

SOEs: critical actors to advance climate action

Philippe Benoit

Managing Director

Global Infrastructure Advisory Services 2050

Adjunct Senior Research Scholar

Columbia University-SIPA's Center on Global Energy Policy



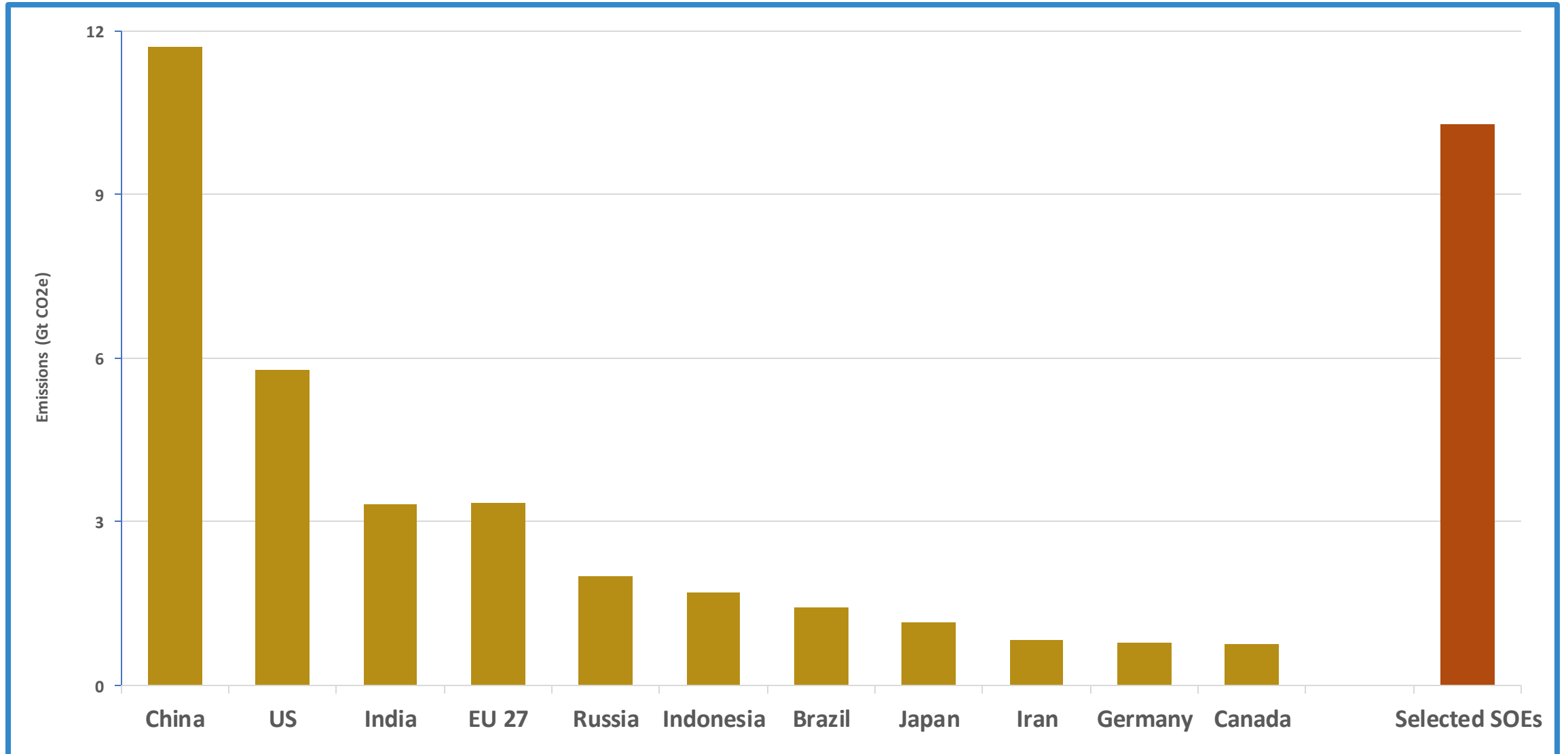
Climate-smart Public Financial Management MENA Conference
February 26-29, 2024 | Cairo, Egypt



SOEs: Big, diverse and key to climate

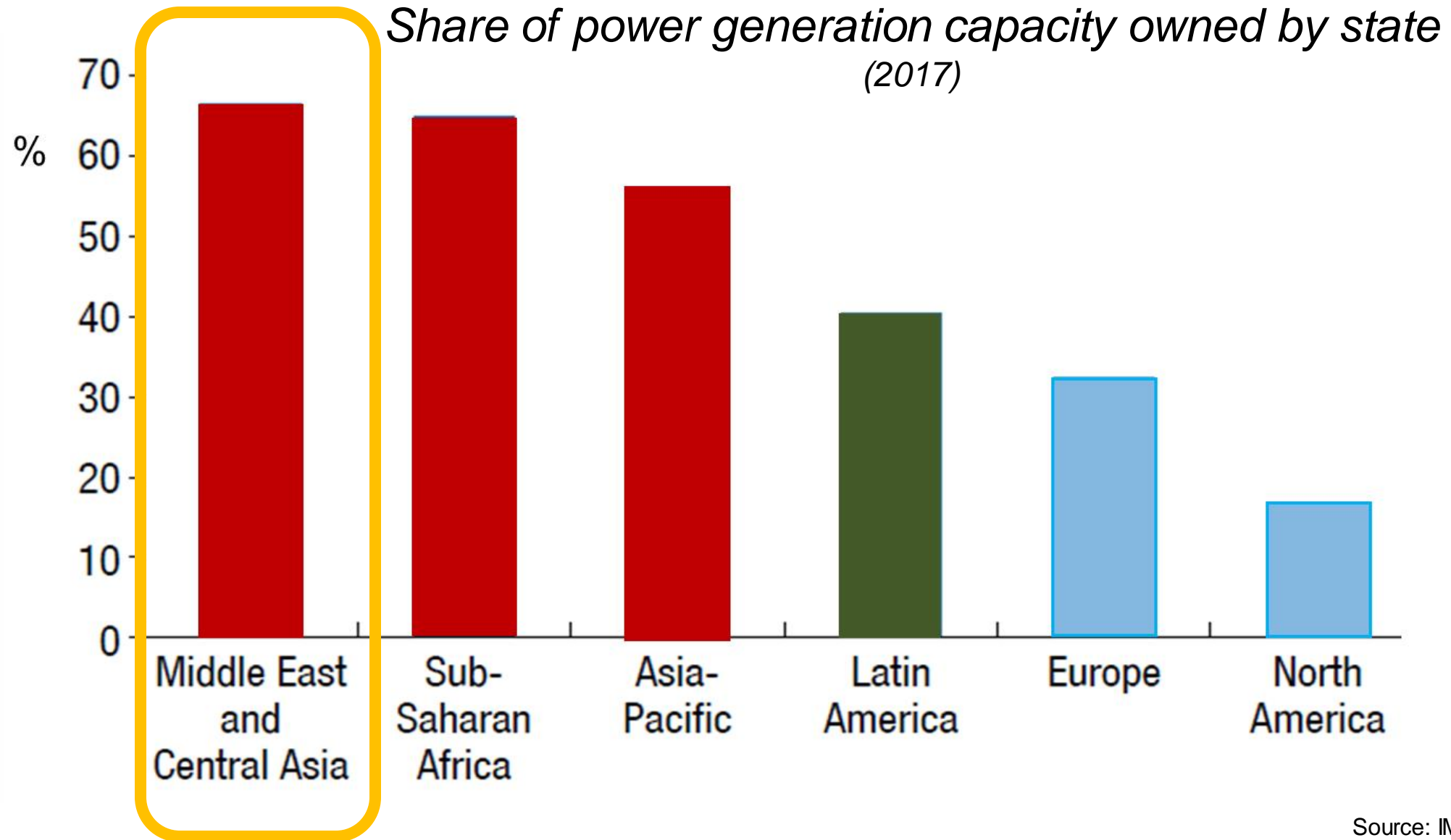
1. **Fossil fuel producers:** NOCs, coal, etc.
 - *big Scope 3 emissions + some Scope 1 (methane, CO₂)*
2. **Power companies:** generators, grid operators, IPP purchasers
 - *big Scope 1 emissions*
3. **Energy users:** heavy industry (cement, steel, etc.); transport (airlines, urban transport systems)
 - *some Scope 1 and 2 emissions*
4. **Financial institutions:** state-owned banks, export credit agencies, pension funds, *MDBs*,

SOEs among 'Top 10' energy emitters



Source: Climate Watch, Clark/Benoit (2022)

SOE power generation share by region

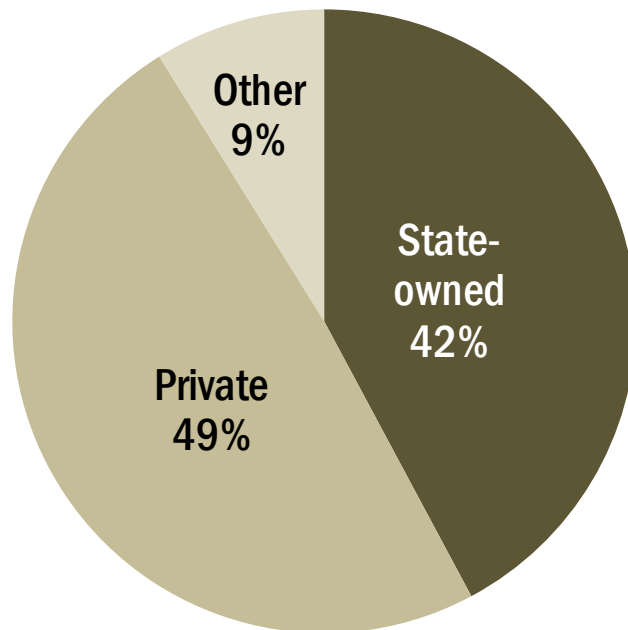


SOEs own a large share of ...



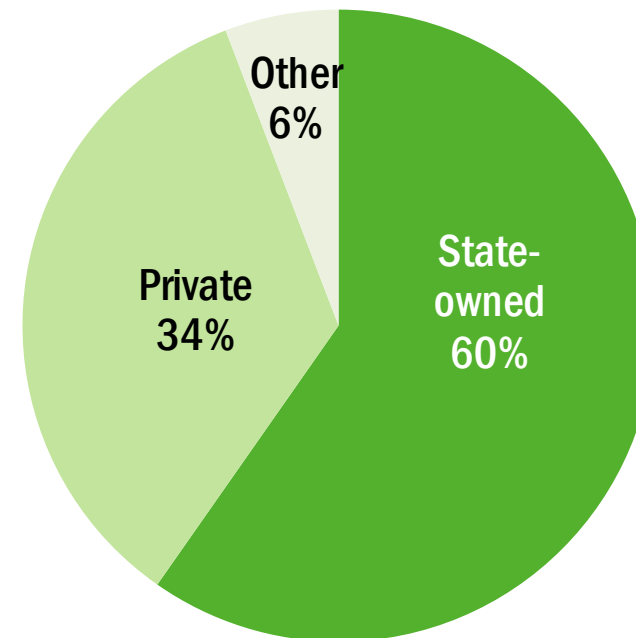
SOEs own a large share of both high and zero carbon

Ownership of fossil fuel generation capacity



Ownership of 'zero-carbon' generation capacity

(hydropower, other utility-scale renewables and nuclear)



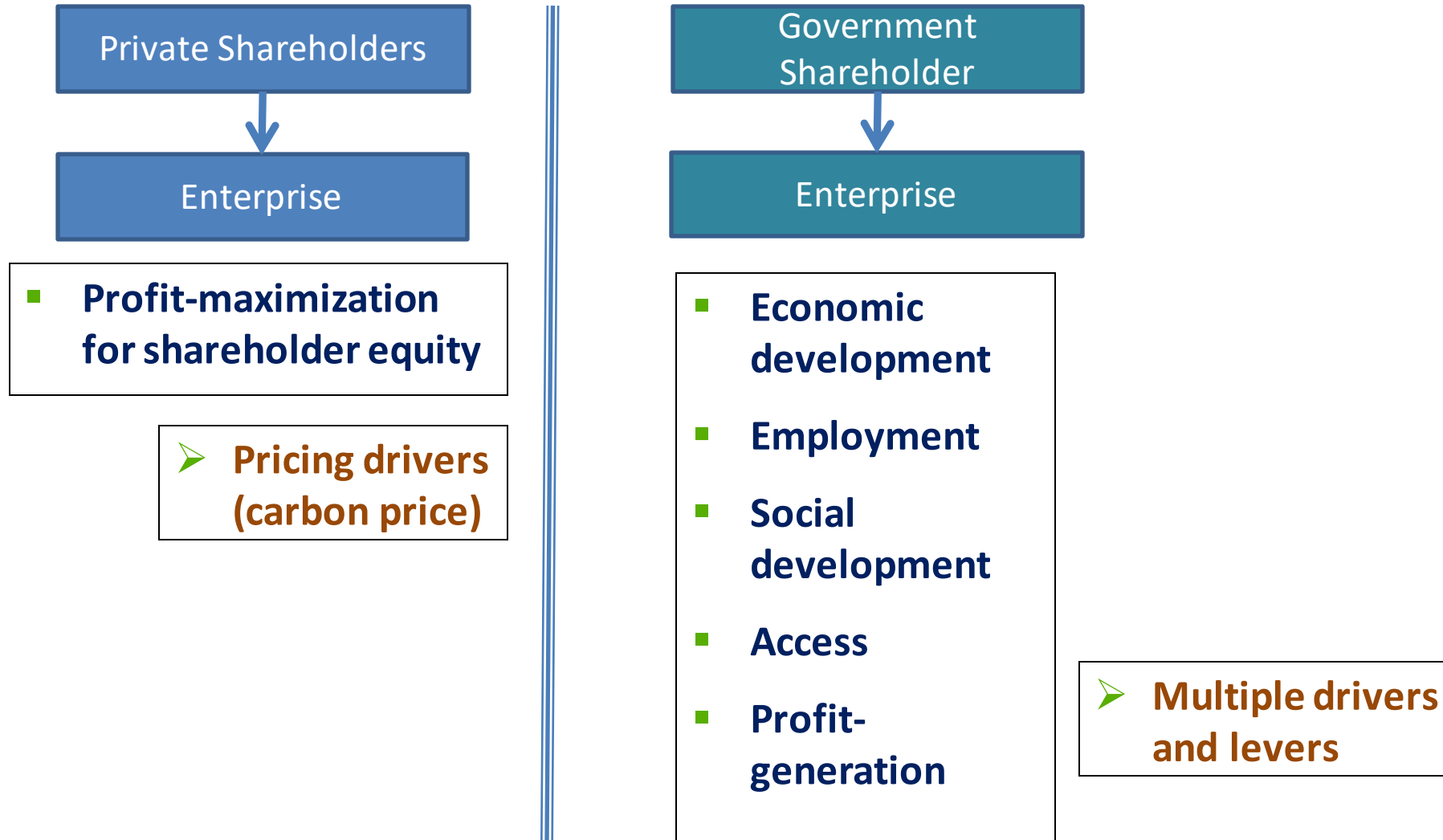
SOEs: key for resilience



NOCs: an SOE case apart under energy transition

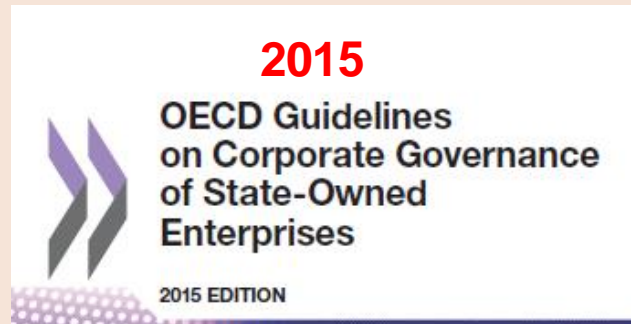
- Fuel switching goes to core of business
- “Existential” question
- Scope 3 vs Scope 1 emissions
- Big impact on budgetary revenues

SOEs differ from private sector companies



SOEs:

- ▶ **“Controversial” economic actors**
- ▶ **“SOE reform”**



Efficiency



VII. State-owned enterprises and sustainability 2023

(NEW CHAPTER)

Climate Effectiveness

2. Communicating and clarifying shareholders' expectations on sustainability through regular dialogue with the boards, with due consideration for stakeholder interests;
 3. Assessing, monitoring and reporting on sustainability objectives and performance of SOEs on a regular basis.
- B. The state should expect SOE boards to adequately consider sustainability risks and opportunities when fulfilling their key functions. The following prerequisites are essential for ensuring effective sustainability management at enterprise level:
1. SOE boards should develop, implement and disclose sustainability-related strategies, objectives and targets based on verifiable metrics, and in line with shareholders' expectations, applicable legal and regulatory requirements;
 2. SOEs should integrate sustainability considerations into their risk management and internal control systems;
 3. SOE boards should effectively assess and monitor management performance, including on sustainability. Where SOE boards introduce specific remuneration schemes, such incentives should be carefully balanced and linked to relevant and material risks and the company's

Climate policy toolkit: Market-based instruments

- Carbon taxes
- Emissions trading systems

Targeted Direct – Exercising Shareholder Power

- Formal directives through Board resolutions and instructions
- **CEO/Senior management appointments/dismissals**
- **Informal discussions with senior management**

Targeted Direct – Exercising Shareholder Power

- Formal directives through Board resolutions and instructions
- CEO/Senior management appointments/dismissals
- Informal discussions with senior management
- Changes to subsidy/budgetary support from government
- Mandating/prompting operational changes:
 - shadow carbon pricing
 - portfolio standards/carbon intensity requirements
 - improvement of carbon accounting and climate risk management standards
- **Capacity training/enhancement**

Targeted Indirect – Gov. support to SOEs

- Associated infrastructure (e.g., transmission line to RE site)
- Preferential financing/lending terms
- Coordinated R&D
- Expedited administrative actions: permitting, imports, etc.
- Price adjustments upstream or downstream of SOE
- Nurture new SOE clean energy market entrants

SOEs – effective vehicles for decarbonization?

➤ Can potentially be effective where:

- Well resourced
- Strong operational and financial capacities
- Dominant position
- *Policy alignment/commitment at political and corporate levels*

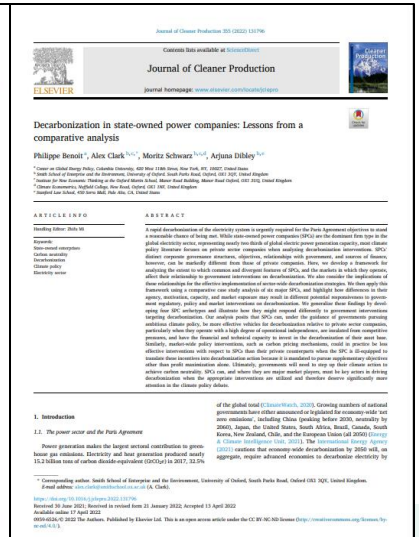
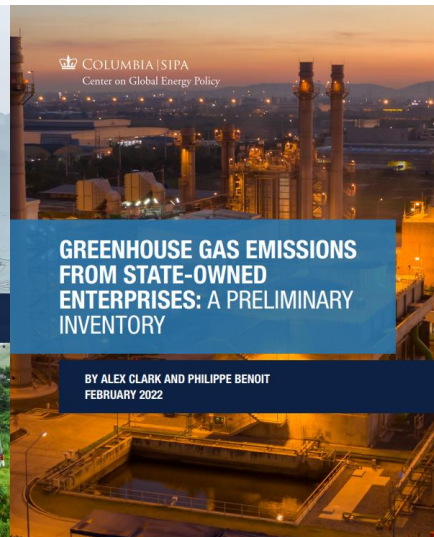
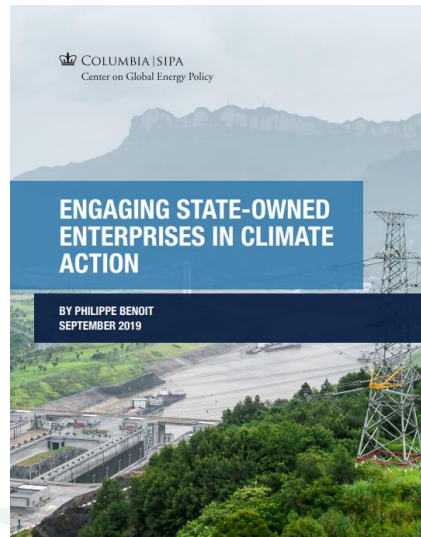
***To advance climate action,
embrace your SOEs***

THANK YOU

Philippe Benoit

philippe.benoit@gias2050.com

www.gias2050.com



Climate-smart Public Financial Management MENA Conference
February 26-29, 2024 | Cairo, Egypt

