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Member Memo

11 April 2024

Re: Repsol S.A.

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Summary

This section provides members with relevant details of forthcoming transition plan votes and summarises the Company's scoring against NZIF criteria and sector specific metrics. Please note that this Member Memo ('Memo') is based on publicly available information *at the time of publication*.

Name: Repsol S.A. ('Repsol' or 'the Company')

Headquarters: Spain

Sector: Oil & Gas

AGM date: 10th May 2024

Reason for update: Advisory Vote on Climate Strategy.

Vote details: Item 10 is "to approve, on an advisory basis, the Company's energy transition strategy as described in the Energy Transition Strategy Report which has been made available to shareholders together with all the other documentation relating to the General Shareholders' Meeting since its date of notice." (Link)

Item 3 'Review and approval, if appropriate, of the Statement of Non-Financial Information for fiscal year ended 31 December 2023' also addresses the energy transition strategy.

Relevant materials: 2024 Energy Transition Strategy (March 2024); (2) 2024 Global Sustainability Plan (March 2024); (3) 2023 Integrated Management Report (March 2024); (4) Information on the oil and gas exploration and production activities (March 2024); (5) Investor Update (November 2023); (6) 2022 Integrated Management Report (March 2023); (7) 2021 Integrated Management Report (March 2022)

Publication of updated transition plan materials: The Company released its FY2023 sustainability disclosures in March 2024. These materials have been evaluated for this memo.

Summary of transition plan scores	
Overall score against NZIF alignment criteria[1]	6/11
Overall score against sector related criteria[2]	2/9
CBD[3] **score, sector rank, European rank**	67.3%, 7/32, 27/35
Relevant context	The Company has committed to Net Zero by 2050 and set GHG targets, but these exclude Scope 3 Cat 11 emissions from its marketed products. The CBD score suggests it is not aligned with its sectoral benchmark and while better than most global sector peers, it is less aligned than most CA100+ European companies. The Company has set out and quantified the contribution of intended decarbonisation actions to its targets. The Company has disclosed non-aligned capex using the EU Taxonomy but is not phasing out capex in new unabated fossil fuel assets. The Company has provided guidance on its green capex and medium-term aggregated oil & gas production forecasts. It has not quantified the contribution of customer actions to its targets and has not provided sufficient guidance on its exploration or greenfield capex or green energy production projections.

1 For more details on these NZIF criteria see Section 1, page 2

2 For more details on the sector related criteria see Section 2, page 3

3 Cumulative Benchmark Divergence Metric methodology here. Sector rank is the CBD score relative to all the CA100+ companies within that sector globally (1/32 would be best) and European rank is the CBD score relative to all European CA100+ companies (1/35 would be best).

Section 1: Net Zero Investment Framework (NZIF) scores

IIGCC members helped develop the Net Zero Investment Framework (NZIF) with the aim of assisting them in measuring the alignment of their individual assets, overall portfolio trajectory, and increasing investment in climate solutions consistent with the Paris Agreement[4]. NZIF provides six criteria to assess listed equity and corporate fixed income alignment and recognises the CA100+ disclosure framework (CA100+ DF) as a relevant data source for this scoring. The box below summarises the Company's alignment with those six criteria based on information that is publicly available at the date of publication of this Member Memo (full results available here). Where scoring differs from the CA100+ DF results, please consider this memo as a provisional independent assessment based on updated disclosure.

NZIF alignment criteria

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
1. Ambition	**1: A net zero Ambition for 2050 or sooner covering all relevant emissions**	**1/2**	The Company has committed to Net Zero by 2050, covering all operated Scope 1 and 2 emissions. However, its Scope 3 target only covers emissions from upstream and refining activities, excluding a marketing business which is c. 3x larger (252 Mt CO2e, vs 60.8 Mt CO2e respectively). Therefore, the Company only meets 1.1.a. *Sources: 1 (pp. 5; 9-10; 14-15), 4 (p. 69), 8 (pp. 10; 76)*
	1.1.a Qualitative net zero GHG emissions ambition statement that includes at least 95% of Scope 1 and 2 emissions.	✔	
	1.1.b Net zero GHG emissions ambition that covers the most relevant Scope 3 GHG emissions categories for the company's sector	✘	
2. Targets	**2.2, 3.2 and 4.2: The company has set Long-, Medium- and Short-term emissions targets that covers at least 95% of its Scope 1 and 2 emissions and the most relevant Scope 3 emissions (where applicable)**	**0/3**	The Company has set Long-term, Medium-term, and Short-term emission reduction targets. Since these do not cover all the relevant Scope 3 emissions, the Company cannot score here. Interim targets include cuts to Scope 1 and 2 emissions of 55% by 2030, absolute net emissions (Scope 1, 2, 3) of 30% by 2030 and carbon intensity indicator (CII) of 15%, 28% and 55% by 2025, 2030 and 2040, respectively. All targets are set against a 2016 baseline value. *Sources: 1 (pp. 5; 9-11; 14-15), 2 (p. 60), 3 (p. 75, footnote 6)*
	2.2.a and b. Long-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✘	
	3.2.a and b. Medium-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✘	
	4.2.a and b. Short-term target that covers at least 95% of its total Scope 1 and 2 and at least the most relevant Scope 3 emissions	✘	
3. Emissions performance	**11.1: Emissions intensity is reducing at a faster rate than that of the relevant 1.5°C pathway**	**N/A**	Indicator 11 was in beta mode last year and therefore CA100+ results are not publicly available.

4 See Net Zero Investment Framework: Implementation Guide. The six alignment criteria for Listed Equity and Corporate Fixed Income for companies in higher impact sectors are set out on page 16.

	CA100+ DF metric / sub-indicator / indicator summary	Score	Description
4. Disclosure	**10.1 and 10.2: The company is implementing TCFD and discloses scenario planning consistent 1.5°C**	**2/2**	The Company has adopted the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) and signposts the disclosures in Appendix V of its Integrated Management Report (10.1.a and b). Additionally, the Company has performed quantitative scenario analysis to evaluate the potential impact of climate change on the Company's overall Net Present Value (NPV). The analysis references the IEA's Paris-aligned Net Zero Emissions (NZE) Scenario. The results and key assumptions are disclosed (10.2.a and b). *Sources: 3 (pp. 60; 68-73; 229)*
	10.1.a and b: Commitment to align disclosures with the TCFD recommendations OR it is listed as a supporter on the TCFD website AND explicitly signposts the disclosure in its annual reporting or publishes them in a TCFD report.	✔	
	10.2a and b: The company has conducted a climate-related scenario analysis including quantitative elements and disclosed its results AND the scenario analysis explicitly includes a 1.5°C scenario which covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified	✔	
5. Decarbon-isation strategy	**5.1: The company has set out and quantified the actions it intends to take to decarbonise**	**2/2**	The Company has identified the set of actions it will take to achieve its long- and medium-term decarbonisation targets (5.1.a). This includes efficiency improvements, portfolio optimisation, renewable fuels production, renewable electricity generation, and CCS. Beyond 2030, Direct Air Capture (DAC), Nature Climate Solutions (NCS) and reductions in hydrocarbon production will also play a role. The approximate contributions of these actions to the medium-term CII target can be derived from waterfall chart in 3 (pp. 66-67). Repsol also outlines the potential contributions of levers to the 2050 target showing that they could vary by scenario (IEA SDS and NZE). Consequently, the Company meets 5.1.a and b.
	5.1.a The company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframes. These actions clearly refer to the main sources of the company's GHG emissions, including Scope 3 emissions (where applicable).	✔	
	5.1.b The company quantifies the contribution of individual decarbonisation levers to achieving its medium- and long-term GHG reduction targets; including Scope 3 GHG reduction targets where applicable (e.g., changing technology or product mix, supply chain measures).	✔	
6. Capital allocation	**6.1: The company discloses unabated carbon intensive capex and is phasing out new spending**	**1/2**	The Company has stated it will align its capital expenditures with the energy transition, shift its portfolio towards assets with reduced carbon intensity, and decrease crude oil processing 19% by 2030 compared to 2019. However, there is no defined timeframe for phasing out investments in new unabated carbon intensive assets (6.1.a). Additionally, the Company has provided a break-down of its capex against the EU Taxonomy, revealing that 61% of its total FY2023 capex of €6.9 bn was taxonomy non-eligible. This is sufficient to enable the Company to meet 6.1.b. **This score differs from that published in the CA100+ Benchmark results. It is based on a review of Repsol's updated disclosures by IIGCC for this memo.* *Source: 3 (pp. 64; 68-70; 217)*
	6.1.a The company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year.	✘	
	6.1.b The company discloses the stated value of its capital expenditure that is going towards unabated carbon-intensive assets or products.	✔*	
Total score		**6/11**	

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Section 2: Sector specific metrics

IIGCC and its members, through their contribution to Net Zero Standards or their sector working groups, have contributed to the development of sector-specific criteria to aid the assessment of transition plans in certain sectors. The box below summarises the Company's alignment with selected metrics from the Net Zero Standard for Oil & Gas (NZS O&G – see here) based on information that is publicly available at the date of publication of this Memo. Where scoring differs from the NZS O&G results, please consider this memo as a provisional independent assessment based on updated disclosure.

Criteria for helping to analyse the transition plans of Oil and Gas

Engagement Topic	NZS O&G Indicator/Metric(s)	Score	Relevant supplemental information and public data source used
1. Customer decarbon-isation	**Does the company disclose the contributions of actions by third parties to long-term and medium-term emission targets [as assessed by NZS O&G metrics 5.ii.f and 5.ii.j]?**	**0/2**	The Company has not publicly disclosed the contribution of third-party actions to medium- or long-term targets, nor has it stated that it does not intend to rely on customer actions as part of its decarbonisation strategy. Therefore, the Company does not score here. *Sources: 1, 2, 3*
	5.ii.f The company discloses the contributions of actions by third parties to long-term emission targets in both % or CO2 as appropriate (even when that contribution is zero)	✘	
	5.ii.j The company discloses the contributions of actions by third parties to medium-term emission targets in both % or CO2 as appropriate (even when that contribution is zero)	✘	
2. Fossil fuel capex	**Does the company disclose current and forward-looking guidance on exploration capex and investment in greenfield assets [as assessed by the NZS O&G metrics 6.i.e and 6.i.d]?**	**0/2**	The Company has disclosed its 2023 exploration activity expenses (€0.12 bn) and investments (€0.19 bn) and provides forward-looking guidance, targeting €0.8 bn in exploration capex from 2021-2025, a 68% decrease from 2016-2020. As this forward looking guidance is only two years ahead it does not score on 6.i.d. **This score differs from that published in the NZS O&G. It is based on a review of Repsol's updated disclosures by IIGCC for this memo.* The Company has also not provided current or forward-looking information on its long-lived greenfield capex and therefore cannot meet 6.i.e. *Sources: 4 (pp. 21; 23), 5 (slide 18)*
	6.i.d: The company discloses exploration capex (i.e. non-maintenance of existing oil and gas facilities) in the last financial year and a forward-looking guidance (minimum three years ahead).	✘*	
	6.i.e: If production decline is not consistent with IEA NZE the company discloses current and forward-looking guidance on long-lived greenfield capex	✘	

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<table>
<tr><th>Engagement Topic</th><th>Specific metric</th><th>Score</th><th>Relevant supplemental information and public data source used</th></tr>
<tr><td rowspan="3">3. Green Investment</td><td>Does the company disclose current and forward-looking total investment in “green” energy production and has it set a target to increase green energy production [as assessed by the NZS O&G metric 6.ii.a and 5.iii.c]?</td><td>1/2</td><td rowspan="3">The Company discloses several low carbon capacity targets, including growing renewable generation tenfold by 2030 (from 2.8GW in 2023 to 20GW). Yet, these do not amount to an energy production target which can be aggregated (5.iii.c).
*This score differs from that published in the NZS O&G. It is based on a review of Repsol’s updated disclosures by IIGCC for this memo.
In 2023, 32% (€2.2 billion) of Repsol’s total capex was EU Taxonomy-aligned. From 2024-2027, the Group plans to invest between €5.6-6.6 billion into low-carbon initiatives (~40% of the total €16-19 billion budget). Hence, the Company meets 6.ii.a. Note that Repsol’s “low-carbon” definition is broader than the EU Taxonomy’s “environmentally sustainable” activities definition (see 3 pp. 95; 214-215).
Sources: 1 (pp. 17-19), 2 (pp. 85-86), 3 (pp.20; 95; 214-217)</td></tr>
<tr><td>6.ii.a: The company discloses total investment in “green” energy production in both the last financial year and a forward-looking guidance (minimum three years ahead) where “green” is clearly defined and consistent with the one used in indicator 5</td><td>✗*</td></tr>
<tr><td>5.iii.c: The company has set a target to grow total green energy production (in TJ or KWh, see paragraph 97, from investment in new capacity + long-term PPAs) with at least ST and MT target components and established base year and base year values</td><td>✓</td></tr>
<tr><td rowspan="4">4. Production</td><td>Does the company provide guidance on medium-term oil AND gas production [as assessed by the NZS O&G metrics 5.v.e AND 5.v.f]?</td><td>1/3</td><td rowspan="4">The Company does not disclose individual oil and gas annual production forecasts (5.v.e and f) but does provide an overall hydrocarbon production forecast of 550-600 kboe/d in 2030, roughly consistent with 2023 production levels of 599 kboe/d. Therefore only 5.v.g is met here.
Source: 3 (pp. 23; 68)</td></tr>
<tr><td>5.v.e: Gives guidance on its annual medium-term oil production (for the year specified in its medium-term emissions target), expressed either in energy units (boe/TJ) or as a % or absolute change from a stated base year value</td><td>✗</td></tr>
<tr><td>5.v.f: Gives guidance on its annual medium-term gas production (for the year specified in its medium-term emissions target), expressed either in energy units (boe/TJ) or as a % or absolute change from a stated base year value</td><td>✗</td></tr>
<tr><td>5.v.g: Gives guidance on annual combined medium-term oil and gas production (for the year specified in its long-term emissions target), expressed either in energy unites (boe or TJ) or as a % or absolute change from a stated base year value</td><td>✓</td></tr>
<tr><td>5. Total score:</td><td></td><td>2/9</td><td></td></tr>
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