



New research by the Transition Pathway Initiative (TPI) on the cement and steel sectors shows that few of the largest companies in these sectors are well prepared for the transition to a low-carbon economy. This echoes previous research by the TPI on the coal-mining, electricity, and oil and gas sectors.

The TPI is backed by asset owners and investors with over £4 trillion (\$5.2 trillion) of assets under management. The assessment of companies' carbon emissions management and performance is carried out by the London School of Economics' Grantham Research Institute on Climate Change and the Environment, and supported by data from FTSE Russell.

Two reports, launched today at the PRI in Person conference in Berlin, examine how the world's 20 largest companies in the cement and steel sectors are managing climate change risks and opportunities, and how their emissions performance compares to international benchmarks for the sectors. They follow reports released earlier this year on electricity utilities, oil and gas companies, and coal-mining companies. The findings show that:

- Most companies now publicly acknowledge climate change as a significant business issue.
- But only a minority of companies have integrated climate change into operational decision-making and only around one out of every eight companies in cement and steel are looking at the issue strategically.
- The steel sector is lagging behind other sectors whose carbon management quality has been assessed by TPI so far.
- Among the best prepared companies are LafargeHolcim in cement and Acerinox in steel. These companies score highly on carbon management quality, and they have low carbon emissions intensity, below their sector benchmarks.
- There is a lack of consistent disclosure of carbon emissions in the cement and steel sectors. The cement sector has developed reporting guidelines, but a number of the largest companies do not yet follow them. Disclosures are particularly inconsistent in the steel sector.
- Very few companies have set targets to reduce their carbon emissions beyond 2020, making it difficult for investors to understand whether cement and steel emissions will be reduced in line with international targets.

Commenting on the study, Professor Simon Dietz, Co-Director of the London School of Economics Grantham Research Institute, said: "These findings for the cement and steel sectors reinforce our earlier conclusions that, while there are some star performers, most companies still have a long way to go to be well-prepared for the transition to a low-carbon economy."

Faith Ward, Co-Chair of the Transition Pathway Initiative and Chief Responsible Investment and Risk Officer for the Environment Agency Pension Fund, said: "Investors need assurance that companies are taking the transition to a 2-degree world seriously, and these reports shine a light on those companies that are failing to do that. We will be studying these reports closely and looking for progress from the companies that have the most work to do in the months ahead."

Adam Matthews, Co-Chair of the Transition Pathway Initiative and Head of Engagement for the Church Commissioners and Church of England

Pensions Board, said: "This research suggests that companies in the cement and steel sectors are exposed to significant regulatory risks associated with the transition to a low carbon economy, and that they are not managing these risks effectively."

It was also announced today that Generation Investment Management are joining the Transition Pathway Initiative. David Blood, Co-Founder and Senior Partner of Generation Investment Management said: "Generation is delighted to support the Transition Pathway Initiative (TPI). We consider it a valuable tool for asset owners and managers as we invest together in the transition to a low carbon economy."

Notes

The TPI is a global, asset owner-led initiative, supported by asset owners and managers with over £4 trillion (\$5.2 trillion) of assets under management. The founding partners were the Church of England National Investing Bodies (Church Commissioners / Church of England Pensions Board / CBF Church of England Funds) and the Environment Agency Pension Fund, working in partnership with the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE) and FTSE Russell.

The full list of asset owners and asset managers who are part of the initiative is available at transitionpathwayinitiative.org.

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