

WHY CO2 EMISSIONS AVOIDANCE?

Since the Paris Agreement in 2016, there has been increased focus on climate change risks and GHG emissions disclosure. However, traditional carbon footprint methodologies are backward-looking. Minerva's iClima framework approach aims to fill a gap in the market by helping investors navigate investors towards companies focused on providing the solutions that enable significant emission reductions.

The iClima methodology, inspired by [Project Drawdown](#), identifies companies that provide solutions to climate change through their products and services. This approach shifts the focus from reducing company emissions to **enabling emission avoidance**, highlighting "climate champions" and aiming to measure their impact through GHG emissions avoidance potential. The goal is to quantify the impact of these companies and compare their CO2e avoidance to the global need for CO2e reduction.

CO2 AVOIDANCE DEFINITION AND METHODOLOGY

- **Definition:** Avoided emissions are reductions that occur due to a solution product or service that provides similar function to an existing one, with significantly less GHG emissions.
- **Formula:** Net Avoided Emissions = BAU Baseline Emissions – Emissions of the solution-enabled scenario.
- **Measurement:** Emissions are measured in tonnes of CO2 equivalent (tCO2e).

Methodology Steps

1. **Identify the Solution:** Analyse portfolio companies to identify solutions that enable significant emission reductions.
2. **Establish CO2e Emissions Avoidance Source and Mechanism, System Boundary, and BAU Baseline:**
 - o Identify the source of GHG avoidance.
 - o Define the system boundary (product-level, system-level, or ecosystem-level).
 - o Establish the BAU baseline scenario.
3. **Initial Documentation of Methodology and Identifying Data Requirements:** Document the carbon saving mechanism and calculation methodology.
4. **Test Mechanism and Methodology:** Seek independent review to validate assumptions and methodology.
5. **Identify Studies and Determine the Carbon Avoidance Factor:** Use public domain data and direct company engagement to gather necessary information.
6. **Collect Data:** Gather relevant data, noting sources and assumptions.
7. **Calculate Carbon Avoidance:** Use the chosen calculation method based on available data.

8. **Results Evaluation and Validation of the Process:** Review findings and document methodology for replication.

Challenges and the Future of CO₂e Avoidance The accuracy of CO₂e avoidance calculations depends on data disclosure and assumptions. As data availability improves, calculations will become more accurate. The Avoided Emissions Framework envisions wider future reporting of avoided emissions by companies, aiding investors and analysts in understanding companies' potential in the transition to a net zero emissions world.

Attribution and Double Counting Avoided emissions often result from multiple products or services working together, leading to potential double counting. The Avoided Emissions Framework recommends proportional allocation of avoided emissions to each company involved, though this adds complexity to estimates and can be difficult to apply.

Glossary of Terms

- **Avoided emissions:** Reductions in GHG emissions due to a solution product or service.
- **BAU baseline:** Reference scenario reflecting the situation without the enabling solution.
- **Enabling effect:** Avoided emissions due to activities avoided by using the climate change mitigation solution.
- **Greenhouse Gases (GHG):** Gases causing warming through the Greenhouse Effect, including CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆.

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