# **Decarbonization and a Better Bottom Line**

What was a profound observation a few decades ago—you can't manage what you don't measure—has become a management truism today. But it's no less important, especially when it comes to greenhouse gas emissions.

In our <u>fourth annual Carbon Emissions Survey</u>, conducted in partnership with <u>CO2 AI</u>, we continued to dig in to the data and understand the progress companies are making on emissions measurement and reduction—and to shed light on how they can best decelerate climate change.

The findings this year: the overall pace of decarbonization has slowed, but those pulling ahead are gaining considerable value.

#### **Building on a Foundation of Climate Action**

In 2020, BCG launched CO2 AI, an end-to-end software solution that enables large, complex companies to measure their emissions and those in their supply chains, and it's now a standalone company. In this latest report, we worked together to survey nearly 2,000 executives responsible for their companies' emissions measurement, reporting, and reduction initiatives. They come from 16 major industries and 26 countries and represent businesses collectively responsible for about 45% of the world's emissions. The results tell an important story.

Of those surveyed, only 11% reported emissions reductions in line with their set ambitions—a disappointing decline from the year before. But 25% reported substantial financial benefits from decarbonization. Top among those wins: lower operating costs, often from programs focused on efficiency, waste reduction, simplification, or the use of renewable energy.

The following basic climate actions will allow companies to make progress on decarbonization goals while capturing value:

- **Measuring.** Those comprehensively measuring Scope 1, 2, and 3 emissions are 1.6 times more likely to experience significant decarbonization benefits.
- **Reporting.** They're 1.5 times more likely to gain those benefits when they report on each scope.
- **Targeting.** They're 1.9 times more likely if they set validated targets for each scope.

Companies enacting more advanced climate actions—often enabled by technology—increase accuracy, impact, and value even more:

**Using AI.** Companies using artificial intelligence to help reduce emissions are 4.5 times likelier to benefit significantly from decarbonization. AI-powered tools can make sustainability efforts more efficient, automating tasks and freeing up teams so they can focus on more complex sustainability strategies.

For example, 98% of one global food company's carbon footprint was a result of Scope 3 emissions. The company used AI to automate the measurement of most of its emissions—matching more than 115,000 products to individual emissions factors—and improved the accuracy and efficiency of its process.

**Calculating Product Emissions.** Companies calculating emissions at the product level are four times more likely to benefit significantly from decarbonization. This practice allows for portfolio optimization, confirmation of green claims, and other benefits.

Take Symrise, a global supplier of ingredients for fragrances, flavorings, and active ingredients for cosmetics. By computing the

carbon footprints of many of its 35,000 products, the company was able to meet the requirements of a range of standards (Together for Sustainability, Product Environmental Footprint, and more) and rack up sustainability wins.

**Adopting Climate Transition Plans.** With a climate transition plan in place, companies are 2.9 times likelier to experience significant decarbonization benefits and 3.3 times likelier to reduce emissions in accordance with a 1.5°C pathway. These plans outline the strategy for achieving climate goals through abatement while committing to measuring, reporting, and meeting targets. When successful, they speed up decarbonization and increase value creation.

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The survey reveals that climate action leaders are seeing meaningful financial, reputational, and other benefits. Thorough and accurate measurement across the supply chain remains at the core of a sustainable future.

Until next time,

**Rich Lesser** Global Chair

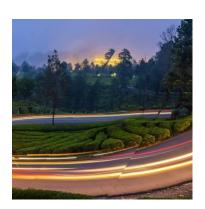
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### Boosting Your Bottom Line Through Decarbonization

Our fourth annual survey on carbon emissions found that the overall pace of decarbonization has slowed—but that leaders are realizing significant financial value.

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## Why Some Companies Are Ahead in the Race to Net Zero

Our third CO2 AI + BCG Carbon Emissions Survey reveals that collaboration, product-level measurement, and digital technology are the keys to progress in emissions reduction.

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The time for global climate action is now. BCG helps clients accelerate their climate and sustainability journey and seize new opportunities to build competitive advantage.

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