



2016 ANNUAL
AND CORPORATE
RESPONSIBILITY REPORT

CLIMATE CHANGE RISKS



CEPSA



REGULATORY RISK

- The Winter Package, presented in November 2016, features the update to the European regulations on the Emission Trading Scheme, which seeks to cut CO2 emissions by at least 40% by 2030 in terms of the quotas allocated free of charge and a scaling of carbon leakage criteria and an increase in carbon prices.
- Influence of COP21 on the development of international Carbon System regulations. Influence of the new US presidency that may result in a withdrawal from the NDC arrangement.
- The Winter Package, presented in November 2016, features the revised 2030 national and international Energy Efficiency Regulations, affecting energy distributors nationwide. In 2016, Cepsa has had to contribute the sum of €23 million to the National Energy Efficiency Fund, subject to the annual volume of sales and State forecasts.
- Focus on construction may result in an increase in the consumption of natural gas for heating and a reduction in the demand for diesel for heating. Development of condensing boilers using natural gas. Air quality is a local issue, whereas climate change is a global problem, although the reduction in consumption and increase in demand for natural gas would result in a reduction in these emissions.
- Increase in regulatory requirements concerning the Bio content and quality of fuels. The Winter Package, presented in November 2016, features the update to Renewable energy regulations. Proposed reduction of food-based biofuels and increase in advanced biofuels.
- Green Label on products and product eco-design regulations
- Amendment to regulation concerning vehicle emissions, making vehicle efficiency standards (gCO2/km) stricter
- Development of infrastructures to promote alternative energies and increase electricity interconnections with a view to reducing demand for fossil fuels
- Definition of low-emission zones by governments, which is a topic that relates more to air quality, although there is some overlap. This would result in a reduction in the demand for fossil fuels.
- Change of transport habits, with greater demand for electrical vehicles.
- Limitations on the extraction of crude oil worldwide in line with the 2°C limit.

PHYSICAL RISK

- Impact of extreme weather conditions in regions of the world in which we have assets.
- Increase in areas affected by water shortages and worsening of conditions in areas at risk of water shortages in which we have assets
- Impact of the rise in sea levels in coastal regions of the world in which we have assets.
- Decrease in demand for fuel for heating on account of milder temperatures.

REPUTATIONAL RISK

- Impact on the customer in line with reporting capacity and speed of response concerning the product lifecycle analysis.
- Impact on the customer in line with our communication capacity and reporting on Climate Change Management aspects.
- Impact on the customer in line with our innovation capacity in terms of reducing natural consumption.



Given the uncertainty associated with the implications that regulatory, physical and reputational aspects may have on our activities, we must take a proactive stance and anticipate future unfavourable circumstances in order to identify improvement opportunities in response to these risks.



• **Low carbon economy**

Development of new low carbon technologies. Renewable energies, promoting the inclusion of Electrical PV systems at Service Stations.



• **Carbon coverage and Management of CO₂**

Assessment of new carbon coverage strategies in light of the changes in CO₂ prices.



• **CDP**

Maintain the A rating achieved in the 2016 Carbon Disclosure Project, improving our reporting and image.



• **Carbon Footprint**

Prepare procedures to calculate the carbon footprint of Refining products in order to provide information in different surveys.

Lifecycle analysis of our refining products in order to increase loyalty amongst our customers.

Expansion of Lifecycle analysis certifications for our chemical products.



• **Sustainable mobility**

Promotion of sustainable mobility initiatives, such as car sharing, or efficient driving courses.



• **Energy Efficiency**

Development of new measures that make it possible to improve our response to the Energy Efficiency Directive.



• **Innovation**

Research and development of new raw materials other than fossil fuels.