

Report on CDP 2009 consultation exercise

This report summarises CDP's approach to the design of its seventh information request, CDP 2009. CDP wishes to thank all of the stakeholders who responded to the consultation exercise on CDP 2009.

Information request name – CDP 2009

A respondent said that for 2009 only, the information request should be referred to as CDP 2009 (CDP7) to ease the transition from naming the questionnaire sequentially to naming it by reference to the year in which the request is issued and the results are published.

General layout and approach

We have tried to maintain the format and content of the CDP6 information request as far as possible. Where changes have been made, these are predominantly motivated by:

1. integration of the information request, ORS system and guidance,
2. policy effects (such as in relation to questions 11 and 12)
3. more accurate adherence to the GHG Protocol
4. simplifying questions where responses to CDP6 were poor or limited.

Timing

The CDP 2009 information request will be despatched to companies on 2 February 2009. However, it will be made available for companies to view on our website (www.cdproject.net) with effect from early November 2008 (which is when it will be sent to potential and already committed signatory investors). The content of the questionnaire will not change after 12 November 2008. We aim to make draft guidance for CDP 2009 available from late November although readers should note that this may change before 2 February 2009 - updates will be clearly marked.

Online Reporting System (ORS)

We are unable to reflect in the Word version of the information request, every detail that might appear in the ORS (for example, where tick boxes are used, where tabular reporting formats are suggested etc). We are therefore preparing a document which will show our recommendations for the ORS. This will be available for companies to view in draft format on our website with effect from late December 2008 but it will not be finalised until 2 February 2009.

Carbon Disclosure Leaders Index (CDLI)

Details of the CDLI Scoring Methodology were published in the CDP6 Global 500 and S&P 500 reports. The methodology was devised by CDP and PwC in the Summer of 2008 when PwC was appointed as CDP's Global Advisor. In accordance with the preference expressed by some companies for the scoring methodology to be published at the same time as the information request, we will make the methodology available for companies to view on our website from 2 February 2009.

Minimum standards and comprehensive answers

For CDP5 (2007) and CDP6 (2008), CPD established the practice of allowing for different levels of response from companies in carbon intensive and non carbon intensive sectors respectively. In CDP6 we did this by distinguishing between “minimum standard” and “comprehensive” questions. Generally comprehensive questions were designed to seek more detailed information, such as an analysis of greenhouse gas emissions by territory. The presumption was that companies in carbon intensive sectors would be at a more advanced stage in their management of climate change and would therefore be better placed to answer those questions.

As evidence of global warming increases and corporations enhance their knowledge and management of the implications for business, we consider all of the questions to be of potential significance. For CDP 2009, we have therefore decided not to distinguish between answers expected of carbon intensive and non carbon intensive sectors and all questions will apply equally to companies in all sectors. We recognise that some questions will not be relevant to certain companies. The Online Reporting System will give companies the opportunity to indicate that a question is not relevant to them so that we can distinguish between circumstances in which the company declines to answer a relevant question and those in which the question is simply not relevant.

Sector specifics

Specific questions and recommended reporting formats are for the electric utility and auto sectors are provided in supplements to the main information request and these are available on our website. The supplementary questions are based on reporting frameworks devised by the Institutional Investors Group on Climate Change (IIGCC), Ceres and the Australia/ New Zealand Investors Group on Climate Change (IGCC).

Water

The CDP 2009 consultation process asked for comments on whether and to what extent CDP should ask specific questions on water scarcity and/or regulation associated with water scarcity. We had a very mixed response about this. Whilst most respondents regard water as a vital issue associated with climate change, many felt that the CDP information request should continue to focus on carbon and energy management. CDP has developed a separate questionnaire on water disclosure as part of its supply chain project. In order to allow companies to decide how best to focus on carbon/energy and water respectively, we will invite companies that are particularly exposed to water related risks from climate change to refer to the CDP Water Module.

Risks and opportunities section

The questions remain as for CDP6 with a few exceptions. In particular, we do not ask individual questions about risk management/opportunity maximisation or assessment of the financial and business implications of risks and opportunities. This is because we found in practice that the majority of companies responding to CDP6 preferred to include all details about their approach to climate change risks and opportunities, including risk management, financial and business implications under the risk or opportunity category (regulatory, physical or other). We have therefore included in the risks and opportunities section of the questionnaire a list of points to consider when providing information about risks and opportunities in each category. We think that this reflects the approach that companies took in their answers to CDP6.

Greenhouse Gas emissions accounting section

Changes designed for closer alignment with the GHG Protocol

Question 10.5 asks for Scope 1 emissions to be reported by GHG type and question 15 asks for CO₂ emissions from biologically sequestered carbon (e.g. from the combustion of biomass) to be reported separately from Scopes 1, 2, and 3. Both of these changes reflect more closely the requirements of the GHG Protocol.

Reporting of “gross” emissions

We noticed in response to CDP6 that some companies had “netted off” actual, presumed or estimated reductions from their total Scope 1, 2 and 3 emissions figures so that only the net figure was reported. For CDP 2009 we ask companies to report their gross Scope 1, 2 and 3 emissions in response to questions 10, 11 and 13. However, there is the opportunity to report purchase of certificates such as Renewable Energy Certificates in question 12, estimated avoided emissions in question 14, reduction plans in question 23, etc. We hope that this will give users of information a clearer picture of companies’ emissions profiles.

Changes designed for greater transparency

In questions 10.2 – 10.4 and 11.2 – 11.4 we give companies the opportunity to show their scope 1 and scope 2 emissions analysed by geography, business division or facility. In line with the guiding principles of information preparation under the GHG Protocol, subdivision of emissions data within scopes should be used to aid transparency or comparability over time.

Purchased electricity – scope 2 questions

In certain territories, the effect of buying/using zero or low carbon electricity tariffs and certificates such as Renewable Energy Certificates on the calculation of scope 2 emissions has been hotly debated. On the one hand purchasers of electricity under these arrangements want to be able to reflect the effects in their scope 2 calculations. On the other hand, there is concern about a number of issues such as double counting of environmental benefits where the zero or low carbon electricity has already been taken into account in calculating the grid average emissions factor

In addition, in some jurisdictions, zero or low carbon electricity production is certified in documents quantifying the claimed GHG benefits of the electricity. If these certificates are sold separately from the electricity itself and the purchasers of both apply a zero or low emissions factor to the electricity, then there has been further double-counting.

Clearly no matter what electricity tariff a company chooses, it has no control over the origins of the electricity that it takes from the grid. Buying via a zero or low carbon tariff does not act as an offset for the emissions linked with the electricity used except in specific circumstances. Offsets have to conform to a stringent set of rules to maintain credibility. It has to be shown that the claimed emissions reduction would not have occurred without the purchase of the zero or low carbon tariff. This may be difficult to show in jurisdictions where, for example, governments mandate a certain amount of renewable generation and this is the primary driver of extra renewable capacity.

Taking all these issues into account, CDP is therefore asking companies to use the grid average emissions factor to calculate their Scope 2 emissions from electricity taken from the grid, unless a defined set of circumstances apply (see our guidance).

However, CDP recognises that companies using a zero or low carbon tariff are taking steps to secure the future of zero or low generation through their financial support and that a generally-accepted procedure for accounting for these purchases has yet to be agreed. Therefore, we invite companies to detail their purchases via these tariffs and to record certificates quantifying claimed GHG benefits that they have retired (taken out of use).

This is in line with the approach taken by the World Resources Institute and The Climate Registry.

Verification/assurance

Two respondents to the consultation exercise recommended that the information request should seek details of the type of verification/assurance obtained by the company (ie: limited or reasonable) and this has been incorporated into the questionnaire.

Energy costs and requirements

We have refined questions 2(b)(e)-(h) and 2(h) of CDP6 to more closely reflect our understanding of investors' objectives from these questions which are as follows:

1. to establish the costs of energy
2. to identify the reduction of risk in relation to energy dependence by requesting information on diversification of energy sources
3. to help investors determine how efficiently energy is used.

Emissions trading

As trading schemes develop around the world and corporate involvement in trading increases, we have developed the questions on emissions trading to collect more detailed information.

Although no further amendments to the CDP 2009 information request may be made after 12 November 2008, we always welcome feedback and any comments should be e mailed to Lois Guthrie (lois@cdproject.net).