

## CMS – Scope 3 Greenhouse Gas Targets

### Whereas:

Energy utility companies play a critical role in achieving the Paris Climate Agreement goals. Electricity production accounts for 25 percent of greenhouse gas emissions, while the burning of gas in buildings for heat and appliances accounts for 13 percent.<sup>1</sup> Many utilities' current climate targets are grossly insufficient as they leave a major portion of their emissions unaccounted for, namely scope 3 emissions associated with the upstream production of gas and the downstream burning of gas by customers.

Reducing the greenhouse gas footprint of buildings is critical to achieving the Paris Agreement goals.<sup>2</sup> Currently, over 60 percent of homes use gas or other fossil fuels for heating. The IEA net zero scenario calls for 95 percent reduction of emissions from the buildings sector.<sup>3</sup> Cities and states are starting to mandate transition to all-electric buildings, posing both a risk to gas distribution businesses and an opportunity for electricity demand growth.<sup>4</sup> Proposed federal legislation includes investment tax credits for geothermal and heat pumps<sup>5</sup> and rebates for high-efficiency electric homes.<sup>6</sup>

Additionally, upstream emissions from natural gas production are projected to add an additional 16-65 percent global warming potential to the combustion emissions.<sup>7</sup> Furthermore, research found that these emissions were 60 percent higher than EPA inventory estimates.<sup>8</sup>

Investors such as the Climate Action 100 coalition are asking companies for robust net zero targets that encompass the most relevant upstream and downstream scope 3 emissions.<sup>9</sup> CMS Energy Corporation (CMS) has committed to net zero carbon emissions by 2040 for their electricity business<sup>10</sup> and net-zero methane emissions by 2030 across their natural gas distribution system.<sup>11</sup> However, these targets exclude upstream and downstream scope 3 emissions, which comprise more than 50% of their total carbon footprint.<sup>12</sup> Although CMS plans to publish a strategy to reduce carbon emissions associated customers' use of natural gas, it has not committed to setting a scope 3 reduction target.<sup>13</sup>

Peer utilities are starting to address scope 3 emissions. PSEG and NRG have committed to setting a net zero target through the Science-Based Targets Initiative, which mandates inclusion of all value chain

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<sup>1</sup> <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

<sup>2</sup> <https://rmi.org/insight/the-impact-of-fossil-fuels-in-buildings/>

<sup>3</sup> [https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf), p.145

<sup>4</sup> <https://www.wsj.com/articles/battle-brems-over-banning-natural-gas-to-homes-11622334674>

<sup>5</sup> [https://www.wsj.com/articles/gas-furnace-heat-pump-11620846653?mod=article\\_inline](https://www.wsj.com/articles/gas-furnace-heat-pump-11620846653?mod=article_inline)

<sup>6</sup> <https://www.ase.org/blog/theres-hope-our-homes-congress-build-back-better-legislation>

<sup>7</sup> <https://iopscience.iop.org/article/10.1088/1748-9326/abef33>

<sup>8</sup> <https://www.science.org/doi/full/10.1126/science.aar7204>

<sup>9</sup> <https://www.climateaction100.org/wp-content/uploads/2021/03/Climate-Action-100-Benchmark-Indicators-FINAL-3.12.pdf>

<sup>10</sup> <https://www.consumersenergy.com/-/media/CE/Documents/company/IRP-2021.ashx>

<sup>11</sup> [https://s26.q4cdn.com/888045447/files/doc\\_presentations/2021/10/ESG-Presentation-vFINAL.pdf](https://s26.q4cdn.com/888045447/files/doc_presentations/2021/10/ESG-Presentation-vFINAL.pdf)

<sup>12</sup> <https://s26.q4cdn.com/888045447/files/sustainability/unsdg/documents/CDP-Climate-2020.pdf>

<sup>13</sup> <https://www.consumersenergy.com/-/media/CE/Documents/company/What%20We%20Do/Consumers%20Energy%20Natural%20Gas%20Delivery%20Plan.ashx>

emissions.<sup>14</sup> Sempra and Xcel have also set net zero targets that cover Scope 3 value chain emissions.<sup>15,16</sup>

**Resolved:** Shareholders request that CMS produce a report, at reasonable expense and excluding confidential information, prior to the 2023 annual shareholder meeting, with annual progress reports thereafter, that discloses how the company will reduce all material categories of scope 3 greenhouse gas emissions, related to emissions upstream and downstream, aligned with the goals of the Paris Agreement of limiting global warming to well-below 2°C with the ambition to limit to 1.5°C. The report should include short-, medium- and long-term targets and strategies on how to achieve them.

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<sup>14</sup> <https://nj.pseg.com/NewsRoom/NewsRelease254>

<sup>15</sup> [https://www.sempira.com/sites/default/files/content/files/node-report/2020/SempraEnergy\\_2020\\_Corporate-Sustainability-Report.pdf](https://www.sempira.com/sites/default/files/content/files/node-report/2020/SempraEnergy_2020_Corporate-Sustainability-Report.pdf)

<sup>16</sup> <https://mn.my.xcelenergy.com/s/about/newsroom/press-release/xcel-energy-commits-to-net-zero-carbon-goal-by-2050-MCZE7IKJSPUBEI5K3MZ5D3AZ74UQ>