



WHEREAS: Energy utilities play a critical role in the net zero transition. Electricity generation accounts for 25% of U.S. greenhouse gas (GHG) emissions, and natural gas distribution accounts for 14%.¹

The International Energy Agency's 2023 Net Zero Scenario is clear in calling for net zero emissions from power generation in advanced economies by 2035 and a 40% reduction of emissions from the building sector by 2030.² To reach these targets, power utilities must mitigate emissions from their entire value chains, including those associated with upstream production of gas, downstream burning of gas by customers, and purchased power from the grid.

The Climate Action 100+ initiative, a coalition with \$68 trillion in assets, issued a Net Zero Benchmark requiring companies to set net zero and interim emission reduction targets inclusive of all relevant Scope 3 emissions.³ Similarly, the Science Based Targets initiative, the globally recognized target verification program, also requires that net zero targets include relevant Scope 3 emissions.⁴

CenterPoint discloses Scope 3 emissions from customers' downstream use of sold products.⁵ It has committed to reducing these emissions by 20-30% by 2035.⁶ It fails, however, to disclose upstream product emissions, which can add between 16 to 65% to a company's natural gas combustion emissions.⁷ Moreover, its Scope 3 goal is misaligned with a 1.5 degree Celsius (1.5°C) trajectory. With regard to target-setting, CenterPoint has committed to Net Zero by 2035 for its operational emissions.⁸ But this net zero target fails to include any Scope 3 emissions.

By contrast, peer utilities are accounting for value chain emissions in their reduction targets. NRG has committed to set a net zero target through the Science Based Targets initiative, requiring inclusion of Scope 3 emissions. Sempra, Duke, and Dominion set net

¹ <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>;
<https://www.ceres.org/sites/default/files/reports/2023-09/Decarbonizing%20U.S.%20Gas%20Distribution%20An%20Investor%20Guide.pdf>, p. 4

² https://iea.blob.core.windows.net/assets/13dab083-08c3-4dfd-a887-42a3e8e533bc/NetZeroRoadmap_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf, p. 63, 79

³ <https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf>

⁴ <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

⁵ <https://sustainability.centerpointenergy.com/esg-data-center/#emissions>

⁶ <https://sustainability.centerpointenergy.com/net-zero/>

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

⁸ <https://sustainability.centerpointenergy.com/net-zero/>



zero targets covering full Scope 3 value chain emissions, while Xcel and CMS have expanded their net zero targets to include customer use of natural gas.

By setting 1.5°C-aligned targets inclusive of its entire value chain, CenterPoint can enhance its reputation by solidifying its climate leadership, mitigate its climate-related transition and physical risks, and capitalize on the value-creating opportunities of the net-zero economy.

BE IT RESOLVED: Shareholders request CenterPoint adopt interim and long-term reduction targets across its full range of value chain emissions in alignment with the Paris Agreement's 1.5°C goal requiring Net Zero emissions by 2050.

SUPPORTING STATEMENT: Proponents suggest, at management's discretion, the Company:

- Disclose all relevant Scope 3 emissions categories, including upstream product emissions;
- Provide a timeline for setting a 1.5°C-aligned Net Zero by 2050 GHG reduction target, and 1.5°C-aligned interim targets;
- Provide an enterprise-wide climate transition plan to achieve net zero emissions for its full value chain emissions;
- Consider approaches used by advisory groups such as the Science Based Targets initiative; and
- Annually report progress towards meeting value chain emission reduction targets.