

Key principles for setting the roadmap to a net-zero strategy

19 of May 2022 | Gabriela Fistiş

*Climate change is real!
Huge business pressures...
Investment pressures as well*

WHAT ARE YOU THINKING AT ???

*Change isn't coming. It's arrived !
Business as usual may mean no business at all.*

TRANSFORM your BUSINESS from BAU to Net ZERO!

Net zero concept – context

What is climate science telling us?



- **Climate change is happening now.** At the current $\sim 1^{\circ}\text{C}$ warming it is affecting people, ecosystems and livelihoods all around the world.
- **Every half-a-degree matters** – 1.5°C is safer than 2°C (or more) for people and nature.
- Current country pledges (NDCs) under the Paris Agreement are not sufficient – **they take us to $\sim 3^{\circ}\text{C}$.**
- **Net-zero** would have to be reached in the following timescales:
 - **By ~ 2050** to keep warming **below 1.5°C**
 - **By ~ 2070** to keep warming **well-below 2°C**
- The longer it takes to reach net-zero emissions, the higher the **reliance in carbon sequestration and carbon removal measures.**
- For the **corporate sector**, this means transitioning towards business models that are compatible with a net-zero economy within the next 30-50 years.

Net-zero as new guiding star

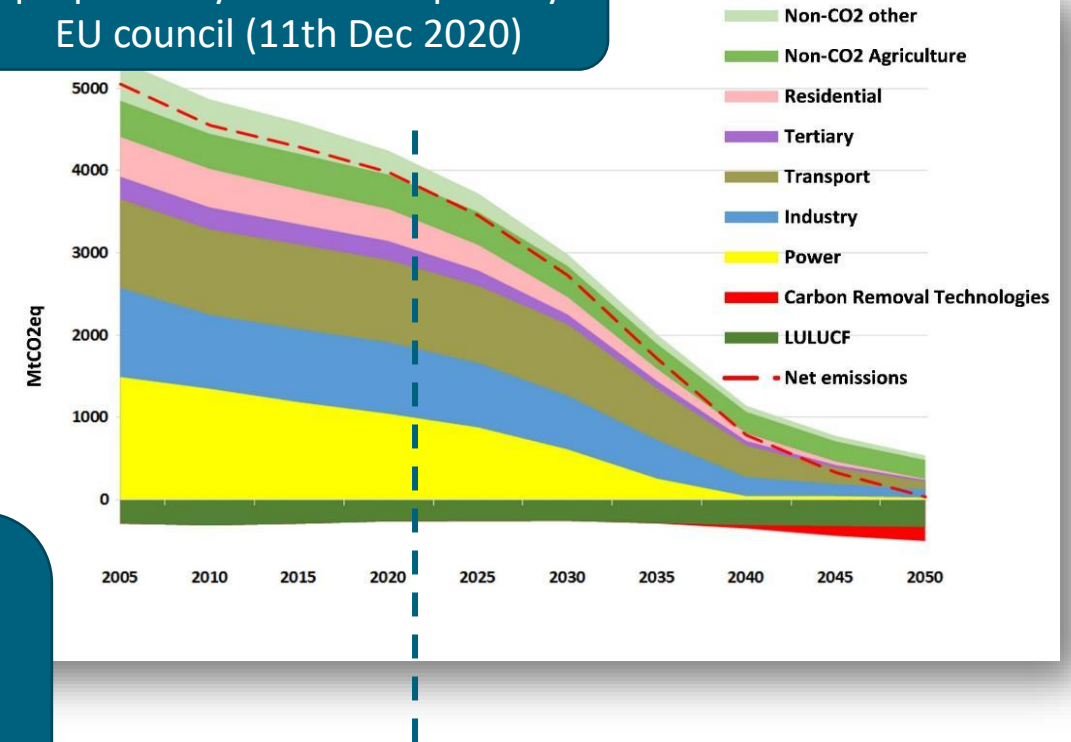
EU Net-zero until 2050



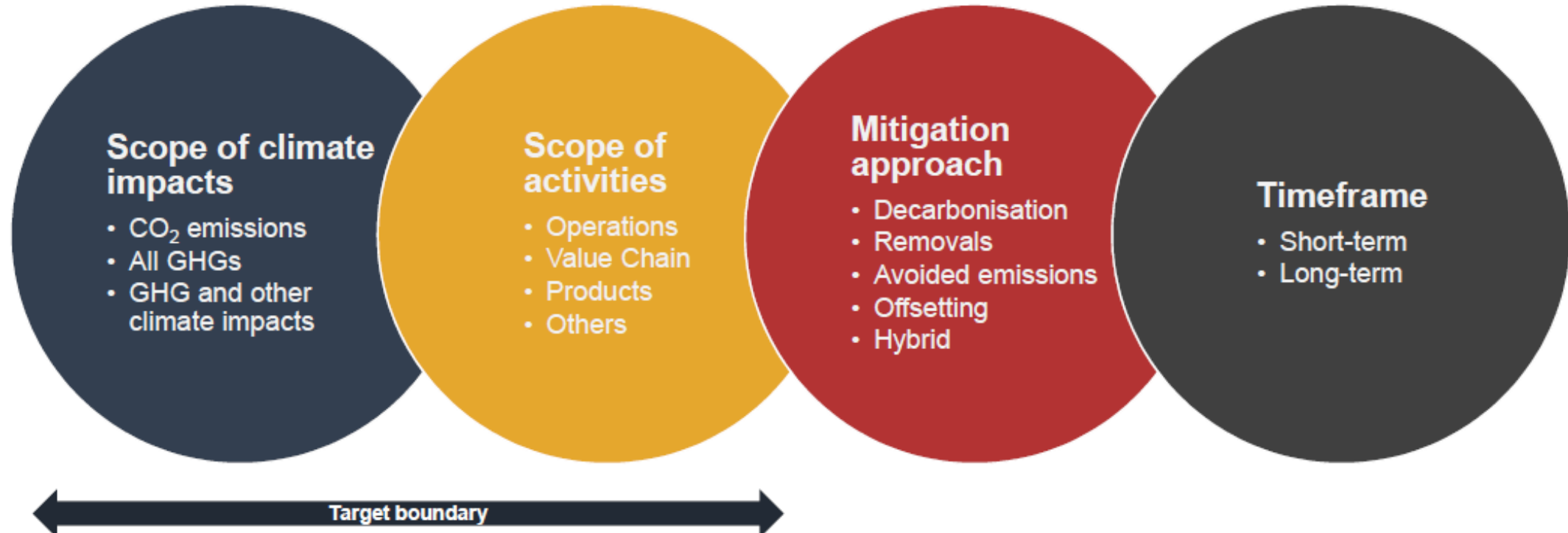
Where there is risk, there is also opportunity.

- business has the capability to evolve and deliver
- effective action means improving efficiency, reducing costs and driving innovation to achieve success
- climate action makes commercial sense.

-55% reduction by 2030
proposed by EC and adopted by
EU council (11th Dec 2020)



Aspects of net zero in corporate context



Drastic reduction in emissions is the cornerstone of a Net Zero strategy. Offsetting and sequestration will play a vital role but cannot alone achieve the no-carbon economy that we need to safeguard our future.

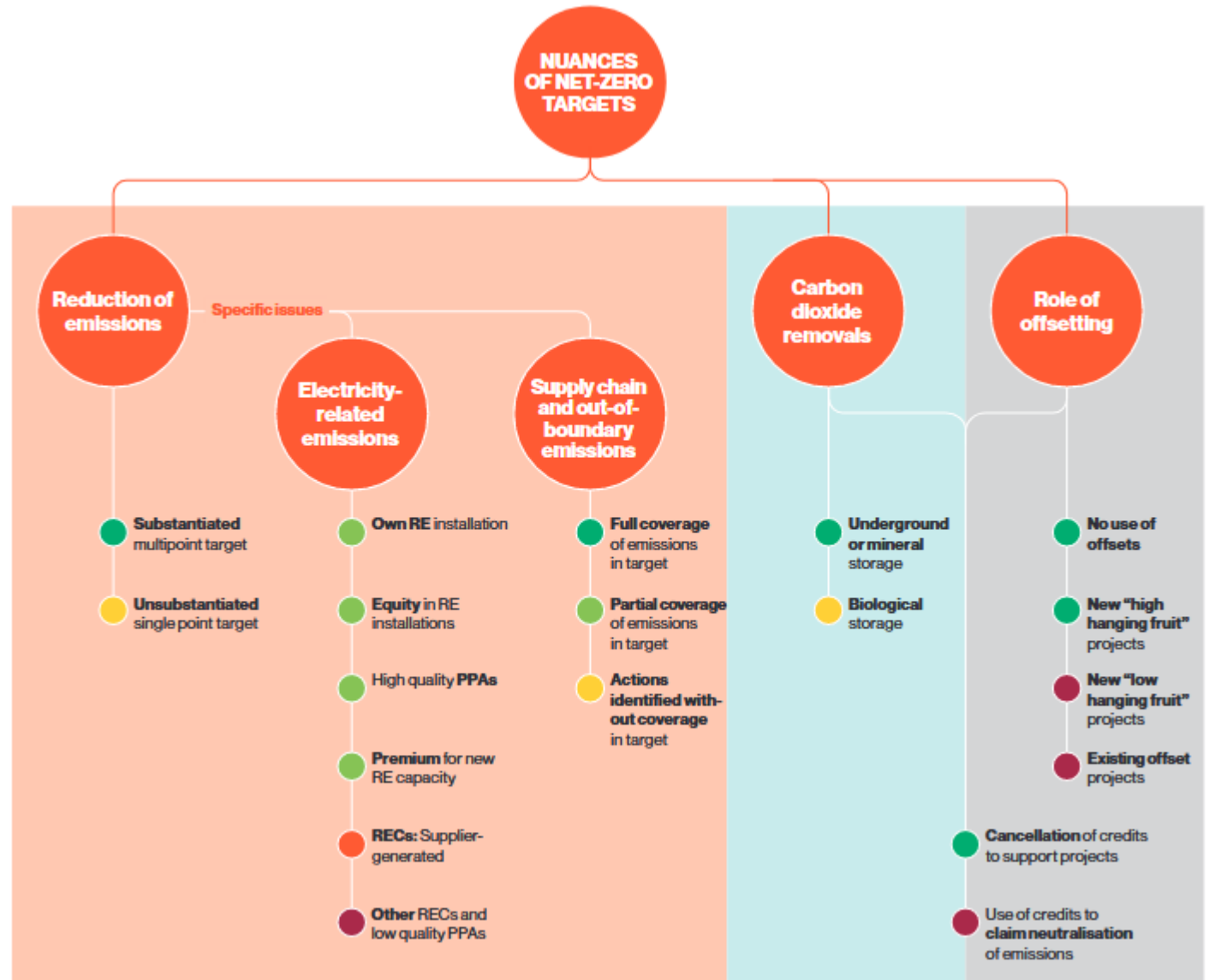
Decarbonization pathway

Plan, Emission evaluation, Scenarios and Forecast, Targets&Measures

Net zero strategies

What needs to be defined in a Net Zero strategy?

- Clear scoping
- Decarbonization pathway
- Value chain emissions
- Role of Carbon Dioxide Removals
- Role of Offsetting



5 possible mistakes with net-zero

#1: Ignore Scope 3 emissions

- CDP: Scope 3 (11.4x higher than operational emissions)
- WEF: 8 types of supply chains (Food, FMCG, fashion etc.) account for >50% of global GHG emissions
- FMCG: 90% of total emissions from supply chain
- 70% of consumers are interested in product-level impacts

#2: Set a 2050 target / vision – but continue with business-as-usual

- The longer we wait, the steeper our GHG reduction pathways need to be to achieve net-zero

#3: Confuse stakeholders with unclear language

- Many stakeholders find net-zero as concept hard to grasp – definitions are missing or not understood
- IPCC as major scientific and SBTi as leading NGO-business platforms provide solid definitions to be used

#4: Keep your strategy secret

- Disclose how you plan to achieve net-zero
- Be transparent on the role of compensation on your net-zero strategy & which projects you support

#5: Apply offsetting as a „get-out-of-jail free card“

- **Offsetting should be the final part of a net-zero strategy – not its focus**

“We are not telling you to “offset your emissions” by just paying someone else to plant trees in places like Africa while at the same time forests like the Amazon are being slaughtered at an infinitely higher rate.”



Elements of climate management

From footprinting to engagement



Foundation

Most widely established, comprehensive global standards for measuring and managing greenhouse gas (GHG) emissions from public and private operations, value chains and mitigation actions
Scope 1, Scope 2, Scope 3.

Scenarios, risks and chances

Framework for voluntary, consistent climate-related financial risk disclosure; focus on assessing, steering and mitigating climate-related risks and opportunities.

Climate strategy incl. targets

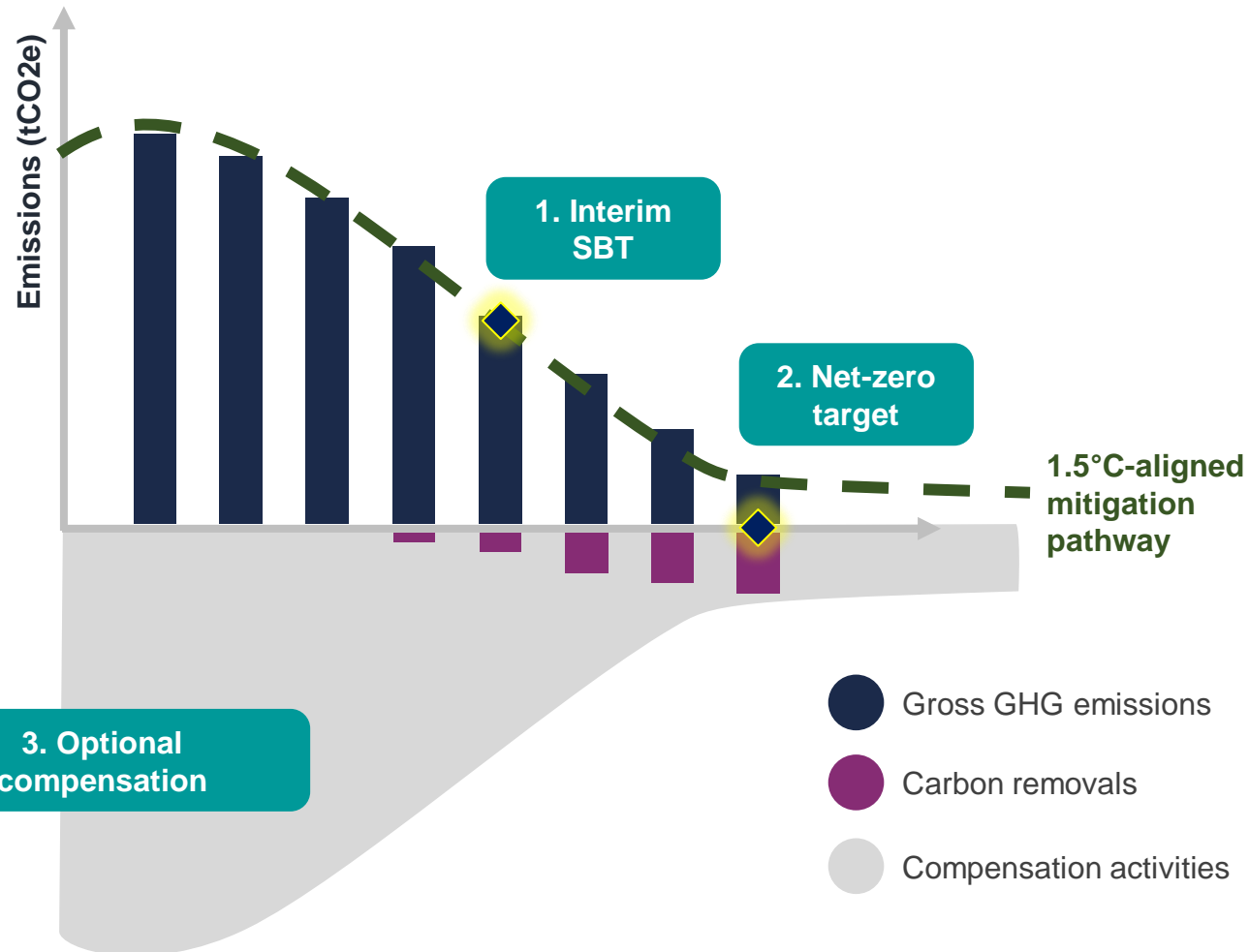
Globally most accepted corporate climate target setting and target validation framework; provides method for future-proof climate pathways.

Disclosure

Corporate accountability and tracking of progress in the transition towards net-zero business models (e.g. disclosure, scoring, ACT, etc.); disclosure towards investors.

Science based targets & net zero

Up-to-date climate strategies



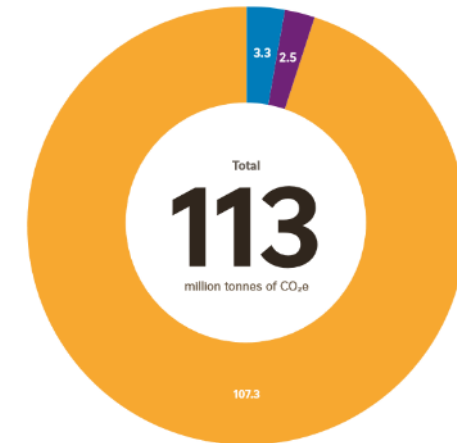
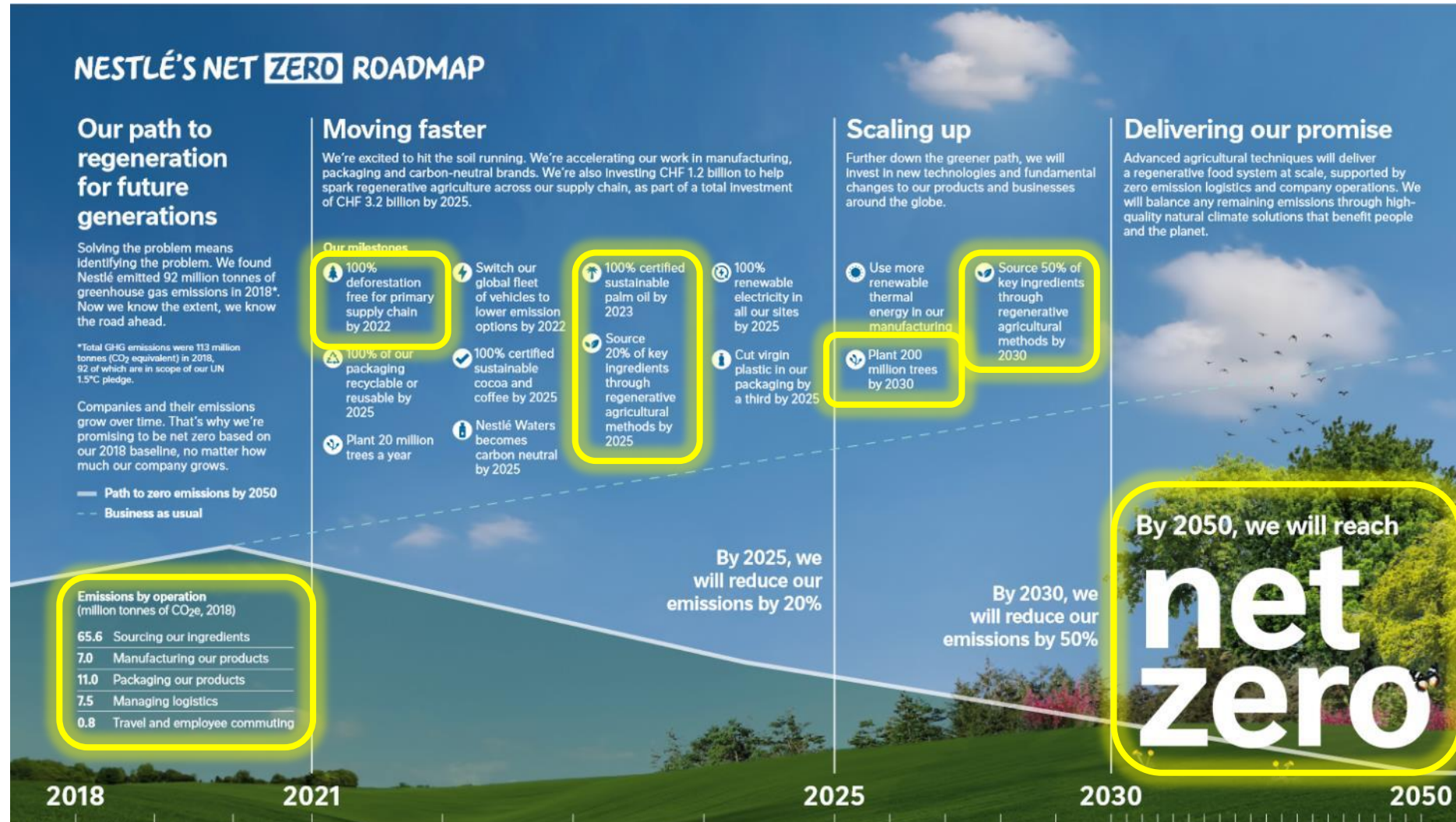
Elements of a climate strategy (acc. to SBTi)

- Interim science-based targets:** companies shall have interim SBTs that meet specific leadership criteria (e.g., target ambition and boundary)
- Net-zero target:** targets shall include deep decarbonisation of value chain emissions paired and carbon removals that neutralise all unabated emissions
- Optional compensation:** companies are encouraged to compensate for unabated emissions by providing annual support to projects, programs, and solutions that provide quantifiable benefits to climate, people, and nature

Current practice: Nestlé



Good Food, Good Life



Scope 1
Emitted directly 3.3 3.0%
from sources we own or control such as on-site combustion (coal, natural gas, fuel for company's vehicle fleet).

Scope 2
Emitted indirectly 2.5 2.2%
from the generation of purchased energy like electricity and heating/cooling network.

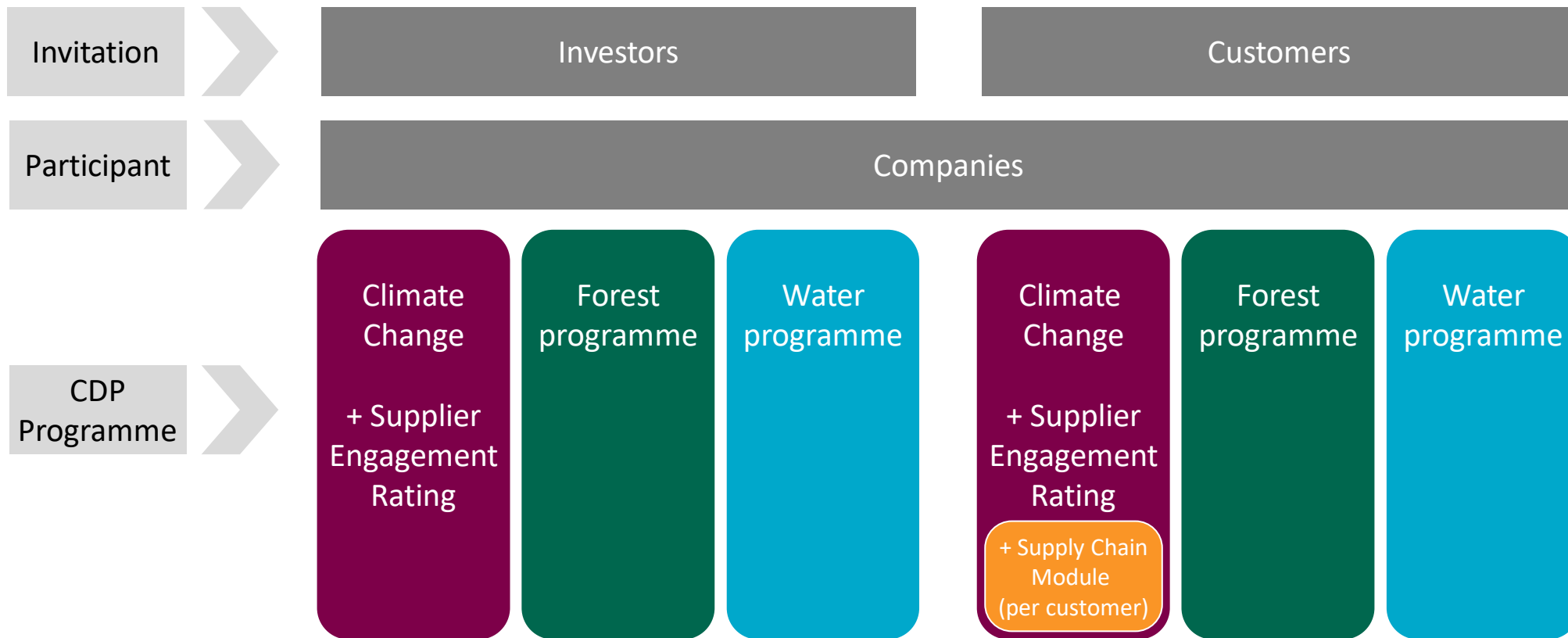
Scope 3
All other indirect emissions 107.3 94.8%
in our value chain, both upstream and downstream, such as sourcing and use of sold products.

Disclosure and reporting

Disclose your efforts and be accountable !, look forward...

CDP (formerly Carbon disclosure project)

Investors can invite listed companies for participation and purchasing companies can invite their supplying companies for participation



CDP (formerly Carbon disclosure project)

The CDP CC is structured in 16 chapters, with certain chapters being more intense than others

Climate Change chapters

C.0	Introduction
C.1	Governance
C.2	Risks and opportunities
C.3	Business strategy
C.4	Targets and performance
C.5	Emissions methodology
C.6	Emissions data
C.7	Emissions breakdown
C.8	Energy
C.9	Additional metrics
C.10	Verification
C.11	Carbon pricing
C.12	Engagement
C.14	Portfolio Impact
C.15	Biodiversity
C.16	Sign-Off

(C4.2c) Provide details of your net-zero target(s)

- 24th of June – denkstatt will hold an webinar together with CDP: **Engaging the Supply Chain in Romania - Easy steps towards CDP reporting 2022**



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