

# TOWARDS NET ZERO – THREAT OR OPPORTUNITY?

In 2015, 197 Government leaders met in Paris and reached a Global Climate Change Agreement that was later ratified by 86 countries from around the World. In the same year the UN published their 17 Sustainability Development Goals (SDGs) which a number of organisations subsequently used as a framework for the development of their own Sustainability Strategies.

Most notable of these early adopters was Unilever whose then CEO, Paul Polman said “The cost of not acting is higher than the cost of acting”.

I recall attending a number of sustainability events and conferences around that time and had the distinct impression they were still, in the main, talking shops filled with good intentions and complex reporting but an absence of tangible action.

However, the emergence of a certain 16 year old Swedish environmentalist and movements such as Extinction Rebellion changed everything and people finally began to sit up and take notice and demand action from both businesses and governments alike.

As the highly respected naturalist and journalist, Sir David Attenborough recently said “Climate Change is the major challenge facing the World”.

Then in 2019 the UK Government announced a legally binding target to become Net Zero by 2050 and also introduced Streamlined Energy and Carbon reporting (SECR) requiring approx. 11,900 organisations to report accurate and auditable annual energy reports. Organisations with an annual energy expenditure less than £40,000 will be excluded from the scheme. Climate Change is not going to go away and relevant legislation is likely to increase.

In addition, an increasing number of investors announced that they would no longer invest in fossil fuel businesses or those businesses that didn't have a plan to improve their own sustainability. The business community finally began to wake up.

Even economists such as JP Morgan who have traditionally supported the fossil fuel industry, recently stated “Human life ‘as we know it’ could be threatened by climate change”.

Since then we have witnessed devastating floods in Indonesia and here in the UK, wildfires in California,



Canada and Australia, drought in sub Saharan Africa, melting glaciers and ice caps, biodiversity loss and species extinction on an unprecedented scale and biblical plagues of locusts in East Africa.

## HOW DO EXTREME WEATHER EVENTS OR BIODIVERSITY LOSS EFFECT A BUSINESS LOCATED THOUSANDS OF MILES AWAY HERE IN THE UK?

In 2011, Thailand suffered the heaviest rainfall in over fifty years resulting in 884 deaths and millions of people either made homeless or displaced and, according to The World Bank, cost the Thai economy \$45.7bn. Moreover, the manufacture of car components and hard disks were severely impacted and had a significant impact on car production across the World.

Extreme weather events also have a huge impact on crop production and commodity prices increasing the cost of food to consumers all over the World.

Equally the focus on the mass production of a single crop such as avocados or almonds is to the detriment of biodiversity and can also result in the extinction of insect species and water shortages in water stressed areas.

Since the 1950's we have lived in an increasingly connected world otherwise referred to as globalisation where we no longer are self-sustaining but are



interdependent for the supply of both raw materials and ingredients, finished goods, services and even labour.

So yes, extreme weather events in distant parts of the world do and will have a significant impact on UK organisations and households.

## WHAT CAN BUSINESSES AND ORGANISATIONS DO TO IMPROVE THEIR OWN SUSTAINABILITY?

I am asked this question every day and the answer is always the same - **have a plan.**

As Mark Carney, Governor of the Bank of England, recently warned, “Firms ignoring the climate crisis will go bankrupt”.

Firstly, though you need to understand where you are now and where you want to be in say 20 or 30 years' time. I realise that long term strategies are often an alien concept to Western businesses but that is what is needed and, indeed, demanded for businesses to survive in this fast-changing world.



The next question is what does Net Zero mean to your business? Is it zero Scopes 1&2 CO<sub>2</sub> emissions i.e. those emissions directly attributed to an organisations' activities or do you also include all CO<sub>2</sub> emissions from your supply chain i.e. Scope 3? Or do you reflect the UK's Net Zero target which includes all green house gases?

This is not something that can be decided in isolation and needs the involvement and buy-in of all key stakeholders within your organisation and not just the senior management team, from procurement and logistics to operations and sales and marketing. An output of this might be a Project Charter which clearly sets out what it is your organisation wants to achieve and by when and identifies the critical success factors.

Once a base line audit has been completed you can then start to develop an appropriate sustainability strategy that will provide your organisation with a clear roadmap towards becoming net zero. Typically, this strategy will include the negotiation of new supplier agreements and/or the identification of alternative suppliers, waste, water and energy policies, new procedures, revised processes and possibly new working practices, investment in more efficient plant, behaviour change programmes, training and the development of new products and services to meet the growing demand from an increasingly environmentally conscious customer base.

You may also have to include actions to make your own infrastructure, logistics and supply chain more resilient to the impacts of climate change.

But don't panic you do not have to deal with this on your own. There are sustainability experts that can help and appropriate delivery mechanisms such as Corporate PPA's, Energy Performance Contracts (EPCs) and Utility Management Agreements that can help you achieve your goals and targets.

Clearly, you can only deal with today's 'knowns' in terms of legislation, knowledge and technology which is likely to leave a gap between your aspirational net zero target and what can actually be achieved.

## SO HOW CAN THIS GAP BE ADDRESSED?

Carbon offsetting is one option, although choose wisely as this is sometimes used for greenwashing purposes, allowing some companies to claim that they are carbon neutral without having taken any action to actually reduce their emissions. Credible schemes include Gold Standard and those offered by The Woodland Trust.

However, over time residual emissions and the need to offset should reduce as emerging technologies become mainstream and businesses adjust their net zero targets accordingly.

Above all the Strategy and Implementation Plan needs to remain flexible and adjusted as new legislation is introduced and technologies emerge.

**One thing is clear though business as usual is not an option.**

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