

Select 2020

Net Zero: what does it mean for your business?

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4 March 2020

Why are we here?



Rio Tinto announces \$1bn spend to reach net zero emissions by 2050

World's second biggest miner says it will reduce emissions by 15% by 2030, but 'will not set targets for our customers'

INFRASTRUCTURE, PROJECTS

A2M imagines building beyond net zero



Net Zero is now Government policy

- Intergovernmental Panel on Climate Change: carbon neutrality by 2050 to keep to 1.5C rise in global climate by 2099
- Paris Agreement (COP 21, Dec 2015) set this target: 195 countries signed
- UK: Net Zero Carbon by 2050 (June 2019)
- Other countries and businesses now following suit



And all your stakeholders are paying attention to it

- Now a board level issue for many businesses
- WEF 2020 Global Risks Report
- What you do can affect your ability to recruit/retain the best staff
- And may affect your access to (or terms of) finance
- Shareholders are scrutinising your policies and practices (eg Larry Fink of BlackRock's 2020 letter to CEO)

Climate litigation is on the rise: An overview

**Climate
attribution
cases against
"carbon majors"**

**Shareholder
actions**

*Currently
focussed on
changing policy
and behaviour*

Net Zero: a future litigation risk?

Recently decided cases (not Net Zero)

- **2020** Successful legal challenge against permits for coal power plants in Greece in **Meliti** demonstrates shifting attitudes
- **2019** Supreme Court of Netherlands gives a landmark judgment on greenhouse gas emission targets in **Urgenda**

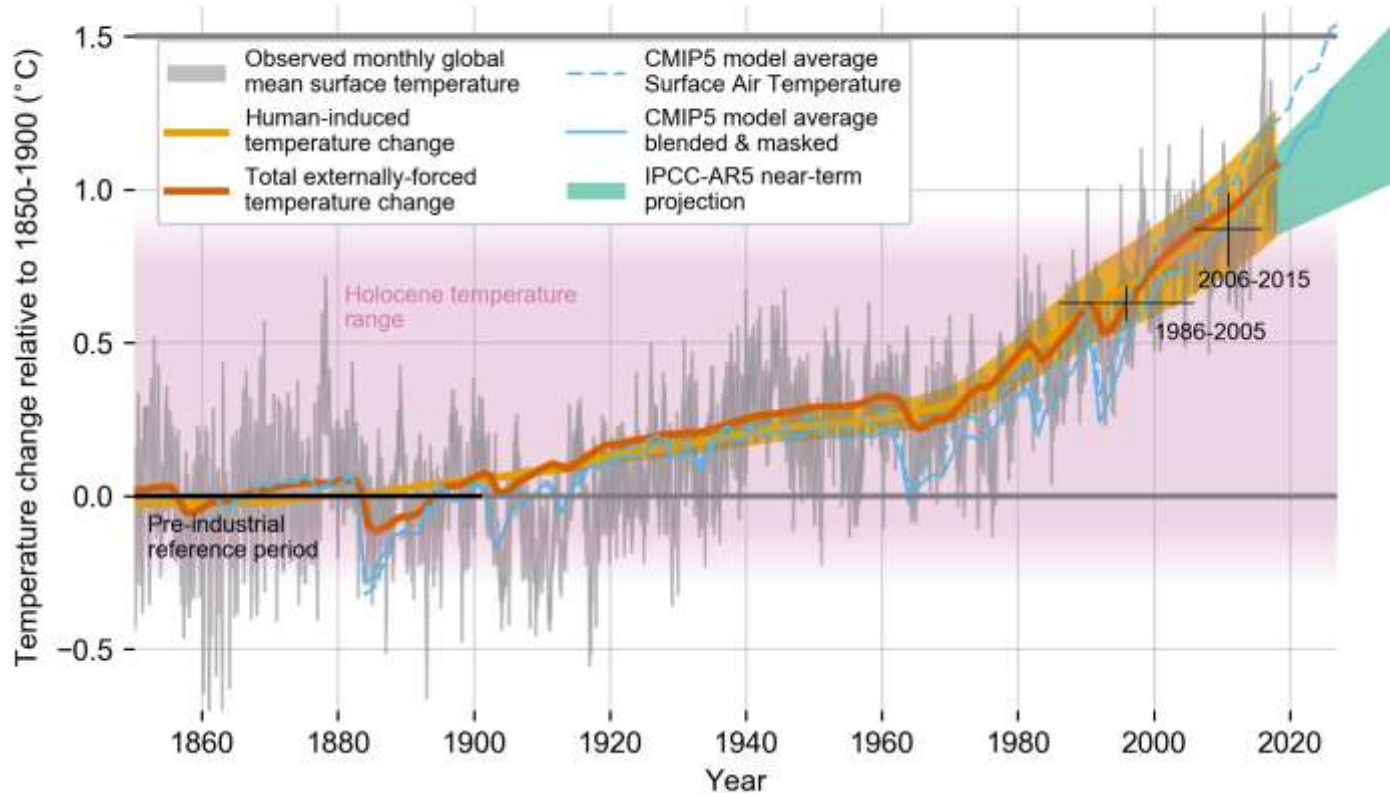
Active cases (not Net Zero)

- Challenge against **Royal Dutch Shell Plc** building on the Urgenda decision
- Legal challenge against UK government's approval of Europe's largest gas plant, the **Drax plant**, filed by **ClientEarth**
- Australian pension fund member alleges failure to provide information related to climate change business risks in **McVeigh**
- (Misleading shareholders about potential financial risks was alleged in **Abrahams** before the case was withdrawn)



Why Net Zero?

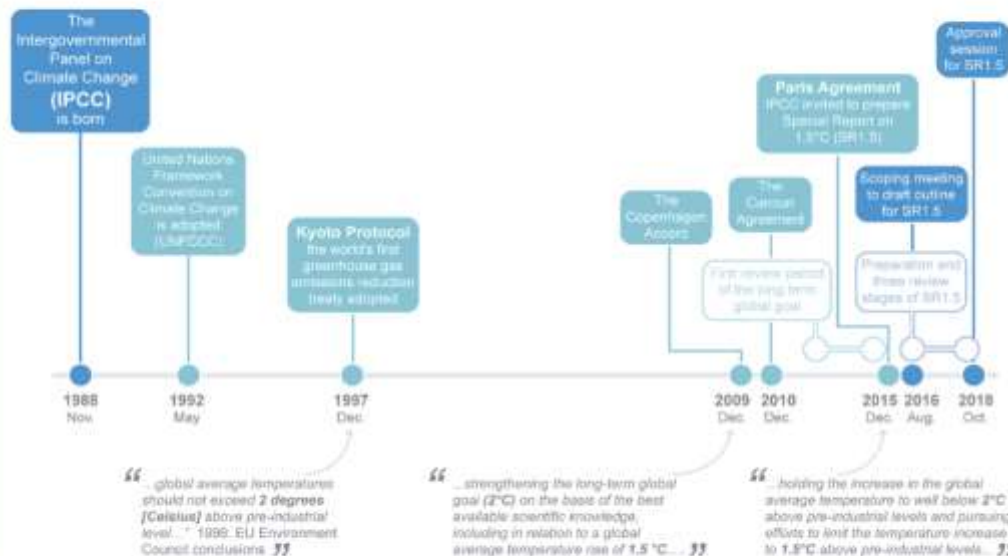
Increasing global mean surface temperature since 1850



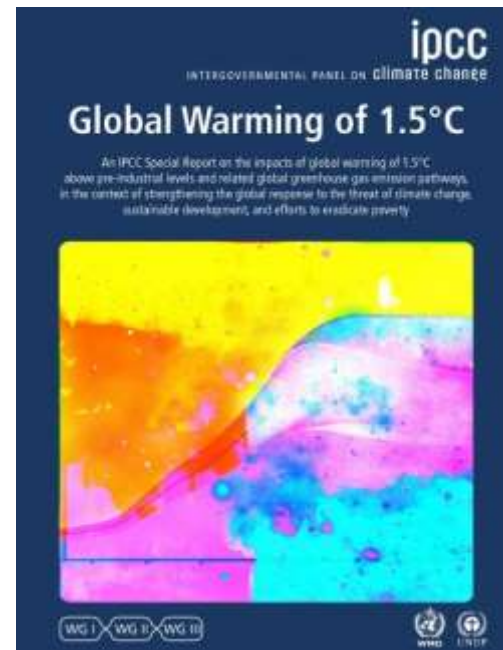
IPCC timeline

FAQ1.1: Timeline of 1.5°C

Milestones in the IPCC's preparation of the Special Report on Global Warming of 1.5°C and some relevant events in the history of international climate negotiations

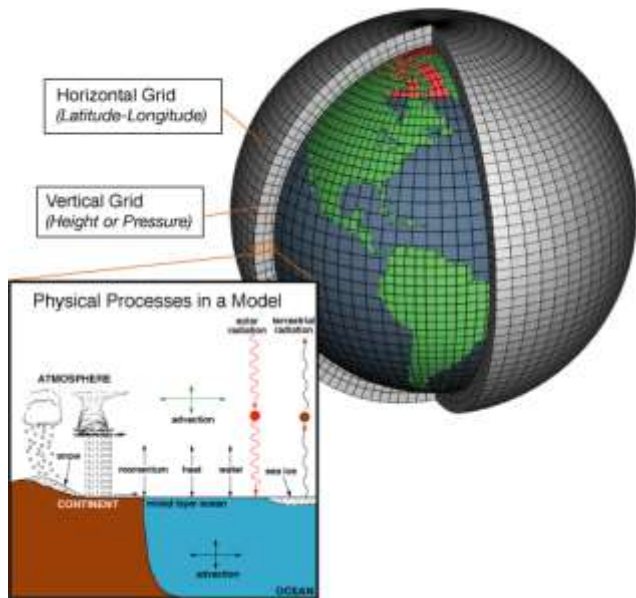


FAQ 1.1, Figure 1 | Timeline of notable dates in preparing the IPCC Special Report on Global Warming of 1.5°C (blue) embedded within processes and milestones of the United Nations Framework Convention on Climate Change (UNFCCC; grey), including events that may be relevant for discussion of temperature limits.

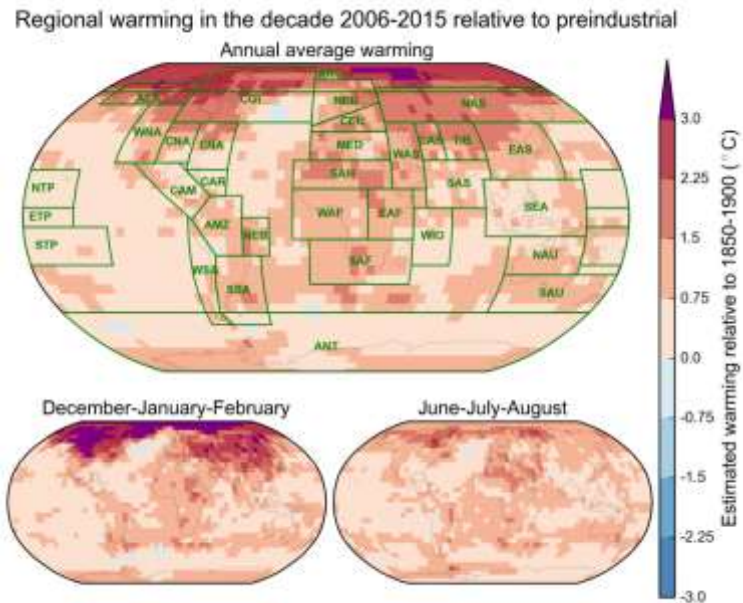


Evidence

Climate modelling



Real world experience



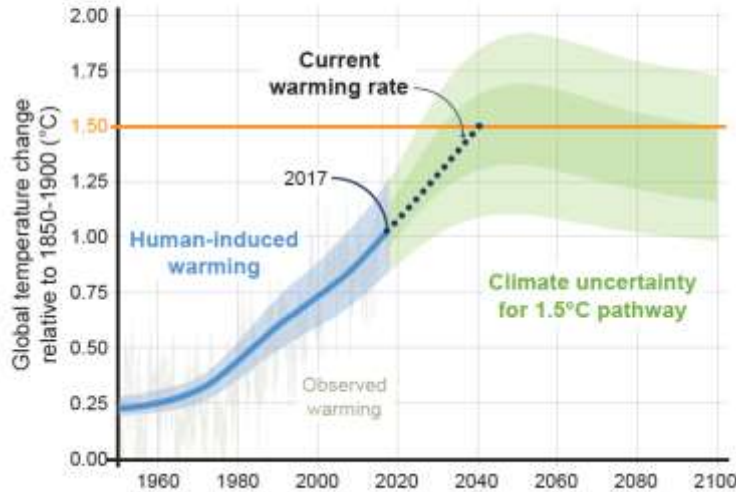
IPCC Report 2018 - Global warming of 1.5°C

- Risks associated with exceeding 1.5°C
 - *“Without increased and urgent mitigation ambition in the coming years, leading to a sharp decline in greenhouse gas emissions by 2030, **global warming will surpass 1.5°C in the following decades**, leading to **irreversible loss of the most fragile ecosystems**, and **crisis after crisis for the most vulnerable people and societies**.”*
- Currently not on track to limit warming to 2°C
 - *“This Special Report also shows that **recent trends in emissions** and the **level of international ambition indicated by nationally determined contributions**, within the Paris Agreement, **deviate from a track consistent with limiting warming to well below 2°C**.”*

Rate of emissions reductions required to limit warming to 1.5°C

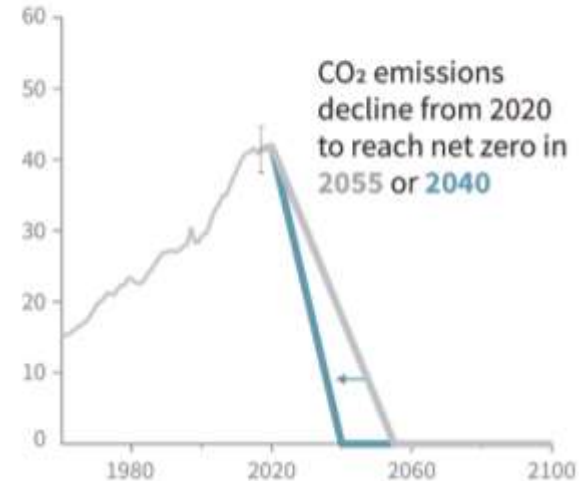
FAQ1.2: How close are we to 1.5°C?

Human-induced warming reached approximately 1°C above pre-industrial levels in 2017



b) Stylized net global CO₂ emission pathways

Billion tonnes CO₂ per year (GtCO₂/yr)



Reporting emissions

EU EMISSIONS TRADING SYSTEM
FOR CITIZENS, BUSINESS & THE CLIMATE

below **2°C**

at least **40%** EU wide

-43% EU ETS

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Energy Savings Opportunity Scheme (ESOS)

ESOS is a mandatory scheme to encourage UK businesses to improve their energy efficiency

Who qualifies?

About **10,000** organisations which consume **1/3** of the UK's energy

Companies must:

Identify potential energy savings and notify the Environment Agency by **5 December 2015**

ESOS will:

Cover **100%** of an organisation's energy use from buildings, machinery, IT equipment, transport and more

Estimated savings:

£250 million a year for UK industry, even if businesses only reduce their energy consumption by **0.7%**

Ways to comply:

ESOS audit, ISO50001 certification, Display Energy Certificate or Green Deal Assessment

Organisations must take part if they

250 or more employees

£38.9 million have an annual turnover above £38 million, £38.0 million and annual balance sheet total above £12 million, £12.0 million, £12.0 million

ACT NOW

• Find out if you qualify
• Carry out your assessment
• Appoint a lead assessor to receive
• Notify the Environment Agency by 5 December 2015

For more guidance visit www.gov.uk/energy-savings-opportunity-scheme-esos or contact esos@environment-agency.gov.uk

FINANCIAL MATERIALITY

To the extent necessary for an understanding of the company's development, performance and position...

COMPANY

CLIMATE

Climate change impact on company

Primary audience: **INVESTORS**

ENVIRONMENTAL & SOCIAL MATERIALITY

...and impact of its activities

COMPANY

CLIMATE

Company impact on climate and the financially material

Company impact on climate

Primary audience: **CONSUMERS, CIVIL SOCIETY, EMPLOYEES, INVESTORS**

RECOMMENDATIONS OF THE TCFD

NON-FINANCIAL REPORTING DIRECTIVE



Streamlined Energy & Carbon Reporting

Government Response

Company actions

- Auditing GHG emissions and energy use
- Reporting GHG emissions and energy use
- Setting targets for reductions of GHG emissions and energy use
- Policy and corporate behaviour consistent with targets (Heathrow judgement)



Net Zero commitments – your business

- Understand your commitments/targets
- Ensure policy/procedure is in place to meet your targets
- Be aware of your competitors
- Be precise in your media statements



Case study

“Stressed GC”



Case Study for discussion

- Stressed GC goes back to the office after today
- Several emails in his inbox particularly grab his attention...
 - London office relocation
 - App launch / Net Zero policy/statement

London Office Relocation

To...	Stressed GC
Cc...	
Bcc...	
Subject:	London Head Office Relocation

Hey Stressed

Just to let you know we're about to agree heads of terms for our new London Head Office. Quick reminder – we're taking the whole of MegaBank's building in the City. They've got 15 years remaining on their lease but want out; it's bang in the right location for us and will be available at the right time, too. It's quite an old and tired building but that's fine as it means the rent is lower! They've just settled a rent review with the landlord, a major UK REIT, so the rent won't be reviewed again until 2024.

We don't need the whole building so will sublet a couple of the floors in due course. The agents reckon that's fine as there should be a lot of people looking for that sort of space when we're ready to release it, and having extra room to start with helps as we can shuffle people around as we fit out floor by floor.

So the plan will be to sign a contract now, have MegaBank move out in Q2 2021 and assign their lease to us, then we can fit out our space and start moving our people in around Q4 2021. Once we're fully in, which should be Q2 2022, we can then sublet. Ideally we'll want those sublets committed around Q2/Q3 2021 at the time we take the assignment, so we can start getting some income for the surplus space ASAP.

See you in the pub tonight?

Colin from Corporate Estates

London Office Relocation

Stressed's immediate thoughts

- Does taking tired secondhand space fit with our Net Zero targets?
- Do we open ourselves up to staff/shareholder/public criticism for taking space like this?
- Are we actually saving money if our energy bills will be higher?

London Office Relocation

Some other considerations

- What is the Energy Performance Certificate rating? Can the Company lawfully grant the subleases?
- Does the lease allow the Company to undertake energy efficiency improvements?
- Are energy efficiency improvements disregarded at rent review if the Company has paid for them?
- Can the landlord undertake energy efficiency improvements and include the cost of doing so from the Company?
- Make sure the new office is included in the Company's Energy Savings Opportunity Scheme audits, Streamlined Energy and Carbon Reporting etc.

Green App

To...	Stressed GC
Cc...	
Bcc...	
Subject:	Green App launch

Hi Stressed,

Just to let you know that we are finalising the marketing for the Green App launch. The Green App allows users to track the GHG emissions associated with the use of their handset. The app will then allow them to choose to offset these emissions on a yearly basis.

As part of the launch we will be promoting our sustainability policy and so we are planning to add the following banner to the main webpage:

“We use 100% renewable energy and have reduced our annual GHG emissions by 80% - Our next target will be to become Net Zero”

Hope that’s all OK. Dave said I should run it past Legal quickly for your blessing before we went live.

Best wishes

Paul from Product Development

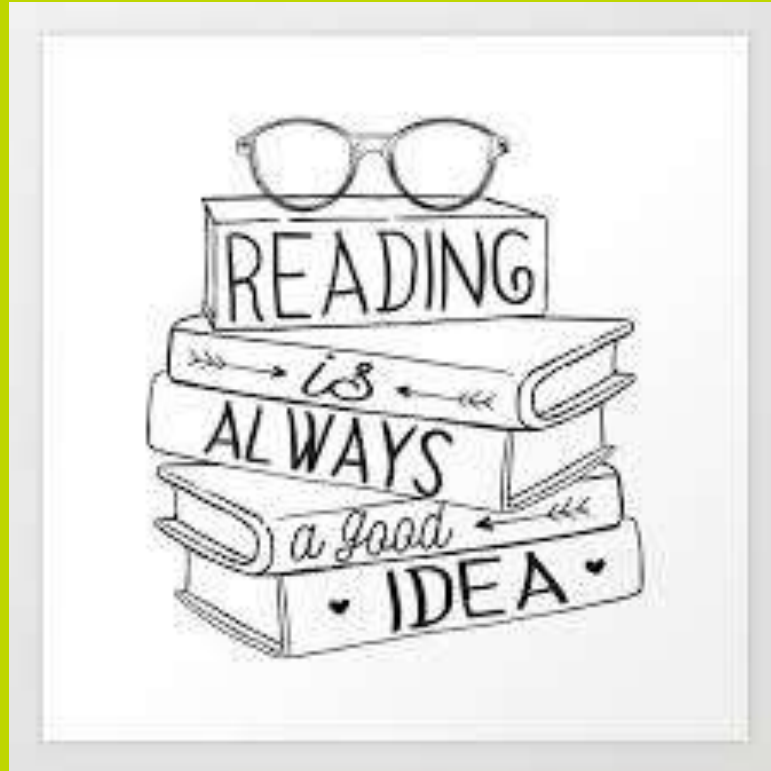
Green App

Stressed's immediate thoughts



Green App

Stressed does some more reading, gets some advice...



Can climate litigation save the world?

Courts are a new front line of climate action with cases against governments and oil firms spiralling, and while victories have so far been rare the pressure for change is growing



IMPACT 20/02/2020 10:45 GMT | Updated 21/02/2020 14:33 GMT

Corporations Are Waking Up To The Climate Crisis, But It's Not Enough

Time is running out.

Johnson urged to set out firm plans for UK's net-zero carbon target

Campaigners call on PM to 'show UK is ready to do what it takes' before COP 26 summit



LEGAL UPDATES

The road to net zero

CLIMATE CHANGE LITIGATION: CAN THE COURTS SAVE THE PLANET?

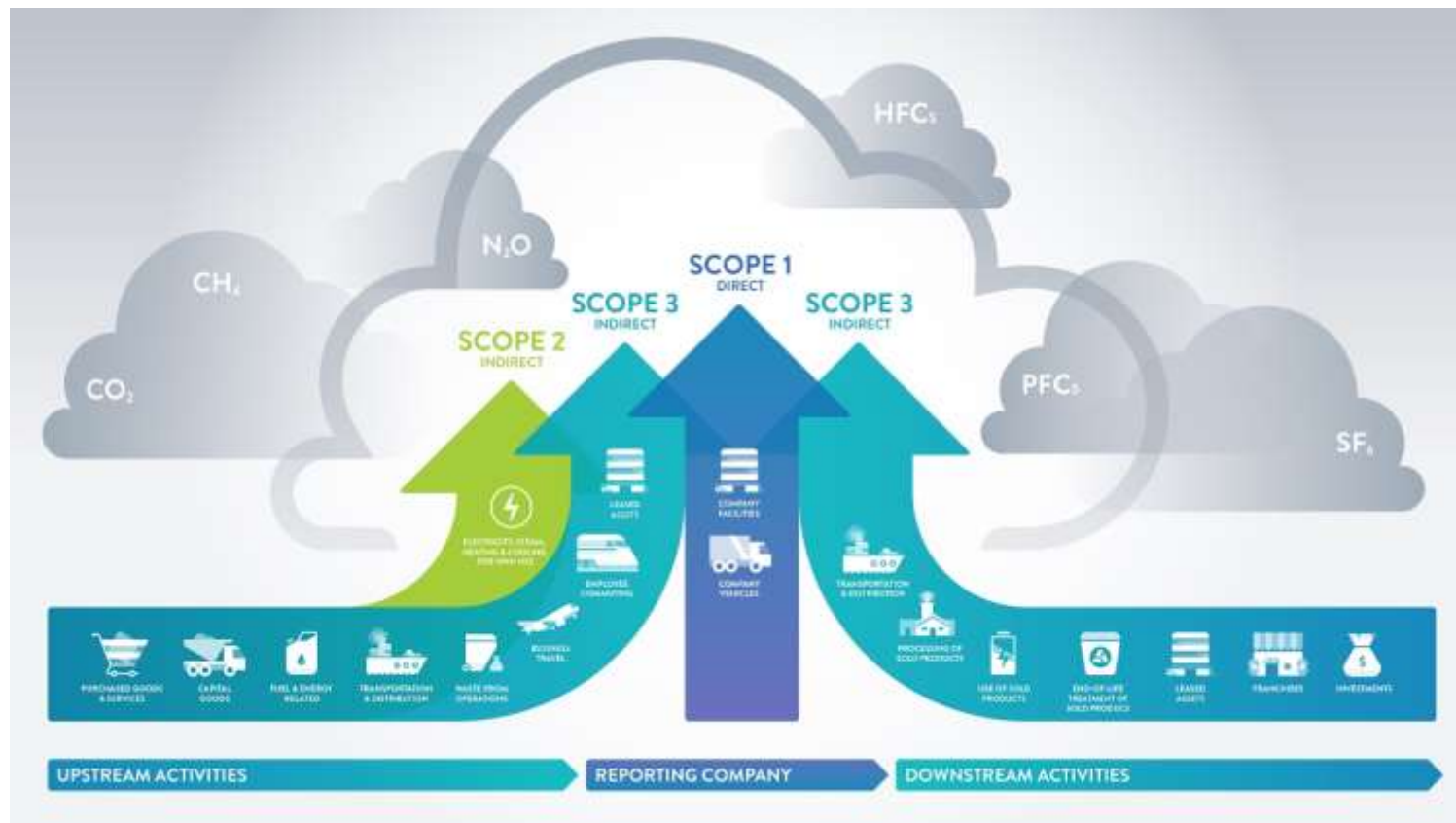


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Upstream and downstream emissions



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