

Transition Pathway Initiative

Organization

Transition Pathway Initiative Ltd.

Grantham Research Institute on Climate Change and the Environment, London School of Economics (Academic partner)

Partner organizations

FTSE Russell (Data Partner)

Summary

Using public disclosures, TPI assesses companies on their management quality and carbon performance, two different but related elements of how companies are approaching the low-carbon transition. The former focuses on inputs and processes, the latter on outcomes. Together, these assessments provide a holistic view of companies' progress, both backward and forward-looking.

The management quality framework is based on 19 indicators, each of which tests if a company has implemented a particular carbon management practice, such as formalizing a policy commitment to action on climate change, disclosing its emissions, or setting emissions targets.

The carbon performance assessment translates emissions targets made at the international level under the Paris Agreement into benchmarks, against which the performance of individual companies can be compared. We take a sector-by-sector approach, recognizing that different sectors of the economy face different challenges arising from the low-carbon transition.

Climate Focus

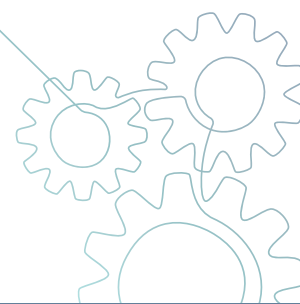


Resource Type



Intended Users





Transition Pathway Initiative

WHO	The TPI tool can be used by a range of stakeholders, including banks, investors, insurers, central banks, and regulators.
WHAT	<p>The TPI tool helps empower investors to understand and drive the low-carbon transition by providing independent, open-access data showing whether the world's largest high-emitting companies are adapting their strategies to align with international climate goals. We show this by evaluating companies' governance of emissions and climate risks/opportunities and the alignment of their current and targeted emissions intensities.</p> <p><i>In particular, the TPI online tool:</i></p> <ul style="list-style-type: none"> • Informs investment decision-making to minimize investors' risks arising from the transition to a low-carbon economy and maximize their opportunities. • Facilitates investors' engagement with companies to promote the transition by identifying steps companies can take to reduce their transition risk and maximize their opportunities. • Provides a database and research resource to use to further society's understanding of the low-carbon transition. • Facilitates dialogue between asset owners and their fund managers, and between the investment community and policymakers, on the transition to a low-carbon economy.
WHEN	<p>TPI's quantitative sector-specific benchmarks extend to 2050. Investors and other users of the tool can compare companies' emissions intensities with benchmarks between 2019 and 2050.</p> <p><i>Examples of how investors can use TPI data include:</i></p> <ul style="list-style-type: none"> • ESG integration: to understand whether their holdings align with the pathways set by the Paris Agreement • Active ownership: as a foundation for a broad engagement strategy or for individual corporate engagements • Product creation: to create climate-sensitive financial products that can drive more climate-aware company behaviors such as the FTSE TPI Climate Transition Index • Demonstrating commitment: to demonstrate that they are effectively managing the risks and opportunities presented by the transition • Voting, exclusions, and/or due diligence
WHERE	<p>Currently, we assess equities and bond issuers. However, we plan to expand the coverage to financial institutions (banks) and sovereign bonds issuers in 2022.</p> <p>We cover the following sectors on carbon performance: oil and gas producers, electricity utilities, airlines, shipping lines, auto manufacturers, steelmakers, cement producers, aluminium producers, paper producers, and diversified miners. We also provide management quality assessments of selected companies in the following sectors: coal mining, oil and gas distribution, chemicals, other industrials, consumer goods, and services.</p>
WHY	Becoming an active member of TPI can be a way for investors to show their beneficiaries, clients, or stakeholders that their interventions as investors are contributing to the goals of the Paris Agreement, and that they are effectively managing the risks and opportunities presented by the transition.
HOW	<ul style="list-style-type: none"> • The entire TPI dataset can be downloaded from TPI's website. • The dataset includes emissions intensity pathways of companies as well as our scenario benchmarks. • All of TPI's sectoral methodologies with detailed commentary on how we calculate emissions intensities are available through their publications.