

**BREADTH OF EXPERTISE...
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The Pathway to a Managed Carbon Position

Energy & industrial companies increasingly face myriad pressures to actively engage the climate change issue. Federal carbon regulation on the horizon signals the need to begin the process of incorporating carbon into their corporate strategy and energy plans – the timeframe wherein energy & industrial companies can maintain an unmanaged carbon position is fast closing.

The Carbon Strategic Planning Process is the bridge between current energy plans – absent carbon considerations – and long-term energy strategies that must be carbon conscious. Carbon management both calls for and implements carbon strategic plans in furtherance of long-term planning goals.

Pace’s Carbon Strategic Planning Process is the pathway to a managed carbon position, providing the decision-making and implementation framework necessary to mitigate the risks and capture the rewards of a carbon constrained future. The carbon strategic planning process considers the unique inter-relationships of carbon with energy supply and demand, cost competitiveness, risk, corporate reputation, and regulatory positioning.

Pace believes that a managed carbon position requires corporate action and that those that act rather than comply reactively will be at a

Pace’s Carbon Management Principles

- Energy & carbon are inextricably linked
- Carbon management is the foundation to a modern corporate sustainability program
- Effective carbon management requires integrated, multidisciplinary expert perspectives
- Experts need to be an integral part of the workstream
- Multiple value streams can and should be created via carbon management
- Carbon management should be driven by creative thinking channeled by efficient management systems and substantiated by documentation

distinct competitive advantage. Developed nations are evolving into modern energy economies wherein sustainability is not simply a special interest issue, but a mandated and integral part of corporate governance. Pace holds the development of a managed carbon position as a major step towards corporate sustainability and how environmental impact will integrate into traditional business success and fiduciary metrics.

BREADTH OF EXPERTISE...
DEPTH OF EXPERIENCE



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Educate

Carbon regulation and markets (both voluntary and compliance) currently exist in a highly fragmented and rapidly evolving state. The complexity of the issue underscores the need to begin any Carbon Strategic Planning Process with focused communication regarding the state and trends of carbon policy & market pressures. Thus, the first step in Pace’s Carbon Strategic Planning Process is to help form and then enhance the perspectives of the client’s senior carbon team to assist them in becoming conversant on carbon. Often, part of enhancing the perspective of the senior carbon team involves highlighting the general corporate carbon exposure via the construction of an energy-based GHG inventory. This provides relatable, real world context for the front-end of the strategic planning process.

Calibrate

To get to a managed carbon position, it is critical to comprehensively understand and document what your enterprise’s carbon position is today. The vehicle to do so is through the development of a comprehensive

GHG inventory. The comprehensive inventory builds upon the energy-based inventory and provides a detailed, formally documented understanding of a client’s physical carbon exposure. On a parallel track to the comprehensive GHG inventory, a detailed regulatory & reputational risk exposure analysis is conducted. Additionally, reviews of existing carbon/energy related tracking, reporting, and management systems are conducted. The integration of these inventories, reviews, and analyses calibrates the strategic planning process to the client’s carbon position and establishes sound footing for carbon goal determination.

Evaluate

Working within the context of a process now calibrated to the client’s carbon position, the client’s carbon team is typically broadened to include representatives from across the client’s enterprise ... operations, EHS, treasury, regulatory affairs, and supply chain. This interdisciplinary carbon team is ideal for evaluating and quantifying types of risks & opportunities related to carbon issues both present and in the future. In parallel, the

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DEPTH OF EXPERIENCE**



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appropriate metrics and peer benchmarking are shaped to gauge the success of future carbon goals. The informed feedback and collaboration across these parallel initiatives is critical in advance of establishing corporate goals.

Manage The management stage begins with the distinction between corporate goals and corporate commitments, the latter being an informed chief executive directive. The commitments are grounded in opportunity prioritization and the knowledge of what is in fact feasible, under what timelines, and what will likely be required to follow-through on the commitments. Often it is encouraged at this senior decision-making stage to engage relevant outside investors & stakeholders for input in advance of any potential public announcements. The established commitments guide the client's senior carbon team as it commences the development of the implementation plan. It is of note that the implementation plan focuses on the establishment of processes and systems for selecting, prioritizing, and

executing the linkage of carbon management to existing management objectives and processes.

Excel The final, ongoing stage in the carbon strategic planning process is to execute the implementation plan and in doing so ensure that carbon and energy management is fully integrated. At this point, there must be a driving force for implementation and that person(s) should have the authority and organizational standing to implement, integrate, and require continued collaboration. There should be established accountability, carbon excellence, in each relevant aspect of the business to advance the corporate commitments. Specific carbon & energy project opportunities are identified and those that meet the implementation plan's selection criteria are prioritized and accomplished. These include integrated efforts in both the energy operations and carbon policy & markets. It is at this stage that tangible carbon & energy integration occurs. Progress on regulatory advocacy programs for carbon market design are synchronized with

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DEPTH OF EXPERIENCE



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operational energy initiatives as well as potential participation in voluntary climate change programs and/or proactive regulatory initiatives.

This integrated carbon management pipeline enables dynamic value capture in both carbon and non-carbon projects. Carbon values can then either be monetized in the existing carbon markets or banked for future compliance and leveraged to secure reputational value. Many operational initiatives do not provide a direct carbon value, but instead a cost savings that can be immediately realized. Excel is the ongoing execution process with regular evaluation and refinement to the implementation plan & strategy.

The Backbone of Carbon Management ... The GHG Inventory & Management System

To excel in implementation and to extract direct and indirect carbon value requires a dynamic GHG inventory & management system which allows for common communication, evaluation of goals, and performance projection. Excellence in carbon value extraction depends on clear documentation and tactical management provided through a comprehensive GHG inventory & management system.

Pace's Carbon Strategic Planning Process summarized above was developed to specifically address the current carbon landscape. While the stages of the process will remain intact, its elements are expected to evolve as carbon policy, regulation, technology, and markets mature.

For further information about Pace's Carbon Strategic Planning Process, please contact:

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