

NOVEMBER 2022

# COP27

## Key takeaways and implications



**COP27**  
SHARM EL-SHEIKH  
EGYPT 2022

BAIN & COMPANY 

## Key takeaways from COP27 (1/2)

The **world has dramatically changed** since COP26: energy supply reliability and affordability tops the agenda in many countries, forcing near-term compromises on established priorities. At the same time, 2022 is on track to be the highest emission year on record calling for drastic climate action.

COP27 has delivered **tangible progress**, while fundamental challenges remain especially around **transition financing** and the **appropriate pace of fossil fuels phase down**. Key takeaways from the final agreement and announcements during the conference include:

### COMMITMENTS



Renewed **commitment** to 1.5 degree ambition. Marginal progress on **national targets** bringing global trajectory from 2.1 to 2.0 degrees. Majority of targets not yet translated into policy; IRA seen as bold example of aligning national policy in economically attractive way. UN spelled out for first time in prominently positioned report what embracing net zero for **non-state entities** entails, sharpening focus on **credible, net-zero aligned transition plans** for corporations, financial institutions, and local and regional governments

### FINANCING JUST TRANSITION



Emphasis on **financing just transition** through transfers from developed to developing countries: establishment of **loss & damage fund** after intense negotiations; developed countries urged to deliver \$100B p.a. **mitigation and adaption finance**, but limited progress in closing the gap

## Key takeaways from COP27 (2/2)

### GLOBAL INITIATIVES



Global cooperation on decarbonization **initiatives** gathering pace: \$20B support for **coal phase out** in Indonesia in addition to already announced \$8.5B for South Africa and Vietnam under consideration; alignment on importance of **clean energy mix**, but no further commitment to **fossil fuels phase down**; UN global **methane** tracking complemented by local policy implementation; announced partnership on ending **deforestation** between Brazil, Indonesia and DRC; launch of **Food & Agriculture** for Sustainable Transformation Initiative; **Breakthrough Agenda** launched collaborative actions to decarbonize high-emitting sectors

### CARBON MARKETS



Arduous and incomplete progress on **carbon markets**, both on how to trade between countries for NDC purposes (Article 6.2) and the mechanism for voluntary carbon markets (Article 6.4). In addition, US-led **Energy Transition Accelerator** initiative announced to use carbon credits mechanism to fund renewable power generation in developing markets, with mixed reactions

### CAPITAL MARKETS ALIGNMENT



Strong progress on **capital markets** alignment: **International Sustainability Standard Board** (ISSB) to release standards for climate and carbon in March 2023; complemented by ISSB capacity building partnership across 20 organizations. **Glasgow Financial Alliance for Net Zero** now with 550 members and \$150T of assets; critically, guidance is evolving from a narrow focus on financed emissions reduction to a more expansive 'alignment' approach to portfolio transition allowing for support for brown-to-green initiatives

# Implications for corporates

- 01 Fully incorporate current and potential climate policies and regulations into strategy and capital allocation.** Monitor key signposts to enable rapid strategic adaptation to changing policy environment

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- 02 Shift rapidly from ambition setting to delivery** with net zero-aligned transition plans, specific near-term proof points of decarbonization and flexible pathways to net zero based on policy context and technological progress. Include 'just transition' plans to address social challenges of transition for workers and communities

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- 03 Complement decarbonization strategy with clear understanding of climate physical risks for assets, supply chain and infrastructure;** develop a future-proof resilience and adaptation strategy

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- 04 Understand role of carbon credits** in support of your net zero strategy, if any. Where relevant, take proactive stance to ensure supply of quality credits and stay clear of greenwashing risks

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- 05 Prepare for upcoming disclosure,** both local requirements (e.g. SEC, CSRD, TCFD) and global standards (e.g. ISSB). Use disclosure as a forcing function to sharpen strategy and carbon management capability rather than as accounting exercise

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- 06 Strengthen dialogue with shareholders and lenders** around net zero transition plans with emphasis on timing and affordability; leverage green financing (e.g. green bonds, ESG-linked bonds) for credibility and improved cost of financing



# Agenda



COP27: KEY TOPICS,  
ACHIEVEMENTS  
AND CHALLENGES



IMPLICATIONS FOR  
KEY SECTORS



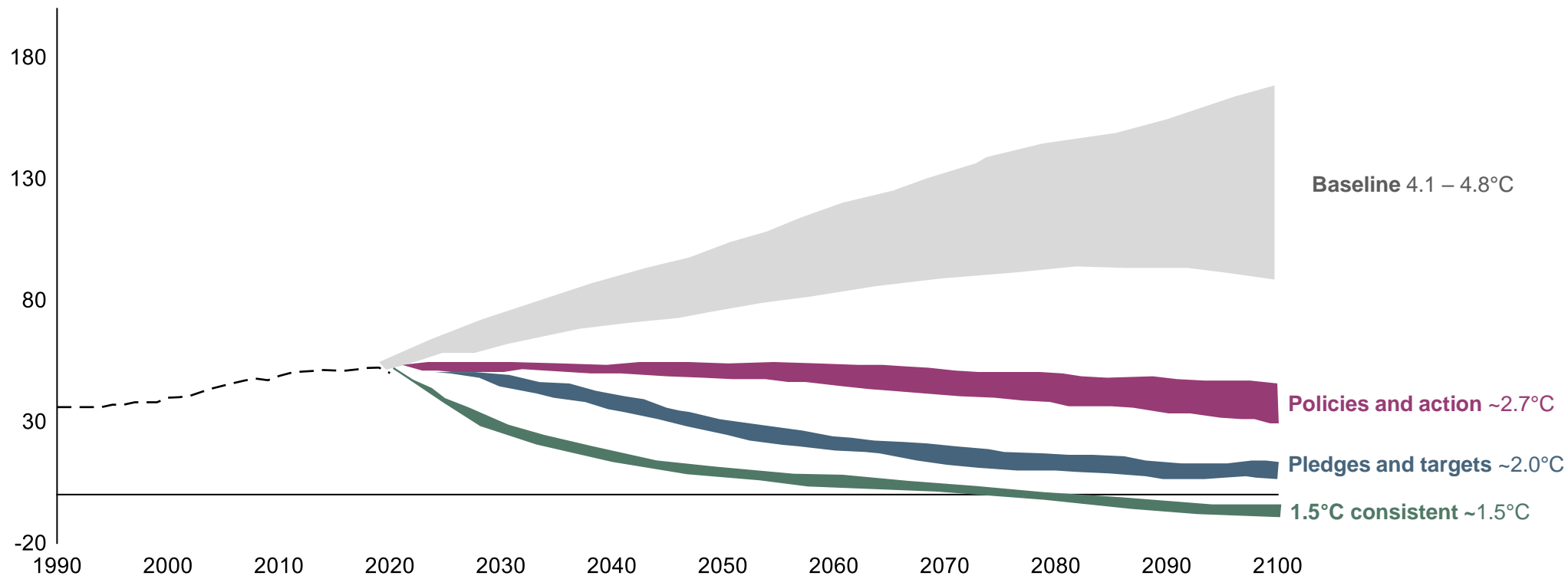
BEYOND COP27: AN  
ACTION PLAN FOR CEOs

# Based on COP27 commitments, the world is facing a 2.0°C temperature rise by end of century based on pledges and targets (down from 2.1°C from COP26)

## 2100 Warming Projections –

Emissions and expected warming based on pledges and current policies

Global greenhouse gas emissions (gigatonnes CO<sub>2</sub>e / year)



COP27  
Pledges and targets changed the overall path

↓

FROM  
~2.1°C

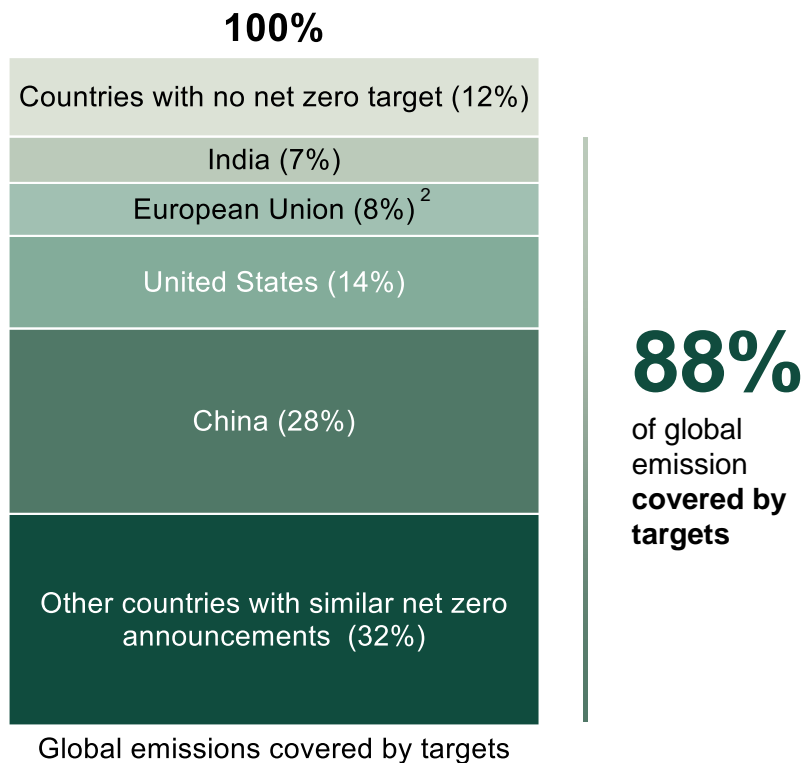
TO  
~2.0°C

Note: Baseline estimate from Climate Action Tracker December 2018 Update  
Source: Climate Action Tracker, November 2022; Bain analysis

# One of the biggest challenges is ensuring national net zero plans are credible; to date ~74% of targets set by countries fall somewhat short

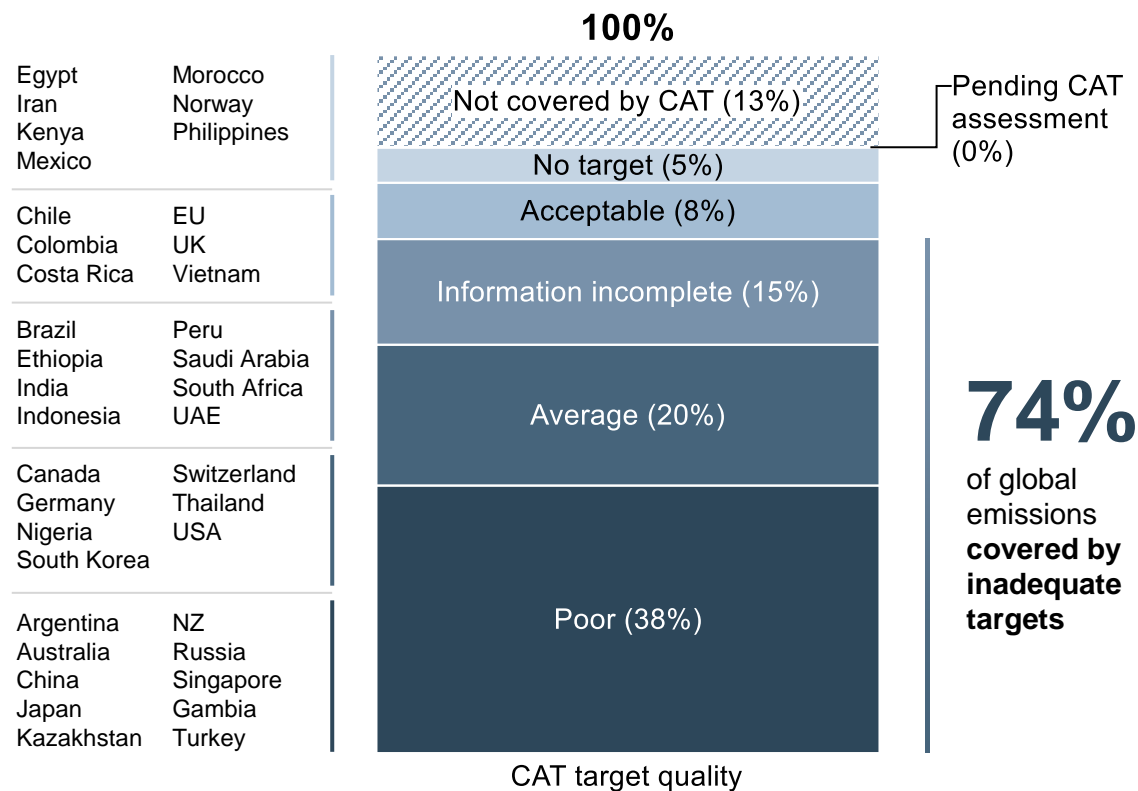
~88% of global emissions covered by countries' net zero targets

Net zero emissions target announcements by region<sup>1</sup>  
(% covered by target in region of global emissions)



However, nearly 3 in 4 of these targets are deemed inadequate







CAT<sup>3</sup> target quality grouping  
(% in group of global emissions)



Egypt	Morocco
Iran	Norway
Kenya	Philippines
Mexico	
Chile	EU
Colombia	UK
Costa Rica	Vietnam
Brazil	Peru
Ethiopia	Saudi Arabia
India	South Africa
Indonesia	UAE
Canada	Switzerland
Germany	Thailand
Nigeria	USA
South Korea	
Argentina	NZ
Australia	Russia
China	Singapore
Japan	Gambia
Kazakhstan	Turkey

Note: 1) Agreed in law, as part of an initiative, or under discussion; 2) EU27; 3) Evaluated with Climate action tracker's (CAT) design blueprint for transparent, comprehensive and robust national net zero targets  
Source: Climate Action Tracker, November 2022; Bain analysis

# Overall, 12 key topics stand out with substantial achievements, yet with more challenges to be overcome (1/2)













Key topic	Outcome	Achievements	Challenges	
COMMITMENTS	1	<b>Nationally Determined Contributions (NDCs)</b> 	<ul style="list-style-type: none"> <li>○ <b>29 of 193 countries have updated NDCs</b>, taking temperature rise down from 2.1C to 2.0C by end of century since COP26 – <b>recommitment to keep 1.5C alive</b> in final agreement</li> <li>○ <b>Majority of NDCs not yet translated into policy</b>, with some exceptions; <b>IRA seen as bold example</b> of aligning national policy in economically attractive way</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Only 5 of 29 NDCs</b> saw significant change in ambitions and impact</li> <li>○ Some countries argued to <b>move away from 1.5C</b> commitment</li> </ul>
	2	<b>Credible net zero commitments</b> 	<ul style="list-style-type: none"> <li>○ UN High-level Expert Group produced report <b>advising non-state entities on how to set net zero plans, first time</b> such a recommendation has been made</li> <li>○ Recommendations include: 1) Net zero pledges and targets, 2) Appropriate use of carbon credits, 3) Transition plans and fossil fuels phase down, 4) Transparency and accountability</li> </ul>	<ul style="list-style-type: none"> <li>○ UN has <b>no authority to make recommendations mandatory</b></li> <li>○ <b>Intense debate on fossil fuels phase down</b> at a time where energy reliability and affordability are paramount</li> </ul>
FINANCING JUST TRANSITION	3	<b>Loss and damage funds<sup>1</sup></b> 	<p>First time included as an <b>official agenda item</b>:</p> <ul style="list-style-type: none"> <li>○ <b>UN lands historic deal on 'loss and damage' fund</b> at the last hour; first 7 countries have announced pledges totaling ~\$250M</li> <li>○ Launch of <b>Global Shield against Climate Risks</b> by G7 and V20, a financial protection coop</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Who will pay and who will receive from the fund undecided</b>, decision to be made by Nov-23</li> <li>○ Global Shield receiving mixed reviews, with <b>some fear of it being distraction to the UN fund</b></li> </ul>
	4	<b>Mitigation<sup>2</sup> and Adaptation<sup>3</sup> finance</b> 	<ul style="list-style-type: none"> <li>○ Developed countries urged to deliver <b>\$100B+ p.a.</b> for climate finance p.a. in COP26 by 2023, of which <b>~2/3 for mitigation</b> and <b>~1/3 for adaptation</b>; last known gap of ~\$17B in 2020</li> <li>○ Countries made <b>additional pledges of &gt;\$230M for adaptation fund</b></li> <li>○ UN <b>launched \$3.1B plan to have climate early warning systems</b> for everyone by 2027</li> </ul>	<ul style="list-style-type: none"> <li>○ The target for \$100B in climate aid <b>remains outstanding two years on (new target year of 2023), with no set methodology to track progress</b></li> <li>○ Public finance is <b>predominantly loans</b> (~58% in 2020)</li> </ul>
GLOBAL INITIATIVES	5	<b>Phase down of fossil fuels</b> 	<ul style="list-style-type: none"> <li>○ \$20B Just Energy Transition Partnership (JETP) deal to help <b>Indonesia with coal phase out</b>, similar to \$8.5B deal for South Africa last year. <b>Similar deal in making for Vietnam</b> with funds of up to \$11B (to be announced mid-Dec)</li> <li>○ Emphasis on <b>importance of clean energy</b>, incl. renewables and low-emission energy</li> </ul>	<ul style="list-style-type: none"> <li>○ Finance packages are <b>more loans than grants</b>, which has <b>stalled South African progress</b></li> <li>○ <b>Strong misalignment between regional blocks</b> on appropriate <b>pace of fossil fuels phase down</b> and how to specifically tackle in final agreement (e.g. subsidies)</li> </ul>
	6	<b>Reducing methane emissions</b> 	<ul style="list-style-type: none"> <li>○ UN announced a <b>public database of global methane leaks</b> to encourage emissions curbing</li> <li>○ <b>US announced proposal</b> to cut emissions by 87%; <b>China</b> drafted new plan to control methane; <b>Coalition of nations (EU, US, UK, SG, CA &amp; NO) signed agreement</b> to develop 'international market for fossil energy' to reduce emissions, esp. methane, across the value chain</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>China focused on 'preliminary goals'</b> incl. monitoring capabilities rather than controlling mechanisms</li> <li>○ Majority of signatories of methane pledge have <b>not turned their commitments from COP26 into implementation</b> at COP27</li> </ul>

Notes: 1) Help developing countries on loss and damages caused by climate change, 2) Tackle root cause of climate change by reducing emissions, 3) Prepare for current and future impacts of climate change | Source: GFANZ, UN/COP27 website, News articles, Climate Action Tracker; Bain analysis

**Degree of success vs. post COP26 expectations:** ○ Low ○ High



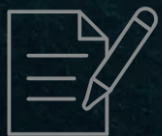
# Overall, 12 key topics stand out with substantial achievements, yet with more challenges to be overcome (2/2)

Key topic		Outcome	Achievements	Challenges
GLOBAL INITIATIVES	7 Pledge to end deforestation 		<ul style="list-style-type: none"> <li>○ <b>Brazil, Indonesia and DR Congo</b> (~52% of global rainforest) launched a partnership to <b>cooperate on forest preservation</b></li> <li>○ EU plus 26 countries launched Forests and Climate Leaders' Partnership (FCLP) to <b>help deliver COP26 commitment to end deforestation by 2030</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Brazil, Indonesia and DR Congo <b>partnership has not yet announced commitments</b></li> <li>○ <b>Applauded COP26 pledge behind track at current pace</b> (requires 10% less deforestation p.a. towards 2030; was at 6.3% in 2021)</li> </ul>
	8 Reducing the impact from agriculture 		<p><b>Food &amp; Agriculture strongly on the agenda</b> for the first time at a COP; select initiatives :</p> <ul style="list-style-type: none"> <li>○ FAST<sup>4</sup> launched, aiming to <b>scale up private investment in sustainable agriculture systems</b></li> <li>○ Leading <b>commodity traders published roadmap</b> on how to achieve deforestation goals</li> <li>○ US and UAE <b>doubled investment in AIM<sup>5</sup> to \$8B</b>, to support adaptation &amp; emissions reductions</li> </ul>	<ul style="list-style-type: none"> <li>○ Roadmaps require <b>further clarity</b> and current <b>funding levels too moderate</b></li> <li>○ Food security concerns are <b>delaying decisive climate progress</b></li> </ul>
	9 Breakthrough Agenda 		<ul style="list-style-type: none"> <li>○ <b>47 countries</b> under the Breakthrough Agenda (representing &gt;70% global GDP) launched package of <b>25 collaborative actions to accelerate decarbonization in hard-to-abate sectors</b>, with delivery by COP28</li> </ul>	<ul style="list-style-type: none"> <li>○ Limited details announced on <b>how finance will be mobilized</b></li> </ul>
CARBON MARKETS	10 Carbon markets 		<ul style="list-style-type: none"> <li>○ <b>Article 6.2 (bilateral country-to-country cooperation) has not made significant advancements</b> and most topics pushed to COP28. However, individual countries (e.g. JP, SK, SGP, CH) are creating facts by striking bi-lateral agreements to secure credit supply</li> <li>○ <b>Article 6.4 (carbon credit market) also limited progress and push to COP28/29</b>, with key issues on A) Registry operation, B) Use of pre-Paris credits, C) Authorization of carbon credits</li> <li>○ US-led public-private Energy Transition Accelerator (ETA) initiative to <b>fund renewable energy projects in developing countries</b> through carbon offsets</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>6.2:</b> Decision to make <b>disclosure of deals confidential</b> is most contentious point of negotiation</li> <li>○ <b>6.4:</b> Ability for making <b>contributory claims based on non-authorized credits</b> getting mixed response</li> <li>○ ETA met with <b>divided response</b>, with key aspects of the scheme still TBD (e.g. how it should be policed)</li> </ul>
CAPITAL MARKETS ALIGNMENT	11 Glasgow Financial Alliance for Net Zero (GFANZ) 		<ul style="list-style-type: none"> <li>○ Increase to <b>&gt;550 financial institutions</b> (\$150T+ in assets) aligning assets to net zero by 2050</li> <li>○ Developed framework, <b>Net-Zero Transition Plans (NZTP)</b>, to help financial institutions achieve net-zero by 2050 with a strong focus on scope 3 emissions</li> <li>○ APAC network to launch <b>guidance on phasing out coal power</b> generation in the region</li> </ul>	<ul style="list-style-type: none"> <li>○ Debate on <b>how to minimize financed emissions while economy remains fossil fuel dependent</b>. Recent guidance allows for more active role in transition finance (e.g. brown-to-green initiatives)</li> </ul>
	12 International Sustainability Standards Board (ISSB) 		<p>ISSB made <b>strong progress since COP26</b>, with key announcements before/during COP27:</p> <ul style="list-style-type: none"> <li>○ First two standards (expected March 2023) to <b>require companies to report on: A) Climate-related scenarios and B) Emissions across all scopes (incl. scope 3 emissions)</b></li> <li>○ Launch of partnership framework with 20 organizations for capacity building (incl. CDP)</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>ISSB still clarifying scope 3 requirements, expecting reliefs</b> (e.g. 'safe harbor' provisions towards liability of disclosure towards capital markets &amp; longer timelines to for companies to provide scope 3 disclosures)</li> </ul>

Notes: 4) FAST = Food & Agriculture for Sustainable Transformation initiative, 5) AIM = Agriculture Innovation Mission  
 Source: GFANZ, UN/COP27 website, News articles, Climate Action Tracker; Bain analysis

Degree of success vs. post COP26 expectations:  Low  High

# Agenda



COP27: KEY TOPICS,  
ACHIEVEMENTS  
AND CHALLENGES















IMPLICATIONS FOR  
KEY SECTORS



BEYOND COP27: AN  
ACTION PLAN FOR CEOs

The 12 topics have clear individual sector implications, requiring management to stay close to on a select set of topics

Impact  Limited  Meaningful  Significant









Key topic	ENERGY AND NATURAL RESOURCES					INDUSTRIAL AND TRANSPORTATION SECTORS					CONSUMER		CAPITAL MARKETS	
	Utilities & renewables	Oil & Gas	Mining	Chemicals	Agri-business	Metals & machinery	Construction & buildings	Aero-space & defence	Airlines, logistics & transport	Auto-motive & mobility	Consumer Products	Retail	Financial services	Financial investors
	<b>1</b> Nationally Determined Contributions (NDCs) 	Significant	Significant	Significant	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful
<b>2</b> Credible net zero commitments 	Significant	Significant	Significant	Significant	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Significant	Significant	Significant	Significant
<b>3</b> Loss & damage funds 	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Meaningful	Limited
<b>4</b> Mitigation & Adaptation finance 	Significant	Significant	Significant	Significant	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Significant	Significant
<b>5</b> Phase down of fossil fuels 	Significant	Significant	Significant	Significant	Limited	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Limited	Limited	Significant	Significant
<b>6</b> Reducing methane emissions 	Limited	Significant	Significant	Limited	Significant	Limited	Limited	Limited	Limited	Limited	Significant	Meaningful	Meaningful	Meaningful
<b>7</b> Pledge to end deforestation 	Limited	Meaningful	Significant	Limited	Significant	Limited	Limited	Limited	Significant	Limited	Significant	Significant	Limited	Limited
<b>8</b> Reducing the impact from agriculture 	Limited	Limited	Limited	Meaningful	Significant	Limited	Limited	Limited	Limited	Limited	Significant	Significant	Limited	Meaningful
<b>9</b> Breakthrough Agenda 	Significant	Significant	Meaningful	Significant	Significant	Significant	Meaningful	Meaningful	Meaningful	Significant	Limited	Limited	Meaningful	Meaningful
<b>10</b> Carbon markets 	Significant	Significant	Significant	Meaningful	Significant	Meaningful	Meaningful	Meaningful	Significant	Meaningful	Significant	Meaningful	Significant	Significant
<b>11</b> GFANZ 	Meaningful	Significant	Significant	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Meaningful	Limited	Limited	Significant	Significant	Significant
<b>12</b> ISSB 	Meaningful	Significant	Significant	Significant	Significant	Significant	Significant	Meaningful	Meaningful	Significant	Significant	Significant	Significant	Significant

# Hard to abate industries will experience the largest impact of COP27 topics, while renewables will reap the benefits of accelerated decarbonization focus

## UTILITIES & RENEWABLES










- 1 NDCs**  
 Limited additional commitments at national level impacting utilities; policy implementation with strongest impact (e.g. IRA renewable component) 
- 2 Credible Commitments**  
 Sharpened emphasis on corporate net zero transition plans incl. fossil fuel power generation phase down 
- 4 Mitigation finance / Phase down fossil fuels**  
 Emphasis of phase down support on coal, esp. in Indonesia, South Africa and Vietnam 
- 5** 
- 9 Breakthrough Agenda**  
 Accelerates action for essential infrastructure projects including major cross-border power grids and at least 100 hydrogen valleys 
- 10 Carbon markets**  
 Slowly progressing acceptability from carbon credits as part of utilities net zero plans; ETA potentially accelerates move from fossil fuels to renewable power in developing market utilities 
- 11 GFANZ**  
 Increasingly coordinated approach from financial institution requesting net zero commitments from utilities; APAC network to launch guidance on coal phase-out 
- 12 ISSB**  
 Strong disclosure emphasis on transition plans highly relevant for utilities 

## OIL & GAS









- 1 NDCs**  
 Limited additional commitments at national level impacting oil & gas; policy implementation with strongest impact (e.g. IRA renewable component leading to shift away from oil & gas) 
- 2 Credible Commitments**  
 Sharpened emphasis on corporate net zero transition plans incl. oil & gas phase down 
- 4 Mitigation finance / Phase down fossil fuels**  
 Emphasis of shift to clean energy mix rather than targeting specific fossil fuels and associated subsidies 
- 5** 
- 6 Reduce methane**  
 Radically increased scrutiny on leaking, venting and flaring and strong regulation and financial incentives to address at national level in select geographies 
- 9 Breakthrough Agenda**  
 Power Breakthrough drives international cooperation to accelerate transition to clean energy, shifting away from oil & gas 
- 10 Carbon markets**  
 Slowly progressing acceptability from carbon credits as part of net zero plans relevant for oil & gas 
- 11 GFANZ**  
 Increasingly coordinated approach from financial institution requesting net zero commitments from oil & gas corporations; Race to Zero commitment removed 
- 12 ISSB**  
 Strong disclosure emphasis on scope 3 and transition plans highly relevant for oil & gas 

# Hard to abate industries will experience the largest impact of COP27 topics, with significant focus on tackling effects of agriculture








## MINING

- 1 NDCs**  
Limited additional commitments at national level impacting mining; policy implementation with strongest impact (e.g. IRA renewable component) 
- 2 Credible Commitments**  
Sharpened emphasis on corporate net zero transition plans and fossil fuels phase down and coal phase out 
- 4 Mitigation finance / Phase down fossil fuels**  
Emphasis of phase down support on coal, esp. in Indonesia, South Africa and Vietnam 
- 5** in Indonesia, South Africa and Vietnam 
- 6 Reduce methane**  
Scrutiny on addressing leaking currently focused on from oil & gas and also mining over time 
- 7 End deforestation**  
Increases pressure to end deforestation activities, esp. in Brazil, DRC and Indonesia increasing pressure on sustainable mining practices across geographies 
- 10 Carbon markets**  
Potential to significantly accelerate move from fossil fuels to renewable power in developing markets 
- 11 GFANZ**  
Increasingly coord. approach from financial institutions requesting net zero commitments from coal mining 
- 12 ISSB**  
Strong disclosure emphasis on scope 3 and transition plans highly relevant for mining 





















## CHEMICALS

- 2 Credible Commitments**  
Increases focus on credible targets and transition plan (e.g. SBTi chemicals guidance being finalized) 
- 4 Mitigation / Phase down fossil fuels**  
Further pressure on reducing coal 
- 5** in energy generation for chemicals production 
- 8 Reduce agriculture impact**  
Emphasis on sustainable agriculture increasing with attention expected to shift to chemicals/ fertilizers with reduced environmental impact 
- 9 Breakthrough Agenda**  
Aims to improve credibility and transparency for low-emissions hydrogen and develop a common definition 
- 10 Carbon markets**  
Slowly progressing acceptability from carbon credits as part of net zero plans relevant for chemicals 
- 11 GFANZ**  
Increasingly coordinated approach from financial institutions requesting net zero commitments from chemicals 
- 12 ISSB**  
Strong disclosure emphasis on scope 3 highly relevant as constitutes majority of chemicals' emissions 

## AGRIBUSINESS





- 2 Credible Commitments**  
Require players to make real impact in food value chains e.g. for dairy, proteins, grains etc. 
- 6 Reduce methane**  
Anticipate focus will be expanded from reducing methane in oil & gas and mining to include dairy and protein 
- 7 End deforestation**  
Increases scrutiny following DR Congo, Brazil and Indonesia partnership, and commodity trader's greater focus on supply chains 
- 8 Reduce agriculture impact**  
Increases focus on need for sustainable agriculture, e.g. Food and Agriculture for Sustainable Transformation Initiative launch 
- 9 Breakthrough Agenda**  
Increases investment in R&D to tackle food systems degradation and insecurity; Agriculture Breakthrough encourages adoption of sustainable agriculture practices 
- 10 Carbon markets**  
Slowly progressing acceptability from carbon credits; opens avenues for monetization of carbon credits (carbon soil capture and sustainable agriculture) 
- 12 ISSB**  
Strong disclosure emphasis on scope 3 highly relevant as constitutes core part of agribusinesses emissions 

# Fossil fuel dependent sectors will see a great acceleration towards low carbon alternatives driven by technology and structural changes in incentives





METALS & MACHINERY	CONSTRUCTION & BUILDINGS	AEROSPACE & DEFENSE	AIRLINES, LOGISTICS & TRANSPORT	AUTOMOTIVE & MOBILITY
<p><b>1 NDCs</b> Limited additional commitments at national level; policy implementation with strongest impact (e.g. electrolyzers and green steel subsidies) </p>	<p><b>1 NDCs</b> Limited additional commitments at national level; policy implementation with strongest impact (e.g. building energy efficiency standards) </p>	<p><b>1 NDCs</b> Limited additional commitments at national level; policy implementation with strongest impact (e.g. government procurement) </p>	<p><b>1 NDCs</b> Limited additional commitments at national level impacting utilities; policy implementation with strongest impact (e.g. IRA SAF component) </p>	<p><b>1 NDCs</b> Limited additional commitments at national level impacting utilities; policy implementation with strongest impact (e.g. IRA EV and battery component) </p>
<p><b>2 Credible Commitments</b> Sharpens scrutiny on scaling green metals, efficiency in product use and decarbonization of value-chain in transition plans </p>	<p><b>2 Credible Commitments</b> Sharpens scrutiny on implementing green building materials and decarbonize value-chain in addition to building energy efficiency </p>	<p><b>2 Credible Commitments</b> Sharpens scrutiny on SAF scaling and use of offsetting as part of transition plans for civil aviation </p>	<p><b>2 Credible Commitments</b> Sharpens scrutiny on SAF scaling and use of offsetting as part of transition plans </p>	<p><b>2 Credible Commitments</b> Sharpens scrutiny beyond shift to EV (downstream scope 3) to supply chain decarbonization (upstream scope 3) </p>
<p><b>9 Breakthrough Agenda</b> Aims to improve credibility for low-emissions steel and develop a common definition; focuses public and private spend to incentivize demand for green industrial goods </p>	<p><b>10 Carbon markets</b> Slowly progressing acceptability from carbon credits as part of net zero plans (e.g. net zero concrete) </p>	<p><b>10 Carbon markets</b> Slowly progressing acceptability from carbon credits as part of net zero plans relevant for civil aviation </p>	<p><b>7 End deforestation</b> Puts pressure on land use (e.g. SAF crop use otherwise required for food) </p>	<p><b>9 Breakthrough Agenda</b> Increases pressure to phase out polluting vehicles by setting common target date (2035 for leading countries, 2040 globally) </p>
<p><b>12 ISSB</b> Need to obtain full understanding and disclosure across value chain (product use, supply chain) </p>	<p><b>12 ISSB</b> Increases need to understand emissions across complex and fragmented value-chain </p>	<p><b>12 ISSB</b> Increases need to understand supply-chain emissions and spell out transition plans key in a sector hard to abate </p>	<p><b>10 Carbon markets</b> Slowly progressing acceptability from carbon credits as part of net zero plans relevant for airlines </p>	<p><b>12 ISSB</b> Increases need to understand supply-chain emissions and work across value chain to reduce emissions </p>

# Retail and CP will need to put more focus on supply chains whilst financial-related industries will be required to invest more in green opportunities






## CONSUMER PRODUCTS

- 2 Credible Commitments**  
Ensure strong action plans to back up net zero claims, incl. for actions for scope 3 emissions 
- 7 End deforestation**  
Focus accelerating beyond EU registrations on due diligence for deforestation free commodities 
- 10 Carbon markets**  
Increase acceptability for offsetting emissions to make low carbon products 
- 12 ISSB**  
Importance of increased visibility and traceability on the supply chain scope 3 emissions 


## RETAIL

- 2 Credible Commitments / ISSB**  
Push for visibility of scope 3 emissions across complex and fragmented value-chain   

- 6 Reduce methane**  
Increased pressure on dairy/meat products e.g. non-meat alt. & low-methane cow feed 
- 7 End deforestation**  
*Food:* Scrutiny on food origins  
*Fashion:* Traceability in leather and demand for 'forest-friendly' fibers 
- 8 Reduce agriculture impact**  
*Food:* Opportunity to tap into future investments for increasing sustainably-produced offerings  
*Fashion:* Traceability in leather and demand for 'forest-friendly' 

## FINANCIAL SERVICES

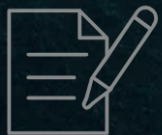
- 2 Credible Commitments**  
Transition plans under scrutiny, balancing need to reduce financed emissions with the continued role in financing the transition 
- 3 Loss & damage**  
Need to fully understand evolving asset exposures to climate-related physical risks (and related impacts on credit) 
- 4 Mitigation & adaptation finance**  
Key role in mobilizing private funds to help developing countries deal with climate change; increased pressure on Multilateral Development Banks to drive funding 
- 5 Phase down fossil fuels**  
Potential for lucrative investments in renewable energy in developing countries 
- 11 GFANZ**  
Increasingly important role in ensuring accountability for NZ commitments, while enlisting more members (incl. in emerging economies) 

## FINANCIAL INVESTORS

- 1 NDCs**  
Opportunity to invest in companies that align with / benefit from governmental incentives 
- 2 Credible Commitments**  
Strong need to develop capabilities and processes to drive decarbonization of portfolio companies 
- 4 Mitigation / Phase down fossil fuels**  
Potential shift to low carbon energy sources across portfolio   

- 10 Carbon markets**  
Ability to invest in players that will benefit from new market structures 
- 11 GFANZ**  
(Potential) need to align portfolios towards net-zero 
- 12 ISSB**  
Push for clear visibility of emissions across portfolio companies 

# Agenda



COP27: KEY TOPICS,  
ACHIEVEMENTS  
AND CHALLENGES



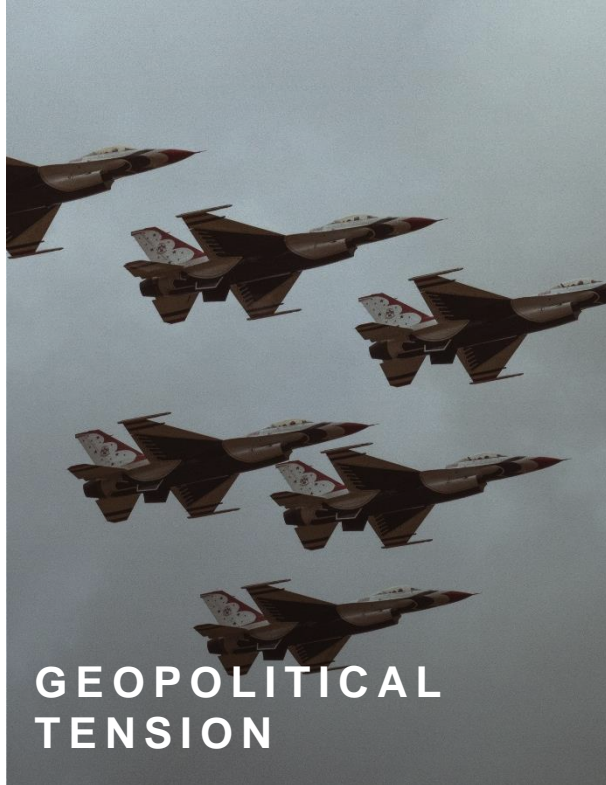
IMPLICATIONS  
FOR KEY SECTORS



BEYOND COP27: AN  
ACTION PLAN FOR CEOS



# The world is in a different place from COP26



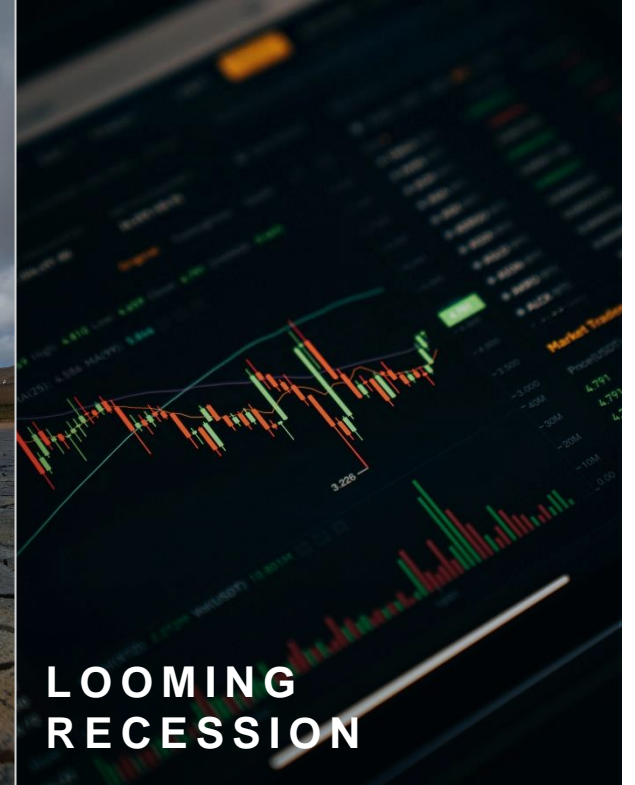
at highest level in more than 2 decades<sup>1</sup>



as it hits peak since the 1980's in OECD<sup>2</sup>



COVID aftermath compounded by geopolitics and climate<sup>3</sup>

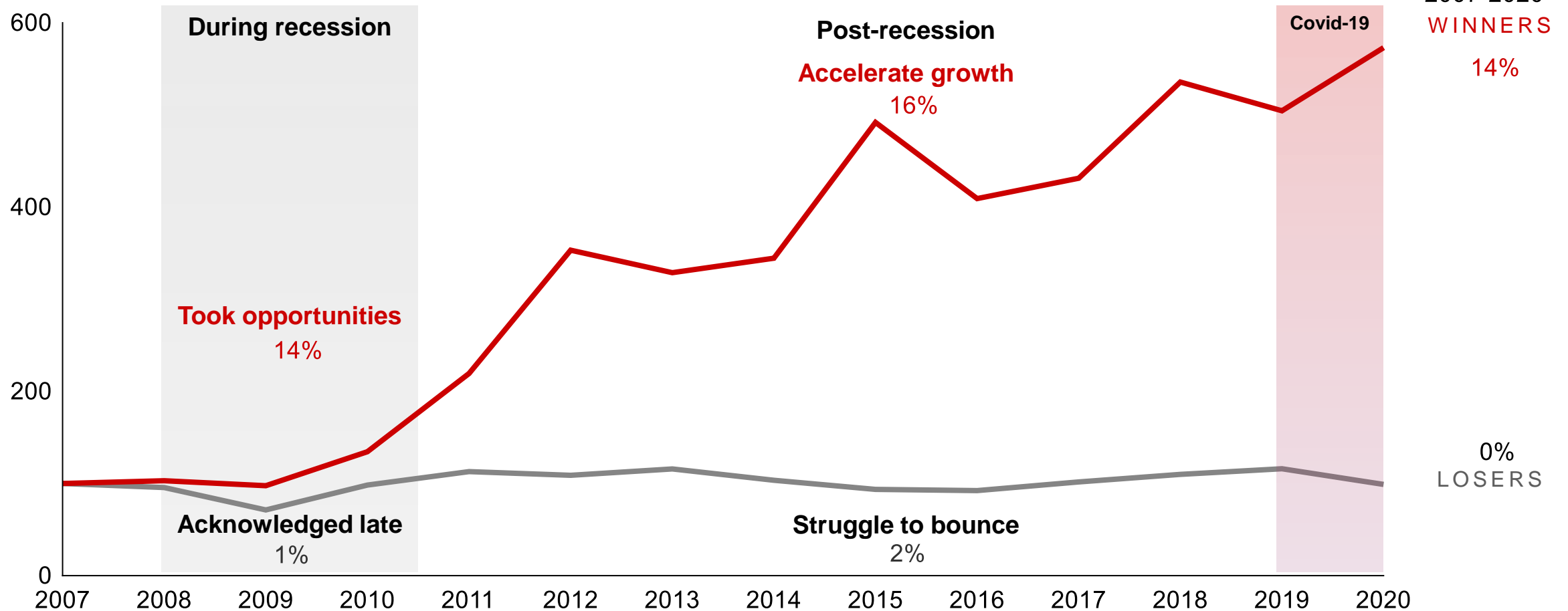


<1% real GDP growth forecast for both US & Europe in 2023<sup>4</sup>

Notes: 1) Measured by fraction of news articles mentioning adverse events; 2) Measured by CPI as change in price of representative basket of goods; 3) FED's global supply chain pressure index continue to be well above historical average; 4) Real GDP growth forecasts in 2023 of only 1% in US and 0.5% in Euro Area  
Sources: OECD; Federal Reserve Bank; IMF; Bain analysis

# Long-term research supports the benefits of making bold moves in times of disruption – This will be especially true when it comes to climate

Growth in nominal EBIT (indexed 2007 = 100)



# For corporates, the downturn presents a challenge, but also an opportunity to accelerate on the decarbonization and climate journey

## THREE THEMES WILL CHARACTERIZE DOWNTURN:

**01**

Addressing cost in an inflationary environment



**02**

Scrutinizing strategic investment in the face of uncertainty



**03**

Resetting supply chains for resilience



## EACH CAN BE TACKLED WITH BOTH CARBON AND CLIMATE IN MIND

### Address cost and carbon in tandem

Majority of scope 1 & 2 emissions can often be eliminated with a positive ROI, especially in period of high energy prices

### Maintain investment in low-carbon product innovation and differentiation

Market share gains and price premiums appearing for low carbon products (e.g. green steel)

### Embed climate resilience in the rewiring of your supply chain

Large intra-country differences exist in climate physical risks – in some cases >50%, and even larger across countries

# Visionary Pragmatism

Companies that take an approach of visionary pragmatism will be on solid footing to navigate the changes – and outpace their less-nimble and less-prepared competitors



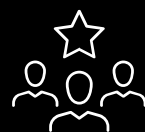
**Strategic adaptation**

Understand signposts that show the direction of travel and put a premium on strategic adaptation through a **living strategy**



**Investor and lender resonance**

Resolve dissonance between decarbonization and near-term profit through **decarbonization proof points and flexible pathways to net-zero**



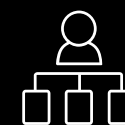
**Customer-back decarbonization**

**Start decarbonization with the customer** to become the partner of choice for going to net zero and get value from your low carbon offerings



**Partnership for results**

**Focus on the partnerships across value chain that will move the needle** and engage policy makers to constructively help shape regulation



**Top-to-bottom green organization**

**Embed decarbonization into how you run the business** incl. performance management, while inspiring and upskilling the organization

# CEO agenda for carbon transition



## STRATEGIC ADAPTATION

Understand your climate transition and physical risks and signposts

Define your net-zero business strategy

Embrace a living strategy as you deliver



## INVESTOR AND LENDER RESONANCE

Strengthen shareholder and lender dialogue

Leverage green finance for value and credibility



## CUSTOMER-BACK DECARBONIZATION

Decarbonize with customers

Monetize your low-carbon offering

Unleash green innovation inside and outside

Address cost and carbon in tandem in operations

Make supply chain low carbon and climate resilient

Offset with intent



## PARTNERSHIPS FOR RESULTS

Partner for results along the value chain

Become a policy shaper



## EMPOWERED GREEN ORGANIZATION FROM TOP TO BOTTOM

Manage your footprint like you manage cost

Implement internal carbon pricing in the decisions that move the needle

Embed sustainability in your performance management system

Upskill your organization where it matters and in a practical way

Inspire and create clarity for your organization, including green middle management



**Thank you!**