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Continuing Challenges for Companies Attempting to Meet Net-Zero Goals

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The **2023 Corporate Climate Responsibility Monitor (CCRM)**, produced in partnership by Carbon Market Watch and the New Climate Institute, contend that of the 24 multinational corporations assessed in the review – “the largest three global companies with bold climate pledges from eight consumer-facing industrial sectors” – 15 of them have proposed climate change strategies that “do not add up to what their pledges might suggest.” While each of the 24 assessed companies is affiliated with the UN-sponsored Race to Zero campaign, publicly committing to decarbonization efforts aligned with limiting global warming to 1.5 degrees Celsius, the CCRM commented that, in the authors’ view, it is now “more difficult than ever” to differentiate between companies that demonstrate “real climate leadership” and those engaged in “unsubstantiated greenwashing.”

CCRM highlighted that there is an ongoing “2030 blind spot” where companies are now falling “well short” of climate goals without any third-party oversight or enforcement. While the CCRM stated that GHG and carbon emissions must drop between 43% and 48% by 2030 to achieve Paris-aligned temperature increase limits, the assessed companies are on pace for a median reduction of just 15% of full value chain emissions. “Overall, the net-zero pledges of the 24 companies translate to a commitment to reduce just 36% of the companies’ combined GHG emission footprint, by the respective net-zero target years.” The Report also comments on the use of carbon offsets, noting that the “24 sampled companies plan to offset 23–45% of their combined 2019 emission footprint to claim achievement of their long-term net-zero pledges,” which is beyond the 10% maximum articulated by the Science Based Targets Initiative for the use of carbon offsetting.

The CCRM proposed that while companies on their own initiatives need to continue to "play a central role" in decarbonization efforts, regulators also need to be involved in order to accelerate and monitor net-zero transition efforts. According to the CCRM, shareholder activism and consumer pressure are not likely to, on their own, provide the catalyst necessary to promote the requisite corporate action.

Taking the Temperature: The CRRM is hardly the first organization to highlight the challenges faced by companies in implementing credible plans to achieve publicly articulated net-zero goals. A recent report by CDP commented on similar concerns. Likewise, the SustainAbility Institute at global consultancy group Environmental Resources Management (ERM) also highlighted various studies suggesting a gap between issuers' statements on climate change and their actual transition policies, with one study suggesting that 65% "of net zero targets among global publicly traded companies do not meet minimum procedural standards of robustness (e.g., include a plan to achieve the target, publish progress on target achievement, etc.)." For issuers, the focus on a supposed divergence between publicly articulated climate goals and the implementation of transition plans sufficient to meet those goals will remain an area of concern from both a regulatory and litigation perspective. To mitigate those risks, companies should focus on climate-related governance (monitoring and assessing material risks and opportunities), data collection/assessment (including alignment with SBTi or other data standard setters) and disclosure (including necessary caveats or qualifications on articulated climate goals).