

# The Net Zero Opportunity


Harnessing business ingenuity for continuity and resiliency in a changing climate.

September 2024



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**This insights pack provides an overview of the current state of play for corporate climate action by exploring three key themes:**

- 1** What companies have achieved to date
- 2** How their strengths can be leveraged to drive the global climate transition forward
- 3** Why they should seek to be responsible leaders



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# Part 1. Business and the Net Zero Movement to Date



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# 1. The private sector has been calling for ambitious net zero action.

Since the start of the net zero movement, businesses have been taking matters into their own hands and pushing for ambitious climate action.

50 major global businesses from the World Economic Forum signed an open letter calling for stronger action at COP24, representing

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**\$1.5 trillion**  
IN REVENUE

30 of the signatories quickly succeeded in reducing emissions by 9% between 2015 and 2016.

That's the equivalent of taking

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**10 million**  
CARS OFF THE ROAD FOR A YEAR

# Examples of Business-Led Calls to Action

## EV100

Companies sending EV demand signal to vehicle manufacturers and governments.

## RE100

Companies driving renewable electricity demand.

## FOSSIL TO CLEAN

Companies urging governments to phase out fossil fuels.

## SUPPLIER CASCADE

Companies calling on tier 1 suppliers to act on climate.

## BUSINESS FOR NATURE

Companies calling on government to reduce nature loss.

## Nature Action 100

Companies calling for nature-based solutions.

## 360 LEADING US COMPANIES

Urging President to continue participation in the Paris Agreement.

## Japanese Businesses

Pushing for renewable energy and carbon pricing.

## UK Businesses

Urging government to act faster on climate.

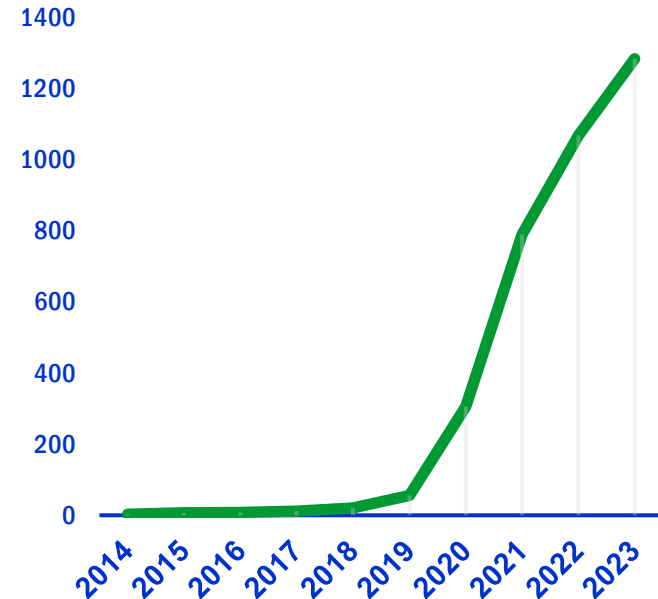
## Retailers Pension Push

Asking pensions to take active role in climate.

## 2. More and more businesses are committing to climate action.

- Companies with science-based targets [increased by 102% in 2023](#).
- Small and medium sized enterprises (SMEs), which represent 90% of businesses worldwide, now account for over [half of the members of the Race to Zero](#) - 39% growth since 2022.
- More than 23,000 companies [now report emissions data to CDP](#). This reporting [shows](#) that among FTSE 100 index companies, 63% are on track or almost on track to meet their targets. In the S&P 500 Index, 44% of companies are on track or almost on track.

### PAST 10 YEARS: COMPANIES WITH A SCIENCE-BASED TARGET



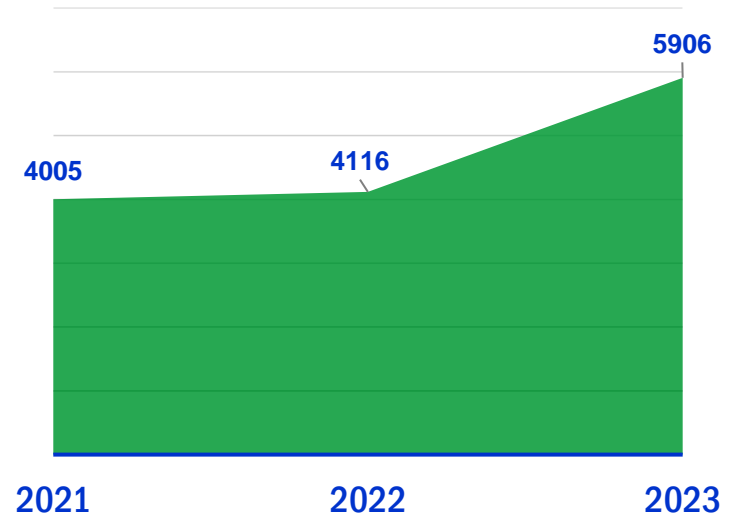
Source: IEA, Net Zero Tracker

### 3. Businesses are incorporating climate into their long-term business strategy.

New [CDP data](#) shows that transition planning is no longer a nice-to-have for showing climate credibility, and is critical for businesses accessing capital, driving efficiency, building resiliency and complying with market and regulatory demands.

- 1 in 4 companies (5,906) [disclosed](#) having a 1.5°C-aligned climate transition plan through CDP last year, a 44% increase from 2022.
- A further 36% (8,200) [expect to create one by 2025](#).

#### GLOBAL COMPANIES THAT HAVE DISCLOSED A CLIMATE TRANSITION PLAN (CTAP)



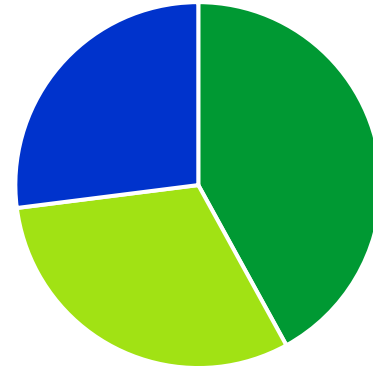
Source: Companies Reporting to CDP in 2023

## 4. Business has been driving clean energy demand.

The private sector has historically led the way in investments in renewable energy and is positioned to lead the energy transition.

- Companies drive 48% of energy investment decisions and outpace governments and households in clean energy investment.
- Companies continue to buy clean energy at record pace (corporate clean buying power grew 12% in 2023).
- With this pace of investment and deployment, the price of renewable energy technology will keep falling (around 20% for every doubling of deployment).

### AVERAGE SOURCES OF INVESTMENT IN CLEAN ENERGY FROM 2018-2023



■ Private sector   ■ Governments   ■ Households

Source: IEA World Energy Investment 2024 based on data from S&P Capital IQ, IJGlobal, Rystad, World Bank, OECD (pg. 30).

\*Note: private sector refers to private and publicly listed companies.



# Part 2. The Business Opportunity



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# We can accelerate progress by harnessing what business is good at.

## INNOVATION



Investing in climate tech solutions



Designing new products for a sustainable future

## COLLABORATION



Working with suppliers



Procuring new green products



Joining voluntary initiatives of climate leaders



Engaging internal teams

## INFLUENCE



Advocating for net zero aligned policy



Educating consumers



Aligning associations with climate action



Business can accelerate  
action on:

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**ENERGY**

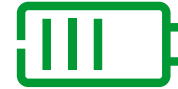
**Ending our reliance on fossil fuels** not only helps meet the goals of the Paris Agreement, but also helps companies increase efficiency, reduce costs, and build security moving into the future.

**Business can contribute to energy security by:**

- Driving down energy costs
- Designing better buildings for the future
- Creating new products needed for a net zero future
- Investing in carbon capture and other emerging energy technologies
- Reducing externalities from fossil fuels
- Engaging local communities in decision-making processes



**WITH BUSINESS DEMAND, SOLAR PANEL COSTS HAVE FALLEN 30% IN THE PAST TWO YEARS (IEA)**



**AVERAGE BATTERY PRICES FOR VEHICLES AND STATIONARY STORAGE HIT AN ALL-TIME LOW IN 2023 (BLOOMBERG)**



Business can continue to  
pave the way forward with:

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# SUPPLIER ENGAGEMENT



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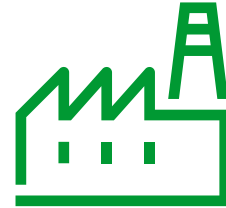
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**Supplier engagement is one of the biggest untapped climate solutions:** under 1% of companies require their suppliers to have science-based targets, despite supply chain emissions being on average 11.4x more than operational emissions. There is huge potential for action in supply chains that not only meets climate targets and helps reduce economy wide emissions, but helps build business resiliency.

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**Business can create more resilient supply chains by:**

- Enhancing collaborative relationships with suppliers
- Identifying and managing risks from extreme weather
- Designing new and innovative practices for packaging
- Redesigning products for longer life cycles, unlocking new markets



**EIGHT SUPPLY CHAINS ACROSS MAJOR INDUSTRIES ACCOUNT FOR MORE THAN 50% OF GLOBAL GREENHOUSE GAS EMISSIONS.**

A man wearing a grey hard hat and a bright green safety vest is working in a forest. He is looking down at a piece of equipment or a tree trunk. The background is filled with green trees and sunlight filtering through the leaves.

Business can continue to  
pave the way forward with:

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# PEOPLE & NATURE



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The degradation of our natural assets threatens over half of global GDP, posing significant risks to business. Businesses can not only conserve nature to protect the planet, but also to ensure future resources and profits. Nature is also a key solution, with natural climate solutions providing up to 30% of the emission reductions we need by 2050.

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### **Businesses can work in tandem with people & nature by:**

- Creating new jobs through nature-positive strategies
- Working with nature, not against it
- Integrating regenerative practices
- Engaging local communities
- Addressing human rights in supply chains



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**80% OF U.S. EMPLOYEES BELIEVE IT IS THE RESPONSIBILITY OF COMPANY LEADERSHIP TO TAKE ACTION IN ADDRESSING RACIAL INJUSTICE AND EQUITY, AND NEARLY 40% SAID THEY WOULD LIKELY QUIT THEIR JOBS IF THEIR COMPANY DID NOT PRIORITIZE ADDRESSING SOCIAL OR RACIAL INJUSTICE.**



# Part 3. The Business Case for Climate Action

# THE WORLD OF BUSINESS IS CHANGING.

Investors, consumers, and governments increasingly want to see more sustainable action.



Investors are expecting companies to act on climate and nature.



80% of global employees are ready to take climate action in their jobs.



Customers are saying they are more loyal to environmentally focused companies.



Governments are mandating climate action from companies and suppliers.



Companies are increasingly reporting that climate influences financial planning and 100% of CDP reporting companies say it impacts strategy development.

A suite of new laws will soon make “climate-related disclosures” mandatory across nearly

**40%** of the global economy

Companies that act now will be better prepared to comply with coming regulations.

## COUNTRIES WHERE CLIMATE DISCLOSURE WILL BE MANDATORY/PARTIALLY MANDATORY IN 2025



BRAZIL



SINGAPORE



UNITED STATES



UNITED KINGDOM



EUROPEAN UNION



CANADA



NEW ZEALAND



HONG KONG

# Preparing for regulatory changes now helps to get ahead.

## EU

The Corporate Sustainability Reporting Directive (CSRD) requires companies to disclose emissions and assess climate impacts, risks, and opportunities.

## U.S.

The SEC's climate rule would require companies to disclose emissions and outline how climate risks impact their business models.

## U.S.

The IRA added \$400 billion of climate-friendly incentives.

## GLOBALLY

The International Financial Reporting Standards (ISSB) requires emissions disclosures and scenario analyses to assess climate risks and opportunities.

# There are market opportunities.

## **PARTICIPATE IN THE NEW ECONOMY**

The Net Zero Economy itself is growing (UK's net zero economy grew 9% in 2023, in contrast to the wider economy with GDP growth at just 0.1%.)



## **COST OF INACTION**

The World Economic Forum estimates that the total cost of inaction from 2025–2100 could be \$1,266 trillion.



## **COMPANIES ARE ALREADY SEEING OPPORTUNITIES**

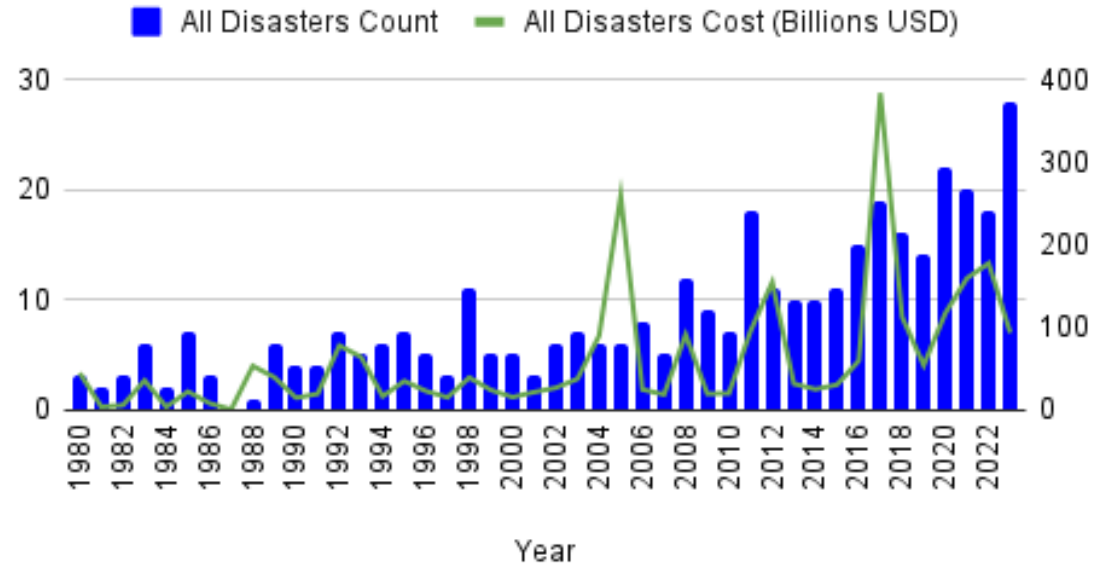
79% of CDP reporting companies said they saw climate related opportunities in 2023, compared to 56% in 2022.



# The Cost and Number of U.S. Billion Dollar Disasters

Climate change is costing companies money.

Each new billion-dollar weather disaster raises the cost of insurance and goods—and increases supply chain volatility.









Source: NOAA

# Acting now builds resiliency for the future.



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 <b>Companies taking climate action are outperforming</b>	The average five-year shareholder return from the 119 top emission cutters is 15.5% compared with a five-year return from the FTSE All-Share index of 14.8%. Out of the 10 largest emission cutters, seven outperform the All-Share (EU Corporate Climate Leaders)
 <b>Renewables provide energy security moving into the future</b>	Fossil fuels impose major externalities, such as \$4.6 Trillion in annual waste from efficiency loss (RMI)
 <b>Environmentally responsible business is good business</b>	Three out of four investors (77%) across parties explicitly believe that environmentally responsible companies are more likely to succeed financially (Harvard Business Review)
 <b>Sustainability can drive market competitiveness</b>	Sustainability marketed products are outpacing conventional counterparts (NYU Stern) and the net zero economy is growing faster (9%) compared to wider economy (less than 1%) (ECIU)
 <b>There is financial value in acting on climate</b>	Nearly all respondents of a 300+ company survey who invested in sustainability reported that they realized financial value from those investments (NYU Stern)
 <b>Assessing physical climate risks within supply chains build long-term resilience.</b>	Climate change is expected to cost <u>\$38 trillion in damages per year by 2050</u> . Companies that effectively assess physical risk across their value chain can also mitigate it.

# IT'S TIME TO TURN AMBITION INTO ACTION.

The transition to net zero is the greatest economic threat and multi-trillion-dollar opportunity of our generation.

## **EDF's Net Zero Action Accelerator (NZAA)**

has free, immediately actionable tools, trainings and practical, science-backed resources from leading global organizations to help companies turn pledges into progress.

## **Sign up for the NZAA Newsletter**

for the latest trainings and resources to help your company thrive in the net zero economy.

## **Join the Race to Zero**

the world's largest coalition of non-State actors working to halve emissions by 2030 and deliver a healthier, fairer, net zero by 2050.





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