

Using Business Data to Drive Informed Policymaking on Energy and Climate

India Executive Summary

April 2023

This Executive Summary presents key findings and recommendations of the Ambition Loop Project coordinated by the We Mean Business Coalition and CDP, in partnership with TERI in India¹.

There is a need for a systematic approach to align business ambition, action, and accountability with ambitious policymaking: building a system providing policymakers with reliable evidence from the real economy to translate Nationally Determined Contributions (NDCs) and goals into effective policy and regulation.



1. The research entailed results of data analysis of CDP 2021 Climate Change questionnaire from 267 companies, representing 58% of German market capitalization; SBTi; RE100; and CDP's Full GHG Emissions Data Set of 435 companies. Consultations with leading businesses from the industrial, transport, and energy sectors were carried out to give depth to pinpoint key policies to incentivize companies to take even bolder steps in their transition.

What climate ambition and actions are companies taking to transition towards a 1.5°C economy in India?



56%

of Indian market capitalization represented in disclosure through CDP.



52%

of companies are also disclosing publicly through sustainability and/or annual reports.



Just

1%

of companies' plans cover all indicators of a credible transition plan.



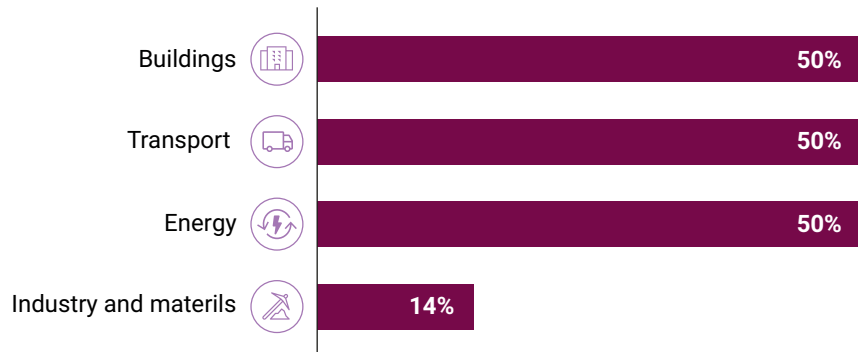
Corporate disclosure is increasing and becoming the norm. Science-based targets and ambition to reduce emissions are rising, but total ambition falls significantly short of 1.5°C.

Alongside the 56% of Indian market capitalization represented in disclosure through CDP, there has been growth in science-based target (SBT) setting. 43 companies have approved SBTs, 95 have committed to setting near-term SBTs covering the next 5 to 10 years, and one has committed to setting targets aligned with the SBTi Net Zero Standard covering the period until 2050. 52% of companies are also disclosing publicly through sustainability and/or annual reports. This shows an increased awareness on the importance of corporate disclosure on climate change.

However, overall ambition is not high enough. If all companies disclosing through CDP delivered against their mid-term targets, they would on average decarbonize at a rate consistent with a rise in global temperatures of 2.9°C (Scope 1 and 2) and 3.1°C (Scope 1, 2, and 3) by 2100.

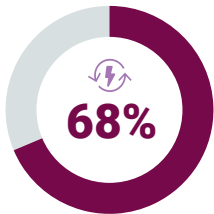
Disclosure and targets have not yet been translated into credible climate transition plans by many companies.

35% of companies disclosing through CDP report that they have developed a transition plan, and that climate-related risks and opportunities influenced their organization's strategy and/or financial planning. Energy-intensive sectors have higher shares of plans: buildings (50%), transport (50%), energy (50%) and industry and materials (14%). However, just 1% of companies' plans cover all indicators of a credible transition plan. 18% of organisations reported at least 80% of the full list of indicators².

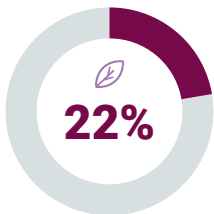


2. Based on the 24 indicators in the CDP questionnaire relating to a credible climate transition plan, which have subsequently been revised to 21 indicators this year. CDP Transition Plan indicators: Technical Briefing, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/101/original/CDP_technical_note_-_Climate_transition_plans.pdf?1643994309.

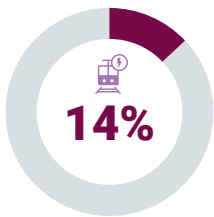
Most companies report on energy but few set energy-related targets.



68% of Indian companies and 97% of investor-requested companies specifically report details of their energy consumption through CDP.



However, only 22% report targets to increase low-carbon energy consumption or production.



The largest energy consumption coming from energy, metals, mining and steel companies. In sectoral terms, the renewable energy (RE) share is highest for transport (14%).

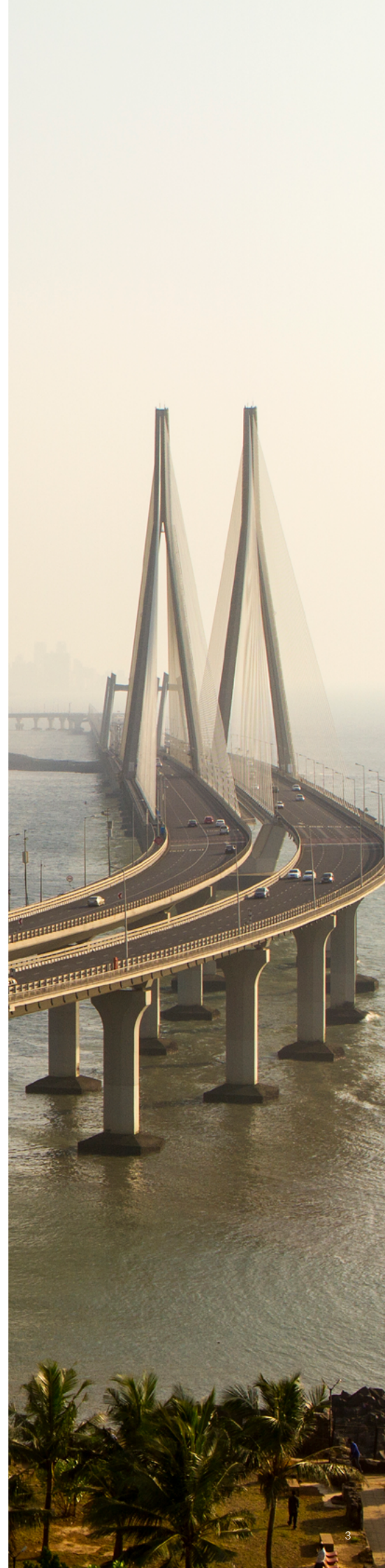
The total RE share of 4% is considerably lower than the G7 average of 15%, but comparable to Japan (4%) and Canada (2%).

Some companies are seeing the value of internal carbon pricing.

12% of companies (31) and

32% of investor-requested companies (29)

apply internal carbon pricing, which indicates that companies are considering the costs of carbon and preparing for a future with carbon pricing policies.



What policy changes would support further action, focusing on the most critical ones for companies?



Renewable energy procurement by commercial & industrial sector

The creation of competitive markets for green electricity would help industry to increase the share of renewables in electricity consumption; for example, through access promoted by the 2022 Green Open Access Rules whereby companies can buy renewable and/or green energy directly from suppliers, rather than having to do so via power utilities.

Further, to accelerate RE penetration in the electricity sector, companies ask for additional policies to integrate renewables in grid and increase share of clean energy across their portfolios. Examples include new energy efficiency initiatives, promoting green hydrogen, and industrial fuel switch and electrification.



Creation of domestic carbon markets

Domestic carbon markets would help incentivize decarbonization initiatives of large commercial and industrial energy users. They can build on the Performance and Trade (PAT) scheme that uses market-based mechanisms to stimulate the uptake of energy efficiency measures by industry, as well as the increased experience of internal carbon pricing.

The 2022 Energy Conservation Amendment Bill includes the creation of domestic carbon markets in India and therefore could help in developing synergies across various policy measures. Market regulation, infrastructural investment and training of industrial players are all key components to integrate into planning.



Clearer industry policy and demand side signals

Low-carbon initiatives in hard-to-abate sectors are crucial owing as major contributors to GHG emissions and the Government's focus on expanding the manufacturing sector to grow India's GDP. Specific areas identified to accelerate the energy transition and uptake of low-carbon products, as well as contribute to employment growth and transitional planning include:

- ▼ Policies, research and development and investments in viable low-carbon fuels and technologies to accelerate the uptake of technologies.
- ▼ Green procurement from both the Government and other customers to establish the pull for low-carbon products including green steel and cement.
- ▼ Policies to increase industrial demand for low-carbon fuels including green ammonia and green hydrogen (replacing coke and natural gas).
- ▼ Policies enabling the availability and use of alternative fuels and raw materials (AFR), refuel-derived fuel (RDF) and biomass for continuous sustainable development of the sector.
- ▼ The circular economy and material efficiency playing a stronger role in the planning stages of infrastructural development.



Increase investment in infrastructure and R&D

Policies that facilitate the procurement of land and obtaining the required permits would be seen as a major enabler to implementing RE projects. Land is also required for increasing the share of biomass in the non-fossil fuel mix.

Additionally, financial support for infrastructural projects in relation to RE and hydrogen would be welcomed as very capital-intensive areas. Research and development in technology and infrastructure would also be of critical importance in the industry transitions.



About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 740 financial institutions with over \$130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP to find out more.

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