net zero CARBON

GUIDES AND INSIGHTS

2.2. Businesses and decarbonisation: the challenge ahead

Businesses and decarbonisation: the challenge ahead

A business considering its own decarbonisation must overcome several hurdles. This guide presents key areas of change in culture, markets, and technology that businesses must address in their transitions to ones compatible with a net zero economy.

Monitoring, verification, and reporting

Reaching net zero emissions requires emissions to be quantified. Businesses must develop new practices in GHG footprinting, treating the exercise in the same way they treat annual financial reports.

Most businesses are unaware of their own GHG footprints. Legislation exists which is mainstreaming the practice of GHG footprinting by making it a requirement for qualifying companies. In the past, this has included Mandatory Greenhouse Gas Reporting (MGHG Reporting) and the CRC Energy Efficiency Scheme. These, however, impacted a relatively small number of companies. Streamlined Energy and Carbon Reporting (SECR), which was introduced in April 2019, greatly increases the number of organisations that must report on their emissions. However, SECR does not have a broad enough minimum scope to be suitable for companies to rely on it for GHG footprinting for the purposes of net zero decarbonisation. GHG footprinting for this purpose remains a largely voluntary engagement by organisations.

Grasping GHG emissions within an organisation means implementing new data management processes so that these emissions can be tracked.

Capacity-building and knowledge retention

While technology plays a central role in decarbonisation, changes in human behaviour are imperative for reducing emissions. In a business, this means changing the behaviour of its employees. Changing human behaviour is essential to decarbonisation. The abundance of affordable energy leads to wasteful use of it; by leaving lights and IT equipment on, and heating or

cooling rooms beyond the range that they need to be in to maintain comfort. Energy saving action aimed at reducing energy use resultant from particular human behaviours is termed behaviour change. The UK estimates that up to half of its 2040 energy efficiency targets have the potential to be met through behaviour change.

Large and small organisations alike struggle with implementing behaviour change programmes. However, small organisations can find knowledge retention particularly challenging because resources used for anything other than day-to-day operations are scarce. Developing effective behaviour change programmes that allow all kinds of organisations to effectively implement and retain behaviours in their staff that encourage energy conservation is a promising low-cost way of reducing emissions.

Changing markets

Net zero will introduce new products and services, and involve the obsolescence of existing ones in the transition from a linear fossil fuel economy, to a circular renewable one. Companies that are unprepared will lose out on market share, or face existential threats to their business models. A significant portion of this driver is social: lifestyle trends centred on sustainability, like recycled or upcycled products, low-carbon fashion, or low-carbon plant-based diets are booming. Companies that empower their customers with sustainable choices find a growing market:

87%

of millennials are more loyal to companies that help them contribute to social and environmental issues.

Influencing the indirect: supply chain and downstream impacts

Businesses must think about their climate impacts beyond the sphere of their own operations. Most mandatory GHG reporting requires only the disclosure of direct operations emissions. We will introduce this later **as Scope 1 and 2 reporting.** However, businesses are supported by their supply chains, and sell products that have downstream climate impacts. Upstream and downstream impacts by businesses are of huge importance, and can easily dwarf the emissions the business is directly responsible for.

CDP's 2019 Supply Chain Report puts this clearly: supply chain emissions are five and a half times greater than emissions from the direct operations of an average business. This excludes downstream emissions from the use of products, which further shrinks the share of direct emissions in a business's GHG footprint.

Many indirect emissions sources are the direct emissions of another business, such as the operations of a business in the supply chain, or the operations of a downstream business, such as waste management. There might be an argument that businesses should care for their own emissions, without influencing their indirect ones, since other businesses are responsible for those emissions. However, supply chain businesses will usually be smaller and less influential than the businesses they supply. The larger a business, the larger its supply chain is likely to be. There is a moral argument that large, global corporations with vast supply chains should pressure their supply chains to take up climate action.

net zero CARBON

About Us

The UK has a net zero target for 2050. Businesses who are unprepared for it are exposed to long-term regulatory and reputational risk. If your business is looking to respond to the UK's 2050 net zero target, you're going to need a clear resource to help you through the complex process of developing and implementing a commercial decarbonisation strategy.

This is why Alfa Energy founded netzerocarbon.com, the home of everything net zero you'll need. Along with our partners and industry collaborators, we will be bringing you a step-by-step guide to strategy development and implementation, regulatory and compliance developments, best practice advice and examples from industry experts and your peers, and roundups of ongoing stories in business decarbonisation.

We aim to provide you with a clear, straightforward approach to achieving net zero emissions and all you'll need to develop your knowledge and understanding of the opportunities to deliver this critical objective.