

Business Development Lizenz / Training Material

Modul 1 / Video 2 **Topic: Growth Assumptions for the Baseline XDC**

Questions

1) Which of these SSPs would have the greatest decoupling?

- a) SSP5 – Fossil-Fueled Development.
- b) SSP2 – Middle of the Road.
- c) SSP1 – Sustainability.

2) Switching from IEA to NGFS, will have what effect on Baseline XDCs?

- a) The Baseline XDC will always increase.
- b) The Baseline XDC will always decrease.
- c) The Baseline XDC will always stay the same.
- d) The Baseline XDC can increase, decrease, or stay the same.

3) What is the mechanism used by the XDC Model to ensure that companies headquartered in high cost of living countries do not automatically perform better than companies headquartered in low cost of living countries?

- a) There's no mechanism.
- b) Inflation adjustments.
- c) Purchasing power parity.
- d) Both inflation adjustments and purchasing power parity.

4) What country would have a higher GVA growth rate, Germany or Mongolia?

- a) With SSP2 growth rates, they grow at the same rate.
- b) Germany.
- c) Mongolia.

5) When choosing the country where a company has its headquarters, what growth rates are applied to GVA

- a) The growth rate of the country, region, and world.
- b) The growth rate of the country and the region.

- c) The growth rate of the country only.

6) When changing from IEA to OECM, which of the following curves would change?
There may be more than one answer here.

- a) Baseline EEI curve.
- b) 1.5°C-aligned EEI curve.
- c) Baseline emissions curve.
- d) 1.5°C-aligned emissions curve.

7) If the NACE of the company analyzed was changed from NACE 21.10 (Manufacture of pharmaceutical products) to NACE 35.11 (Production of electricity from non-renewable sources), the median sector EEI would:

- a) Increase.
- b) Stay the same.
- c) Decrease.

Answers

1) Which of these SSPs would have the greatest decoupling?

- a) SSP5 – Fossil-Fueled Development.
- b) SSP2 – Middle of the Road.
- c) SSP1 – Sustainability.**

In SSP1, the decoupling between GVA and emissions would be the highest. This would also result in a company having a lower Baseline XDC.

2) Switching from IEA to NGFS, will have what effect on Baseline XDCs?

- a) The Baseline XDC will always increase.
- b) The Baseline XDC will always decrease.
- c) The Baseline XDC will always stay the same.
- d) The Baseline XDC can increase, decrease, or stay the same.**

When switching from one provider to another, the carbon budget will change. The budget can increase or decrease, depending on the carbon budget of a particular sector. Since the budget can increase or decrease, the Baseline XDC may change or even stay the same if the carbon budget has only changed slightly.

3) What is the mechanism used by the XDC Model to ensure that companies headquartered in high cost of living countries do not automatically perform better than companies headquartered in low cost of living countries?

- a) There's no mechanism.
- b) Inflation adjustments.
- c) Purchasing power parity.
- d) Both inflation adjustments and purchasing power parity.**

Purchasing Power Parity (PPP) is an economic theory that compares the value of different currencies through the cost of a standard basket of goods and services. The idea is that in an efficient market without trade barriers, identical items should cost the same when prices are expressed in a common currency. If a basket costs more in one country than another after exchange rates are applied, the currency is considered overvalued; if less, undervalued. PPP is often used to compare living standards and economic productivity across nations, adjusting for differences in price levels rather than relying on market exchange rates alone.

4) What country would have a higher GVA growth rate, Germany or Mongolia?

- a) With SSP2 growth rates, they grow at the same rate.
- b) Mongolia.**
- c) Germany.

Countries grow at different rates. Mongolia, as a developing economy, is expanding more quickly because it is starting from a smaller economic base, making percentage gains easier to achieve.

5) When choosing the country where a company has its headquarters, what growth rates are applied to GVA

- a) The growth rate of the country, region, and world.**
- b) The growth rate of the country and the region.
- c) The growth rate of the country only.

When choosing a country, three growth rates are applied to calculate a singular growth rate, which is used to determine future GVA values.

The growth rate applied for a company is one-third of the country, one-third of the region that the country is located in, the last third is the world.

6) When changing from IEA to OECM, which of the following curves would change?

There may be more than one answer here.

- a) Baseline EEI curve.
- b) 1.5°C-aligned EEI curve.**
- c) Baseline emissions curve.
- d) 1.5°C-aligned emissions curve.**

By changing from IEA to OECM, the emissions budgets will change. Since the budgets change, any curve related to 1.5°C-alignment will also change.

7) If the NACE of the company analyzed was changed from NACE 21.10 (Manufacture of pharmaceutical products) to NACE 35.11 (Production of electricity from non-renewable sources), the median sector EEI would:

- a) Increase.**
- b) Stay the same.
- c) Decrease.

Note that by changing the NACE code, the company inputs stay exactly the same. Neither the GVA nor the emissions change. However, by changing the sector, the company will now be compared with a new set of companies. This new sector of companies will have a new median sector pathway.

Given that the change is from a low emitting sector (pharmaceuticals) to a high emitting sector (electricity generation), the median sector EEI will also increase.