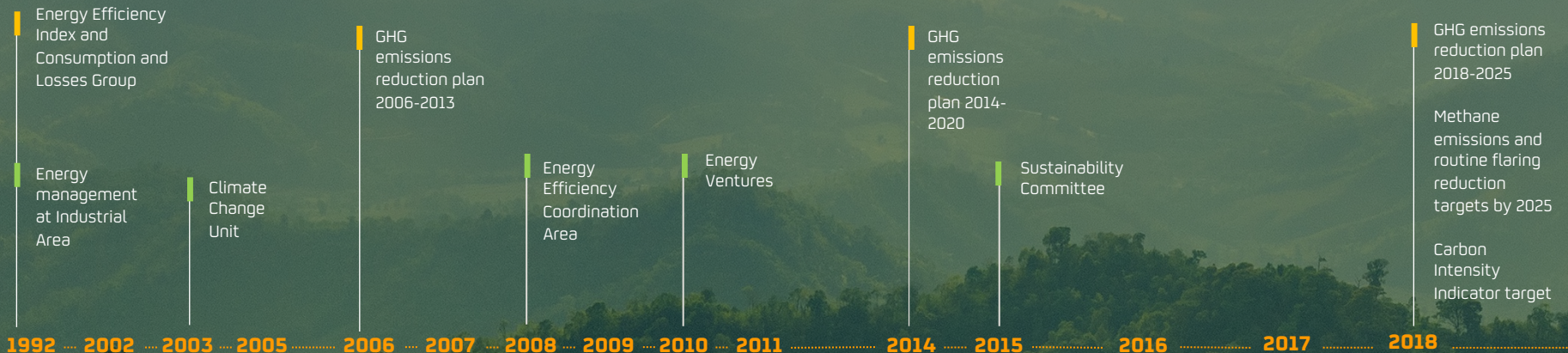


# Repsol's approach to climate management

# 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 CO<sub>2</sub>EQ PLAN  
BY 2025

Baseline: 2017

**-25%**

METHANE INTENSITY  
REDUCTION BY 2025

**-50%**

OF ROUTINE FLARING  
REDUCTION BY 2025

Baseline: 2018

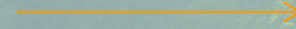
## Carbon intensity reduction

2016



T CO<sub>2</sub>/GJ  
[Base 100]

2020



↓ **3%**  
2020  
Target

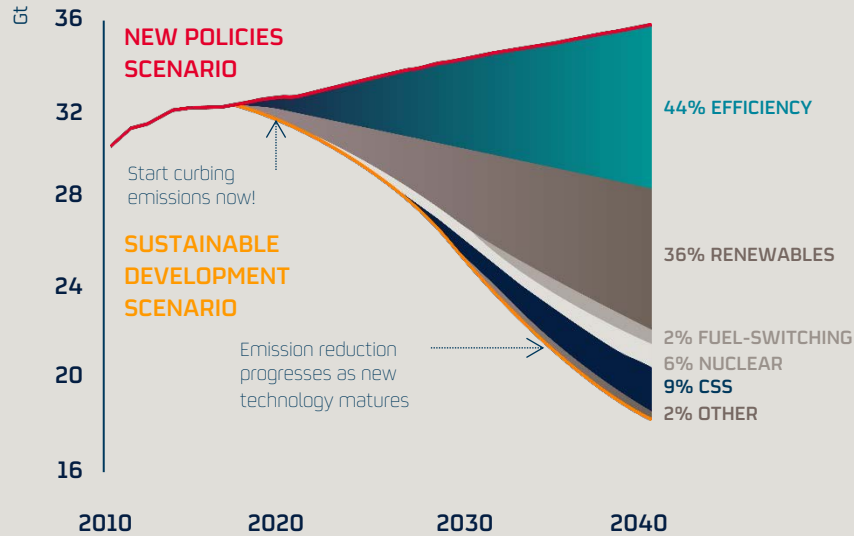
2040



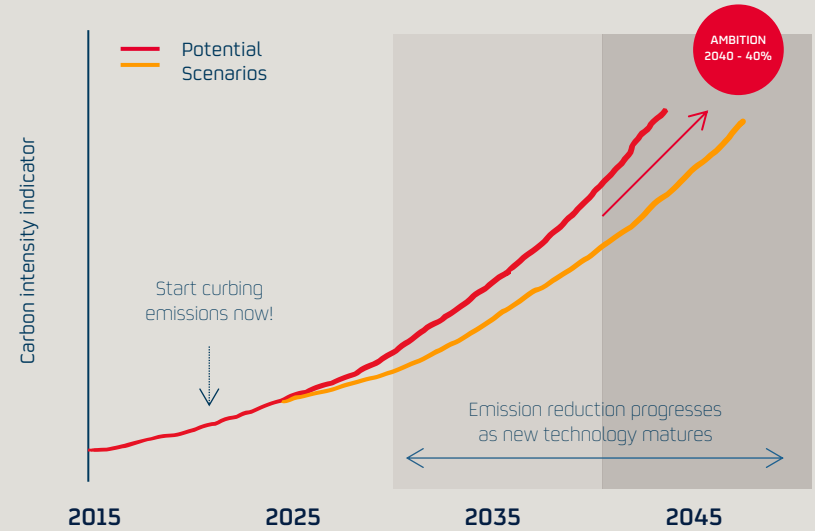
↓ **40%**  
2020  
Ambition

# Carbon emission reduction pathway

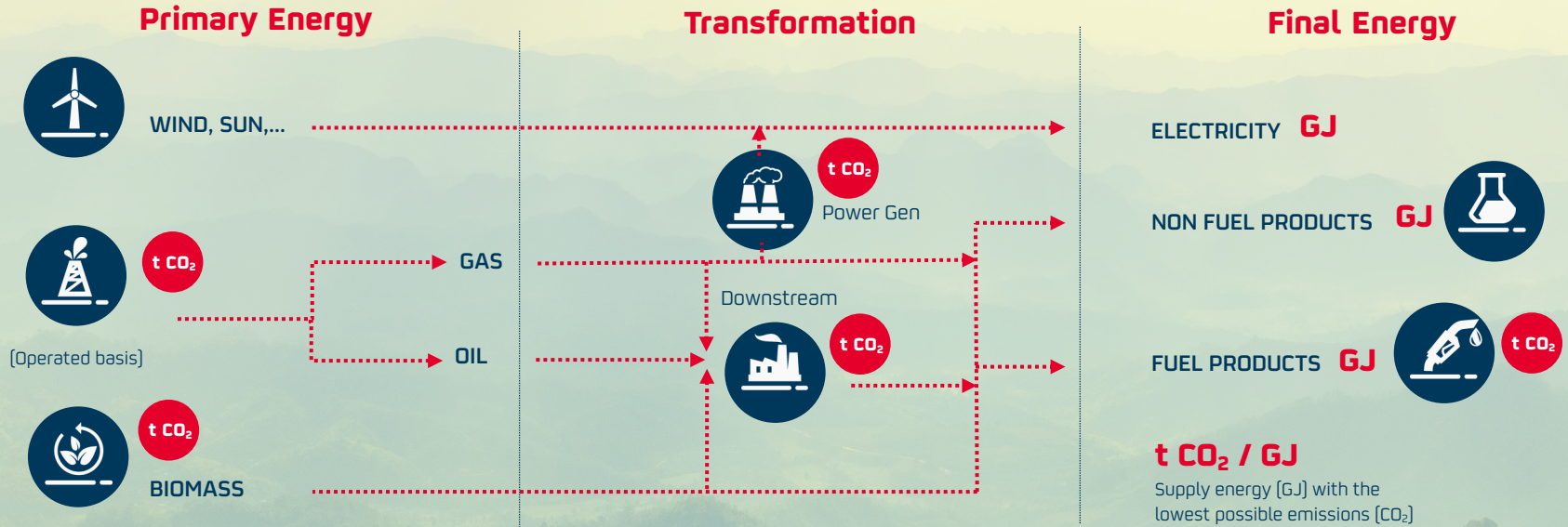
## IEA Sustainable Development Pathway



## 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

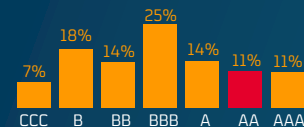
	2019	2018
	<b>Level 4</b> (max. score)	<b>Level 4</b> (max. score)
	<b>TBA</b> Nov 2019	<b>B</b> (band Management) – new methodology
	<b>67/100</b> Advanced	<b>58/100</b> Robust
	<b>pending</b>	<b>AA</b> (from CCC to AAA; only 1 peer in AAA)
	<b>21.1/100</b> (risk-based scoring)	<b>84/100</b> (ESG performance-based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

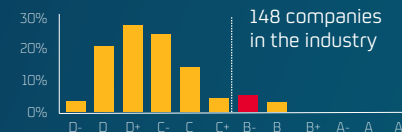
### INDUSTRY RATING DISTRIBUTION



### RELATIVE PERFORMANCE

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

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EU **Green Bond** Standard

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**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)

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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 gCO<sub>2</sub>/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 gCO<sub>2</sub>/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. A large, dark, semi-transparent triangular shape is overlaid on the right side of the image, framing the text.

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**