

2023 Climate and Energy Benchmark

Electric Utilities FAQ

I. Climate & Energy Benchmark

Q. What is the WBA Climate and Energy Benchmark?

The World Benchmarking Alliance (WBA) Climate & Energy Benchmark ranks the most influential companies in high-emitting sectors by their low-carbon transition efficiency.

WBA* developed the Climate & Energy Benchmark to assess the highest corporate carbon emitters. The goal of the benchmark is to measure corporate progress against the Paris Agreement and a just transition.

The benchmark aims to cover 450 of the world's most influential, keystone companies in high-emitting sectors such as automotive manufacturers, electric utilities, oil and gas, transport, and buildings. The following sectors have been assessed in the past three years:

- 2021 Automotive
- 2021 Electric Utilities
- 2021 Oil and Gas
- 2022 Transport
- 2023 Buildings
- 2023 Oil and gas

These assessments are updated regularly and are free and available to everyone. They can be accessed on the [WBA website](#).

For the Climate & Energy Benchmark, WBA works in partnership with CDP** who provide the low-carbon transition company assessments.

**WBA (World Benchmarking Alliance) is a not-for-profit organisation running a series of benchmarks that assess the world's most influential companies on their contributions to sustainable development goals (SDGs).*

***CDP is a not-for-profit international organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.*

Q. How to read the benchmark's score?

In the WBA Climate and Energy Benchmark rankings, a total score out of 100 is calculated from the ACT rating and the social assessment (gathering core social and just transition assessments) score.

ACT, core social and just transition scores account for 60%, 20% and 20% of the total score respectively. More information can be found in the Climate and Energy Benchmark methodology report. The ACT score shows company climate performance across three dimensions, with the highest possible rating being **20A+**:

- Performance score (ranging from 0 to 20). Shows transition alignment measured with a range of quantitative and qualitative performance indicators.
- Narrative score (ranging from E to A). A rating based on a comprehensive review of the performance indicators data and public information summarising the company's overall strategic position.
- Trend score (+, =, -). Predicts future changes in the company's score: improving, staying the same or worsening.

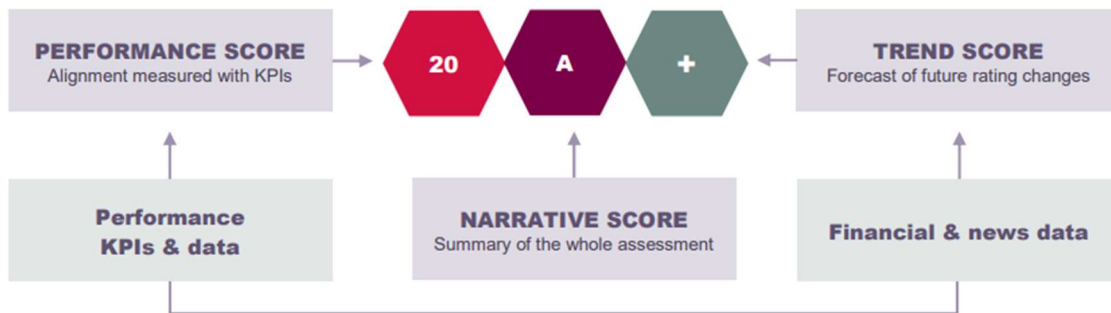


FIGURE 1. THE ACT SCORE: PERFORMANCE, NARRATIVE AND TREND

In the WBA Benchmark rankings, a total score out of 60 is calculated from the ACT rating:

1. The performance score remains as it is i.e. out of 20
2. The narrative score is also weighted out of 20 with each letter receiving the following scores: A=20, B=15, C=10, D=5, E=0
3. The trend score is given the following scores '+' = 2, '=' = 1, '-' = 0
4. The scores are summed and then divided by the maximum possible score of 42, and normalised to give a score out of 60.



FIGURE 2. EXAMPLE OF THE ACT RATING SCORE

The core social score out of 20 and the just transition score out of 20 (normalised from 16) are also created.



FIGURE 3. EXAMPLE OF THE CORE SOCIAL AND JUST TRANSITION SCORE

The ACT rating score, core social score and just transition score are then added together to create the total benchmark ranking score out of 100.

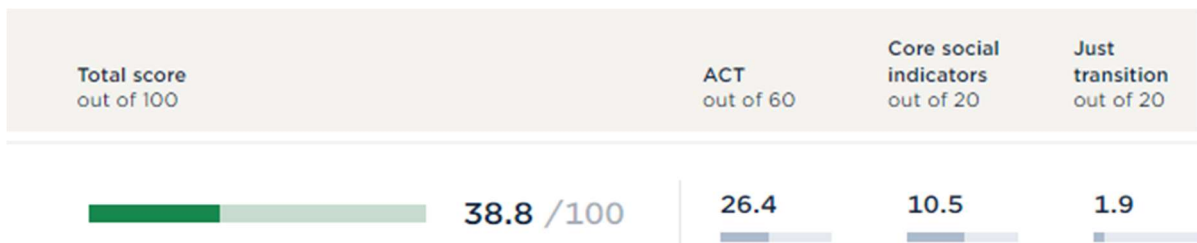


FIGURE 4. EXAMPLE OF THE WBA BENCHMARK FINAL SCORE

Q. What is considered a “Leading Practice”?

A company is considered to have leading practices if it scores or ranks highly for a specific indicator or module.

Leading Practices are areas of excellence by a company identified through the ACT methodology only and do not refer to external awards or commendations for the company’s business/sustainability practices.

II. Electric Utilities Benchmark scope

Q. What is the Electric Utilities Benchmark? How have the companies been selected?

The Electric Utilities Benchmark is a part of the WBA Climate & Energy Benchmark. First iterations released in 2020 and 2021 assessed and ranked 50 of the most influential electric utility companies across the world. The third iteration, released in November 2023, considers an extended selection of 68 electric utility companies. In addition, in order to capture a first snapshot of the sectoral value chain, 11 capital goods companies, seen as enablers for the low-carbon transition of the electricity sector, have also been assessed.

The benchmark identifies the companies whose actions are vital for wider, systemic transformation towards a low-carbon economy. These companies dominate global revenues within the electric utilities sector, influence global governance processes and institutions and have a global footprint. The approach to selecting companies is described here: [SDG2000 methodology | World Benchmarking Alliance](#). There is no opt-out principle as the benchmark serves as an accountability mechanism that measures corporate progress against the Paris Agreement and whether companies are contributing to a just transition.

When selecting which entity to assess within a company group (i.e., parent or subsidiary), we consider such factors as the entity's exposure to the WBA transformation in decarbonisation and energy, ownership and reporting structure, governance, and accountability. The starting point of the assessment will always be the keystone company (i.e., the parent company/holding company/entity for assessment).

For more information relating to WBA and the classification of keystone companies [here](#). The ACT methodologies go into more detail about the indicators assessed and the time horizon under review:

- Electric Utility companies -> [ACT Electricity methodology](#)
- Capital Goods companies -> ACT Generic methodology (updated publication coming soon)

Q. What is the scope for electric utility companies included in the benchmark?

The ACT Electricity methodology considers the transition to a low-carbon economy of various electricity company profiles. It has three module weighting compositions for (i) pure generation; (ii) pure retail; and (iii) mixed profile companies.

The ACT Electricity considers the following company profiles:

- Pure generation companies, which generate electricity to sell and do not purchase any additional electricity from other sources (at least 95% of the electricity sold by the company is generated from company-owned assets).

- Pure retail companies, which purchase electricity to sell and do not generate any electricity from company-owned assets (at least 95% of the electricity sold by the company is purchased from other sources.
- Mixed profile companies, which generate electricity to sell as well as purchasing electricity from other sources

Companies with transmission and distribution activities only are excluded from the scope of the methodology. The majority of GHG emissions (around 90% along the electricity value chain) from the electricity sector take place in the generation step.

For more information on the benchmark scope please refer to the Electric Utilities Benchmark methodology [report](#).

Q. What is the scope for Capital Goods companies included in the benchmark?

Two types of companies have been considered: manufacturers of renewable electricity generation technologies (wind and solar), and integrated companies serving (among other industries) the electricity sector with various solutions to enable the low-carbon transition.

Manufacturers of renewable electricity provide electricity producers with generation technologies to enable the low-carbon transition of the sector. The 6 manufacturers of renewable electricity assessed are providers of either wind or solar generation technologies.

Integrated companies are providing solutions that are key for the electricity sector, in areas such as transmission & distribution, energy storage, automation and digitalisation, etc.

III. ACT methodologies

Q. What is the ACT methodology? How does it work?

ACT ('Assessing low-Carbon Transition') is a set of sector-specific methodologies for assessing companies' transition towards a low-carbon economy.

The ACT initiative was developed by ADEME (French Agency for Ecological Transition) and CDP to drive corporate climate action.

The assessment methodology evaluates past and expected emissions trends, levels of low-carbon investment and research and development, transition plans, engagement with suppliers, clients and policymakers and progress in developing low-carbon business models. Companies' emissions targets are assessed against a 1.5°C warming scenario.

Based on its past, present and planned work on reducing carbon emissions, each company receives a 'score' - an ACT rating showing how effectively the company is reducing emissions across all business areas.

Q. How has the ACT Electricity methodology changed since the 2021 assessments? What is the impact of the change on the companies' scores?

The ACT Electricity methodology (v2.0) has been updated in September 2023.

The v1.1 of the ACT Electricity methodology was published in 2019. The methodology has been revised to more broadly cover the activities from the power sector and provide a better picture of companies' contribution to the sectoral low-carbon transition. The main changes are:

- The scope of activities is extended to include electricity retail (the purchase of electricity to sell) instead of only own generation.
- The refreshing of 'qualitative' performance modules according to latest versions available published in 2022 (modules 5-8) and 2023 (module 9) by the ACT initiative.
- The addition of some performance indicators, assessing relevant topics such as the share of CapEx dedicated to low-carbon solutions.
- The update of low-carbon scenarios to be used, now all aligned with a 1.5°C level of ambition.

Some of these changes significantly impact a company scores, making it difficult (if not relevant) to compare ACT scores from 2021 assessments with 2023 ones.

Q: Which scenario is applied for the WBA Electric Utilities Benchmark 2023?

The ACT Electricity methodology (as updated in September 2023) was developed with

sectoral decarbonisation pathways based on data from various low-carbon scenarios that are aligned on a 1.5°C level of ambition.

As per the second iteration of the Electric Utilities Benchmark released in 2021, this third iteration uses pathways based on the IEA Net-Zero by 2050 Scenario. The update of the [Net-Zero Roadmap](#), published in September 2023 by the IEA, has been used to refresh the pathways used for the assessments.

Q: How are the company-specific benchmark pathways calculated for the electric utility companies?

For the assessment of electric utility companies, the company-specific benchmark pathways are calculated using the principles of the Sectoral Decarbonization Approach (SDA) and the proportion of a company's generation across different global regions.

The scenario includes different intensity pathways for electricity generation across different regions. A regionally weighted company pathway is created based on the company's split of 2022 generation between different regions. A convergence mechanism is then used, taking the company's emissions intensity in the reporting year and converging it with the regionally weighted pathway value in 2050 to create the company-specific benchmark pathway. Thus, companies starting from a lower intensity will have a shallower decarbonization pathway than companies starting from a higher intensity. In this way, past action or inaction to reduce intensity is taken into consideration.

Q: Are Scope 3 emissions covered in the Electric Utilities Benchmark?

Yes, they are, for both electric utilities and capital goods companies

The coverage of emissions varies by sector. As mentioned in the ACT Framework: "the reporting boundaries of each ACT methodology for a given sector shall be determined by the sector's most significant emissions sources, according to the principle of relevance. These significant emissions sources can be located all along the value chain of the organisation. This means that both direct and indirect (value chain) emissions shall be included where relevant." The ACT Electricity methodology is designed to assess companies operating in different parts of the sectoral value chain, namely the generation and purchase of electricity. For each segment, boundaries are defined for scope 1, 2 and 3 emissions. Regarding electric utility companies assessed in the 2023 Electric Utilities Benchmark:

- Scope 3 emissions are significant for companies retailing electricity, because of the emissions arising from the production of the electricity they buy from their suppliers and resell (upstream emissions for these companies).
- Scope 3 emissions can be significant for companies producing electricity, in particular for those owning low-carbon assets such as wind turbines or solar panels (emissions related to purchased materials). Such emissions are assessed through performance indicators dedicated to products interventions, as well as supplier and client engagement.

The ACT Generic methodology can be used to assess any company not falling into the scope of ACT sectoral methodologies. All relevant/material sources of emissions shall be taken into account during the assessment. In many cases, scope 3 emissions represent a high share of companies' overall emissions. Regarding capital goods companies assessed in the 2023 Electric Utilities Benchmark:

- Life-cycle analyses (LCA) highlight that significant shares of indirect emissions for the generation of renewable sources of electricity. Typically, manufacturers of wind and solar technologies buy emissive materials (steel, glass, aluminium, etc.). In consequence, their upstream scope 3 emissions are material and are taken into account in the assessments.
- Integrated companies providing solutions to the power sector (see above) also report material emissions from their purchased goods and services. In some cases, the emissions arising from the use of their sold products is the highest contribution to their overall emissions. It appears that for such companies, scope 3 emissions are always higher than scope 1 and 2 ones.

Please see section 4 "Boundaries" of the ACT Electricity and Generic methodologies for further details.

Q. What is the difference between absolute emission and emission intensity targets?

Companies can set two types of targets: to reduce absolute emissions or emissions intensity. Progress towards emissions intensity targets is achieved when companies reduce the emissions they produce per amount of product or service provided. Progress towards absolute emissions targets can be achieved via emissions intensity improvements or via activity level reductions.

Absolute emissions refer to the total quantity of emissions in absolute terms, e.g. 100 million tonnes of CO₂. Emissions intensity is the quantity of emissions per unit of activity i.e. amount of product or service provided. For the electricity sector, these measures are gCO₂/kWh (kilowatt-hour) of electricity.

The ACT sectoral decarbonisation pathways are defined in terms of emissions intensities. When assessing the alignment of an absolute emissions target, the target is converted to an intensity metric for comparison with the company's benchmarked decarbonisation pathway (the conversion is done using the past and planned activity values for the base and target years – respectively 'from' and 'to' years of the target).

Q. How are future emission intensities calculated for electric utility companies?

ACT Electricity methodology assess both trend in past and future emission intensities and how they align with companies' low-carbon pathway.

A company's future emissions intensity is calculated based on the company's planned and current assets. Projections of changes to a company's current asset base and electricity generation are provided by a third-party data provider. Emissions intensities are calculated for future years by applying emissions factors to the projected generation from the company's assets in a given year. Different emissions factors are applied depending on the type of asset (coal, gas, renewables etc.).

Q. What is meant by companies' carbon budget, and "locked-in" emissions?

ACT assessments compare the companies' "locked-in" emissions to their carbon budget for 2022 through to 2050.

It is acknowledged that both emissions intensity and absolute emissions are important metrics to be tracked when assessing companies' contribution to a low-carbon transition. The ACT Electricity methodology uses sectoral decarbonisation pathways to assess both companies' targets and trends in emissions intensity. This creates common metrics to compare companies' performances.

- A company's locked-in emissions are a forecast of cumulative direct emissions from its current and planned assets between 2022 and 2037. The locked-in emissions are calculated by applying emissions factors to the company's projected generation from each of its current and planned assets. Different emissions factors are applied depending on the type of asset (coal, gas, renewables etc.). The projected generation is provided by a third-party dataset. In the absence of confirmed sale or decommissioning dates for assets, asset lifetime assumptions are applied to calculate the expected decommissioning date.
- The carbon budget is calculated by using each company's 1.5°C emissions intensity benchmark pathway derived from the Net-Zero Emissions by 2050 Scenario (NZE) developed by the International Energy Agency (IEA). The benchmark emissions intensities are applied to the projected generation per year to calculate the total carbon budget for 2022 to 2037.

For more information, refer to the ACT Electricity methodology, pp. 40-48.

Q: How does the methodology allow the use of carbon credits (carbon offsetting), in targets?

Carbon offsetting is excluded from the calculation of quantitative ACT indicators related to targets, material investments and sold product performance.

According to international standards such as ISO 14064-1, ISO 14067, European Product Environmental Footprint and Organization Environmental Footprint, WRI/WBCSD's GHG Protocol, carbon offsetting shall not be included in GHG quantification, but may be reported separately as "Additional Environmental Information". Carbon credits shall not be subtracted from the GHG inventory to minimize the amount of GHG emissions. Therefore, carbon

offsetting is excluded from the calculation of quantitative ACT indicators related to targets, material investments and sold product performance. Nevertheless, in the narrative scoring of the ACT assessment, these credits may be considered as additional information that helps to better understand the decarbonization strategy of a company.

Q. Where does the 95% of sectoral low-carbon capital expenditure (CapEx) needs, used to assess electric utility companies, come from?

Electric utility companies' share of CapEx are assessed against a 95% sectoral value. This reference builds on data from the Net-Zero Emissions by 2050 Scenario (NZE) by the International Energy Agency (IEA).

The IEA – NZE scenario provides the global average annual energy investment needs by sector (see figure 4.2, p.155). The forecasted investment needs for 2021-2030 have been considered for "electricity", taking into account categories related to low-carbon solutions.

Summing these low-carbon contributions results in an annual low-carbon CapEx requirement of 95%. This value is then used to assess companies' share of CapEx dedicated to low-carbon and mitigation technology (see performance indicator EU 2.4 in ACT Electricity methodology), with the assumption that every actor should contribute at this level.

Since no sectoral value of R&D investments have been found, a simpler way of assessing the share of R&D investments dedicated to low-carbon and mitigation technologies is used (see performance indicator EU 3.1 in ACT Electricity methodology).

IV. Data collection

Q. How is data on companies collected for the benchmark?

Data for the Climate & Energy Benchmark is collected from publicly available sources.

Data is collected from publicly available sources, including:

- company financial and sustainability reports
- responses to the CDP questionnaire, if companies have chosen public disclosure
- company websites and other publicly available materials, such as lobbying report, code of business conducts, etc.
- data provided via the Data Validation process

In the absence of generation and emissions data from publicly available sources for establishing company emissions intensity pathways, generation data from commercial data provider, Enerdata, was used under licence and complemented with in-house modelling of emissions.

Information from RepRisk or InfluenceMap may be used to inform the narrative assessment.

In the event of a lack of corporate disclosure or inconsistent or incomplete data for an indicator, companies score 0 as no assessable data exists. Companies are invited to directly participate in the data validation process by reviewing the data gathered by ACT's analysts, filling data gaps and providing feedback.

Q. What datasets and data were chosen for the WBA Electric Utilities Benchmark 2023?

The ACT methodology uses third-party and publicly available data.

Data was collected from company reports and other publicly available sources by the assessor team.

A third-party bulk data provider, Enerdata, was contracted during July to October 2023 to complement past generation and capacity data collected from public sources and to provide modelling of future generation values. Some past data provided by Enerdata was researched and the rest modelled. Enerdata's modelling was based on its in depth understanding of the electric utilities sector and its database of global generating assets, asset ownership and current version pipeline of asset commissioning and decommissioning.

The assessor team modelled missing past emissions data by applying default emissions factors to the companies' generation type mixes (collected or modelled). The assessor team

also modelled future emissions by applying default emissions factors to the companies' future generation type mixes.

Q: What reporting period is covered?

The ACT methodologies assess the most reliable, latest available public and verifiable data.

The ACT assessment of the Electric Utility companies considered data from materials published by companies up to 15th September 2023. The ACT assessments of the Capital Goods companies considered data from material published by companies up to 1st October 2023.

For the majority of companies, full-year data reporting was available for 2022. If full-year data was not available for 2022 then the most recently available data was collected. In all cases, the most recent year with full-year reporting was applied as the company's reporting year.

Q. Why has company performance on just transition indicators 3 and 4 dropped notably since the 2021 just transition pilot assessment?

The methodology remains unchanged, but we do not believe that companies perform notably worse on this indicator in comparison to the pilot assessment.

We believe that this change is driven by a better understanding of how to accurately assess some sub-indicators on these topics rather than notably worse performance by the companies. The 2021 pilot assessment was the first time the just transition methodology was applied. Since then, we have launched the 2022 Transport, 2023 Buildings, and 2023 Oil and Gas benchmarks, which has improved our understanding of this topic and how to assess company reporting on these topics, which results in fewer companies meeting these criteria.

More Questions?

If you would like to discuss in more detail the Electric Utilities Benchmark results, or the ACT methodologies, please contact the team at info.climate@worldbenchmarkingalliance.org