FACTSHEET

WHY NOW IS THE TIME TO START YOUR NET ZERO CARBON JOURNEY

The past few months have seen COVID-19 cause unprecedented disruption to businesses and communities around the world. As governments begin the process of restarting economies, there is another unprecedented opportunity to build back to tackle the climate emergency. Taking time to think through how businesses can contribute to achieving the Paris agreement's target of limiting future warming to 1.5°C and limit future impacts, which have the potential to be just as disruptive as the current pandemic, will minimise future pain from regulation and investor pressure. The World Economic Forum (WEF)[i] concluded that failure to act on climate is the biggest global risk faced in terms of likelihood and impact. This means the business case for rapid action is growing.

Public concern is building

We know that the public wants a radical response to the climate crisis, enacted with the same urgency as the response to COVID-19[ii]. Much of the demand is coming from young people, worried about the world they will inherit. The pressure they are exerting directly and through their parents is likely to grow.

Government action

The UK was the first country to pass a net zero emissions law with a target to bring all greenhouse gas emissions to net zero by 2050[iii].

In addition, 450 UK Local Authorities have declared a climate emergency, covering 90% of the population. This has led to locally set target dates to achieve net zero range, as soon as 2028 in Nottingham. Many are for before 2040[iv].

However, the UN PRI (Principles for Responsible Investment) suggests that we are yet to see a truly significant policy response and that we should expect one within the next five years[v].

Investor pressure

The [FSB Task Force on Climate-related Financial Disclosures](#) (TCFD) provides information to investors, lenders, insurers and other stakeholders on how companies are reducing risks linked to climate breakdown and therefore ensuring investments are more secure.

The Prudential Regulation Authority (PRA) in the UK requires that financial services firms assess their risks and stress-test their portfolios – both in terms of climate impacts and the transition to a zero-carbon future. This will filter down as part of decision-making criteria for investments, loans and insurance and impact all businesses in the near future[vi]. But climate action is not just about addressing risk – there are opportunities too.

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Economic opportunities

$26tn economic value and 65 million jobs

can be delivered by bold climate action between now and 2030[vii]

We know that how a business contributes to environmental protection is important in employment decisions[viii]

26% of people would take a pay cut of £8,100 to work for a company or non-governmental organisation taking action to protect the environment[ix]

So, acting is vitally important in the race for talent, particularly among millennials – more than two thirds of whom would reject employment from companies who do not have a clear strategy[x].

Customers want solutions

With searches for sustainable living increasing by 4,500% during lockdown[xi], there are huge opportunities for businesses that can develop new products and services to help them adjust.

And when it comes to business-to-business customers, the demand is growing even faster and there are opportunities to build mutual benefits:

Capgemini is helping clients save 10m tonnes of CO_2 (equivalent) by 2030, by implementing and optimising technology and systems[xii]

Cost savings are waiting

here are significant cost savings to be had with short payback times from improving the energy efficiency of lighting,heating, equipment and processes[xiii]. As the world returns to something resembling pre-COVID-19 normality, other cost savings will result from keeping some of the changes made in place, such as reducing business travel and enabling flexible working.

Anglian Water has shown that putting carbon reduction at the heart of strategy also cuts costs. Energy improvement schemes saved more than £2.6m in 2018-19 alone[xiv]

Boosting productivity

There are also significant benefits to productivity to be gained. The Ellen MacArthur Foundation concluded that applying circular economy principles to the use of key resources can provide 45% of carbon reductions, with greater productivity accruing from making these changes[xv].

HOW TO GET STARTED

How we recover from COVID-19 is an opportunity to put society on the right path towards tackling the climate crisis. However, it is important to remember that this timeline will only give us a 50-50 chance of staying below a 1.5°C temperature rise above pre-industrial levels[xvi]. Above this, climate impacts will bring disruption to business and suffering to people and nature[xvii].

Insights from BITC's Responsible Business Tracker® show that net zero carbon is a significant, material issue for business, second only to health and wellbeing in terms of priority. However, they also show that more businesses see community issues as material than environmental ones. Key headlines are:

- 59% of participants identify risks and opportunities related to their carbon reduction strategy

- 47% of participants set objectives, targets and key performance indicators to monitor and evaluate the effectiveness of their carbon reduction strategy

- Only 41% of respondents govern the issue at the highest level of the organisation. This is worrying, when considering that more than half of the participants operate in sectors that are perceived to be at the highest risk from climate change

- 29% of participants have developed science-based, net zero or carbon restorative targets

- Less than half (47%) of respondents report publicly on their progress against targets.

BITC is calling on businesses to rise to the challenge and set a greenhouse gas (GHG) reduction trajectory that will achieve net zero well before 2050 and to make significant reductions in the next five to ten years.

What is net zero?

Net zero is a balance between the production of manmade GHGs from sources (such as burning fossil fuels, deforestation and refrigerant gases) and the capture in 'sinks' (for example, forests, soil, the ocean, negative emission technologies (Nets).

How can my business get there?

The Greenhouse Gas Protocol, is an established methodology to help measure and manage emissions in terms of scope:

- **Scope one:** direct resource use (such as gas for heating, fuel used in business-owned vehicles or refrigerant gas leaks).

- **Scope two:** bought resources for use in a business's direct operations (mainly electricity).

- **Scope three:** all indirect emissions due to the activities of a business.

- **Scope three can either be upstream -** indirect emissions including: purchased goods and services; waste generated in operations; business and commuting travel; transportation and distribution.

- **Or downstream -** as products and services are used and disposed of by customers including processing of sold products; use of sold

products; end-of-life treatment of sold products; franchises; investments.

How do I know whether to include scope three emissions?

We recommend that companies follow the Science Based Targets Initiative's recommendations to include scope three emissions if they are more than 40% of your organisation's overall footprint.

• **Scope four:** is an interesting new development, focusing on how companies are contributing to societal transformation, so supporting communities, employee action at home, etc. This is not clearly defined yet, but it is something to begin considering now.

Practical Action:
Step one: understand your baseline

The first step is calculating your organisation's carbon footprint[xviii]. To do this you need to:

1. **Decide on the method**
   BITC recommends using the GHG protocol, which will help identify where to focus.

2. **Set boundaries**
   Look at scopes. It is vital to assess all scopes to understand the baseline. Those just getting started can begin with scope one and two, then

come back to indirect emissions once there is an internal action plan.

3. **Collect the data**
   For gas and electricity, use kWh and for vehicle fuel try to get the amount of fuel from receipts. If not, use mileage and average fuel consumption to estimate the amount. It is worth taking time on data collection, as it is at the heart of a good strategy. Adjust collection processes to make it easier to harvest the data needed.

4. **Apply emissions factors**
   Carbon footprints are calculated in CO_2 equivalent. For example, one tonne of methane has the same global warming potential as 28[xix] tonnes of CO_2, up to the refrigerant gas SF6, which has a whopping 22,800 greater warming potential than CO_2. Defra[xx] collates these figures for the UK. It is important to note that the emissions factor for electricity from the national grid will fluctuate as the carbon intensity of power production changes. This means that even those buying green electricity will not be able claim it as carbon free in the UK.

5. **Verify findings**
   It may be beneficial to get a third party to check the assessment to provide reassurance that the calculations are accurate.

Step two: set a target

How to set a target will be unique to each business, but there are frameworks that can help. The Science Based Targets Initiative[xxi] enables companies to set targets that are in line with the Paris agreement.

At BITC, we encourage businesses to be ambitious when setting targets – remember that the Paris agreement only gives a 50-50 chance of limiting

temperature rises to less than 1.5° above pre-industrial levels, the target with the best chance of averting the climate crisis. So, we believe even a science-based target needs to be aiming towards 2030 rather than 2050 for the best chance of success. We would recommend that organisations:

- set a science-based target for 1.5°C
- Focus on cutting carbon through efficiencies, innovation, and behaviour change. Ideally the carbon reduction should at least meet the Paris agreement – roughly 50% by 2030 on a 2010 baseline[xxii]
- break the overall target into Smart objectives for the different scopes and activities and/or departments of the business
- ensure ambition and that the objectives are inspiring rather than risk seeming out of reach
- explore how to tie corporate objectives into individual objectives and performance measures.

50% of all bonuses at United Utilities are linked to key environmental, social and governance criteria, ensuring they are at the heart of every employee's review and reward

Step three: dealing with emissions that cannot be eliminated

An important part of the net zero equation, at least in the short term, will be to invest in ways to take greenhouse gases out of the atmosphere. There are two main ways to achieve this.

Offsetting

One of the best ways to offset emissions is to invest in initiatives to repair and rebuild sinks that absorb GHGs. There are many options to choose from, for example, soil, peat, mangroves; protecting ancient forests; reforestation and technologies such as carbon capture and storage (CCS).

Understanding options and putting in place schemes now is vital, as time is of the essence. Restoring the health of nature is a critical component of achieving net zero carbon and tackling the climate emergency, making it a good investment for the future. It vital to ensure that projects invested in make permanent additional removals of GHGs from the atmosphere and create social value.

M&S funds fuel-efficient cook stoves in Bangladesh, reducing carbon, improving health, freeing time up for women and girls and reducing deforestation and flood risk[xxiii]

Insetting

This involves directly investing in the value chain to cut emissions. This could include working with suppliers or installing technologies, such as CCS, onsite.

Sky is collaborating with its product manufacturers to help them improve environmental performance. This has

included energy efficiency audits and working with the top three factories in China to install on-site solar panels. For one factory, these panels now supply 50% of the electricity to make Sky's products on that site, providing cost savings for both companies.

Step four: Engage stakeholders

Leaders

Create the business case and help leaders understand how your business will be impacted by climate change and the opportunities of early action. Tailor this for key decision-makers, such as chief executive officers, finance directors, investors and shareholders, and procurement teams. Establish both the risks and opportunities of addressing climate change.

Employees

Mobilising employee action is key to meet net zero goals. Behavioural and culture change can enable rapid carbon reduction. Indeed, workplace behaviour change programmes can reduce energy costs by 10% on average[xxiv]. Good engagement can enable employees to connect with the ambitions of the organisation and create a motivating environment. Higher levels of engagement also correlate with higher levels of innovation[xxv].

To engage employees, BITC recommends:

- **Engage as early as possible**: This will ensure transparency and educate employees on

carbon and the measures the business is taking to reduce carbon before investing in removals.

- **Launch a communications campaign**: Put efforts into a launch using established communication tools. Discuss your aims to reach net zero and why this is important to the business.

  - Start with the business's environmental journey so far and its past successes.

  - Enlist senior leaders to communicate ambitions, demonstrating commitment from the top and helping establish that everyone in the organisation has a role to play.

  - Harness channels (intranet sites, training sessions, drop-in sessions, online forums, videos, and roadshows) to share consistent messages and celebrate progress.

- **Establish a strong governance structure**: This could include an executive steering group that regularly meets to drive action and review the pathway and plans to progress against carbon reduction. Ensure employees at all levels can contribute. A two-way communication channel to feed into senior management will ensure employee ownership of activities and actions to drive rapid action towards your net-zero goals.

- **Support employees to reduce their own carbon footprint**: Incentivise low-carbon choices through employee benefits including cycle-to-work schemes, train subsidies, agile and flexible working practices and ensuring that the pension fund aligns with a commitment to responsible business and low-carbon investments.

Suppliers

Global supply chains are vast, complex, and interdependent. As clearly shown by the COVID-19 pandemic, disruptive events are no longer confined

to specific geographies but have widespread consequences that can be felt across the globe. Businesses must take a new approach to ensure that their supply chains are resilient to future disruption from whatever source.

In 2019, 15 extreme weather events driven by climate change cost more than $1bn[xxvi], with four events costing more than $10bn each.

Supply chain emissions are one of the biggest elements of scope three, typically four or five times a company's direct, scope 1 and 2 emissions – up to 90% in certain sectors[xxvii]:

To start decarbonising a supply chain, BITC recommends:

- **mapping supply chains**: This enables an organisation and its suppliers to deepen their understanding of activities and identify carbon hotspots. This step can drive transparency and create as full a picture as possible of a business's sphere of influence. Think through risks as well as opportunities, such as unlocking new innovations, cost savings and reputational benefits.

- **incorporating carbon strategy into procurement processes and functions** – by working with procurement teams to decarbonise the supply base.

  - Ensure that there is a clear business case for a sustainable procurement strategy.

  - Incorporate the measurement process into already established procurement procedures (such as tender process, PQQs, supplier questionnaires).

- Train and support procurement teams so they are clear on the outcomes aimed for.

- Work with procurement teams to establish relationships with suppliers that need to be engaged. Tap into existing networks and channels to speed up progress.

- **engaging with suppliers as early as possible** to take them on the journey. This creates a collaborative environment where suppliers have ownership of their activities and can share in success.

- Work with suppliers to ensure they have targets to make year-on-year improvements to decarbonise. Organisations may want to prioritise working with suppliers that are higher-risk or biggest spend.

- **Ensure that suppliers understand** the action plan to reach net zero carbon and the milestones that they need to contribute to help reach this target.

- **Establish long-term commercial alliances** with suppliers to encourage the development of innovative low-carbon products and processes.

- **Support suppliers to decarbonise**: For certain suppliers, organisations may want to explore further investment in the company to decarbonise by, for example, supporting suppliers with a financial loan to improve energy efficiency measures or investing in low-carbon technologies. Offer guidance and support to suppliers to understand climate-related risk for their own business (such as through supplier forums, workshops and training sessions). This could lead to wider positive impact by

taking this learning to other parts of their own supply chain.

Customers

It is also essential to think about how to engage and support customers to buy more energy efficient products and to use them more effectively.

A final word on a 'just transition'

One of the biggest concerns about the journey to net zero is ensuring that people and communities that stand to lose out get to benefit from the opportunities that the transition will bring. Business helps to create good jobs to regenerate communities and support the world's poorest people to improve their lives.

Actions steps

BITC is calling on all businesses to rise to the challenge and set a GHG reduction trajectory that will achieve net zero well before 2050 and as close to 2030 as possible.

- BITC is supporting members to set net zero carbon targets that align with 1.5°C. This means setting a target to reduce absolute emissions in line. To those organisations that have not already – join BITC. We have a wealth of resources, access to experts and support from other members to help.

- Sign up to our series of webinars that will take those attending through the steps in more detail, learning from leading companies and

having the opportunities to develop action plans.

- Speak to your relationship manager about an environmental advisory services package to get bespoke support for the business. Alternatively, email environment@bitc.org.uk to find out more about how we might be able to provide support.

- Join our Net Zero Carbon Taskforce to collaborate with other businesses at the forefront of the journey.

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