CONSERVATION INTERNATIONAL

WE MEAN BUSINESS COALITION

CORPORATE MINDS ON CLIMATE ACTION

The current thinking, the key challenges, and the will to find a way forward

JANUARY 2023

About Conservation International
Conservation International protects nature for the benefit of humanity. With offices in 30 countries and projects in more than 100 countries, Conservation International partners with governments, companies, civil society, Indigenous peoples and local communities to help people and nature thrive together.

About We Mean Business
We Mean Business Coalition works with the world's most influential businesses to take action on climate change. The Coalition is a group of seven nonprofit organizations: BSR, CDP, Ceres, Climate Group, CLG Europe, The B Team and WBCSD. Together, we catalyze business and policy action to halve emissions by 2030 and accelerate an inclusive transition to a net-zero economy. Find out more at wemeanbusinesscoalition.org

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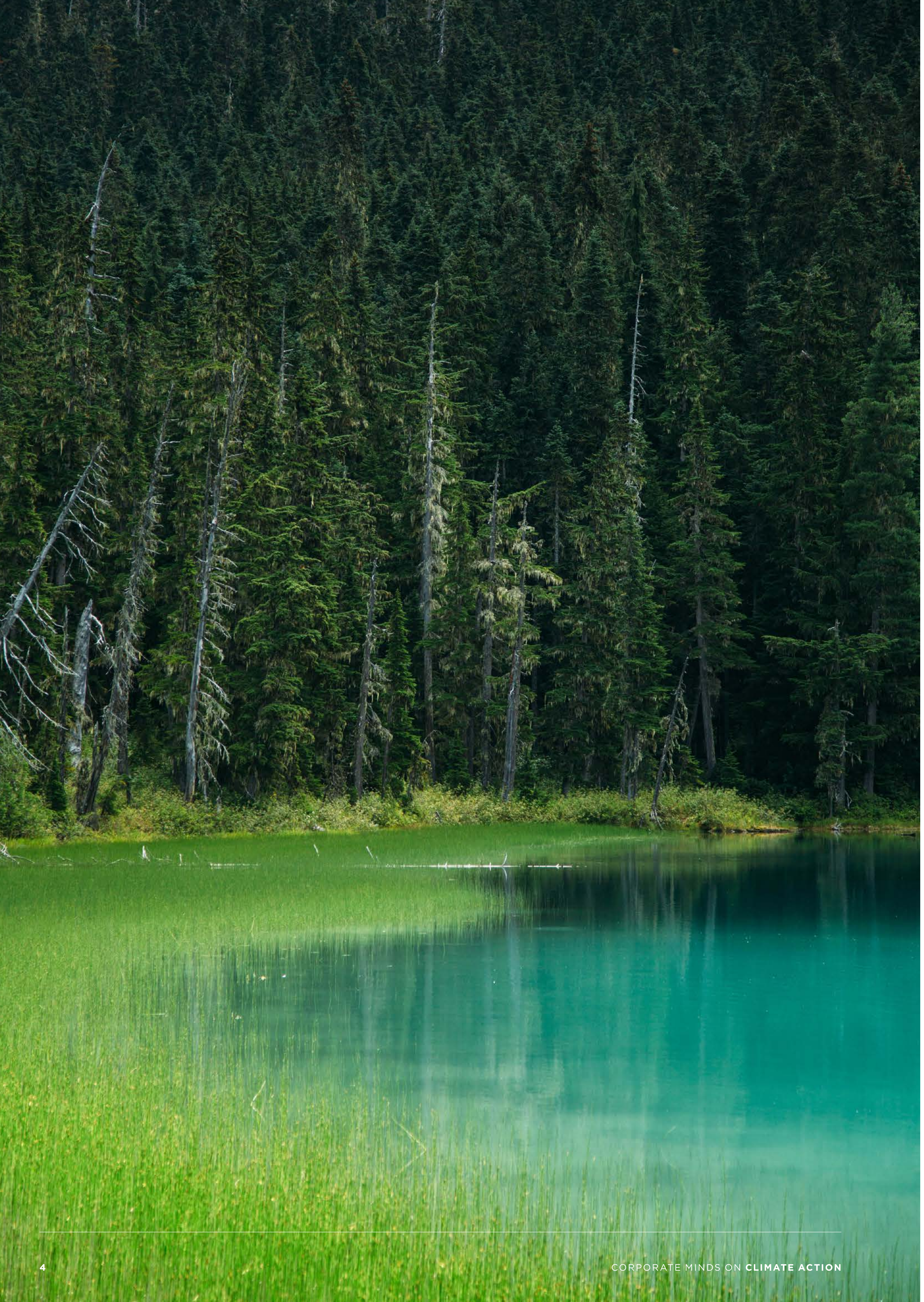

1. Introduction

As the world gets ever closer to surpassing the 1.5°C limit on warming that science has predicted to be of critical importance, the urgency of the moment cannot be overstated.

As the 2021 and 2022 Intergovernmental Panel on Climate Change reports highlight, governments alone cannot solve the climate crisis, rendering the private market's climate efforts pivotal to our planet's future[1], both for adaptation and mitigation[2].

Businesses are responding to the need, with thousands setting science-based targets that require a reduction in their Scope 1, 2, and 3 emissions.

To achieve a net zero by 2050 target, businesses need to invest in long-term, transformative decarbonization—switching to renewable energy, electrifying transport, cutting energy use, and swiftly scaling up the innovations in heavy industry by 2030. While these solutions are developing, they are not moving fast enough.

Alongside taking these critical steps to decarbonize, businesses are recognizing the challenges they face to do so and understand they must also invest in immediate action. Thus, in addition to decarbonizing where possible, businesses are turning to tools such as the voluntary carbon market—where carbon credits are bought and sold. This industry can deliver support for credible carbon-reducing nature-based solutions, utilize technological avoidance of emissions, and accelerate the roles of renewable energy and carbon negative technology.

With this in mind, a survey was **commissioned by Conservation International and We Mean Business Coalition** to gain understanding of what business leaders in North America and Europe think about progress to date toward their emission reduction goals, overarching net zero by 2050 goal, and the key lessons learned as they strive to scale action. **Where do businesses stand in terms of readiness to act in a rapidly changing context? What have they learned from their progress to date? How and where could they be doing more?**

What follows is a detailed analysis of the survey, **designed to provide insight** into the strategies undertaken by business leaders. The survey asked **502 executives engaging on sustainability in global organizations from 13 business sectors across the United States, United Kingdom, and Europe to reflect on corporate climate action, goals, and responsibility.**

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1 *https://hbswk.hbs.edu/item/whats-the-role-of-business-in-confronting-climate-change*
2 *https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf*

2. Key Findings

PART ONE

Businesses recognize the urgency to reduce atmospheric emissions. In addition to innovating direct decarbonization efforts, they are seeking ways to counterbalance emissions by investing in the voluntary carbon market.

Accelerating climate action to reduce emissions is a priority for businesses and top of mind for corporate leaders. Many have already begun to incorporate climate goals into their business strategies and across operations, stressing the widespread benefits of emission reductions. This conviction is manifesting in ambitious decarbonization plans and action alongside the utilization of the growing voluntary carbon market to achieve positive climate impacts this decade.

The survey data clearly indicates that business leaders have a focus on decarbonization. Corporate leaders have also signaled their commitment to urgent climate action that meets targets by 2030 as they seek to engage responsibly with the voluntary carbon market, leading to net zero by 2050[3].

Businesses almost unanimously agree that carbon credits are a valuable tool with which to accelerate climate action but are shying away from further investment due to concerns with the rapidly evolving market, including greenwashing.

Companies are actively looking to rating agencies, the Voluntary Carbon Market Initiative (VCMI), and the Integrity Council for the Voluntary Carbon Market (ICVCM) to address these challenges and help facilitate additional investment in the voluntary market.

100%
of respondents said their organization already has, or is working towards, climate targets.

79%
said they already have stated climate goals.

92%
said that reducing carbon emissions is an urgent priority[4] for their organization.

89%
said carbon credits are important to compensate for annual unabated emissions that organizations are not yet able to eliminate or neutralize.

51%
said carbon credits allow them to take immediate climate action alongside ongoing work intended to directly reduce emissions in the longer term.

44%
expressed worry about companies using carbon credits without other substantive climate action to cover for their unsustainable behavior.

PART TWO

Businesses are adapting as they reflect on the challenges they have faced when attempting to scale climate action and decarbonization efforts.

Companies agree that setting a science-based target helps them set appropriate levels of climate ambition, but also that the associated guidance is insufficient for incentivizing action.

There are key challenges businesses grapple with as they set and seek to progress climate goals and decarbonization targets, such as budget constraints and lacking access to readily available instruction and resources.

79%
over three quarters, agreed that science-based targets keep companies on track within specific timelines.

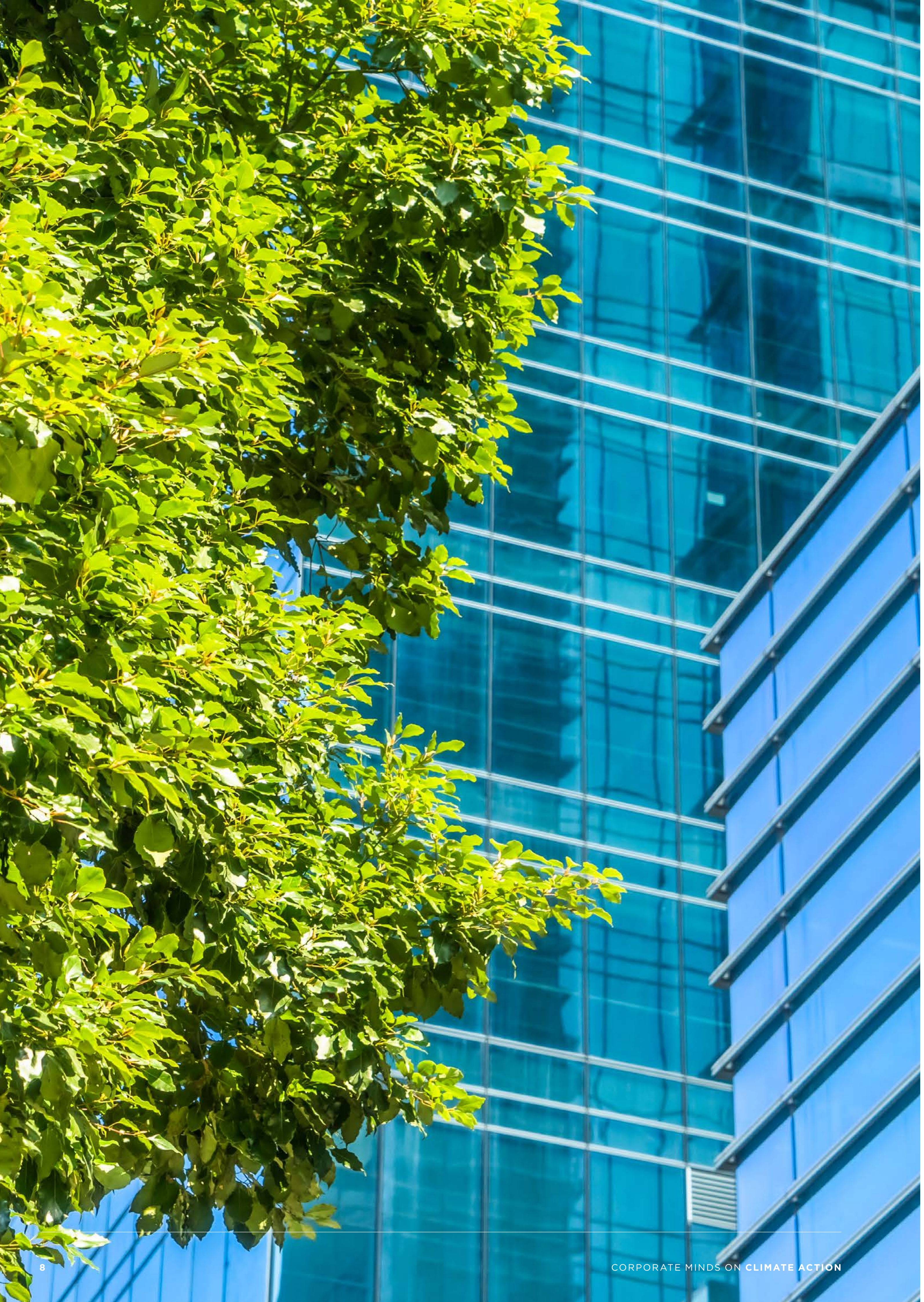
82%
over four fifths of respondents, agreed that their businesses need to accelerate their decarbonization efforts, but are concerned about the "how."

86%
a vast majority, shared that they see budget constraints as a challenge to reducing emissions and meeting targets.

86%
almost 9 out of 10, said that lack of consistency and collaboration across their organization is a challenge to climate action.

84%
saw a challenge in technological constraints to reducing emissions and meeting targets.

3 The voluntary carbon market encompasses all transactions of carbon offsets that are not purchased with the intention to surrender into an active regulated carbon market. It does include offsets that are purchased with the intent to re-sell or retire to meet carbon neutral or other environmental claims. A carbon offset is defined as an instrument representing the reduction, avoidance or sequestration of one metric tonne of carbon dioxide or greenhouse gas equivalent (Ecosystem Marketplace)
4 Figure includes both those who indicated 'very urgent' and 'somewhat urgent'



3. Survey Methodology

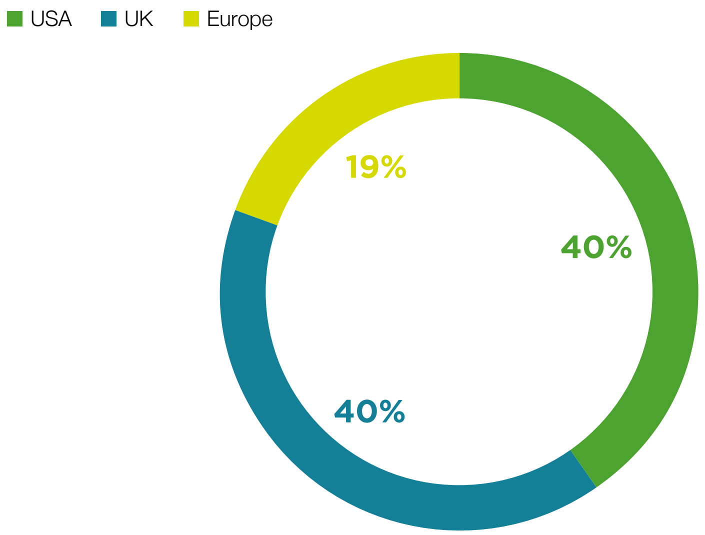
The globally operating organizations chosen for the survey were medium to large businesses, corresponding with 2,000 – 5,000 employees and over 5,000 employees, and with headquarters in the US, UK, or Europe.

The survey was distributed to senior managers with responsibility for or influence over sustainability actions within these organizations. 49% of respondents identified their organization's sustainability strategy as their core role, 37% as part of their role, and 14% as having influence over it. Respondents were then screened according to the survey's criteria (business turnover, location, sector, etc.).

Surveys were completed in July and August 2022 by Insight Avenue, yielding 502 counted responses from the UK, USA, and Europe, spanning multiple sectors (Figures 1 and 2).

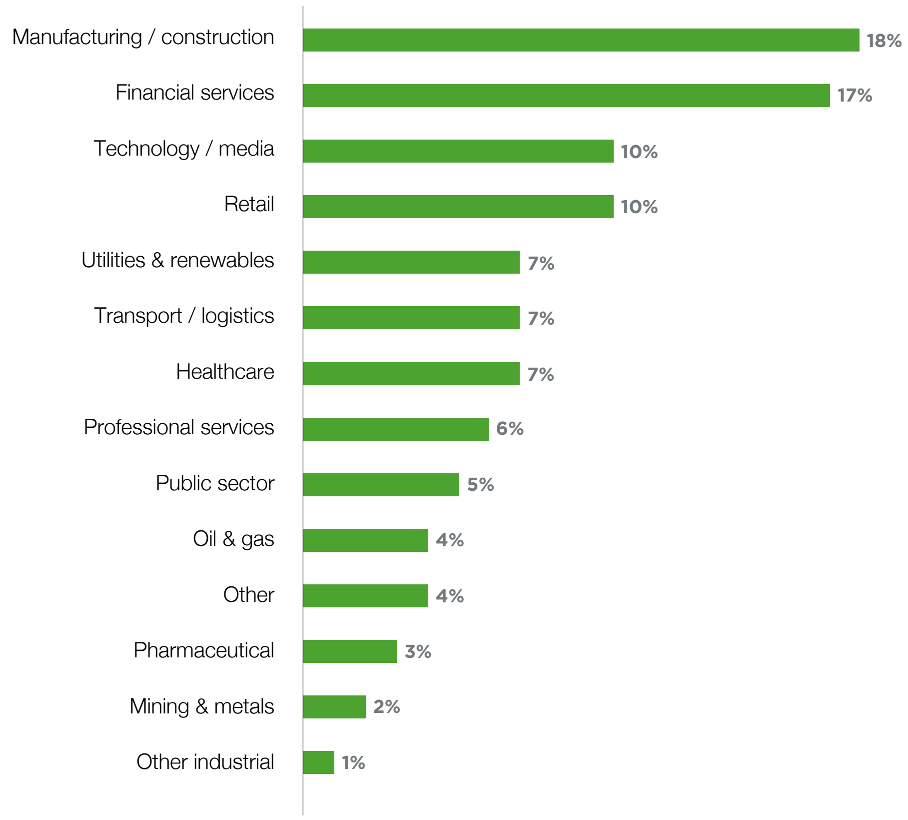
In a second-round survey conducted by Browning Environmental Communications, respondents were asked to provide qualitative comments on key questions that arose from the quantitative findings. The results of the second-round survey are found in relevant sections throughout the report.

FIGURE 1:
Geographical distribution of responses



Geographic location of organizations surveyed. 'Europe' here stands as an umbrella term for France (5%), Italy (3%), Spain (2%), Netherlands (2%), Sweden (2%), Germany (2%), Poland (1%), Ireland (1%)[5]

FIGURE 2:
Sector distribution of responses



5 *Rounding of numbers resulted in the deviation from 100%, throughout this report.*

4.

PART ONE

Businesses recognize the urgency to reduce atmospheric emissions.

In addition to innovating direct decarbonization efforts, they are seeking ways to counterbalance emissions by investing in the voluntary carbon market.

4.1
Businesses are already taking climate action

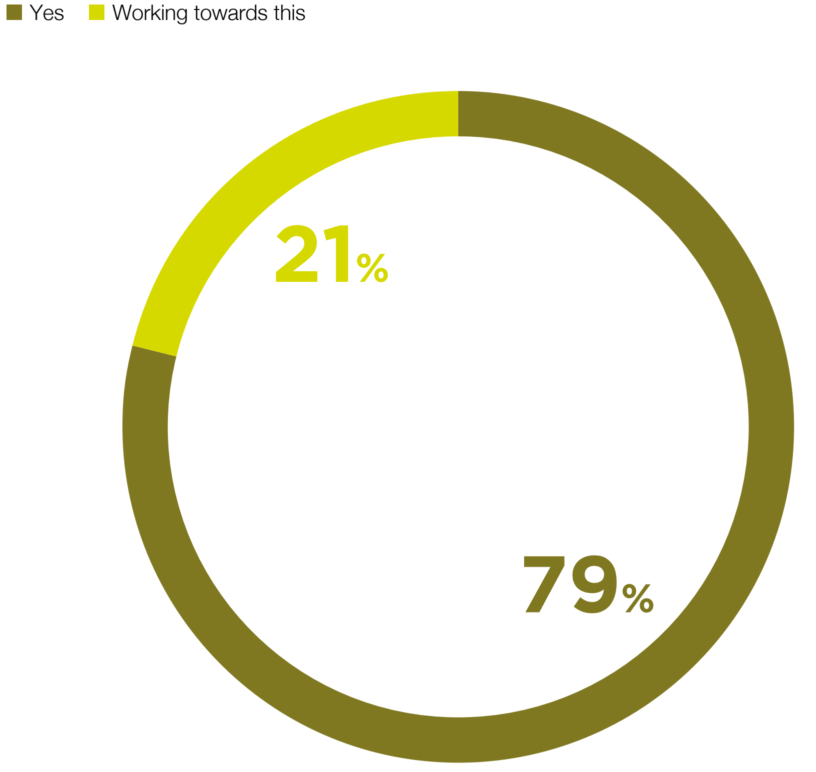
When business leaders were asked where they stand on climate today, not a single respondent indicated that their organization does not already have, or is working towards, climate targets (Figure 3). Furthermore, almost all respondents (92%) said that reducing carbon emissions is an urgent priority for their organization (59% said 'very urgent, a key priority', and 33% said 'somewhat urgent').

At the United Nations Framework Convention on Climate Change conference in 2021 (COP26) numerous climate pledges were made by coalitions of business leaders, jointly committing to set and implement ambitious net zero by 2050 policies, with significant reductions by 2030[6].

At COP27, over 200 businesses leaders reaffirmed their commitment to limiting warming to 1.5°C[7].

The survey respondents also reiterated corporate commitment to climate action and highlighted growing ambition: **17% said they are not yet satisfied with progress made, and 56% said they are satisfied but that their organization could be doing more to reach carbon reduction targets.**

FIGURE 3:
Stated goals or targets to reduce carbon emissions in your organization



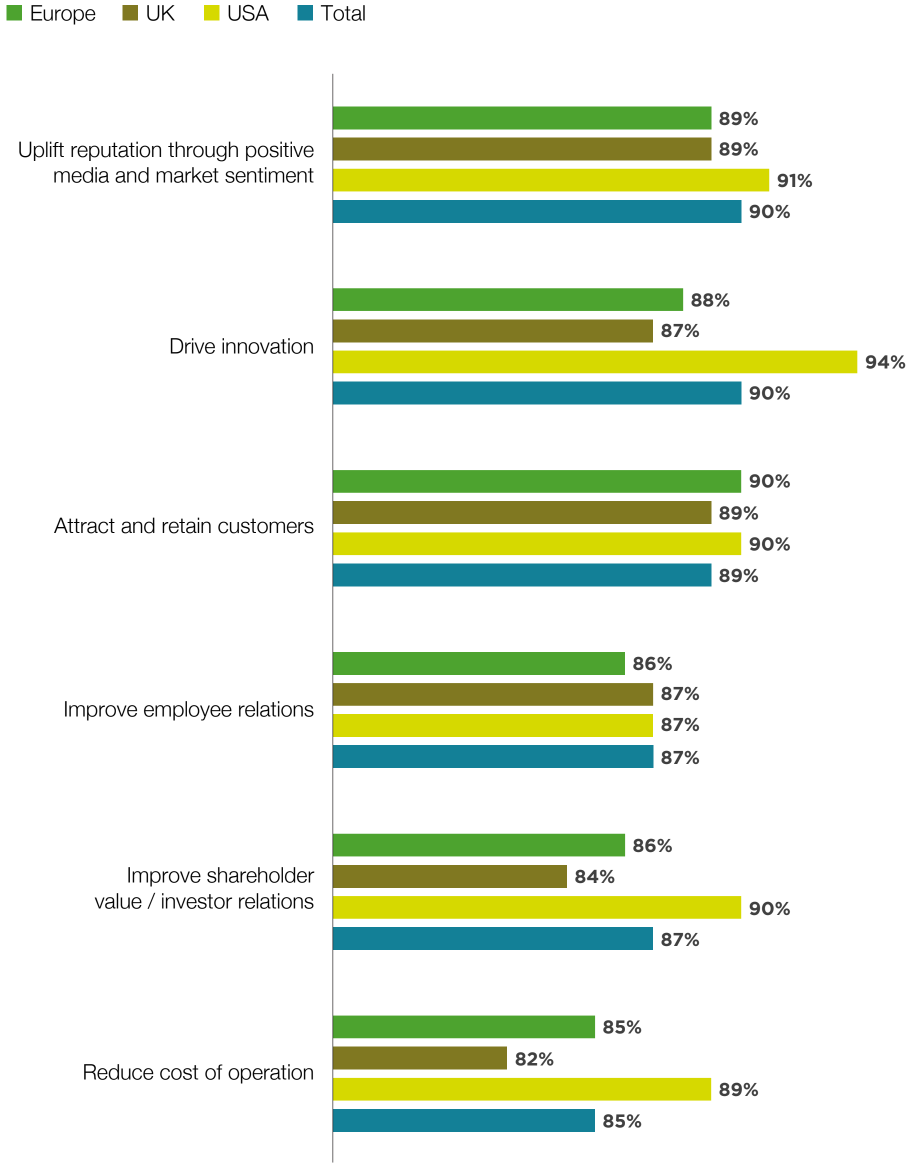
4.2
The benefits of emission reductions are clear

Business leaders are not only committed to stepping-up climate action, but they also clearly want to act, as they **see benefits to reducing emissions for their organizations** (Figure 4). The top three perceived benefits of emission reductions were:

1. Building brand recognition for serious climate action
2. Driving critical innovation
3. Attracting and retaining customers

Respondents in the US viewed several potential benefits as more important than their counterparts in Europe and the UK, namely: driving innovation, improving shareholder value/investor relations, and reducing operational costs (Figure 4).

FIGURE 4:
Perceived benefits of reducing carbon emissions



6 https://www.mckinsey.com/capabilities/sustainability/our-insights/cop26-made-net-zero-a-core-principle-for-business-heres-how-leaders-can-act
7 https://www.wemeanbusinesscoalition.org/cop27-all-in-for-one-point-five/

Broadly, it is clear that businesses in all geographies understand **that their customers and investors value businesses that are working towards true sustainability.** Substantive, responsible, climate action for businesses, then, is also a way to uplift their brand and attract customers while making critical adjustments to their operations that are essential to meeting near- and long-term climate goals.

When asked about the drivers behind carbon emission reduction goals, businesses reported that pressure from stakeholders, internally and externally, is prompting more ambitious action (Figure 5).

Four fifths of respondents indicated there is significant pressure from nearly all presented sources, including external pressure from media and governments (81% and 82%, respectively), and internal pressure from organizational leadership and employees (83% and 78%, respectively).

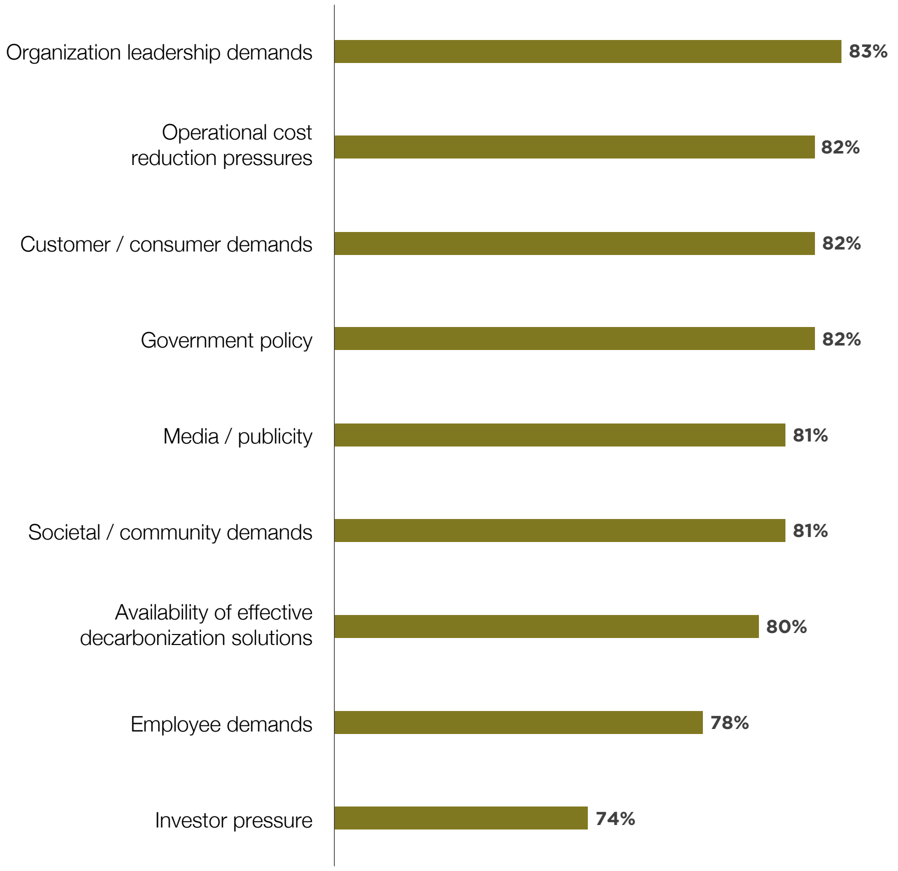
Businesses are clearly feeling the pressure to act, and most respondents do not feel like their business is doing enough to address climate change **now.**

JUST

1 in 5

respondents (21%) said they were satisfied with the current efforts.

FIGURE 5:
Sources of pressure to reduce carbon emissions



4.3

Strategies for decarbonization

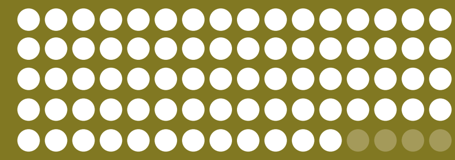
While the benefits stemming from emission reductions are evident to corporate leaders, the path to progress looks different for all organizations due to variables such as budget. The survey asked for opinions regarding climate mitigation strategies, followed by inquiries on more immediate climate action businesses can take, such as investments in the voluntary carbon market.

Business leaders were optimistic but cautious about the achievability of four popular decarbonization strategies (Figure 6). Of the most popular strategies, improving energy efficiency, was seen as very achievable or somewhat achievable (79%). Reducing value chain emissions and getting employees to reduce emissions are also potent strategies, with 78% saying these are achievable.

As shown in Figure 6, business leaders are aware of the currently available options to decarbonize. The survey then solicited views on ways in which **businesses can supplement decarbonization strategies to help the planet in the near-term.**

FIGURE 6:
Perceived achievability of decarbonization strategies

FINANCIAL SERVICES STANDS OUT.



96% of respondents in this sector indicated carbon credits are important.

4.4
Tools to supplement long-term decarbonization: Businesses see the voluntary carbon market as an important tool to meet urgent near-term climate goals

Because transformative decarbonization of business practices takes time, **businesses are reaching for the supplementary tools they know work right now**, such as the voluntary carbon market. The survey revealed that businesses leading on climate must look beyond decarbonization because resources and methods to achieve decarbonization remain a major challenge. **They recognize that the voluntary carbon market addresses the immediacy of the climate problem but is not a substitute for actively lowering emissions.**

When asked about the benefits of the voluntary carbon market–through which carbon credits are bought and sold–the top two responses were:

(1) credits allow them to take immediate climate action while working to reduce emissions in the longer term (51%), and

(2) credits are a cost-effective solution for making progress towards sustainability goals (49%).

When asked more broadly on the utility of carbon markets, over a third of all respondents (38%) said their organizations are currently using carbon credits, and over half (51%) said they are considering it (Figure 7). What's more, **almost 9 out of 10 respondents (89%) said carbon credits are important or very important, either to compensate for emissions that organizations are not yet able to eliminate, or to neutralize annual unabated emissions.** Among sectors, **Financial Services stands out, with nearly all (96%) respondents indicating carbon credits are important or very important** (Figure 8).

FIGURE 7:
Organizations currently using carbon credits as part of their climate actions

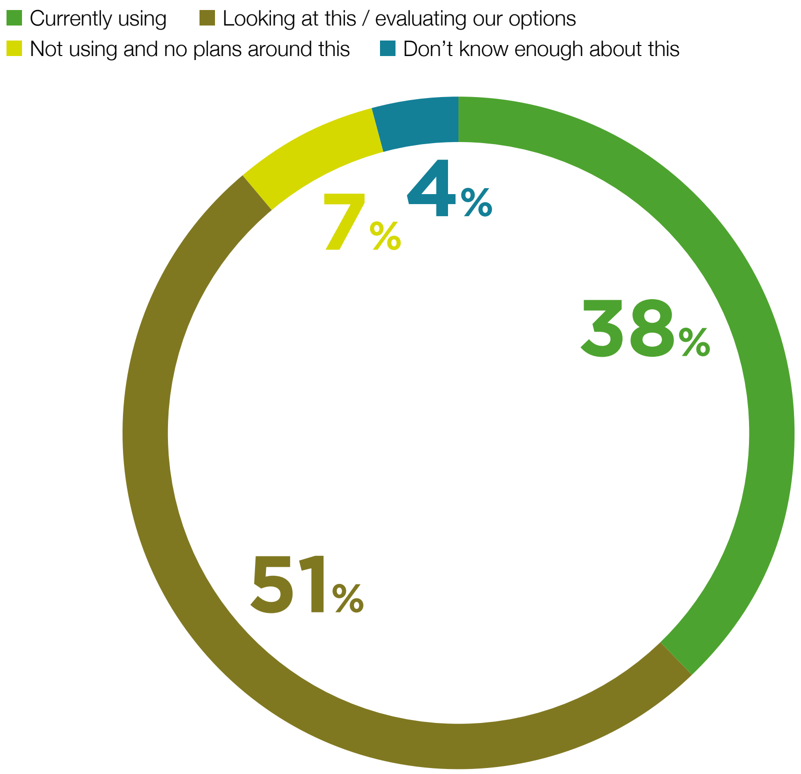
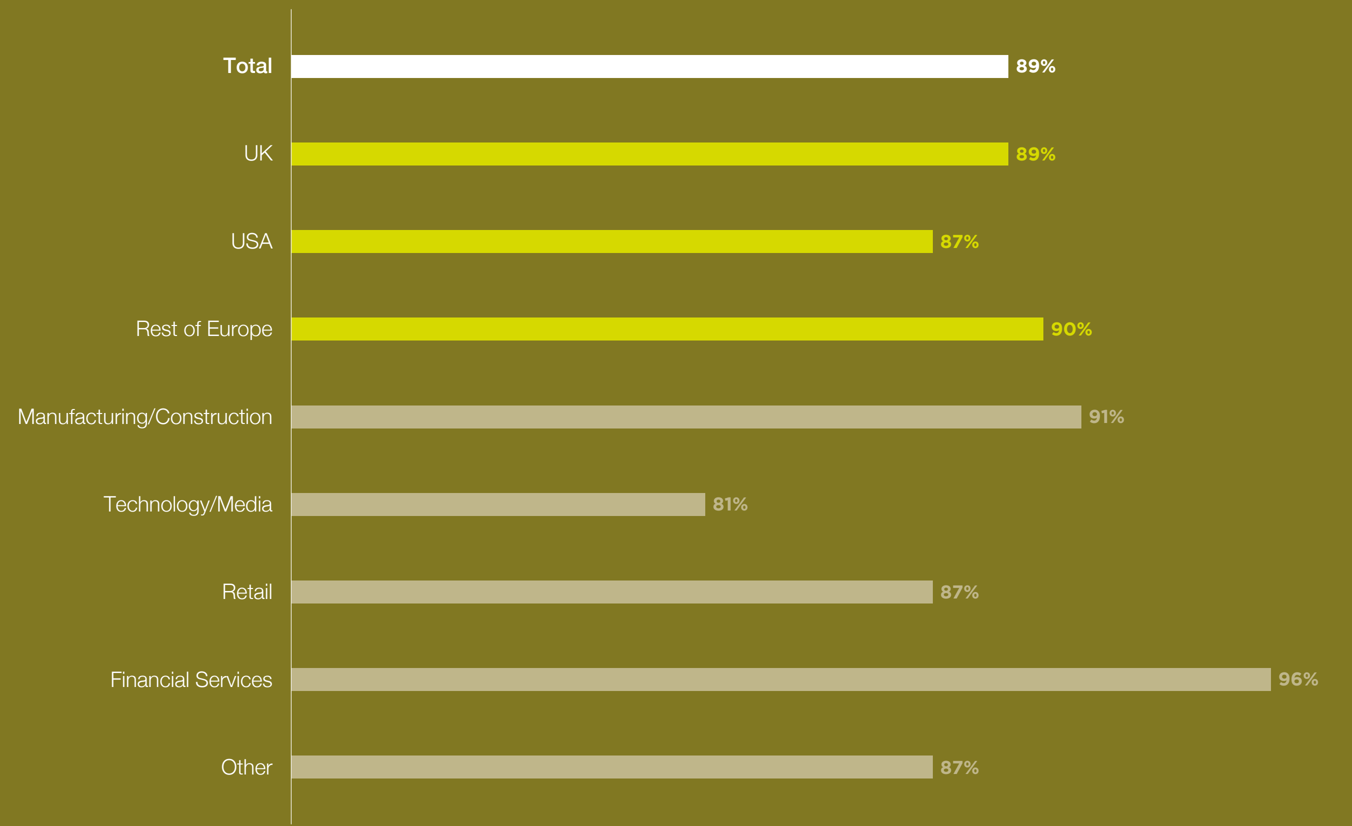


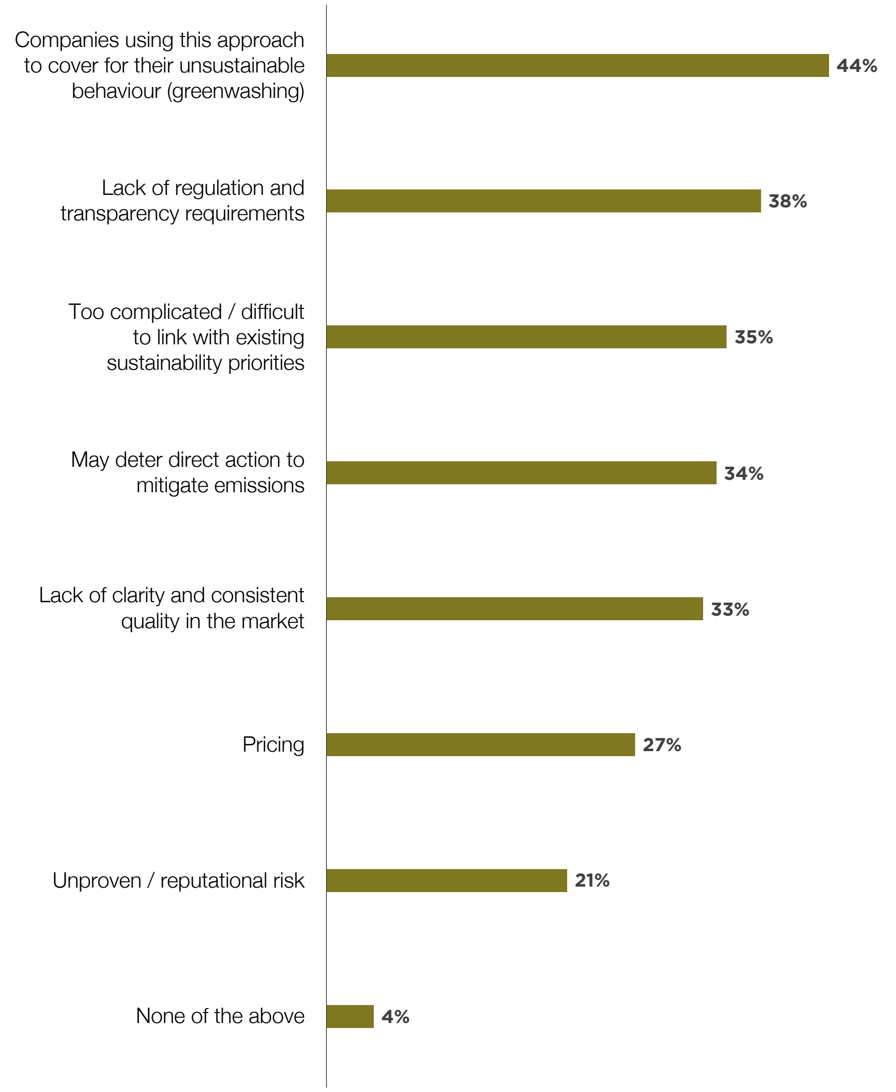
FIGURE 8:
Perceived importance of carbon credits by survey respondents, in total, by geographical region, and by sector (non-exclusive categories)



4.5
Acting responsibly and with integrity as participants of the voluntary carbon market

Though it is evident business leaders demonstrated a clear desire to ensure they engaged with carbon markets in a responsible and credible manner, significant concerns were raised that some companies are using carbon credits for greenwashing, pointing to a need for enhanced accountability and guidance on proper use of carbon credits (Figure 9).

FIGURE 9:
Concerns about the voluntary carbon market

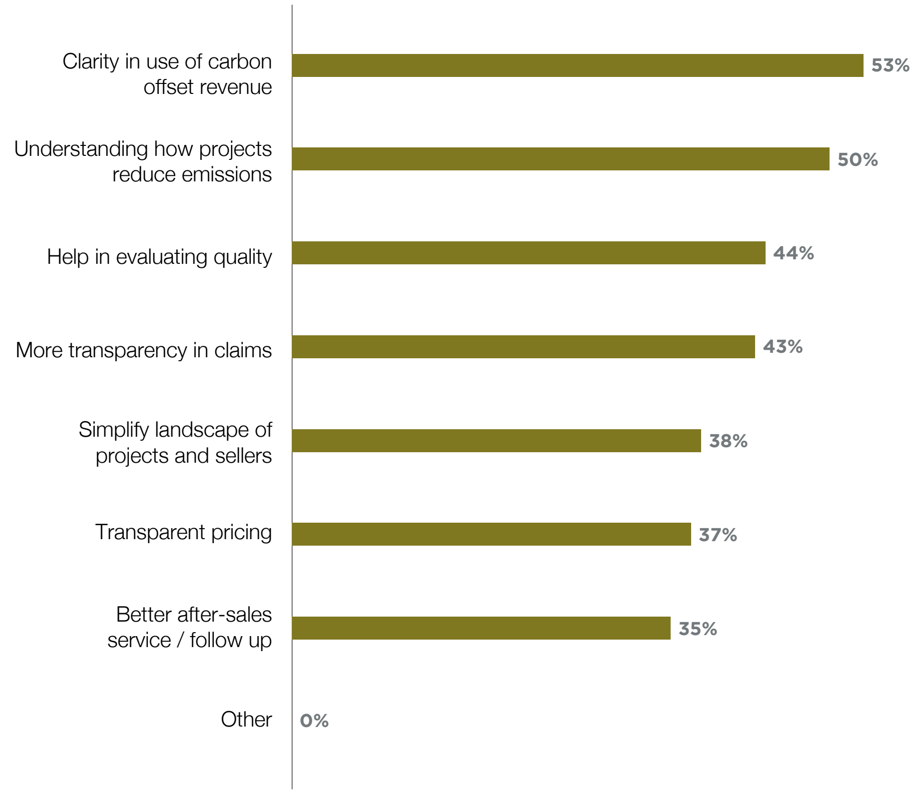


8 Revenue generated through the purchase of carbon offsets can be utilized to support a variety of outcomes in addition to protecting vital carbon sinks: including support sustainable energy generation; employment of forest or game rangers; safeguard critical water sources, livestock, and wildlife; and provide improved social services like health and education.

> "There definitely needs to be more transparency and consistency on the role of carbon credits in a corporate net-zero strategy, but companies like ours are trying to do everything we can to reduce emissions first. At the same time, we also acknowledge that we cannot get to where we need to without some help from credits – even the IPCC agree."
>
> **CORPORATE LEADER, 2022**

For organizations to adopt the use of carbon credits as part of wider sustainability strategies, business leaders are asking carbon projects and programs to clarify how carbon revenues will be used (53%) and for a greater understanding of how carbon projects reduce emissions (50%)[8]. They showed slightly lower support for other options (Figure 10).

FIGURE 10:
What is needed for carbon credits to be utilized more?



Emerging voluntary carbon market initiatives seek to address concerns reflected in survey responses

In response to concerns about the quality of the voluntary carbon market, a number of initiatives have emerged. These seek to address the supply side and the demand side, largely relating to quality and claims, respectively. The Integrity Council for the Voluntary Carbon Market (ICVCM) was established to address the former, while the Voluntary Carbon Market Integrity Initiative (VCMI) seeks to address the latter. Both are producing guidance to bring greater transparency and credibility to the market.

Private carbon credit rating agencies, such as Sylvera, BeZero, and Calyx, are also playing an increasingly prominent role in helping companies perform independent evaluations of carbon credit quality. In addition, carbon crediting programs are tightening their requirements, reviewing their methodologies, and asking more of the validation and verification bodies.

The technology sector has also made significant strides in bringing greater confidence in emission reduction claims by, for example, using Artificial Intelligence and remote sensing to measure carbon sequestration in forests.

Additionally, business-facing platforms, including the Business Alliance to Scale Climate Solutions and Natural Climate Solutions Alliance, have emerged to guide companies credibly through the increasingly complex carbon credit procurement process.

Other initiatives, such as the Tropical Forest Credit Integrity Guide (TFCI), add the voice of Indigenous Peoples and Local Communities (IPLC) as well as NGOs to the debate, aiming to ensures high-quality, high-integrity carbon credits that bring benefits to those living in and protecting forests.

Actors in this space will continue to see increasing focus on co-benefits of high-quality carbon projects, and businesses will be expected to ensure communities most impacted by such projects, and those disproportionately impacted by climate change more broadly, see long lasting benefits of this type of climate action.

5.

PART TWO

Businesses are met with challenges: they support science-led targets but want improved guidance and recommendations for more effective climate action.

5.1
Committed to action, but still missing climate targets

Business leaders have demonstrated strong support for climate action, but there is still a notable gap in urgent action from key players and sectors. Progress to date has been slow, and as many as one third of businesses worldwide missed their 2020 targets[9]. Global climate ambition overall also remains insufficient[10]. Many corporates still have a long way to go before being aligning with 2030 interim targets, though nearly three quarters **of respondents did say they felt that their business is doing what is possible within budget and technological constraints** (76%)[11].

> “Our biggest issue is allocation of finances to this topic and prioritizing actions today rather than waiting until 2030.”
>
> CORPORATE LEADER, 2022

5.2
Businesses need clear, realistic guidance in setting climate targets

The survey sought to understand more on what the major obstacles to scaling action are and how leaders' view programs meant to guide their businesses towards climate targets.

Over three quarters of respondents (79%) agreed that overall, **science-based targets** can help companies stay on track within specific timelines.

9 https://www.bain.com/about/media-center/press-releases/2022/one-third-of-businesses-missed-their-2020-decarbonization-targets-heres-what-they-must-change-to-meet-their-2030-goals/
10 https://unfccc.int/news/climate-plans-remain-insufficient-more-ambitious-action-needed-now
11 30% strongly agreed and 46% somewhat agreed to the statement “We are doing what we can within the budget and technological constraints we have”

> "Cost and availability of decarbonization technology are huge challenges. Even when we are willing to pay premium, we still really struggle to access the technologies at the scale and with the speed we need them to be available."
>
> **CORPORATE LEADER, 2022**

5.3
Businesses are facing obstacles on their decarbonization path

Business leaders shared overall agreement on perceived challenges, either moderate or significant, in reducing emissions and meeting targets (Figure 11), which include:

86%
Budget constraints

86%
Lack of consistency and collaboration across the organization

84%
Technological/accessibility constraints

82%
Lack of clear guidelines on how to decarbonize

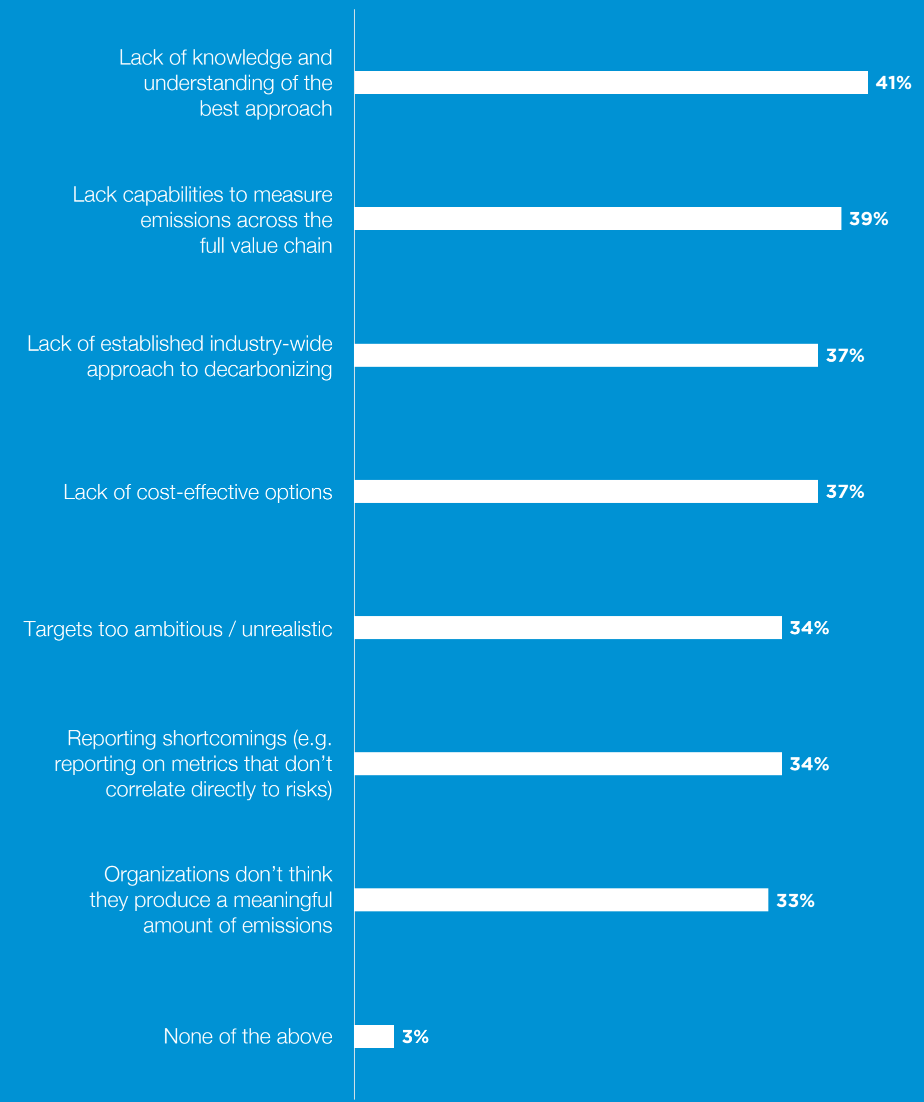
FIGURE 11:
Perceived challenges to reducing emissions and meeting decarbonization targets in their organization

> "There is still a lot of new technology development that needs to happen in order to enable hard to abate sectors to decarbonize."
>
> **CORPORATE LEADER, 2022**

Further challenges were identified when respondents were asked about the key reasons organizations may fail to meet emissions targets. Over 40% of respondents indicated a **lack of knowledge and understanding of the best approach** to decarbonization, and 37% indicated a lack of cost-effective options as a reason for failure to meet targets (Figure 12).

These perceived obstacles to progress on emissions targets all present **areas of improvement for industries.** However, acknowledgement of the current obstacles to decarbonization does not mean businesses lack ambition: **a clear majority agree that businesses need to accelerate their decarbonization efforts (82%)**, and **four fifths understand it will require a transformational shift in how businesses operate, source, and consume energy (79%).**

FIGURE 12:
General key reasons emissions targets are missed



6. Conclusion

This report presented the opinions of 502 business managers from over 500 global organizations in the US, UK, and Europe on corporate climate action. Results make it clear that **businesses are aware of the dire need for robust and urgent climate action, as well as fast, impactful solutions that keep carbon out of the atmosphere.**

What's more, they want to act: ambition on climate action is unwavering, reflecting in businesses commitments to accelerating impact during this climate-critical decade. However, they recognize the challenges with achieving long-term decarbonization, including budget and technological constraints.

In addition to decarbonizing, a large majority of businesses are seeing the benefits of investing in climate tools they know work, right now. Businesses overwhelmingly agree that carbon credits are a valuable tool to accelerate climate action, yet not all have taken the step to invest in carbon credits due to a list of perceived challenges, so the survey revealed.

For those aiming to realize the potential of and increase confidence in carbon credit markets, progress is already well underway as a number of initiatives have emerged to produce guidance and bring greater transparency to the market. Prominent examples are the work of carbon credit ratings agencies, ICVCM, VCMI, and business-facing initiatives such as BASCS and Natural Climate Solutions Alliance. Other initiatives, like the TFCI, endeavor to add the voices of IPLCs to discussions around quality credits.

As initiatives continue to advance, businesses are expressing a keen desire to contribute to solving the climate crisis within their means, recognizing the benefits of their contributions both to their organizations, and to the world.

The bottom line: business leaders want to accelerate climate action, and to do so responsibly.

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