

THE STATEMENT

As investors, we are deeply concerned that major European chemical companies¹ are not moving fast enough to help the world keep global warming to 1.5C. The United Nations Environment Programme (UNEP)'s recent report 'The Emissions Gap' showed that the window of opportunity to address the climate crisis is closing.² The report calls for an urgent system-wide transformation to avoid climate disaster. Recent analysis by Carbon Brief supports the call for urgent action; it suggests the 1.5C carbon budget may now be exhausted in as little as six years.³

Without rapid and sustained emissions reductions, we are at serious risk of breaching several tipping points that would bring abrupt, severe and irreversible changes in our climate.⁴ A global temperature rise beyond 1.5°C could trigger multiple tipping points, such as the glacial collapse of the West Antarctic Ice Sheet (WAIS).⁵ The 10 feet of sea level rise from this event would be catastrophic, flooding major cities, causing widespread salination of agricultural land, and displacing millions of people.⁶ This demonstrates that every fraction of a degree of warming matters.

As investors, we will support companies if they show strong potential for long-term value creation. Chemicals will still be a critical sector in 2050, but only companies that can decouple from fossil fuels and navigate the difficult transition ahead will have a share of that market. The investment decisions these companies make now will determine their path to 2050; inaction, delay, and prolonging dependence on fossil fuels is not a viable path for the planet or for business. Therefore, it is our view that a credible strategy to align with 1.5C is necessary to remain competitive. Companies that are quickest to scale new processes, feedstocks and circular products will be best positioned for long-term profitability and competitive advantage.

We have been engaging with these companies since 2021. -While some welcome progress has been made by some companies, across the board we are not seeing enough being done to address our concerns. We are asking to meet with company CEOs again this the year to discuss the progress made so far and to push for more ambitious decarbonisation plans aligned with 1.5C. Progress against the critical steps set out below will be taken into consideration in our voting action and engagement activities, such as voting on special and ordinary resolutions, this AGM season and beyond.

We expect chemicals companies to, where relevant to their business:

- 1. Set out and disclose a plan over the short, medium and long term, with intermediate targets, to:*

¹ The companies that these investors are engaging with and that are covered by ShareAction's campaign are: *Air Liquide, BASF, LyondellBasell, Covestro, Croda International, EMS-Chemie Holdings, Evonik Industries, Givaudan, Koninklijke DSM, Lanxess, Solvay, Symrise, Yara International.*

² UNEP (2022). [Emissions Gap Report 2022 \(unep.org\)](#) (Accessed online 3/1/23)

³ Carbon Brief (2022). [Guest post: What the tiny remaining 1.5C carbon budget means for climate policy - Carbon Brief](#)

⁴ Carbon Brief (2020). [Explainer: Nine 'tipping points' that could be triggered by climate change - Carbon Brief](#) (Accessed online 09/1/23)

⁵ Earth Commission (2022). [Risk of passing multiple climate tipping points escalates above 1.5°C global warming - Earth Commission](#) (Accessed online 09/1/23)

⁶ Carbon Brief (2020). [Guest post: How close is the West Antarctic ice sheet to a 'tipping point'? \(carbonbrief.org\)](#) (Accessed online 09/1/23)

- a) *phase in electrified chemical production processes, with the aim of transitioning to 100 per cent electrified processes by 2050;⁷ and*
- b) *increase energy consumption from renewable energy sources, with the aim of transitioning to 100 per cent renewable energy by 2050.⁸*
2. *Set out and disclose a plan over the short, medium and long term, with intermediate targets, to phase in non-petrochemical feedstocks that are emissions-neutral over their entire lifecycle, with the aim of transitioning to 100 per cent emissions-neutral feedstocks by 2050.⁹*
3. *Set scope 3 targets that are aligned with 1.5C low/no overshoot pathways covering all relevant upstream and downstream emissions.*
4. *If relying on woody biomass, phase it out from direct and indirect energy generation by 2050 at the latest.¹⁰*
5. *Explicitly commit to align capital expenditure plans with the objective of limiting global warming to 1.5C without overshoot; and disclose future capital spending on new and existing assets broken down by the type of asset, and by plant/facility, across all geographies.*

Signed by:

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⁷ Currently fossil fuels are burned to produce energy and heat for processes. These energy requirements can be electrified and powered by renewable energy, eliminating these direct emissions. ShareAction (2021). Slow Reactions. <https://shareaction.org/reports/slow-reactions-chemical-companies-must-transform-in-a-low-carbon-world> (Accessed 17/03/2023).

⁸ Ibid.

⁹ Using fossil fuels as raw materials (feedstocks) for chemical production creates GHG emissions: upstream from oil and gas extraction, at chemical plants, and downstream when fossil carbon embodied in chemical products is released. Chemical companies can instead use renewable hydrogen and CO₂. CO₂ could have several sources including air or point-source capture, and recycled waste. This must be emissions-neutral over its lifecycle. ShareAction (2021). Slow Reactions. <https://shareaction.org/reports/slow-reactions-chemical-companies-must-transform-in-a-low-carbon-world> (Accessed 17/03/2023).

¹⁰ Woody biomass carries several environmental risks. It can be more polluting than coal at the point of combustion and can negatively impact biodiversity. Moreover, process energy for chemical processes can be electrified and energy can be generated with renewable sources. As such, woody biomass should not be considered a sustainable fuel source for the chemical sector. ShareAction (2019). The Biomass Blindspot. <https://shareaction.org/reports/the-biomass-blind-spot> (Accessed 17/03/23).

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