TCFD

Progressive alignment with TCFD recommendations

Throughout 2023, 2i Rete Gas continued to explore the risks and opportunities related to climate change and their possible impact on business activities. In this sense, in fact, an updating process has been undertaken with respect to the Recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), established in 2015 by the Financial Stability Board (FSB).

The progressive alignment with the TCFD Recommendations represents a useful tool to improve the quantity and quality of information on climate-related financial risks and, consequently, supports 2i Rete Gas in providing more detailed and transparent reporting to all different stakeholders. Some members of the ESG Working Group were actively involved in this updating process, thus facilitating a cross-cutting view of the different business operations, in order to cover all four areas recommended by the TCFD.

COMPANY STRATEGY ON RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

In line with the previous year, the time frames on which analyses of climate change impacts should be based were confirmed, broken down into three main clusters:

- Short term = 0 – 5 years
- Medium term = 5 – 10 years
- Long term = 10 – 20 years

Regarding the "0 – 5 years" term, the main events identified concern the increase and worsening of hydrogeological instability events in new geographical areas, together with the increase of acute weather events such as heavy rainfall (known as "water bombs").

With respect to the medium and long terms, on the other hand, the main risks stem from the increase in average temperatures, with consequent impacts on energy consumption and on the transport and distribution policies of energy carriers. To mitigate these impacts, a dual strategy has been adopted. On the one hand, the risk to the network infrastructure was identified through a mapping that correlates its location with climate events, monitoring major hydrogeological instability and weather events. On the other hand, analyses have been started to improve the energy supply, considering replacing energy carriers with more sustainable options and promoting green energy, such as mixtures of CH_4 and hydrogen, biogas or synthetic gas.

With a view to addressing climate risks more effectively and to strengthening its corporate commitment, the Group – as stated in the last NFD – intends to base its planning and investment decisions also on predictive models that take these risks into account, identifying and monitoring geographic areas according to the likelihood of a given climate event occurring.

PROCESS FOR IDENTIFYING RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

In order to effectively address the challenges and opportunities arising from climate change, 2i Rete Gas reviewed the analysis carried out to understand whether significant deviations may exist with respect to previous findings.

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a) Risks identified

TYPE	RISK	DESCRIPTION	LIKELIHOOD	TIME FRAME
ACUTE PHYSICAL RISKS	Damage from extreme weather events	Damage to facilities, loss of production and/or disruption of energy supplies (gas/electricity).	Possible	Short term
	Increased frequency and severity of fires	Damage to facilities and risk of increased frequency of fires at stations, reductions groups and meters with possible damage to Third Parties.	Unlikely	Long term
CHRONIC PHYSICAL RISKS	Impacts from rising temperatures	Decline in demand for natural gas for heating (residential and commercial).	Unlikely	Long term
	Impacts from changes in rainfall patterns and extreme variability in weather patterns	Flooding resulting in landslides and mudslides.	Possible	Short term
TRANSITION: POLICIES AND REGULATION	Regulatory changes in energy and climate policies to mitigate climate change	More challenging GHG emission reduction pathways. Accelerated transition to decarbonisation. Changes in carbon markets. Changes in environmental taxation. Electrification at the expense of natural gas.	Possible	Long term
TRANSITION: TECHNOLOGICAL	Technological disruption in the energy transition	Technological improvements, cost reductions, or innovations that support the transition to a more efficient, low-emission economic system.	Possible	Medium term
TRANSITION: MARKET	Incentives for circular economy	Expansion of recycling activities to switch from a linear to a circular business model.	Unlikely	Long term
	Changes in traditional energy business models	Demand for new low-carbon products and services. Funding difficulties for projects not consistent with GHG emission reductions. Loss in asset valuation (stranded assets).	Possible	Long term
	Technological enhancement and plant efficiency			
	"Green Finance" Framework	Advantageous financial conditions when subscribing financing instruments, in relation to the achievement of sustainability goals. Reputational advantage, in particular, with institutional investors, investment funds, shareholders, etc.	Unlikely	Long term
TRANSITION: REPUTATION	Increased stakeholder demand for transparency and climate action	Loss of relevance in sustainability and climate change indices due to failure to meet expected climate change management standards or reputational damage resulting from climate change impacts that may adversely affect the valuation of intangible assets by stakeholders (shareholders, clients or employees).	Possible	Medium term

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b) Opportunities identified

TYPE	OPPORTUNITY	DESCRIPTION	LIKELIHOOD	TIME FRAME
RESOURCE EFFICIENCY	Renewal and efficiency of the company vehicle fleet with more fuel-efficient vehicles	Choosing new-generation vehicles with higher efficiency class to reduce fuel consumption, monitoring of mileage to reduce waste.	Possible	Medium term
	Efficiencies on preheating systems	Reduction of preheating consumption at city gates, with the introduction of advanced preheating fluid temperature control systems.	Likely	Short term
	Efficiencies on cathodic protection systems	Consumption reduction by identifying and monitoring plants with critical consumption.	Likely	Short term
	Construction choices concerning the network, favouring the laying of polyethylene pipelines	Construction and replacement of the distribution network with polyethylene pipelines that do not require cathodic protection systems.	Likely	Medium term
	Energy efficiency of buildings	Identification of opportunities to achieve timely savings on corporate offices.	Possible	Medium term
PRODUCTS AND SERVICES	Increased attractiveness of the Organisation in terms of service offerings	Exploitation of diversification opportunities offered by the energy efficiency market. Strengthened relations with local communities through the Group's ESCo company, set up to provide energy efficiency services, mainly to Public Administrations.	Possible	Short term
	Service offering through own network infrastructure	Increased opportunities to open up its business to new markets by offering services (telecommunication and data transmission) that the technological infrastructure of the Organisation of the subsidiary 2i Rete Dati is able to support.	Possible	Short term
MARKET	Development of experiences with alternative fuels vs. traditional carbo-impacting energy carriers	Increased competitiveness in calls for tenders.	Possible	Short term
RESILIENCE	Design and testing of technologies for the use of renewable gases (biomethane, green hydrogen or Syn Gas)	Investments to enable plants to distribute and work with renewable gases.	Possible	Long term

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To effectively address the above-mentioned issues, in addition to the preventive assessment of hydrogeological risk areas as described above, 2i Rete Gas also engages in a number of key initiatives, including:

- developing specific plans for to manage network emergencies and implementation of the necessary measures to ensure the safety of plants considered to be at risk;
- remote monitoring of facilities using remote alarm systems and implementing effective procedures to take timely action on first response services;
- participating in pilot projects, studies and workshops to introduce new technologies on the infrastructure, such as low-carbon gas (biomethane with reverse flow, green hydrogen, synthetic methane), or to replace energy carriers that cause greater polluting and climate-changing impact;
- active participation and constant monitoring of regulatory and technical panels to help steer choices and decisions;
- modernisation and digitisation of the network infrastructure, with a focus on containing energy consumption (Scope 1 and 2) and fugitive CH_4 emissions, including through specific digitisation processes capable of regulating pressures according to the amount of gas injected, allowing to reduce infrastructure utilisation and CH_4 leaks.

METRICS

The main measurements used to closely monitor climate change issues are categorised according to the key performance indicators (KPIs) defined in the GRI Sustainability Reporting Standard. These measurements mainly include Scope 1, Scope 2 and Scope 3 categories such as "Purchased goods and services", "Business travel" and "Employee commuting".

It should also be noted that during 2023, in the context of the Sustainability Plan, the Company defined the targets to be achieved by 2030 regarding the reduction of Scope 1, Scope 2 and Scope 3 emissions. Scope 1 and Scope 2 reduction targets are broken down into annual targets to assess the effectiveness of the actions implemented. Monitoring is carried out every six months in the following month, after the related consumption has been recorded. In addition, these targets are detailed according to the type of energy used, such as fuel consumption for means of transport, direct energy consumption of infrastructure (gas and electricity), etc. On the other hand, with regard to Scope 3, only the target to be achieved by 2030 has currently been defined, while for the short term a commitment has been made to define a reduction plan with progressive targets.