Missing the Mark

2022 analysis of global CDP temperature ratings

September 2022

As we approach COP27, this report uses CDP's latest temperature ratings to assess whether current corporate emissions reduction targets are ambitious enough to meet the Paris Agreement's 1.5°Celsius goal. CDP temperature ratings compare our comprehensive dataset of publicly disclosed corporate emissions target disclosures, covering more than 4,000 companies globally, with science-based global warming trajectories. The report was prepared in partnership with Oliver Wyman.

G7 companies on path to a 2.7°C temperature increase

Amid a challenging global context of energy insecurity, rising inflation, and extreme weather in many regions, COP27's goal to keep the Paris Agreement's 1.5°Celsius target alive is more critical than ever.

The G7's private sector has an important role to play in that effort. Strong momentum in 2021, particularly in the runup to last year's COP26, saw the number of corporates committing and setting climate targets increase rapidly.

Yet, our analysis shows that the greenhouse gas (GHG) emissions reduction targets publicly disclosed by companies in G7 economies are still only ambitious enough to align with a **2.7°C** decarbonization pathway — or **2.4°C** if emissions from corporate supply chains, known as Scope 3 emissions are excluded.Both are still well above the Paris Agreement's goal to keep Earth's temperature rise at or below **1.5°C** — the upper temperature limit that science demands to avoid the most catastrophic environmental impacts (see Exhibit 1).

Sticking to the Paris limit is critical. For example, the difference between **1.5°C** and **2°10.7 (h)10.2 (T0 1.526r t.e b hmin**

Exhibit 1: How G7 countries rank against each other

Based on the aggregate ambition level of emissions reduction targets set by companies in G7 countries

All temperature units are given in °Celsius

	Germany	Italy	France	UK	US	Japan	Canada
1.5° Paris aligned							
Percentage of emissions covered by SBTs							
Percentage of emissions covered by public targmons							

Europe is improving, but still running hot

Across all regions and sectors, only the European power generation sector achieves a temperature rating below 2°C

Following an 85% increase in the number of European companies with science-based targets last year, over half (51%) based on market capitalization have now set targets through the Science-Based Targets Initiative (SBTi).[4] This means that the targets have been developed consistent with pathways for carbon reduction anchored in climate science and approved by the SBTi. The most recent SBTi Progress Report found that companies with science-based targets decarbonize signi f cantly faster than companies without targets.

This fast progress in Europe has "cooled" the temperature of the European economy **0.3°C** since 2021. Still, the emissions reduction targets publicly disclosed by European companies are now aligned with a **2.4°C** decarbonization pathway, or **2.2°C** if corporate Scope 3 emissions (value chain) are excluded.[5]

Germany, Italy, and the Netherlands — all with targets that support **2.2°C** — have the best-performing corporate sectors, inclusive of all value-chain emissions (see Exhibit 2).

However, despite this progress, the average temperature ratings for corporates remain well above 1.5°C across all major European economies.

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Exhibit 2: Europe is out of alignment with Paris agreement goals

Based on current emissions reduction targets adopted by companies, Europe is looking at temperature increases considerably above the Paris Agreement target of 1.5°C

Power Genertion

Companies contributing more than 80% of the sector's total Scope 1 and 2 emissions have targets aligned with below 2°C. The most ambitious targets are from renewable and nuclear power generation companies.

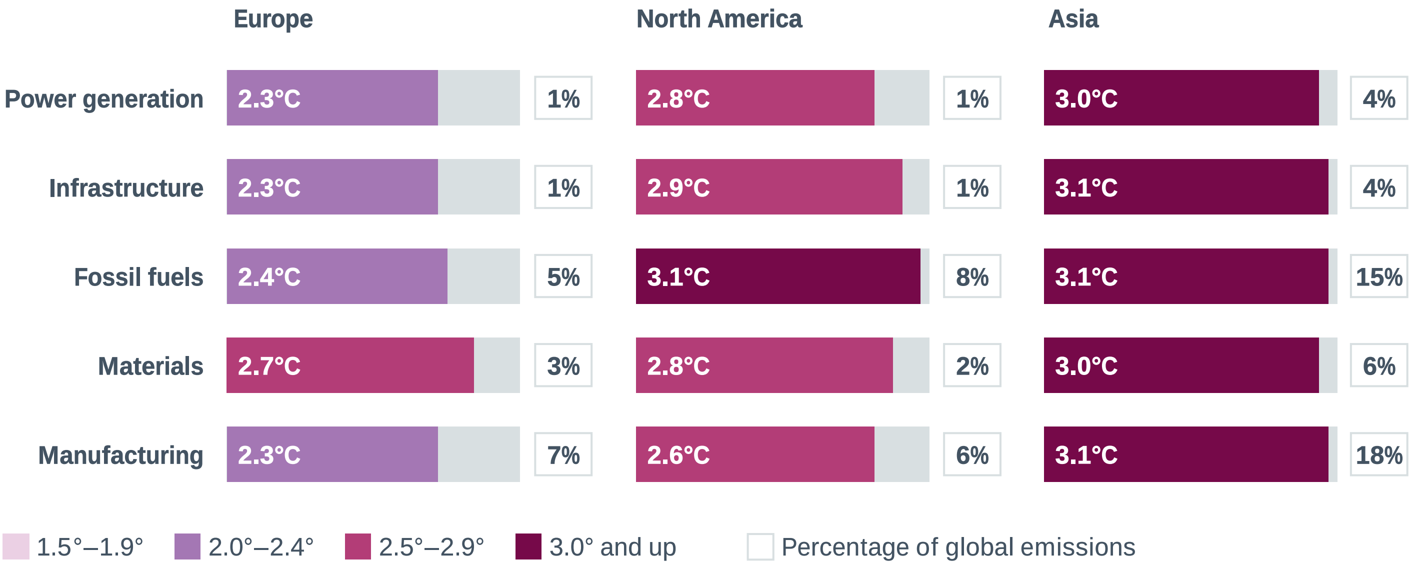
Infrastructure

Companies accounting for more than 70% of the sector's total Scope 1 and 2 emissions have set valid targets aligned to below 2°C. Construction companies are ahead of energy and non-energy

Looking beyond the G7, European corporates score ahead of their counterparts in Asia and North America across industries. Based on Scope 1 and 2 emissions, companies headquartered in North America are collectively on a path to a 2.5°C rise in temperature, while companies headquartered in Asia are on a path to 3°C.

Exhibit 6: Regional comparison of Scope 1, 2 and 3 emissions targets for high-impact sectors

Including all value chain emissions shows all sectors much further from aligning with the 1.5°C goal



Tpvsdf;!Oliver Wyman analysis, CDP temperature rating

The analysis shows warmer temperature ratings in nearly all sectors and regions when all value-chain emissions (Scope 1, 2 and 3) are included. This re f ects that Scope 3 emissions, concentrated largely in supply chains and the use of end products, are harder to measure and manage. As a result, targets are much less widespread and also less ambitious

In previous CDP-Oliver Wyman research, only 53% of high-impact companies were found to be disclosing data on their most important Scope 3 categories, usually following emissions from purchased goods and services or how

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