

ACHIEVING NET-ZERO IN THE YEAR OF COP 26

CONFEDERATION OF BRITISH INDUSTRY
PRESENTATION

JULY 2021



NET ZERO AT THE HEART OF UK POLICYMAKING

2019

- **June:** UK legislates for a Net- Zero target
- **December:** UK general election

2020

- **March:** UK government's budget places a focus on emissions reduction and improvements to climate resilience
- **July:** UK Launches Jet Zero Council
- **November:** Government takes historic step towards net-zero with end of sale of new petrol and diesel cars by 2030
- **November:** UK government launches a 10 Point Plan for a Green Industrial Revolution
- **December:** UK publishes Energy White Paper

2021

- **February:** Independent Review on the Economics of Biodiversity led by Professor Sir Partha Dasgupta
- **April:** UK enshrines new target in law to slash emissions by 78% by 2035
- **May:** UK hosts G7
- **June:** UK Infrastructure Bank opens for business
- **June:** End to coal power brought forward to October 2024
- **TBC:** UK to publish Heat and Buildings Strategy, Transport Decarbonisation Plan, Nature Strategy, Treasury Net Zero Review, Net Zero Strategy
- **October:** UK to host global investment summit
- **November:** UK to co-host COP 26

THE ROLE OF BUSINESS IN DECARBONISATION



Build Global Consensus

We will increase global business collaboration on climate and biodiversity policy with a focus on action



Utilising international platforms such as the G7, G20, COP 15 & COP26 as key milestones to showcase the continued role of business



Drive policy outcomes

We will drive ambitious domestic and international policy action to reach net-zero emissions



- Hold domestic & international governments to account on policy making
- Partner with governments to make the investments required to drive both business and consumer action



Create a 'race to the top'

We will create a 'race to the top' by encouraging a range of businesses to commit to net zero emissions and create a tool to support action



- Committing to a net zero target that is at the highest level of ambition
- Join the UN's Race to Zero- to showcase leadership and support for climate change



Showcase the private sector

We will showcase the private sector as a key entity in combating the impacts of climate change, as part of the solution



- Sharing best practice at every stage of the journey to net-zero to encourage others to follow
- Highlighting the opportunities to be gained and the challenges to overcome

BUILD GLOBAL CONSENSUS

UTILISING THE B7/ G7 TO HELP THE WORLD BUILD BACK BETTER TO A GREENER, MORE PROSPEROUS FUTURE

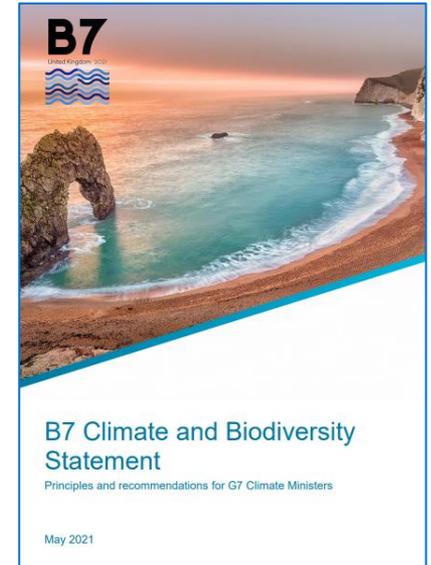
Key recommendations from the B7 Climate and Biodiversity communique.:

- The G7 should lead international action on agreed cross-economy net-zero targets by progressing decarbonised power generation. Setting a target to phase out unabated coal in power generation, where feasible by 2040, as a benchmark for policy ambition could be an important signal. Governments will need to implement detailed policy plans and incentives to support industry, workers and communities impacted by the transition, and drive innovation in abatement technologies and alternative zero-carbon power generation technologies.
- G7 nations should commit to deliver a complementary mix of national plans and international cooperation to cut transport emissions across sectors. National roadmaps for the uptake of electrified vehicles and new low-carbon fuels should be developed alongside international agreements on emissions reduction targets for aviation and shipping.
- G7 countries should set clear, ambitious, consistent and measurable roadmaps for hard-to-abate sectors to reach net-zero emissions. Given the global nature of supply and value chains, G7 countries should coordinate efforts in establishing such roadmaps and the necessary policy incentives by convening key players and governments.



GALVANISING BUSINESS AMBITION AND HIGHLIGHTING THE OPPORTUNITIES TO DELIVER ON KEY CLIMATE OBJECTIVES

- The G7 should increase international alignment in developing sustainable finance taxonomies, disclosures, regulations, and policy frameworks to support climate risk mitigation and facilitate the growth of sustainable finance.
- All G7 countries should support the acceleration of the adoption of climate risk and opportunities disclosures such as those aligned to the FSB's TCFD.
- G7 countries could encourage the development of an agreed framework on which G7 economies should develop and adopt taxonomies.
- The G7 governments should develop supporting policies with clear roadmaps to support with financing the transition.
- G7 to commit to supporting the development of coordinated market-based mechanisms, such as carbon pricing, and support progress of Article 6 negotiations on the Paris Agreement.
- G7 nations should prioritise national policies to support the development of markets that value biodiversity, natural environments and natural carbon sinks, and nature-positive business activity.



LOOKING AHEAD TO COP26



Build Global Consensus



Showcase the private sector



Drive policy outcomes



Create a 'race to the top'

POLICY AREAS

Energy Transition

Clean Transport

Sustainable Finance

Trade

Digital

Biodiversity

Key themes

Drivers of change

Business commitments

Climate initiatives

Impact on Business activity

Barriers and challenges

Opportunities to collaborate

KEY ACTIVITIES & OUTPUTS

International engagement

Policy output

CBI and partner led events

Member comms & net zero targets

Goal 13 Impact Platform

FOCUS GEOGRAPHIES

Priority 1

G7 and B7 (UK, Italy, France, Germany, US, Canada & Japan)

Priority 2

Other high-impact markets (India, China, ANZ)

Priority 3

Goal 13 research only (e.g. Malaysia, Singapore)

DRIVE POLICY OUTCOMES

BUSINESS & GOVERNMENT WORKING IN PARTNERSHIP

- UK government recognises that ambitious targets will not be met without the support of business behind them. Ministers and officials actively engage with the business community through bi-lateral meetings, policy consultations, government & industry councils and business associations, like the CBI.
- To ensure that the 2020s continue to be a decade of delivery on net-zero, there needs to be step-change in the pace of investment, supported by a government commitment to drive delivery. Delays to policy and regulatory decisions that hold back investment both act as barriers to this goal.
- With clear policy and regulatory frameworks UK businesses sees this as a once in a generation opportunity as a nation to completely transform the economy with prizes to be seized, including a decarbonised economy, that can enable the whole of UK society to benefit from this growth.



DELIVERING A GREEN INDUSTRIAL REVOLUTION

- In November 2020, the UK's Prime Minister Rt Hon Boris Johnson MP unveiled a vision to deliver a 'Green Industrial Revolution' to help drive recovery from the pandemic, and make progress towards net-zero emissions.
- UK businesses welcomed the measures, which included targets for hydrogen production, carbon capture, a 2030 phase out date for new petrol and diesel cars, and finance for energy efficiency measures.
- However, to realise these opportunities now requires policymakers to move beyond climate ambition to climate action, urgently filling the gaps across the government's ten-point plan to unleash new waves of investment in the green recovery.

CBI
Conference Series:
ROAD TO NET-ZERO

Government action needed in 2021 to deliver the Ten Point Plan for a Green Industrial Revolution

Business welcomed the government's announcement of a Ten Point Plan for a Green Industrial Revolution in November 2020, seeing it as a springboard to the significant opportunities for UK-wide investment and green jobs that a true low-carbon economy can bring. Following the meeting of the G7 and with less than five months to go until COP26 in Glasgow, the eyes of the world are on the UK, as hosts, to show climate leadership. In parallel, the business approach to the climate crisis has shifted, with now a 'race to the top' on sustainability rather than a 'race to the bottom' on standards. However, to realise these opportunities now requires policymakers to move beyond climate ambition to climate action, urgently filling the gaps across the government's ten-point plan to unleash new waves of investment in the green recovery. The business community in turn stands ready to play its part by setting their own net-zero targets, cutting emissions from operations and respective supply chains. It is through this partnership between government and business that the UK can achieve its new target to slash emissions by 78% by 2035 and become a net-zero economy by 2050.

HM Government

The Ten Point Plan for a Green Industrial Revolution

Building back better, supporting green jobs, and accelerating our path to net zero.

'Action is needed now': CBI leads flurry of calls for green recovery

James S Murray
23 June 2020

British business calls for green recovery, policies to meet net zero

By REUTERS
PUBLISHED: 00:02, 14 September 2020 | UPDATED: 00:02, 14 September 2020



By Susanna Twidale

LONDON, Sept 14 (Reuters) - Britain's leading business group has called on the government to implement green measures to help the economy recover from the coronavirus pandemic, and bring forward policies to enable to country to meet its climate targets.

CBI boss says world is 'way off track' in fight against climate crisis

Tony Danker says UK government must publish detailed and concrete guidance on home heating and transport to unlock private resources



▲ Danker called for the government to put forward detailed plans on a charging network for electric vehicles, phasing out gas boilers, new offshore windfarms, and funding formulas for new nuclear power stations. Photograph: John Walton/PA

FILLING IN THE UK POLICY GAPS TO REACH NET-ZERO

	Progress made (2020-2021)	Action needed in 2021
Advancing Offshore Wind	<p>Confirmation that Allocation Round 4 will have up to double the capacity to previous rounds and floating offshore wind will be considered a distinct technology from offshore wind which will compete in a new separate Pot 3.</p> <p>Continuing consideration of the option of a 'soft' or flexible volume capacity cap in AR4. Confirmation that AR4 will open in December 2021.</p>	<p>By COP26, announce the timeframe for Leasing Round 5 while continuing work with the Offshore Renewable Energy Catapult to increase value in the UK supply chain – needed to support new Supply Chain Plan requirements in AR4.</p> <p>Launch a review of the non-financial barriers to the delivery of the Government's 40GW offshore wind target.</p>
Driving the Growth of Low Carbon Hydrogen	<p>Confirmation that government will consult on hydrogen business models, and further details on funding mechanism expected in late 2021.</p> <p>Recommitment of £240 million Net Zero Hydrogen Fund (announced in 10-Point Plan).</p> <p>Announcement of £60 million Low Carbon Hydrogen Supply 2 (HYS2) Competition, following on from the Low Carbon Hydrogen Supply (HS1) competition</p>	<p>Publish a comprehensive hydrogen strategy before summer recess which:</p> <ul style="list-style-type: none">• Confirms Hydrogen Business Models support mechanism, e.g. CfD auction with a variable cost for hydrogen production and a fixed payment to cover the CAPEX cost.• Clarifies the role for blending and storage, and defines a meaning for "low carbon" hydrogen.• Commits up to £1bn to hydrogen testing programmes and demonstration projects involving production, storage, and distribution.
Delivering New and Advanced Nuclear Power	<p>Government confirms it will bring forward legislation for new nuclear financing model and to increase nuclear capacity.</p>	<p>Within this parliamentary session, legislate for a new financial model for new nuclear power.</p>

Accelerating the Shift to Zero Emission Vehicles

Commitment in the 10-Point Plan to publish a delivery plan setting out key milestones to deliver all new phase out dates.

Ofgem facilitates investment by network companies of £300m into electric vehicle charge points.

Publish an electric vehicle delivery plan **by COP26** that achieves 2030 phase out of internal combustion engines. This should include a Charging Infrastructure Strategy to support market delivery across urban, rural, and remote parts of the country and takes into account the role of Ofgem in facilitating anticipatory grid investment.

By COP26, set a new ambition of delivering seven new Gigafactories by 2040 to support domestic supply chain for electric vehicles.

Commit to launch a review into fuel duty by the **end of 2021**.

Green Public Transport, Cycling and Walking

National Bus Strategy is published and announces delivery of 4,000 zero-emission buses.

Williams-Shapps Plan for rail commits Great British Railways to bring forward costed options to decarbonise the whole network to meet the government's commitment to a net-zero society as part of the 30-year strategy. This will include a comprehensive environment plan for the rail network will be published in 2022.

At the Spending Review, increase levels of capital support for purchasing Zero Emission Buses and related infrastructure in future rounds of government funding. Continue to prioritise central government funding for rail electrification programmes, as well as the development of hydrogen and other alternative fuel trains for track where electrification will not be economical.

Progress plans **over summer 2021** to support the development of a private leasing market for Zero Emission Buses at pace and scale through the National Infrastructure Bank underwriting some of the early risks in this market with a view to crowding in private finance in the longer term.

Progress made (2020-2021)

Action needed in 2021

Jet Zero

Government establishes government and industry Jet Zero Council.

Support for 2021/2022 financial year covers sustainable aviation fuel plant deployment and fuel testing, as well as commitment to consult on SAF mandates to drive SAF uptake in 2021.

UK enshrines new target to slash emissions by 78% by 2035, which includes the UK's share of international aviation and shipping emissions for the first time.

Whilst new applications to the Aerospace Technology Institute have been suspended for the 2021/2022 financial year, live projects will continue to be funded. This includes a one-year Fly Zero project examining the feasibility of zero carbon-emission aircraft technologies.

By COP 26, establish a sustainable aviation fuel industry in the UK by building upon the £15m competition support announced in the 10 Point Plan, by creating strong additional policy mechanisms on revenue support, alongside loan guarantees or finance mechanisms like Green Bonds to attract private investment.

At the Spending Review provide a positive, long-term signal for investment in aerospace technology and the development of hybrid, electric and hydrogen-powered aircraft.

Greener Buildings

Developed the Future Homes Standard and consulted on standards for non-domestic buildings.

Introduced but then withdrew the Green Homes Grant.

Committed to publishing a heat and buildings strategy in the first half of 2021.

Publish a comprehensive Heat and Buildings Strategy **before summer recess** which:

- Mandates that after 2025, where gas boilers are installed, they should be 'hydrogen ready' and ban the installation of new natural gas boilers by 2035.
- Announces the creation of a National Delivery Body tasked with leading the transition to zero carbon heat, as recommended by the CBI's Heat Commission.
- Provides clearer regulatory and fiscal incentives for improving energy efficiency and a shift to low carbon forms of heating. These should include scaling up the new Clean Heat Grant Scheme and consideration of backstop regulations which prevent sales or rentals that do not meet defined efficiency standards by a certain date.
- Reforms Winter Fuel Payments so that they are more targeted to support those most in need and improve energy efficiency in these homes.
- Creates the supportive environment necessary to enable the development of new and existing district heating as well as other low carbon heat and cooling networks.
- Considers a re-balancing of policy costs between electricity and gas to encourage take up of low-carbon heating options in the 2020s.

Investing in Carbon Capture, Usage and Storage

Government announced four low-carbon industrial clusters which set to play a key role in decarbonisation.

The publication of the Industrial Decarbonisation Strategy also confirmed CCUS funding in five key industrial locations in the UK, reaffirming governments CCUS ambition.

Protecting our Natural Environment

Environment Bill sets out a framework for legally binding environmental targets and establishes a new independent body to hold public authorities to account on environmental law.

Also seeks to address recycling, air pollution, water supplies and biodiversity.

Green Finance

Government presented a roadmap towards mandatory TCFD-disclosures until 2025, with some sections of the economy (e.g. pension schemes and premium listed companies) disclosing already in 2021.

Announced the development of the green taxonomy.

Sovereign green gilts to be issued in 2021-22.

By COP26, confirm new business models for CCUS including a privately financed RAB model for transport and storage and a CfD-type mechanism for the power sector and heavy industry.

Confirm location of first two clusters in phase one of the planned deployment.

After COP15, lead international governments to support business quantifying their impact on nature and how to value natural assets and services. This could include advice on best practice and the development of science-based, globally recognised metrics for business.

Pass the Environment Bill **over the course of this Parliamentary session** to provide a stable, long term regulatory framework that allows business to invest with confidence.

At the G20 in Rome, seek global agreement on a set of internationally recognised reporting standards.

By COP26, consult on the UK's draft green taxonomy to establish common definitions for sustainable economic activities.

By COP26, finalise the framework for sovereign green gilts ensuring it has a social co-benefit alongside climate-related goals.

Take a leading role on internationally aligned sustainability disclosures and global principles for taxonomies and actively work with the critical policy makers such as the FSB, the IFRS Foundation, the International Platform on Sustainable Finance, and the G20 Sustainable Finance Study Group; to make sure that sustainable finance activities can be scaled up globally.

CREATE A RACE TO THE TOP
& SHOWCASE THE PRIVATE SECTOR

GOAL 13 IMPACT PLATFORM

The Goal 13 Platform is the result of a partnership between Deloitte, CBI, Chapter Zero, The Prince's Accounting for Sustainability Project, Dell Technologies and the Met Office. **The goal is to accelerate progress at business level, in the climate transition, in order to reduce emissions and enhance resilience.** We aim to do this by publishing company insights, inspiring further climate commitments and action, and facilitating collaboration.

Ambition

- Make a **unique contribution to the climate transition** by creating an international, free to access, public repository of company-specific climate action covering both emissions reduction and adaptation
- Amplify company progress against climate, facilitate learning and **collaboration** between companies, drive collective action against shared challenges
- Contribute to **bringing the business community together for COP26**, working with the many, primary, business related national and international initiatives working to galvanise change

Approach

1. Establish national partnerships, with business associations / climate initiatives
2. Recruit companies to participate in a structured interview, codify the output, and iterate to sign-off with the company
3. Publish the information on the platform
4. Promote learning, collaboration and collective action on and off the platform

Emerging findings: www.deloitte.com/Goal13ImpactPlatform

To view the platform: <https://boomi.to/g13>





The Goal 13 IP: Interviews

Topics covered in the interview:

1. Climate targets & commitments
2. How the company is organising its climate response
3. Which external and internal stakeholders are driving the change
4. Description and impact of the 3 most impactful climate initiatives
5. Barriers to greater ambition and progress
6. Lessons learned
7. Plans

2,901
companies
contacted

528
expressions
of interest

325
interviews
completed

Geography: 75% UK, 25% primarily Norway, Finland, Russia. US, Japan, India, Nlds all mobilising

Main sectors: Consumer Goods & Retail, Power & Utilities, TMT, Financial Services, Real Estate & Construction, Industrial Products

Size: 70% > 250 employees, 20% between 249 and 10, 10% < 9 employees



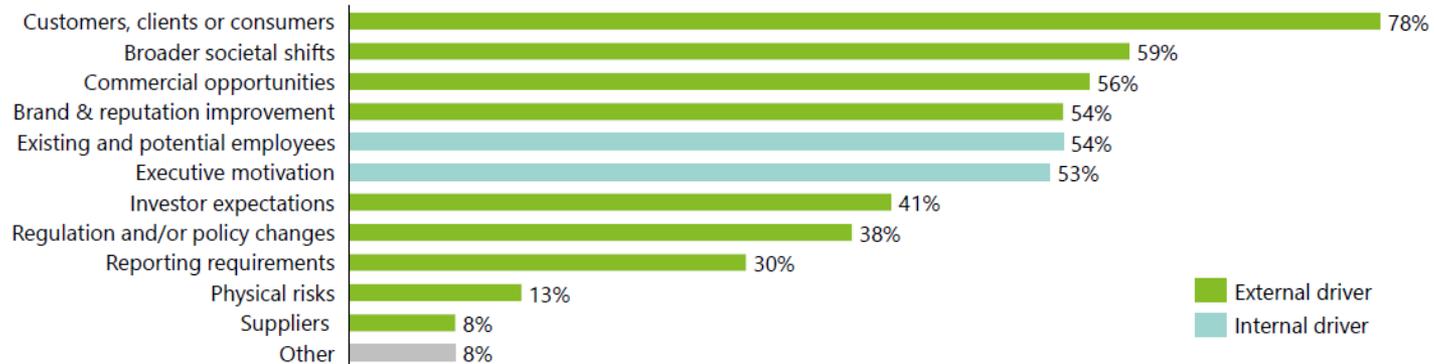
1,000 interviews targeted by COP 26

Why climate action?

- **The market** is seen as a lead driver, whether B2B or B2C. This conflates demand for products and services that address climate change directly and indirectly through their production
- Change in demand, as well as the close alignment between efficiency and a reduced carbon footprint results in many seeing **commercial opportunity** in climate action
- **Internal motivation**, top down or related to the employee proposition, is often cited but less frequently the lead driver
- **Investor expectations** flagged as increasing, but outstanding questions as to the degree of change demanded

Drivers of change

% of companies citing driver



How should you organise?

Companies are taking steps to integrate their climate programmes with their corporate strategy, performance and culture; however, **c.36% are still in the early stages of that journey**

We have identified four stages of programme maturity, on the basis of four factors:

- the **positioning** of the agenda in the organisation
- the **scope** of action across mitigation and adaptation
- **who is involved** , and
- **management and coordination** between different climate related activities



Upstream and downstream initiatives

Initiatives: A significant proportion of initiatives focus on operations, however, there is growing recognition of opportunities to market and monetise low-carbon products and services:

- 51% of initiatives impact company **operations**
- 41% of initiatives involve **downstream engagement**
- only 29% of initiatives have an impact on **sourcing and the supply chain**

16%

Low carbon energy consumption & generation



13%

Engagement & education



12%

Energy efficiency in buildings



11%

Waste reduction & material circularity



8%

Low-carbon materials & finished goods



7%

Fleet efficiency & replacement



6%

Measurement & reporting



5%

Corporate strategy & governance



The importance of collaboration

Collaboration is the most cited lesson learned, with over **30%** of respondents citing it, typically outside of their organisation

Key questions remain over efficacy, and collaboration vs competition

Opportunity

- *“Businesses are more willing to partner and collaborate to find solutions”*
- *“There is a huge opportunity for collaboration and learning with our supplier chain”*

Capability

- *“Historically we tried to solve our problems ourselves, but we recognise that the future lies in collaboration”*
- *“Ensuring that climate issues are addressed at a pre-competitive stage is important in driving change”*

Motivation

- *“We are working towards a common good and so we are aware of the need for collaboration with industry and the government”*
- *“Working with other organisations is a really useful way to both promote your own practices as well as understanding what others are doing and learning from them”*
- *“Collective action is cheaper and can provide greater value”*

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