

# Accelerating the Industrial Decarbonisation and Paving the way towards Net Zero



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# The Industrial Decarbonisation Imperative

- 1 **The private sector is accelerating its decarbonisation efforts;** however, doubts are emerging over whether the commitments by the private sector would produce the decarbonisation required to achieve the ambitions enshrined in the Paris Agreement.
- 2 **Amidst a flurry of climate actions, with climate change impacts empirically worsening,** and while the world continues to wrestle with energy and climate-related complications brought about by Russia's invasion of Ukraine and other geopolitical tensions, what are the key trends shaping the future of decarbonisation; as well as the essential responses that companies need to pursue to navigate the transition to net zero?



# Six Climate Uncertainties



## Financial Risk & Opportunity

**Climate-related financial risks** are a major driver of decarbonization. Swiss Re warns that a 3.2°C temperature rise by 2050 could slash global GDP by 18%. Nevertheless, businesses can seek clean energy funding and innovate revenue-generating products via new climate policies.

1



## Stakeholders

Companies must avoid **greenwashing** and **green hushing** amid heightened stakeholder demands for climate action and disclosure. They should stay vigilant for evolving **ESG disclosure standards and regulations** necessitating thorough climate-related risk and opportunity disclosures.

2



## Shareholders

Shareholders have been major advocates of decarbonization, but face criticism from both sides. They're accused of **lacking ambition** while also **encountering backlash** from conservative governments and consumers. Companies must heed increasing climate and ESG shareholder proposals and anti-ESG actions.

3

# Six Climate Uncertainties



## Policy

**Policies and regulations** are evolving, yet not at the pace needed for private sector transformation to meet global net zero goals. In one survey, half of US companies cited policy and regulation as key drivers for corporate decarbonization. Businesses should monitor emerging climate disclosure regulations, national climate laws, GHG emissions pricing, and policies in major emerging economies.

4



## Technology

Companies must quickly grasp how to utilize current **low-carbon technologies** while pushing for new solutions too. Despite cost reductions and market growth, investment in decarbonization must surge. The World Economic Forum urges a tenfold increase in investments for breakthrough technologies like bioenergy, CCUS, and hydrogen by 2030 to achieve net zero by 2050.

5



## Geopolitics

Geopolitical events impact global climate efforts, with short-term fossil fuel reliance possible but **long-term acceleration of the energy transition** likely. Companies should watch for impacts from Russia's invasion of Ukraine, energy supply chain disruptions, and increased clean energy investments driven by energy security concerns.

6

# A Blueprint for Six Key Actions

## Reflect

Robust analysis of where a company is and reflection on where it wants to go is at the core of setting strategy.

**Robust climate goals** must be informed by the latest science, include all value chain emissions, and define interim targets in addition to long-term goals.

1

## Redesign

**Redesigning products and services** is crucial for private sector decarbonization and global net zero goals. All sectors, especially hard-to-abate ones like cement, steel, and energy, must create climate-focused offerings. After identifying opportunities and developing these, companies must validate their low-carbon impact to support decarbonization.

2

## Implement

After the Reflect phase, companies should shift their attention to **implementation**. In a survey of U.S. companies, 92% encountered challenges when translating net zero commitments into action. Though decarbonization is tough, especially for complex supply chains and hard-to-abate industries, comprehensive action plans can simplify the process.

3

# A Blueprint for Six Key Actions

## Redeploy

Besides reflection, implementation, and redesign, firms may need to alter **capital projects and corporate structures** via mergers, acquisitions, and divestments. Renewables must increase from 29% to nearly 90% of global electricity by 2050, per the International Energy Agency. Companies must integrate emissions and climate resiliency in early planning and prioritize operational efficiency to minimize daily emissions.

4

## Transform

To achieve decarbonization goals, company's focuses should extend beyond products, services, and processes to include **people and culture**. Companies, even with strategies and tools, must undergo significant transformation and change management. They should integrate decarbonization into governance for effective oversight of climate commitments implementation.

5

## Digitalise

**Digital tools** are crucial for achieving global emissions goals, as they optimize operations, boost energy efficiency, and facilitate performance tracking. The World Economic Forum estimates that these technologies could provide one-third of the emissions reductions required by 2030 to limit global temperature rise to 2°C.

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# In Conclusion

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**Adoption of the actions above will not be easy given the enormous scale of transformation required for the economy and individual businesses.**

**But companies must act, both to address climate change and to ensure their own future survival and success**

# Thank you



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