

Transition Planning for Net-Zero Emissions Targets

Navigating the Path to Net-Zero

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As climate-related regulations become more prevalent, businesses are confronted with the challenge of ensuring compliance and proactively planning for a sustainable future. Noteworthy developments underscore the momentum in the climate disclosure landscape. Key players, including the [International Financial Reporting Standards \(IFRS\)](#) and the [U.S. Securities and Exchange Commission \(U.S. SEC\)](#) have introduced initiatives and proposals emphasizing the importance of organizations developing and disclosing climate transition plans.

Background

As put forth by CDP, a climate transition plan serves as a time-bound action strategy, describing how organizations will realign their overall business model to meet ambitious climate science recommendations. Ideally, the objective is to follow the [IPCC's recommendation](#) to halve greenhouse gas (GHG) emissions by 2030 and achieve net-zero emissions by 2050, to curb warming to 1.5°C. The transition planning process involves multifaceted considerations. [CDP identifies a list of these considerations](#) which includes governance, policy engagement, identification of risks and opportunities, scenario analysis, target setting, financial planning, and comprehensive accounting across Scope 1, 2, and 3 emissions.

In the realm of transition planning, particular emphasis is placed on the critical aspect of target setting. This includes the challenge of not only establishing but effectively achieving a time-bound net-zero target. Addressing the intricacies of setting and attaining a net-zero target is essential, considering the complexity involved in aligning business strategies with ambitious climate science recommendations. Below, we break down the steps to setting and working toward a net-zero target as a piece of the transition planning puzzle.



Planning for net-zero targets

Measure annual GHG emissions: Prior to establishing a GHG reduction target, a crucial prerequisite is conducting a comprehensive assessment of your current annual emissions, serving as the baseline for the target-setting process. Without measuring emissions, addressing and mitigating them becomes an impossible task. Organizations pursuing net-zero emissions across their entire value chain should have their Scope 1, 2, and 3 emissions measured to identify where reduction levers exist.

Review GHG inventory: Examine your GHG inventory and identify the primary emission sources. This aids in effectively understanding reduction levers and informs opportunities to improve data quality so you are prepared to accurately monitor and measure progress against your future target. This analysis enables a thoughtful and targeted approach towards understanding your emissions, and eventually achieving sustained GHG reductions.

Research and align with industry best practices: Various target-setting entities, such as the Science Based Target Initiative (SBTi), Race to Zero, and The Climate Pledge, are widely utilized across organizations to ensure their targets align with leading climate science recommendations. Aligning your target with a reputable external initiative can demonstrate your organization's due diligence to pursue a meaningful and impactful GHG reduction and net-zero strategy.

Secure buy-in from stakeholders: Initiate internal discussions within your organization to garner support for the target-setting process. Recognize that target-setting has implications for the entire organization and ensure that key stakeholders are actively engaged in these conversations to facilitate comprehensive, informed decision-making.

Follow steps to formally set target & disclose: Formulating your target often requires additional parameters to be decided, including the time boundary, coverage of your target, type of target (i.e. intensity vs absolute emissions), the use of offsets, and more. If you are aligning with an external initiative, some of these parameters may already be provided. Once your organization has established the parameters of your target, communicate and disclose your target through annual reporting channels along with your strategy to achieve this target. Disclosing year-over-year progress, including achievements or challenges, demonstrates your commitment to meaningfully addressing climate-related impacts within your organization.

Next steps to achieve your net-zero target

Integrate target into business strategy: Secure commitment from key internal stakeholders to achieve your target by the designated year, integrating the target seamlessly into your overarching business strategy to sustain ongoing support. Establish a dedicated working

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group to actively drive progress toward your goal, fostering collaboration and accountability within the organization. Align your business goals with the specified reduction targets to ensure coherence and effectiveness in your sustainability initiatives.

Create a renewable energy plan: For most companies, a substantial share of Scope 1 and 2 emissions comes from purchased electricity. Effectively tackling these emissions involves strategic investments in renewable energy, including options such as acquiring Renewable Energy Credits (RECs) and/or Energy Attribute Certificates (EACs), Power Purchase Agreements (PPAs), or on-site renewable energy production. Incorporating these measures is integral to a comprehensive emissions reduction strategy within your operations.

Supplier engagement: Scope 3 emissions often constitute a significant majority of a company's total emissions. A proactive strategy to reduce Scope 3 emissions typically involves encouraging primary suppliers to quantify their GHG emissions and establish their own emissions reduction targets. This collaborative effort not only fosters sustainability within the supply chain but also contributes to mitigating the company's own emissions footprint.

Monitor GHG emissions: Measure GHG emissions annually to inform reduction plans and track progress against your target. Regularly evaluate GHG mitigation opportunities and integrate impactful reduction measures into your strategy.

Offset remaining emissions: While offsetting emissions should not be the primary strategy for achieving a net-zero goal, it can be employed for addressing any residual, unavoidable emissions. Carbon offsets, represented by certificates tied to activities that reduce atmospheric CO₂, offer a means to neutralize environmental impact. It's crucial to exercise discernment in selecting carbon offset projects to ensure the credibility and effectiveness of the offsets purchased. Ensure offset projects are verified through a credible third party and select projects that align with your organization's values and business objectives.

Third Economy is here to help guide you to a target that is right for your business goals. Ready to take the next step? [Contact us here.](#)



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