



Five years since the Paris Agreement:
Reasons for optimism.



IBERDROLA

1. Five years of progress, but significant ongoing challenges

The adoption of the Paris Agreement in December 2015 was a key milestone in the global climate agenda, due to the importance of the multilateral action framework that was created around the goal of limiting the increase in global temperatures to below 2°C by the end of the century and its governance instruments and mechanisms, which came to form part of the climate policy and cooperation framework at all levels.

After the approval of the Paris Agreement, the plans presented by governments, the involvement of major world leaders in advocating an ambitious approach, the support of the business community and civil society in general created a context in which initiatives, alliances and regulatory frameworks could be promoted that were in line with its goals. A clear example of this last point was the extension of the CO₂ price signal and the goal of climate neutrality by 2050 to an increasing number of regions.

The political and social momentum of these last 5 years has been accompanied by the strong growth of climate-related technological solutions in all areas of the economy (renewable energies, batteries, energy efficiency technologies for equipment and processes, etc.) and a growing awareness of the opportunities created by the green economy, based on the experience of global and local stakeholders around the world, and increased awareness, especially among young people.

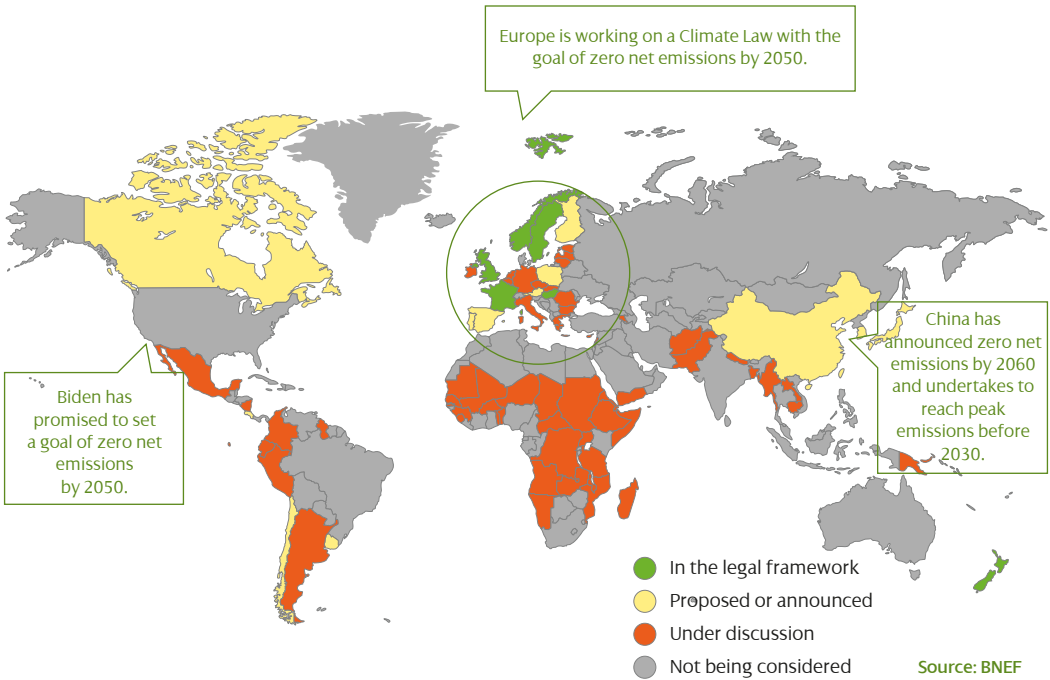
December 2020 is the perfect time for reflecting on the progress made on climate action and for looking at the challenges that still lie ahead, in a situation still affected by great uncertainty overall, aggravated by the current COVID-19 crisis.



The series of indicators shown below illustrates the significant advances that have been made in politics, the economy, technology, finance and society but also form an important part of the ongoing challenges

GREATER POLITICAL COMMITMENT AND MORE AMBITIOUS REGULATIONS

If the United States sets a goal of zero net emissions by 2050, around 70% of the world economy would be committed to being emissions-neutral by mid-century, in line with the Paris Agreement.



127 countries have made announcements regarding zero net emissions targets, 27 of which are backed by legal frameworks or are in progress. It is estimated that these announcements could reduce global warming by 0.5°C by the end of the century, facilitating compliance with the Paris Agreement. This impact would be in addition to the lower warming forecast of 0.7°C, owing to the regulations and actions that are being implemented (renewables, new technologies, etc.). (Source: Climate Action Tracker)

Some 1,100 companies have science-based emissions reduction targets (SBTs) and more than 500 have committed to setting such targets in the near future.

Over 60% of global emissions are covered by zero net emissions targets, including China.

MORE ALLIANCES AND MORE ROOM FOR COOPERATION BETWEEN CIVIL SOCIETY AND GOVERNMENTS

European Green Deal: Climate neutrality
is at the heart of the **growth strategy**.



X3

In the **last decade**, the **number of carbon pricing initiatives** in operation or scheduled **has tripled**. In April 2020 there were 64, consisting of 31 emissions trading systems (ETS) and 33 carbon taxes, covering 12 GtCO₂ or approximately 22% of global greenhouse gas emissions, including those of China.

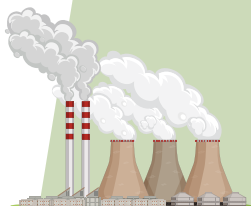
The **climate commitments made by companies** worldwide account for the equivalent of **1/4 of the world's economy**.



The **1,385 companies** that are members of the climate action coalition **We Mean Business** account for **all of India's annual emissions**.

Climate Ambition Alliance: 2,289 organisations (countries, companies, academia, etc.) are members of an **alliance to work towards climate neutrality by 2050**.

452 cities, 22 regions, 1,101 companies and 549 universities have undertaken to **work towards climate neutrality** by reporting their progress transparently and robustly (**Race to Zero**)



We are Still In: Almost 4,000 leading politicians, CEOs and representatives of institutions in the United States support an ambitious approach to the Paris Agreement.



1,440 companies and investors are committed to implementing the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).



The Central Banks have launched initiatives like the **Coalition of Finance Ministers for Climate Action**, **Network for Greening the Financial System**.



**Climate
Action 100+**

Investors have launched initiatives like **Climate Action 100+**, which includes more than **370 investors**, **Principles for Responsible Banking**, backed by more than 190 banks, and the **Principles for Responsible Investment (PRI)**, whose membership has multiplied by 2.5 since 2015, and the **Green Bond Principles**, which **have increased exponentially in recent years**.

27,174 climate-related actions and commitments registered by civil society on the **United Nations NAZCA platform**.



COMPETITIVE GREEN TECHNOLOGIES AVAILABLE FOR MASS DEPLOYMENT. EVOLUTION OVER THE LAST 5 YEARS

Installed renewable capacity: 686 GW:
- Wind power: 190 GW Onshore and 16 GW Offshore.
- Solar power: 363 GW



Reduction in the cost of SPV power of -66%, onshore wind power of -33% and offshore wind power of -68%



55% reduction in the cost of batteries



Sales of electric vehicles have risen by 367% and their autonomy has doubled since 2015.



Almost 7 million electric vehicles on the roads. (532% increase). Includes PHEV.



Charging stations have increased by 394%.



Almost 500 models of electric vehicle now available.



Mobility goals set by different countries, and restrictions on polluting mobility



Positive growth of policies promoting electric vehicles

Year in which the sale of fossil fuel vehicles is prohibited

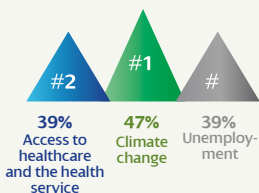


SOCIETY, COMPANIES AND INTERNATIONAL ORGANISATIONS, INCREASINGLY AWARE

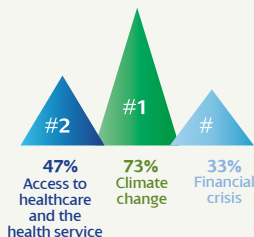
- Third consecutive year in which extreme weather events are considered to be the most probable and highest impact risks, according to a report from the World Economic Forum.
- Increase in the awareness of civil society and the appearance of initiatives, especially among young people:

Public perception of climate change. What is the greatest challenge facing your country?

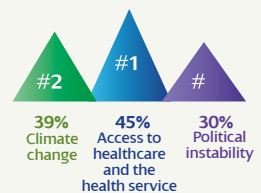
European Union
28,088 surveyed



China
1,000 surveyed



USA
1,000 surveyed

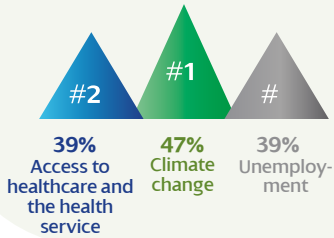


SOURCE: The EIB Climate Survey 2019-2020

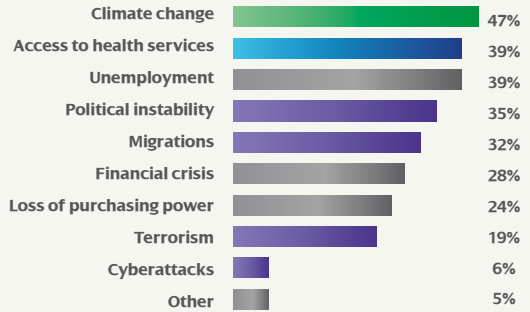


European Union
28,088 respondents

The three greatest challenges faced by European citizens



Challenges



CHALLENGES: THE PACE OF PROGRESS IS NOT SUFFICIENT TO SUCCESSFULLY COMBAT THE CLIMATE CRISIS

GLOBAL EVOLUTION OF CO₂ EMISSIONS



*Source: ClimateWatch

- Global CO₂ emissions due to energy use increased by 3.4% between 2015 and 2019.
- 55 new coal-fired power stations installed.
- Loss of biodiversity: 75% of the Earth's surface has suffered considerable damage to date and 1 million plant and animal species are in danger of extinction.
- Fossil fuels still play a very important part in final energy consumption: down from 66 percent in 2015 to 63 percent in 2019.

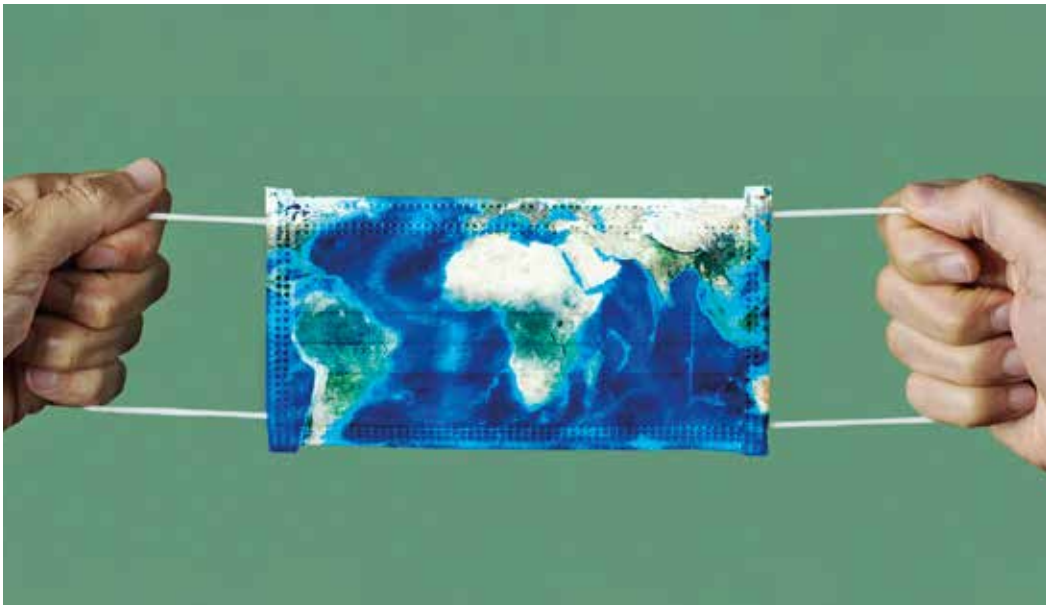
2. 2020: review of commitments in a context of uncertainty

This year was a significant milestone in the global multilateral agenda because of the fifth anniversary of the Paris Agreement and the 2030 Agenda (17 Sustainable Development Goals and 169 targets), and the 75th anniversary of the creation of the United Nations.

In the case of the climate agenda, it has been an important year for the upward revision of climate commitments, since the Paris Agreement set its signatories the obligation of presenting a new round of Nationally Determined Contributions (NDCs) and long-term decarbonisation strategies. To date, only 15 countries have sent in a new NDC. This revision barely covers 4% of global emissions.

However, although they have not been sent formally to the United Nations Framework Convention on Climate Change, some very important announcements have been made by the European Union and China. The European Commission has proposed an emission reduction target for 2030 of 55% (as against 40%). And in September China undertook to reach climate neutrality before 2060 and peak emissions before 2030.

This review process is taking place in a context of serious geopolitical and economic uncertainty, fuelled by the crisis brought on by the COVID-19 pandemic. In this context, recovery plans are being set in motion worldwide with stimulus packages that will mobilise the most resources in recent history. It will be important for these stimuli to be aligned with the climate and sustainable development goals. In Europe, the Recovery and Resilience Facility will earmark more than one third of its resources to meeting the goals of the Green Pact.





3. Support from business, a key factor in the review of climate commitments

Despite the advances made in implementing clean technologies and involving the business community, investors and civil society in general, the global evolution of greenhouse gas emissions is far from the annual reduction of 7.6% a year between 2020 and 2030 with which the world would succeed in slowing down global warming to a maximum of 1.5°C during this century. Even if all the non-conditional commitments (minimum commitments) made under the Paris Agreement are implemented, temperatures will rise by 3.2°C by the end of the century, which will have widespread, destructive climatic effects.

On the occasion of the fifth anniversary of the Paris Agreement, it is therefore more necessary than ever to support a ambitious, policy-driven approach to reviewing the targets and using the COVID-19 recovery plans to speed up the transformation of the economy towards a more sustainable, robust and healthy model.

In this context, the role of the business community, which was explicitly recognised in the Paris Agreement, is vital for demonstrating the opportunities offered by and the viability of economic models that are in line with the climate goals in terms of creating employment and value for the whole of society. As the UN Global Compact advocates, the contribution by companies to climate action provides governments and investors with the support that they need to adopt more ambitious policies.

Iberdrola's commitment to the Paris Agreement and green recovery

- We have a 75 billion euro **investment plans** up to **2025** to continue leading the transition to climate neutrality, focusing on renewable energy, networks, storage, sustainable mobility and new industrial vectors like green hydrogen.

-Our installed **renewable capacity** worldwide **will double** to 60 GW.

40% of the organic investments planned for the period 2020-2025 (more than 27 billion euros) will go into networks, to ensure the integration of renewables and the electrification of the economy.

The industry leader in green hydrogen, which will be vital for sectors where electrification is more difficult: 600 MW will be installed and operational in 2025, and 800 MW by 2027 in partnership with Fertiberia.

The first projects will be developed in Spain in 2021 (20 MW of electrolyzers in Puertollano).

The **largest investment programme** in history by a Spanish company.

A **key driver** of the transformation of the **industrial fabric** after 20 years of spearheading energy transformation.

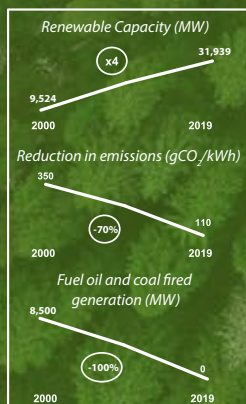
The **intensity of Iberdrola's emissions** (CO₂/kWh) is now **two thirds less** than the **European average**.

Iberdrola will be "carbon neutral" in Europe by 2030 and will **reduce** its CO₂ emissions worldwide by **86%, to 50 g/kWh by the end of the decade**.

As an additional contribution to the goal of **climate neutrality**, the company will plant **20 million trees** by 2030, 8 million by 2025.

The success story of a model resting on **solid ESG foundations:**

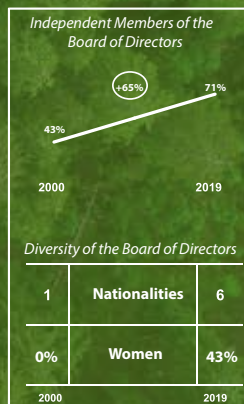
Environment



Social



Governance





PRINCIPAL PARTNER
**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY

ScottishPower (part of the Iberdrola group) has been announced as a Principal Partner of COP26 and will work alongside the UK Cabinet Office to support the delivery of a successful and ambitious conference in November 2021. The partnership demonstrates the COP26 Presidency's commitment to working with businesses who have credible science-based carbon emission reduction plans that are in line with the goals of the Paris Agreement.