

CLIMATE CHANGE WEBINAR

Developing a Net Zero Transition Plan

Key outcomes from COP26 and implications on business

03 March 2022

Our mission is to accelerate the move to a decarbonised future.

5

continents

300+

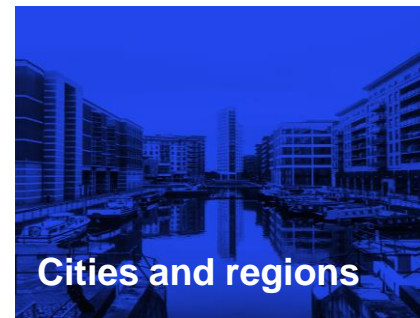
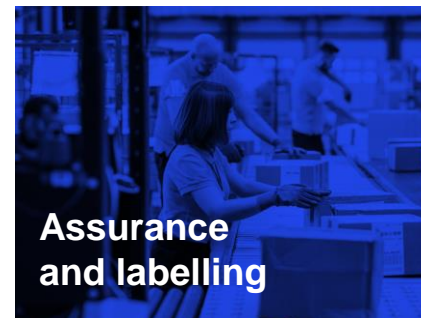
experts and consultants

20

years of experience in
sustainability consultancy



What we deliver



The need to set ambitious science-based targets is now

- The current state of emissions shows an imbalance between GHG emissions and removals resulting excessive greenhouse gas emissions and warming.
- In order to prevent irreversible climatic change, the time to set ambitious climate-aligned targets is now.
- The need to take **drastic** action is needed now to limit the warming and prevent irreversible changes
- A 1.5°C world is one that is more economically stable, in which supply chains are less susceptible to flood and extreme weather risks; workforces are less exposed to extreme heat, water scarcity and food shortages; and company operations are less at risk from dramatic changes to water supplies.



Global population exposed to severe heat at least once every 5 years



Number of ice-free arctic summers



Further decline in coral reefs



Decline in marine fisheries

1.5°C	2.0°C	Impact
14%	37%	<u>2.6x</u> worse
At least 1 every 100 years	At least 1 every 10 years	<u>10x</u> worse
70-90%	99%	Up to <u>29%</u> worse
1.5M tonnes	3M tonnes	<u>2x</u> worse

Implications of COP26 for business



- **Governments have made net zero the destination for 90% of the global economy – that is transformational**
 - It will make net zero the organising principle for business
 - It will drive up demand for and the value of low carbon goods and services
 - Businesses that recognise that and act on it now will thrive, those that don't may not.
- **COP saw a powerful demonstration of intent by the institutional investment world**
 - Demanding increased focus on climate by companies, requiring more transparency and scrutiny
 - Showing that the money to finance the transition is forming
 - Increasing the importance of building transparency and credibility behind climate commitments through tracking and disclosure of emissions
- **Making commitments will no longer be sufficient – developing credible plans followed by swift action will now be required**
 - The UK announced that companies will face a new requirement to publish net-zero transition plans and it's probably just a matter of time before regulators elsewhere follow suit
 - Increasing expectation that credible plans are needed for scope 3 and not just scopes 1 and 2, as well as near term goals for 2030, aligned with science-based mitigation trajectories or sector-specific ones from credible authorities. The latest Corporate Climate Responsibility Monitor increases the scrutiny of corporate commitments and transparency of reporting ([Corporate Climate Responsibility Monitor 2022](#))

'Net Zero' is much more than emissions and reduction, it requires an appreciation of risks, opportunity and innovation

Business must also assess how to navigate the risks and opportunities posed by a transition to a low carbon economy

The net zero transition plan for businesses



Full, detailed grasp of the risks and opportunities presented by climate change



Full understanding of value chain emissions with good quality reporting



Ambitious targets with implementation plans to support commitments



Play an active role in low carbon innovation in their own value chains and beyond

More than 2,500 companies have committed to setting a science-based target & 1,275 have committed to targets aligned to 1.5 degrees



Top 10 sectors taking action



1211

with science-based targets

2577

companies taking action

1275

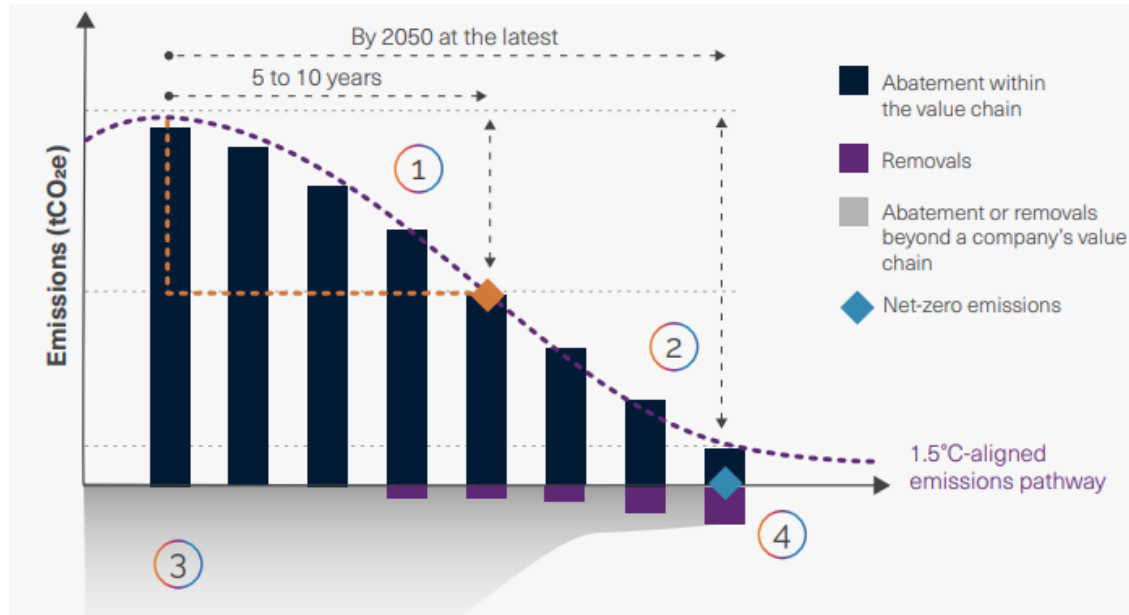
commitments to 1.5°C

SBTi definition of Net Zero



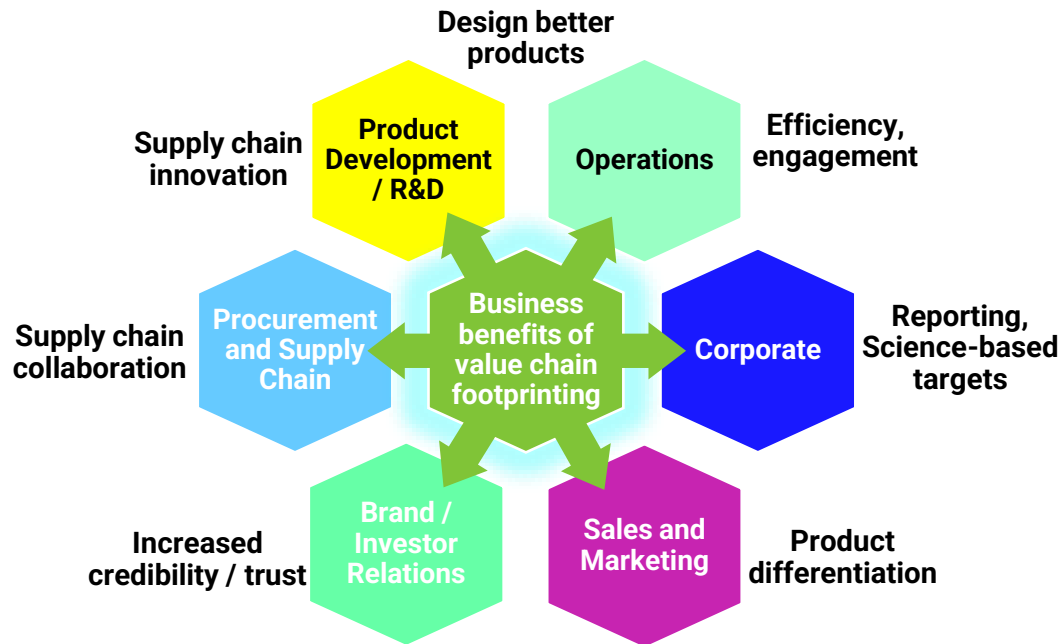
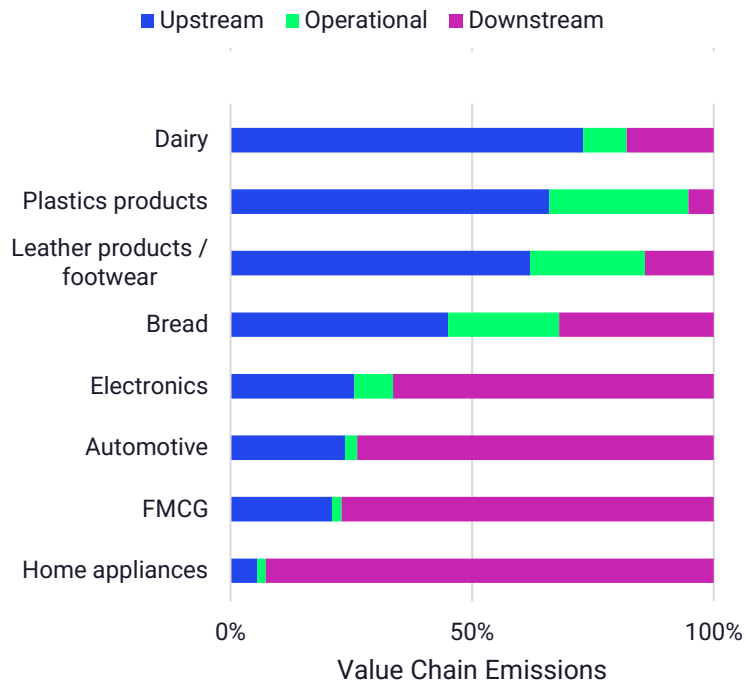
- The SBTi has published final standard for assessing Net Zero targets for companies
- 'To reach a state of Net Zero emissions for companies implies two conditions:
 1. **Reducing scope 1, 2, and 3 emissions to zero** or to a residual level that is consistent with reaching Net Zero missions at the global or sector level in eligible **1.5°C-aligned pathways**;
 2. **Neutralizing any residual emissions** at the Net Zero target year and any GHG emissions released into the atmosphere thereafter.'

The SBTi describes the end goal of Net Zero and the journey towards achievement

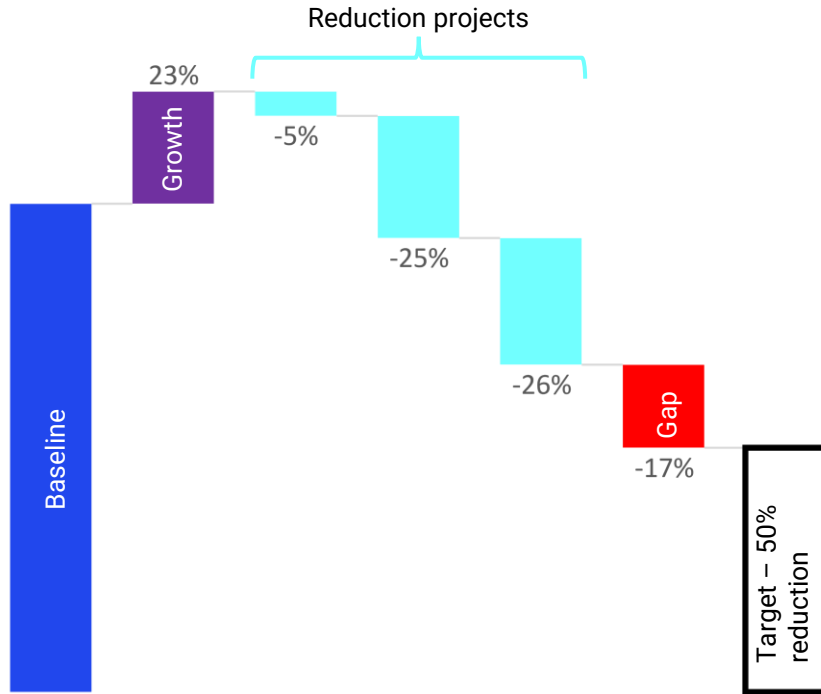


Measuring value chain emissions and analysing climate risks and opportunities are vital to inform strategy

60% to 95% of a company's emissions are typically scope 3 emissions. Identifying the carbon hotspots will also help evaluate areas of exposure to climate-related risks



Target feasibility assessment is an essential process to evaluate reduction opportunities and engage stakeholders

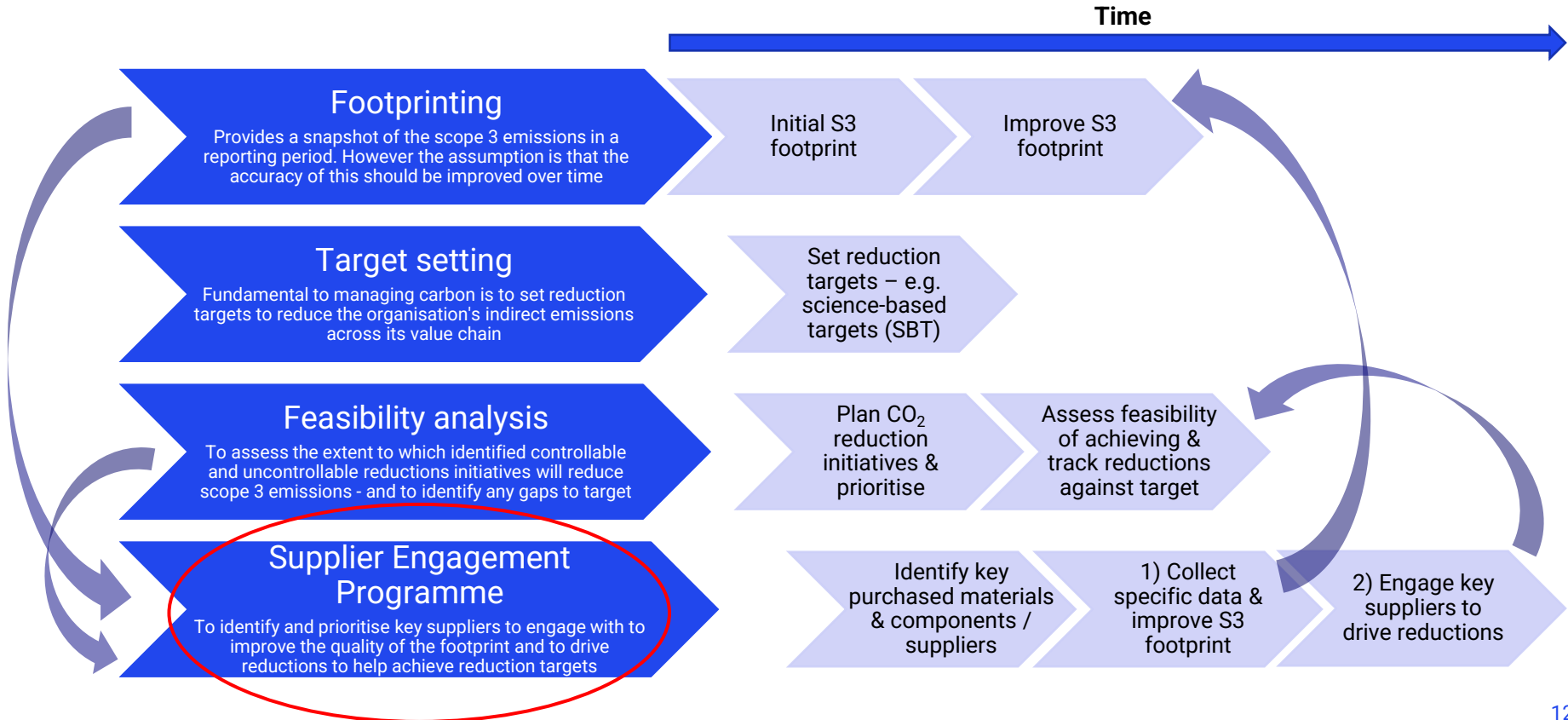


Key levers for decarbonising Scope 3 emissions



Source: Carbon Trust

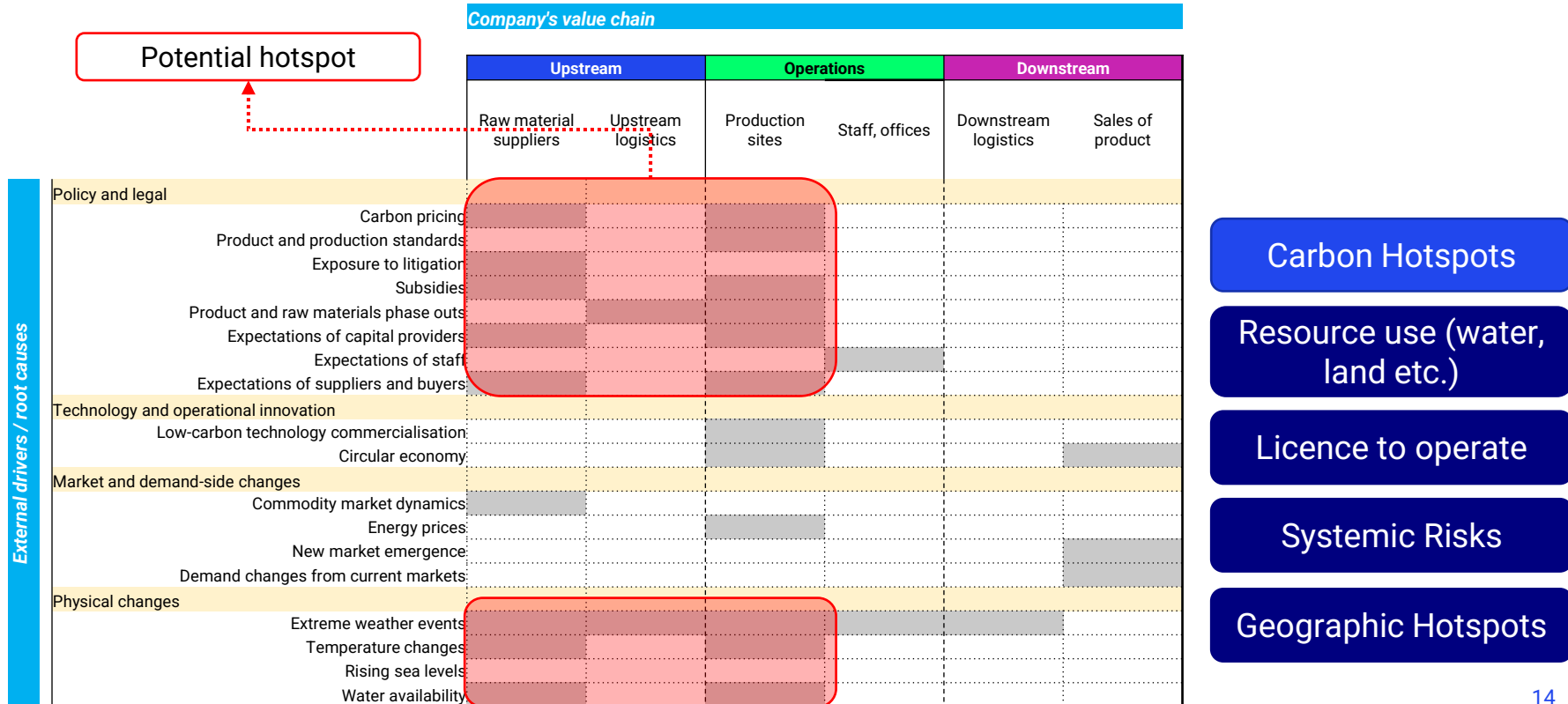
Managing Scope 3 emissions requires action on multiple workstreams over time



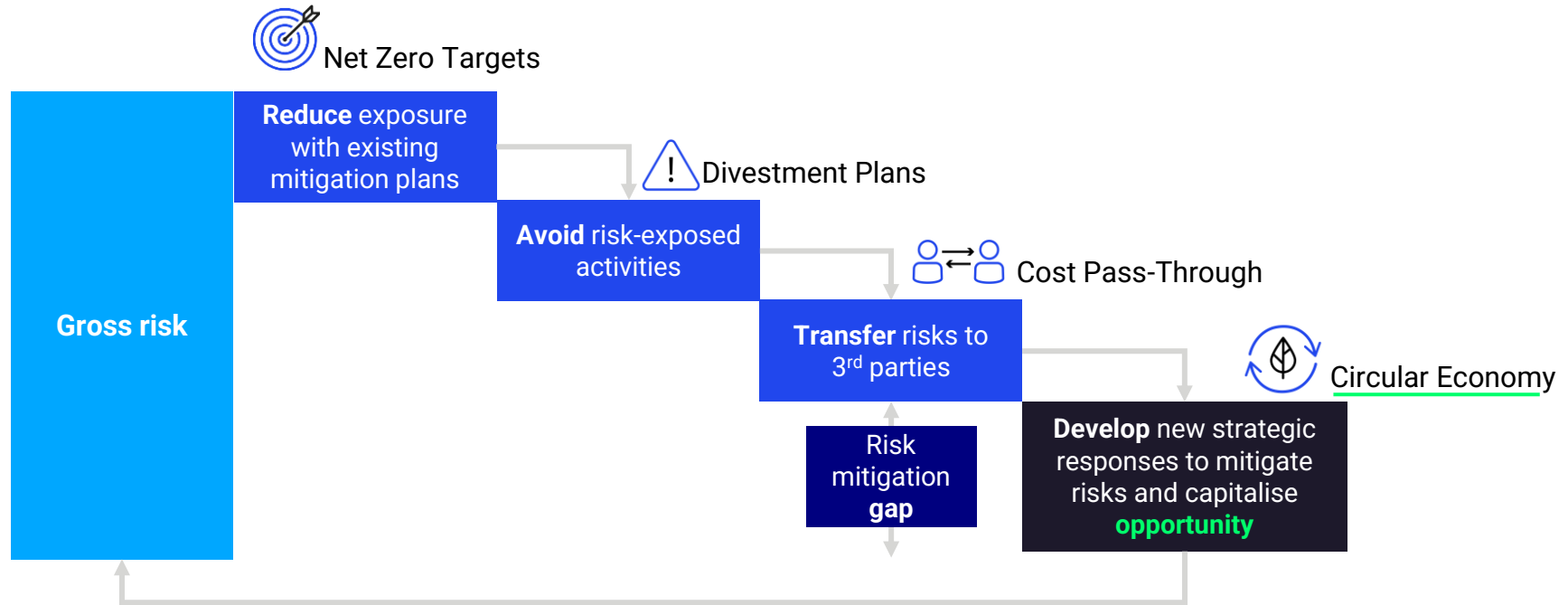
The TCFD framework provides a good framework for evaluating climate risks and opportunities



Beyond the carbon footprint, consider where climate risks and opportunities will arise across the value chain



Looking beyond carbon enables you to build resilience, create innovation and create business value



Key success factors required to implement Net Zero Strategies



Board/ Management

Set strategy, define short-, medium-, and long-term goals and plans integrated across all business areas.



Data Management

Clear metrics and targets for footprint and climate related risks and opportunities.



Reductions

Identify reduction opportunities and review on regular basis.



Finance

Quantify the financial risks and opportunities. Create financial plans to reduce and transition. Access green bonds.



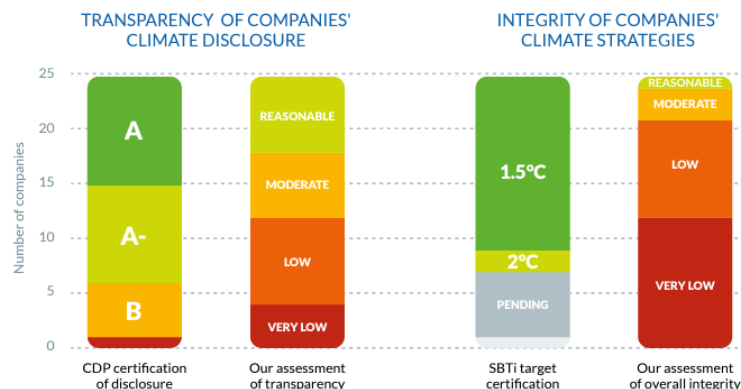
Q&A

**Thanks for
listening**

Stakeholder scrutiny of corporate climate commitments is increasing










Corporate Climate Responsibility Monitor – Questioning the transparency and integrity of climate plans

Figure S2: Certifications from standard-setting initiatives



Source: [\(Corporate Climate Responsibility Monitor 2022\)](#)

Performance scores refer to the proportion of the 25 companies that we assessed to have high transparency and high integrity.

1 TRACKING AND DISCLOSING EMISSIONS		GOOD PRACTICE		GOOD PRACTICE PERFORMANCE	
COMPREHENSIVENESS OF DISCLOSURE		✓	Disclose full details on their GHG emissions on an annual basis, with a breakdown of the data to specific emission sources (including scope 1, 2, 3 and non-GHG climate forces) and the presentation of historical data for each emission source.		LOW 6/25
2 SETTING SPECIFIC AND SUBSTANTIATED TARGETS		GOOD PRACTICE		GOOD PRACTICE PERFORMANCE	
COVERAGE OF EMISSION SOURCES		✓	Explicitly state that their targets cover all scope 1, 2 and 3 emissions as well as any relevant non-GHG climate forces.		REASONABLE 19/25
EMISSION REDUCTIONS IN THE PLEDGE		✓	Set a specific emission reduction target that is independent from any offsetting, and aligned with 1.5°C compatible trajectories or benchmarks for the sector, as their main headline pledge.		VERY LOW 1/25
INTERIM TARGETS		✓	Set interim targets that are aligned with the long-term vision in terms of depth and scope, with the first target on a timescale that requires immediate action and accountability (maximum 5 years).		REASONABLE 15/25
3 REDUCING EMISSIONS		GOOD PRACTICE		GOOD PRACTICE PERFORMANCE	
EMISSION REDUCTION MEASURES		✓	Implement encompassing and deep decarbonisation measures, and disclose details of those measures to support replication and the identification of new solutions.		VERY LOW 0/25
RENEWABLE ELECTRICITY GENERATION AND PROCUREMENT		✓	Procure the highest quality renewable energy available, and disclose the full details of that procurement.		LOW 4/25
4 CLIMATE CONTRIBUTIONS AND OFFSETTING		GOOD PRACTICE		GOOD PRACTICE PERFORMANCE	
CLIMATE CONTRIBUTIONS		✓	Provide an ambitious volume of financial support to climate change mitigation activities beyond the value chain, without claiming neutralisation of the company's own emissions		VERY LOW 0/25
OFFSETTING CLAIMS TODAY		✓	Avoid misleading claims, and procure only high-quality credits that lead to an additional climate impact that is permanent and accurately quantified.		VERY LOW 0/10
OFFSETTING CLAIMS TODAY		✓	Avoid misleading pledgers: commit to procuring only high-quality credits from high-hanging fruit projects, and ensure corresponding adjustments are applied to limit double counting risks.		VERY LOW 2/25



Whilst reasonable steps have been taken to ensure that the information contained within this publication is correct, the authors, the Carbon Trust, its agents, contractors and sub-contractors give no warranty and make no representation as to its accuracy and accept no liability for any errors or omissions. All trademarks, service marks and logos in this publication, and copyright in it, are the property of the Carbon Trust (or its licensors). Nothing in this publication shall be construed as granting any licence or right to use or reproduce any of the trademarks, services marks, logos, copyright or any proprietary information in any way without the Carbon Trust's prior written permission. The Carbon Trust enforces infringements of its intellectual property rights to the full extent permitted by law.

The Carbon Trust is a company limited by guarantee and registered in England and Wales under company number 4190230 with its registered office at 4th Floor Dorset House, Stamford Street, London SE1 9NT.

© The Carbon Trust 2021. All rights reserved.