



Top Ten Takeaways

Corporate Alignment to the Paris Agreement: From Ambition to Action

October 25, 2021

Net-Zero Pledges

1. With the remarkable technological progress and increased competitiveness of many zero-carbon technologies over the past decade, achieving the Paris Agreement mitigation goal is now feasible, affordable, and attractive for industries and economies.
2. While corporate net-zero pledges are becoming commonplace, net-zero plans still have a long way to go to be credible and reliable. They frequently lack short-term targets. They also often fail to cover corporations' full scope of carbon dioxide and other greenhouse gas (GHG) emissions, overly rely on offsets and carbon capture and sequestration (CCS) technologies, and lack the consideration of GHG targets in planned capital expenditures. Short- and medium-term targets, when present, are generally not aligned with Paris Agreement goals. Finally, as outlined by [Influence Map](#), many companies, even those who commit to net-zero plans, still lobby against ambitious climate action, in particular through their trade association membership, which leads to political inaction on decarbonization.

Challenges and Risks of Diverse Carbon Accounting Methods

3. Accurate GHG accounting is important not only for companies to track and reduce emissions, but also for investors and financial institutions to understand corporate exposure to transition risks, for climate litigants to receive insights into a company's climate impact, for consumers to understand the carbon footprint of their consumption behavior, and for policy makers to develop and implement effective climate regulation.
4. There is a plethora of GHG accounting methodologies providing different results on companies' carbon footprint. Alignment with the Paris Agreement requires harmonized GHG accounting that enables accuracy, transparency, reliability, and comparability of emissions reporting. CCSI, the Payne Institute for Public Policy at the Colorado School of Mines, RMI, and the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC or UN Climate Change)—members of the [Coalition on Materials Emissions Transparency \(COMET\)](#)—are collaborating to create a harmonized methodology and attribution framework that brings together the main GHG accounting standards and disclosure platforms.

Internal Metrics to Shift Corporate Strategy Toward Decarbonization

5. To confront the global crisis that anthropogenic climate change presents, investors, companies, states, and consumers need clear guidance from ambitious and enabling policies that catalyze the global society to take a holistic approach to combatting climate change.

6. Tools such as high carbon pricing, standardized GHG accounting, green procurement based on best available technologies, and climate-linked remuneration must become part of the new ‘business-as-usual’ framework by which businesses operate. Modern business plans must embed sustainability strategies that help internalize negative externalities and make businesses more resilient.

7. Collaboration within industry as well as between industry and various other stakeholders—including academia and private and public research organizations—is key to accelerating decarbonization. Innovative solutions need piloting, and industry champions must grasp the first-mover advantage.

Climate Finance: Opportunities and Hurdles

8. Financial investors are still pouring trillions of U.S. dollars into fossil fuels without accurately assessing stranded asset risk and without considering that fossil fuel demand will peak, as has already occurred in some sectors, such as electricity generation and the automotive industry. New fossil fuel exploration inherently contradicts the Paris Agreement goals, as studies showed that global [GHG emissions need to be cut by 7.6% annually](#), and that [no new investment in new fossil fuel supply should take place](#). Investors and the financial industry more broadly are thus exposing themselves to further impairments and asset write-downs, indebted companies, and value destruction while contributing to irreversible climate change.

9. Though developing and emerging economies have only marginally contributed to climate change from a historical perspective, their economic growth is leading to massive increases in the reliance on GHGs. Industrialized economies that relied heavily on GHG emissions to accumulate the wealth they have today—such as Europe, the United States, and China—must support financing efforts for investment in renewable energy and other zero-carbon technologies so that developing and emerging economies can leapfrog a disastrous period of GHG-intensive development. Even if developed countries fulfilled their pledge to mobilize US\$ 100 billion per year to support developing countries to mitigate and adapt to climate change, this is only a fraction of the money needed to achieve global objectives. [The International Energy Agency \(IEA\)](#) assessed that this amount would barely cover the needs of the African continent. Indeed, developing countries need investment of [more than US\\$ 1 trillion a year](#) to decarbonize their economies.

10. While climate change is an existential crisis, it is also one of the most significant opportunities in human history, particularly from a financial services and investment perspective. To reach decarbonization goals over the coming decades, tens of trillions of U.S. dollars must be invested across all industries worldwide. However, the zero-carbon energy transition will pay for itself. It offers immense profit-making opportunities, and there will be no shortage of investors who will want to invest.