Transform to Net Zero

Position Paper and Action Plan
Introduction

The Paris Agreement established our collective vision for a net zero economy in which we limit warming to 1.5°C above pre-industrial levels. Current government pledges under the Paris Agreement lead us to twice as much warming—about 3.2°C. But the wave of country net zero targets announced during the last several months has brought the Paris vision within striking distance. If achieved, net zero pledges by the EU-27, China, Japan, South Korea, Canada, South Africa, and a hundred other countries would reduce projected warming to 2.1°C.

Joining these countries are more than 1,300 businesses, 450 cities, 70 investors, 20 regions, and 550 universities now committed to achieving net zero emissions by 2050 at the latest. Company goals to build net zero value chains naturally support government goals to build net zero economies.

We must make enough progress in this decisive decade to keep 1.5°C within reach. Put simply, this gives us just over two business cycles to transform every sector of the global economy. Transform to Net Zero is a cross-sectoral group of climate leaders who will enable the business transformation needed to accomplish this.
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A stable climate will become achievable only when net zero is not a press release but a business model. If company net zero targets do not generate business success, better jobs, and shared prosperity, these targets alone will not persuade governments to make more ambitious national decarbonization pledges, as they will be called to do at the UN Climate Conferences in 2021 and 2025. If companies with public commitments do not transform into net zero businesses, they will also lose the trust of their customers and other stakeholders.

**Our Vision and Goals**

Our vision is to **enable an inclusive net zero economy no later than 2050**, which the IPCC has concluded is needed to hold warming to 1.5°C. Our focus is not new commitments but fast action to demonstrate the transformation of our own businesses and inspire that of our peers. To scale our impact, all of our outputs are intended for the public. Our action must support our entire value chains, given the many communities who will be disproportionately impacted by climate change, including natural disasters, water scarcity, increased displacement, and food insecurity.

We will accelerate achievement of an inclusive net zero economy no later than 2050 by

- Enabling business transformation;
- Taking action to achieve net zero targets, including in value chains through collaboration and innovation; and
- Creating incentives for net zero strategies by scaling investment and supporting ambitious public policies.

Our work will sunset after the 2025 UN Climate Conference, when governments will set climate targets for 2035, and we will have held the Paris Agreement within reach or not. But our intended impact, including the business transformation of our companies and others will continue well after that time.
Our 2025 goal is for all Fortune Global 1000 companies to have targets backed up by transformation plans to achieve net zero no later than 2050.

To accomplish this, we will need to do the following:

1. First, we will achieve **business transformation** by reshaping key business functions, models, products and services to achieve net zero targets; demonstrate and advance these achievements through executive leadership; and enable other companies to accelerate their transformation to net zero by creating publicly available resources.

2. Second, we will take **collective action** and develop tools and resources to achieve science-based net zero compatible emissions reductions across value chains; redirect capital flows towards investment in net zero business models, products and services; and define and implement steps to ensure a just and inclusive net zero economy.

3. Finally, we will **drive systemic change** by working with partners to support and promote enabling public policy frameworks, capital market reforms, and other collaborative platforms that enable the achievement of inclusive net zero goals.
Our Working Definition of Net Zero

Companies need clear direction on what net zero targets are and which actions drive real climate progress. Our working definition gives us sufficient alignment for action. We recognize that the definition of net zero is rapidly evolving, but this is no reason to delay action. We are moving forward with many actions that are needed now to drive real impact.

The IPCC defines net zero emissions as the point when “anthropogenic emission of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.”

Beyond 1.5°C of warming, the more devastating impacts of climate change become irreversible. To prevent this, the global economy must reach net zero carbon dioxide emissions by 2050 and dramatically limit the release of short-lived climate pollutants (e.g. methane) in the interim. That is why at a minimum, corporate net zero goals should be met by 2050 at the latest.

It is important to note that both the goal and the path to get to 2050 are critical. Different actions along the path to net zero result in very different global temperature outcomes. Net zero by 2050 is a journey where short-term milestones—including halving global greenhouse gas (GHG) emissions by 2030 from a reference year of 2010—are critical to set us on a good path to ultimately achieve a stable temperature for the planet.

The scope of net zero goals should include all GHGs and all scopes 1 and 2 emissions. It should also include scope 3 emissions, following evolving standards such as the Science-Based Targets initiative.

This commits companies to the business transformation needed to build net zero value chains and acknowledges that as their businesses transform, they will be able to influence more and more of their value chain emissions and support action by suppliers big and small.
Companies can choose to meet and claim net zero in any year ahead of the target year, but they should continue to remain net zero each year after doing so.

Finally, net zero goals are intended to spur business transformation and incentivize decarbonization of the value chain. We therefore only support net zero targets which are consistent with and supplement shorter-term science-based emissions reductions targets across value chains. Net zero goals commit companies both to decarbonizing their own footprint and to business transformation to build a net zero value chain.
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Our Working Definition of Business Transformation to Net Zero

Our working definition of business transformation is reshaping key business functions, models, products, and services to build inclusive net zero value chains. Unlike decarbonizing a company’s own GHG footprint via scope 1 and 2 reductions, which can be largely accomplished by the sustainability and operations functions, building a net zero value chain has much broader implications to a company’s growth strategy and operating model.

Net zero value chains imply that procurement teams will choose lower-carbon suppliers and products; that finance departments will establish low-carbon, climate risk-based criteria for the deployment of capital; that research and innovation departments will develop lower carbon designs; that human resources departments will mobilize employees; that companies will apply circular economy principles; that marketing campaigns and company communications will show consumers how to live net zero lives; and that company leadership will set out a strategy and structure befitting this effort.

In order of preference, and considering where the majority of impact may be, companies should take the following actions to implement their net zero goals:

1. Avoid growth in absolute emissions or emissions intensity
2. Reduce scopes 1 and 2 emissions
3. Reduce value chain emissions
4. Balance residual emissions with carbon removals
The purchase of credits from outside the value chain is complementary to these actions. High-quality carbon credits can also offer co-benefits for communities and opportunities to foster innovation in the transition to net zero. Companies should, however, make all viable efforts to reduce emissions consistent with a 1.5°C trajectory before looking to purchase credits.

High-quality carbon credits enhance reductions and removals in the near term, including for hard-to-abate industries, and contribute crucial funding to activities that avoid, reduce, or remove GHG emissions. These include reduction of short-lived climate pollutants and urgent action to stop tropical deforestation.

The use of credits, whether avoided emissions credits, reduced emissions credits, or removal credits, must also meet the conditions of approved third-party standards and/or governments.

To ensure environmental integrity, systems must be in place to ensure that carbon credits are accurately and conservatively quantified, robustly accounted for and retired before contributing to a net zero goal, and result in real, additional, permanent, and verified mitigation.

Credits must also not cause knock-on social or environmental harms. For example, large-scale renewable energy facilities should not negatively impact livelihoods or the habitats needed to maintain biodiversity, and monocrop afforestation may negatively impact ecological integrity.

To the contrary, company investment in credits should ideally deliver additional social benefits or synergize with other environmental benefits, such as progress towards the Sustainable Development Goals. In addition, investment in underfunded climate solutions will bring down their price over time and counterbalance current investment trends. Investment can also target innovation in the value chain, decreasing residual emissions over time.
Unlocking Net Zero Transformation

To reach our 2025 goal, we must unlock certain barriers.

To unlock business transformation by the Fortune 1000, we must overcome a lack of clarity on net zero goals and how they should be implemented. We need to visibly demonstrate the deployment of non-sustainability functions in the service of net zero goals.

That is why our work in 2021 includes clarifying our collective position on net zero goals and their implementation, CEO engagement, CXO briefings and dialogues, and creative communications to demonstrate business transformation to other companies.

To unlock collective action to build net zero value chains, we must overcome a lack of scale for climate solutions, which means incentivizing suppliers to decarbonize the supply chain. We must also demonstrate how far emissions across entire value chains can be reduced. There is also a lack of actionable guidance for companies on how to make the transition to a net zero economy inclusive and just.

That is why our work in 2021 includes beginning to pilot the end-to-end decarbonization of value chains and developing a roadmap for company action to achieve a just and inclusive net zero transformation. We will also continuously identify opportunities to coordinate with other platforms and coalitions.

To unlock systems change to enable net zero value chains, we must overcome weak regulatory environments in some key economies, challenges with sharing the costs of zero-carbon innovation across the value chain, and the disparate efforts of an increasingly complex landscape of initiatives.

That is why our work in 2021 includes a dialogue with the financial sector to catalyze further strategies to serve companies and their supply chains, advocating for specific policies which will unlock business transformation, and aligning messaging with other efforts at key political moments including COP26.
Through this work, we aim by COP26 to have:

- Established a shared clear point of view on the meaning of net zero and the opportunity for business transformation in service of that goal;

- Accelerated the transformation of our companies and peer companies towards that goal;

- Begun action to build at least one inclusive net zero value chain; and

- Promoted and supported the enactment of public policy that enables and advances the transformation to net zero.
Conclusion

We are witnessing the beginning of a great shift from net zero commitments to net zero implementation. Our goal of a stable climate calls on leading companies not merely to decarbonize their footprint, but to transform their businesses in order to build inclusive net zero value chains and to engage in bold action through policy, finance, and innovation. By doing so, we will demonstrate that sustainable business is the primary source of strategic advantage and the best route to a net zero world in which people can thrive.

Transform to Net Zero aims to deliver guidance and business plans to enable a transformation to net zero emissions, as well as research, advocacy, and best practices to make it easier for the private sector to not only set ambitious goals—but also deliver meaningful emissions reductions and economic success.

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Endnotes


Transform to Net Zero
A cross-sector initiative to accelerate the transition to a net zero global economy
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