

## Despite escalating investor concerns around the company's exposure to climate risk, Glencore walks away from aligning to a net zero emissions pathway.

Glencore has just released its 2024-2026 Climate Action Transition Plan (CATP). This highly anticipated update was an opportunity for Glencore to show it had listened to investor feedback, following 30% of its shareholders voting against its previous Climate Plan, by putting forward a more credible strategy to navigate energy transition risks.

While ACCR will be producing a comprehensive analysis of Glencore's CATP in the coming weeks, our initial response is that this update serves to heighten, not allay, investor concerns.

Significantly, the world's largest thermal coal exporter is now stepping back from a previous commitment to decarbonise in line with the IEA's only Paris-aligned scenario, the Net Zero Emissions (NZE) scenario. While Glencore still states it supports the goals of the Paris Agreement, this sentiment is not supported by strategy.

Exposure to energy transition risks due to the vast emissions from Glencore's coal business remain unaddressed and highly material for investors.

## Key insights from Glencore's CATP

- **Glencore now states its "targets are not aligned with the IEA's Net Zero Emissions (NZE) Scenarios".**<sup>1</sup> Previously, Glencore stated its targets coincided with the IEA's NZE gross pathway, which was inadequate, because it allowed it to reduce coal production more slowly than the NZE coal-specific pathway recommends. ACCR's view was that adopting the coal-specific pathway would contribute to a more credible climate plan. Walking away from the NZE entirely is a significant diminishing of ambition.
- **The company is still not using a representative baseline year that complies with the Greenhouse Gas (GHG) Protocol standards.** Glencore is continuing to use an unadjusted and inflated baseline to measure its progress against emissions reduction targets. For example, by accounting for the transfer of contracts at Prodeco as a mine closure, instead of a divestment, Glencore is maintaining an inflated baseline.
- **Glencore has introduced a new 2030 emissions reduction target of 25%. While ACCR called for the introduction of a 2030 target in line with a Paris-aligned coal pathway, this target is not Paris-aligned, and drags ambition backwards.** Glencore is already measuring a 22% emissions decrease from its (unrepresentative) 2019 baseline, therefore it's only targeting a 3% emissions reduction between now and 2030.
- **Despite a commitment to investors in December 2023 that it would address the climate-related aspects of the proposed acquisition of EVR, Glencore has taken no definitive action in the CATP.** Investors are left with no information on credible emissions reduction pathways for the EVR coal mines to be acquired from Teck. Glencore intends to exclude EVR coal mines from its group climate strategy and baseline from the period of initial

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<sup>1</sup> Glencore, [2024-2026 CATP](#), p8.

ownership to the potential demerger. This defies standard climate reporting and the GHG protocol.

- **Glencore no longer distinguishes its historical capex and capex guidance for coal into expansionary and sustaining capex, making it more difficult to ascertain Paris alignment.** In 2023, 29% of Glencore's shareholders voted in support of a shareholder proposal for Glencore to provide details of how the company's capital expenditure allocated to thermal coal production will align with the Paris Agreement.
- **Glencore has dropped its 150 Mt coal production cap, right at a time when it might be needed most, given it is acquiring significant additional new coal assets and planning significant coal expansions.**

## Assessment against key expectations for this CATP

### 1. **Glencore walks away from aligning to the International Energy Agency's (IEA) Net Zero Emissions (NZE) pathway.**

Glencore had an opportunity to improve its climate strategy in this CATP by committing to the IEA's coal specific NZE pathway. Previously, Glencore used the NZE general fossil fuel pathway, despite its fossil fuel production composition being 99% coal. This had the effect of making its decarbonisation strategy less accurate and less ambitious.

Instead of taking a forward step, Glencore has formally walked away from the IEA's only Paris-aligned scenario entirely, declaring that its *"targets are not aligned with the IEA NZE scenario"*.

This is a major departure from Glencore's previous position that its:

- *"targets and ambition reflect [its] commitment to align [its] business strategy with the goals of the Paris Agreement"*.<sup>2</sup>
- *"2026 target coincides with the IEA's NZE gross pathway" and that its 2035 target "approximates the 53% reduction...estimated by the IEA's NZE gross emissions pathway"*.<sup>3</sup>

The 2026 and 2035 targets, which Glencore previously stated coincided with the IEA NZE gross pathway, are unchanged. To walk away from the pathway but not change the targets raises questions around the basis of these targets, the transparency of Glencore's climate disclosures and its commitment to a "Paris-aligned climate strategy".<sup>4</sup>

Glencore now sees a potential future with a *"role for unabated thermal coal for electricity generation beyond 2040"*,<sup>5</sup> directly opposing its commitment to the Paris agreement. For context:

- Under the IEA's Paris-aligned scenario, informed by the latest scientific understanding, recent geopolitical events, and prioritising energy security and an equitable transition, the share of global electricity and heat generation from unabated coal is 0.08% by 2040 and zero by 2050.<sup>6</sup>
- Coal contributes a median of 0.37% to global electricity generation by 2050 in the most recent Paris-aligned IPCC scenarios.<sup>7</sup>

### 2. **The baseline year does not comply with the Greenhouse Gas (GHG) Protocol standards.**

Glencore's selective approach to adjusting its baseline for acquisitions, divestitures and disposals runs contrary to the GHG Protocol, which mandates recalculating base year emissions upon the *"transfer of ownership or control of emissions-generating activities or operations"* by the following year.<sup>8</sup> This inconsistency is apparent in several instances:

- Glencore revised its emissions baseline post-acquisition of Cerrejón, but despite stating it would also make a similar adjustment after transferring Prodeco contracts to the Colombian

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<sup>2</sup> Glencore, [2021 Climate Report](#), p4.

<sup>3</sup> Glencore, [2022 Climate Report](#), p10.

<sup>4</sup> Glencore, [2021 Climate Report](#), p9.

<sup>5</sup> Glencore, [2024-2026 CATP](#), p9.

<sup>6</sup> IEA, World Energy Outlook, Extended datasets.

<sup>7</sup> Using the 50 Paris aligned scenarios in the IPCC AR6 database (category C1a), Byers, E. et al., 2022, [AR6 Scenarios Database](#).

<sup>8</sup> GHG Protocol, [Corporate Standard](#), 2004, p35.

National Mining Agency,<sup>9,10</sup> it retreated from this commitment, characterising Prodeco as a mine closure<sup>11</sup> rather than a transfer of control of operations. In the 2019 baseline year, we estimate Prodeco accounted for close to 10% of coal emissions.<sup>12</sup>

- Glencore intends to omit EVR coal mines from its group climate targets and baseline from the period of initial ownership to the potential demerger. This defies standard climate reporting. The inclusion of EVR mines in Glencore's climate reporting from the beginning is essential, irrespective of any possible future demergers. Just as events such as future demergers do not influence financial reporting, they should similarly not impact climate reporting.

### 3. **The new 2030 target is not in line with a Paris-aligned coal pathway.**

While a new 2030 emissions target would usually be welcomed, the target in this case is not in line with a Paris-aligned coal pathway, drags ambition backwards and pushes back the vast majority emissions reduction work to after 2030.

Glencore's emissions rose 9% in 2023 from the previous year, but even with this increase, Glencore is measuring a 22% emissions decrease from its (unrepresentative) 2019 baseline.<sup>13</sup> Therefore Glencore is only targeting a 3% emissions reduction between now and 2030 (target 25%), despite this being a critical decade for coal emissions decline.

### 4. **No information yet on credible emissions reduction pathways for the EVR coal mines to be acquired from Teck.**

Following the 30% vote against the previous climate plan, under the UK Governance Code Glencore was required to engage with investors on the reasons for the result and formally report back. In December 2023, Glencore acknowledged that a principal area of interest for shareholders was:

- “integration of the recently announced acquisition of 77% of Teck's Elk Valley Resources (EVR) steel making coal assets into the climate strategy”
- and committed to “address the climate-related aspects of the proposed acquisition of EVR”.<sup>14</sup>

Yet, this was not included in the 2024-2026 Climate Plan, and Glencore stated “we do not currently intend to incorporate the EVR assets” and will “report separately” on EVR's performance, from the period of initial ownership to the potential demerger.<sup>15</sup>

This practice would deviate from normal practice, where acquisitions trigger a recalculation of baseline year. In our view, EVR should be incorporated into Glencore's climate transition strategy from the beginning of ownership and regardless of the demerger outcome. The lack of integrated information makes an overall climate risk assessment of Glencore's combined coal business more difficult.

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<sup>9</sup> Glencore, [2021 Climate Report](#), p5, footnote 1.

<sup>10</sup> Group Prodeco, [Termination of mining operations](#).

<sup>11</sup> Glencore, [2024-2026 CATP](#), p14.

<sup>12</sup> Operational control basis.

<sup>13</sup> Glencore, [2024-2026 CATP](#), p7.

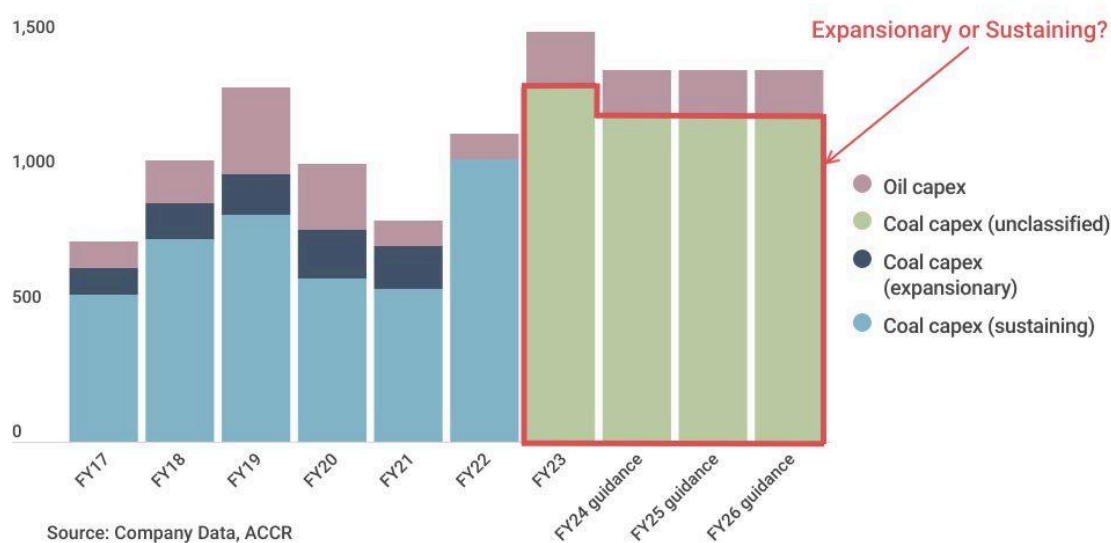
<sup>14</sup> Glencore, [AGM climate vote shareholder consultation update](#), Dec 2023.

<sup>15</sup> Glencore, [2024-2026 CATP](#), p4.

## 5. Glencore no longer distinguishes between expansionary and sustaining capex for coal.

In another backwards move on transparency, Glencore no longer distinguishes its historical capex and capex guidance for coal into expansionary and sustaining capex, making it more difficult to ascertain Paris alignment. In 2023, 29% of Glencore’s shareholders voted in support of a shareholder proposal for Glencore to provide details of how the Company’s capital expenditure allocated to thermal coal production will align with the Paris Agreement. This CATP does not address this request.

Glencore also does not meet any CA100+’s assessment criteria for capital allocation.



## 6. Coal production cap dropped, right when it might be needed most.

Glencore also dropped its 150 Mt coal production cap, stating it was ‘confusing’. The coal cap was a key commitment in Glencore’s Paris-consistent strategy.<sup>16</sup> Yet, Glencore is removing its coal production cap right at a time when it might be needed most, given it is acquiring significant additional new coal assets and planning significant coal expansions. Glencore is planning the significant Teck EVR coal acquisition later this year and a major coal mine expansion at the Hunter Valley Operations site, plus several other coal extensions.

On an equity basis, if Glencore had acquired EVR mines and included it in its production in 2023, the company would have produced 132 Mt of coal. Based on our estimates, Glencore’s expansion projects (HVO Continuation Project, Glendell, Ulan and Rolleston) are expected to produce around 20 Mt annually. Glencore would get close to pushing the 150 Mt cap, with the EVR mines acquisition and potential expansions factored in.

<sup>16</sup> Glencore, [2019 Annual Report](#), p21.

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