

# Greenhouse gas emissions – time for action

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The Paris Agreement is a legally binding international treaty on climate change. It is so called because it was adopted by 196 parties at COP 21 (Conference of the Parties) in Paris in 2015. The agreement's goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius compared to pre-industrial levels. To achieve this long-term temperature goal countries are aiming to reach global peaking of greenhouse gas as soon as possible and certainly to aim for climate neutrality (net zero) by 2050.

Six years on, the focus has increasingly shifted from setting targets towards action in meeting them. Commitments to quickly reduce emissions and details of how these will be achieved are the discussion points today.

Carbon dioxide and methane represent around 91% of global greenhouse gas emissions (75% and 16% respectively) and so most of the emissions discussion centres on those two gases\*. The activities that lead to greenhouse gas emissions can be broken down by activity\*:

- Electricity & Heat Production
- Agriculture
- Industry
- Transportation
- Buildings.

Many of the companies in the **Sanlam Sustainable Global Dividend** portfolio provide solutions to reducing these sources of emissions:

## Electricity & Heat Production

SSE, the UK-listed electricity utility, has the largest renewable electricity portfolio in the UK and Ireland. It develops, builds, operates, and invests in low-carbon infrastructure in support of the transition to net zero. SSE aims to reduce the carbon intensity of electricity generated by 60% by 2030 compared with 2017/18 levels. 2020/2021 was the first year since 2005 that SSE's generation fleet contained no electricity output from coal. SSE is progressing opportunities in developing carbon capture and storage as well as hydrogen as it transitions to net zero carbon emissions across all its operations by 2050 at the latest, covering both direct and indirect emissions (Scope 1, 2 and 3).

## Agriculture

Animal-based proteins are highly nutritious and form a key part of a healthy diet. However, animal-sourced food production and agriculture is a major source of greenhouse gas emissions. DSM, the Dutch nutrition company, has several feed solutions to help make animal farming more sustainable. DSM are committed to enabling a double-digit reduction of farm livestock emissions together with their customers by 2030. One such solution is DSM's Bovaer® cattle feed additive. This additive suppresses the enzyme that triggers methane production in cows by approximately 30%. DSM aim to reach net zero greenhouse gas emissions both inside DSM and across their value chains by 2050.

## Buildings

Trane Technologies' primary business is the design, manufacture and distribution of heating,

ventilation, and air conditioning equipment. This allows them to bring efficient and sustainable climate solutions to buildings and homes. In 2020 Trane launched their fourth-generation air-sourced multi-pipe units for delivering heating and cooling in buildings. These units eliminate the need for separate boiler and chiller units. Because the product uses renewable and recovered energy to produce hot water it can replace existing fossil-fuel boiler and chiller systems and can deliver chilled water and hot water for buildings with no direct greenhouse gas emissions. This helps with the decarbonisation of buildings.

## Industry

Across industry, electrical power has become the key force to reduce carbon emissions and tackle climate change. Electrical power can drive more renewable energy sources and help decarbonise the global economy. Eaton, the US power management company, helps customers around the world use power more reliably and efficiently as these customers want cleaner, more electric and more connected solutions. Eaton's EnergyAware UPS (uninterrupted power supply) product allows data centres to be more flexible in their energy usage and adapt to renewable energy demands as well as balance power reserves without using fossil fuels.

## Conclusion

There is little debate about the Paris Agreement target, and it remains very much alive as an ambition. Today the focus is on transitioning to a low carbon economy. Whilst many hurdles remain, such as poor data and the cost of transition, it is important that the direction of travel is correct. Many companies have grasped the decarbonisation opportunity wholeheartedly and those are the companies we believe will rightly attract investor attention.

\* Intergovernmental Panel on Climate Change (2014)

### **Fund risks**

The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates. FPR-0025486