

 CASE STUDY:

LyondellBasell

Background

We have engaged with the multinational chemical major, LyondellBasell Industries (LyondellBasell), on climate change since 2017. As part of Climate Action 100+ (CA100+), a collaborative engagement of more than 370 investors and their representatives seeking greenhouse gas emissions reductions from the world's largest emitters, we co-lead engagement with the company.

This case study serves as an update on our previous LyondellBasell case study published in 2022 to reflect the company's progress in setting and disclosing ambitious climate targets.¹

Our engagement

LyondellBasell first published its sustainability disclosures in 2017 which were useful, however they lacked targets.

Since then, we have engaged with the company to set forward-looking targets for energy efficiency, carbon emissions, effluents and meaningful solutions for sustainable plastic use. Given the company's reliance on hydrocarbon value chains, the materiality of energy expenses and its role in scaling solutions to global plastics pollution challenges, we wanted the company to set ambitious targets.

We used a legal mechanism to propose a discussion on climate change at the company's 2021 annual meeting.

Together with other CA100+ investors and their representatives, we met with the CEO and senior management to discuss the company's progress in disclosing sustainability targets. LyondellBasell acknowledged our request to set forward-looking science-based targets.

In order to accelerate progress, as the CA100+ lead for the company, we used a legal mechanism to propose a discussion on climate change at the company's 2021 annual meeting.

Engagement objectives:



Environment:

Set and disclose ambitious climate targets

Sustainable Development Goals:



Top three successes:



Adopted a new, enhanced climate strategy with ambitious Scope 1, 2 and 3 greenhouse gas emissions targets.



Developed and published qualitative scenarios to inform its climate strategy with TCFD recommendations.



Prioritised actions to help eliminate plastic waste from the environment.

We led contributions by eight institutional investors who questioned climate progress leading to over 45 minutes of shareholder-board discussion on the company's climate change strategy. During the meeting, the company indicated its willingness to make further commitments.

We maintained engagement momentum over 2022 and 2023, including CA100+ meetings with the CEO and in-person attendance at the company's capital markets day.

¹ EOS | LyondellBasell case study 2022

Changes at the company

In October 2021, we welcomed the company's Scope 1 and 2 net-zero ambition for its global operations by 2050; a 30% absolute reduction of Scope 1 and 2 emissions by 2030; and a goal to source a minimum of 50% of its electricity from renewable energy by 2030.

Building on its strategy and under the climate leadership of its new CEO, LyondellBasell proceeded to set a credible pathway towards achieving its 2030 near-term targets. We encouraged the company to collaborate with industry peers to develop a science-based sector-wide Scope 3 emissions approach.

The company also established a 2030 Scope 3 greenhouse gas emissions reduction target of **30%**

Shortly after a meeting with the CEO in 2022, LyondellBasell announced that it would increase its 2030 Scope 1 and 2 greenhouse gas emissions reduction targets from 30% to 42%, relative to a 2020 baseline. The company also established a 2030 Scope 3 greenhouse gas emissions reduction target of 30%, relative to a 2020 baseline, and in accordance with guidelines from the Science Based Targets initiative (SBTi). The company committed publicly in 2023 to submit its climate goals to be validated by the SBTi within 24 months.

LyondellBasell used qualitative climate-related scenario analysis to inform its strategy which is referenced in its TCFD and CDP disclosures. The scenarios include a future state up to 2050 with limiting global warming to well below 2°C and a second scenario defined by the company as business as usual which looks to a future state in line with 4°C global warming.

LyondellBasell used qualitative climate-related scenario analysis to inform its strategy.

The scenarios were developed based on input and models from IRENA World Energy Transition Outlook (1.5°C pathway), IPCC RCP 2.6 (well below 2°C), IPCC RCP 8.5 (4°C global warming) as well as the International Energy Agency sustainable development scenario 2020. The company indicated plans to add quantitative analysis in the next two years.

The scenarios provide key assumptions and report on the primary risks and opportunities identified. The company has used the scenario analysis to classify risks in terms of likelihood and as input into its long-term business planning process.



In addition to its climate progress, LyondellBasell prioritised actions to help eliminate plastic waste from the environment including waterways and oceans and to advance a circular economy. The company has set a goal to produce and market two million metric tons of recycled and renewable-based polymers annually by 2030.

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To deliver on this ambition, it announced a new organisational structure in 2022 including a Circular and Low-Carbon Solutions business segment and is strategically investing along the value chain. While a quantifiable water goal was not set by the company, water management efforts are well covered in the sustainability report.



Next steps

We continue to engage with LyondellBasell on its pathway to net zero through our CA100+ co-lead role and bilaterally. We note the company's decarbonisation pathway will require shorter-term adjustments, such as energy/material efficiency improvements, and fuel switching to renewable energy, as well as longer-term solutions including non-fossil feedstocks and hydrogen.

We expect to see greater clarification and detail from the company on how climate transition pathways contribute to its net zero ambitions and align with capital expenditure plans, financial accounting and audit and just transition, building on the company's 2023 CA100+ benchmark progress.



This case study has been fact-checked by LyondellBasell to ensure a fair representation of EOS work carried out and changes made at the company.



Joanne Beatty
Engagement
EOS

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