

**IBERDROLA**  
27/07/2016

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**IBERDROLA'S  
SUBMISSION ON THE  
ROAD MAP FOR  
GLOBAL CLIMATE  
ACTION**

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**0. Iberdrola's commitment to tackle climate change**

Iberdrola is a Spanish multinational electric utility (Iberdrola is the largest European utility and one of largest in the world by market capitalization) with focus on networks, customer service and renewable energy, in particular wind power (wind energy producer leader), operating in more than 40 countries and with over 28 million customers.

Iberdrola is aware of the profound challenge that climate change represents and we defend the existence of important business opportunities for the companies that are most committed to protecting the environment (development of smart grids and renewables, implementing energy efficiency measures, electrification of transport and the heating & cooling sector, etc.). Iberdrola's experience proves that it is possible to continue growing (at an even faster rate than our competitors) while choosing a generation mix that is 66% emissions-free, with an emissions intensity that is 30% lower than the average for the European electricity sector, and also being world leader in wind power production. Iberdrola keeps working on consolidating its position not only as a first mover but also as a global leader in new renewable energies, with a solid portfolio of future project based on clean investments, mostly wind, both onshore and offshore (with an investment of €2.4 billion in on/offshore projects for the 2014-2016 period), and solar.

Iberdrola has publicly announced its goal for 2030, as the company's "contribution" to the COP in Paris: to reduce our global carbon intensity by 50% in 2030 compared to the levels attained in 2007, bringing it down to 150 gr CO<sub>2</sub>/kWh, which is in line with having a carbon-neutral electricity supply by 2050.

This goal has been submitted via the platform created by the United Nations to group together the highest possible number of climate contributions by non-governmental actors. This platform is known as *Non-State Actor Zone for Climate Action (NAZCA)*<sup>1</sup>.

Iberdrola actions on climate change have been recognised by the Carbon Disclosure Project (rated as category A in the *Carbon Performance Leadership Index* and with 100 points in the *Carbon Disclosure Leadership Index*), Dow Jones Sustainability Index (the only European utility to have been selected 16 times), FTSE4GOOD (included for the fifth year in a row in the FTSE4Good index of most sustainable companies worldwide), ACCO Award, Carbon Ranking Global 800, Newsweek's Green Ranking and the Rubin D'Honneur 2013 European Business Awards.

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<sup>1</sup> <http://climateaction.unfccc.int/>



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### 1. The current situation:

#### ***Is this general presentation an accurate description of the current state of play? If not, what can we do more?***

Iberdrola agrees with the need of keeping alive the “momentum” achieved by Paris Agreement in the climate action’s scope. This engagement is, with no doubts, indispensable to meet 2°C target.

Within this framework, the involvement of private sector (energy, finances...) in climate action process is crucial to launch the solutions needed (e.g. renewable energy deployment, energy efficiency improvements) to reach a greenhouse gas (GHG) emissions path consistent with Paris Agreement target.

Within the scope of the climate change international negotiating process, it is key to formally recognize private sector relevance not only as an observer but also as an agent that will ultimately launch initiatives that make up what is known as Climate Action.

From an energy policies and climate change perspective, works on implementation prior to 2020 should take into account the following general principles:

- All sectors of the economy should contribute towards attaining the 2°C target.
- Electrification is the main way to decarbonize the energy sector (which accounts for over 70% of CO<sub>2</sub> emissions), which is a key aspect in achieving the target that has been set and making also the most of all the benefits that come with enhancing air quality and reducing pollution at local level
- It is necessary to eliminate the subsidies on fossil fuels either through direct or indirect support mechanisms. In this spirit and in order to make the transition towards a low-carbon economy easier, it is indispensable to remove from electricity prices all cost items that are unrelated to the supply, as they hamper the competitiveness of electricity compared to fossil-fuel energy sources, and discourage clean energy investments. It is also crucial to create a fiscal system that is consistent with attaining the 2°C goal, based on “polluter pays” principle.
- Carbon pricing mechanisms are the most important tool for governments to send out a strong signal that can promote the transition towards a low-carbon economy. For this to be the case these mechanisms have to be designed, as we have already mentioned, according to the “polluter pays” principle and they have to be rolled out to all sectors of the economy.
- The design of the “mitigation outcome” exchanges (the general name given to the trading of emissions allowances) should generate a strong carbon pricing signal that will ensure protection for the environment and the integrity of the mitigation outcome, providing incentives for investments in climate solutions for supply (e.g. renewable energies) and demand (e.g. enhancing energy efficiency).
- A thorough assessment should be made before linking emissions trading systems (ETS) since it has consequences in terms of price convergence and income transfers. Therefore, linking the European ETS to other less demanding systems could reduce the price of CO<sub>2</sub>, bring down investments in low-carbon technologies in Europe, lowering the income streams of emissions auctions for governments and the local co-benefits in terms of air quality and health improvement.
- The nationally determined contributions (NDCs) to the global response to climate change should promote collaboration between countries and offer visibility to investors.
- The finance target should be met using funds from public and private sources, as well as innovative public-private collaboration approaches.
- Carbon pricing policies (ETS or taxation) should be aligned with the goal of climate finance, for which a transparent, consistent framework is required. Among the possible purposes for which the funds raised may be used, one of the priorities should be to help finance climate policies to adapt and mitigate climate change.
- The standardization and transparency of information should be promoted to achieve a sustained increase in the level of climate ambition and boosting collaboration between the Parties.
- The private sector should reinforce its participation in the technology transfer mechanism, based on specific technological development at the destination so that it is possible to adapt the innovations to the location where they are to be used and thus ensure the success of the projects.
- Adaptation has an important role to play in climate action. It is necessary to conduct a comprehensive diagnosis of the needs for adaptation at global and local level.



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- Climate change is a risk for the economy as a whole and for the industrial and financial sectors in particular. It is important to bear in mind the impacts derived from climate change itself and the risks associated to a late and sudden transition towards a low-carbon economy. It is necessary to carry out a thorough assessment, inform on the level of exposure, enhance the disclosure level and develop the respective hedging strategies.

### 2. The role of the high-level champions:

***Is this an accurate description of the role the high-level climate champions should play with regard to the mobilization of non-state actors? Is there anything else they should do, or are there things mentioned here that they should not do?***

“High level champions” figure can play vital role to formalize and to foster private sector participation in the climate change negotiating process. A high level figure like this must carry out an awareness function and act as dynamizing agent of corporations in order to involve more sectors on the fulfilment of climate targets.

One of the key aspects is to develop strict guidelines able to structure, quantify and monitoring all the private contributions presented. The transparency and comparability of the targets set is crucial to emphasize the climate ambition of agents that have embraced the fight against climate change as an integral part of their business strategy.

Within the reporting and monitoring field, it would be especially relevant for companies and organizations to assess properly the level of exposure to climate change in order to improve the disclosure process and contribute to develop the respective hedging strategies.

### 3. Transparency and tracking

***How do we assess the initiatives? What would be the ideal set of criteria? Who would assess them? What should be the role of the Non-State Actor Zone for Climate Action (NAZCA)?***

As a general recommendation, it is essential to promote standardization and transparency of the information, as means to delivering a sustained increase of the climate ambition and to fostering cooperation among Parties.

This principle can be developed from the following suggestions:

- The framework developed in the implementation process should include among its basic goals adequate monitoring of nationally determined contributions. Each Party should be obliged to provide on a regular basis a full inventory of emissions and information on the policies and measures it is implementing to attain its goals.
- The indicators and the reporting obligations that are set should:
  - Serve to provide a clear diagnosis regarding the mitigation and adaptation measures;
  - Add clarity to finance flows at both source and destination;
  - Lay the foundation for the global climate stocktake, to start in 2023 and be updated every 5 years.
- It is essential to appoint national institutions with responsibility for reporting in the process.
- In general, the monitoring, reporting and verification framework will lay the foundations for an ongoing and collaborative increase in the level of climate ambition.

Nowadays, many companies have reporting and verification systems that certify the rigour and ambition of their climate commitments. Reporting organizations (i.e. CDP) could play an important role in the whole monitoring process and in the analysis of the private climate ambition.

Despite reporting and verification efforts that private sector has already made on disclosure, there is still a long way to walk.



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**4. High-level event**

***What do Parties and non-Party stakeholders expect from the high-level event at COP22?***

The event has to contribute to emphasize solutions private sector is going to launch in order to meet Paris Agreement goal.

This event should serve as a platform to showcase solutions of those sectors (such as clean power generation or electrification of transport...) which are an essential part of climate change mitigation (and adaptation) since they will provide the biggest CO<sub>2</sub> emission reductions (See answer to the block "The role of the TEMS" for further details).

**5. The role of the TEMS**

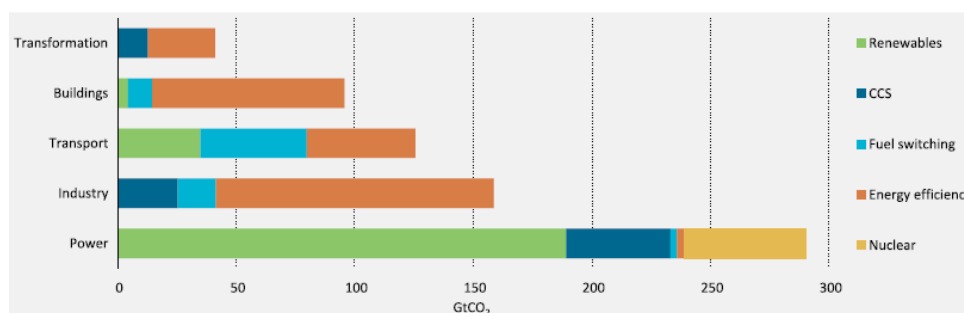
***Do you share the belief that the format of the TEMs should evolve in the light of the Global Climate Action Agenda? How could we ensure that the TEMs are more solution-oriented?***

TEM format must become a forum for analysis, debate and implementation of the political, technological and economical solutions needed to meet Paris Agreement goals. This analysis, that must be updated and adjusted continuously to the technological progress, must be focused on those concrete technologies able to deliver real solutions.

All of the prospective analyses show the key role that the electricity sector has to play in combating climate change. For example, the studies conducted by the International Energy Agency (IEA) highlight the central role that the electricity sector should play in attaining the 2°C scenario (2DS):

- There is an evident trend towards electrification in the global economy (the 79% increase in the final demand for electricity by 2050 is in contrast to the trends for other energy sources), with an increased share of electricity in the final sectors, accounting for 28% of the final energy mix by 2050 and becoming the greatest final energy supplier in absolute term (IEA, 2016, p. 36).
- It is noted that the electricity sector is the one that will make the biggest effort in terms of reducing CO<sub>2</sub> emissions (accounting for 39% of the accumulated reduction by 2050) and that the sector will be almost fully decarbonised by the year 2050. In fact, the 2°C scenario involves a mass roll-out of low-carbon generation technologies to reduce the intensity of CO<sub>2</sub> emissions to levels below 40 g CO<sub>2</sub>/kWh in 2050 (IEA, 2016, p. 37).

Accumulated reduction in CO<sub>2</sub> emissions per sector and technology by 2050



Source: (IEA, 2016)

Beyond electricity sector, the contribution of all sectors is indispensable to reduce emissions to a level that is consistent with the 2°C target, being particularly important to tackle those with the most intensive use of fossil fuels, such as the transport and building sectors.

One very important cross-sectional measure for reducing emissions (and the associated investments) is the development of a strong carbon pricing signal for all the sectors and energy sources in the economy, either via emissions trading systems or by introducing new specific taxes for this purpose. In the same vein, it is essential to perform a review of the components included in the prices to eliminate all cost items that are unrelated to the supply and hamper the electricity competitiveness against fossil fuel sources (indirect subsidies).

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**6. References:**

IEA. (2016). *Energy Technology Perspective*. Paris: OECD/IEA.

