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Here's How Large Corporations are Addressing Climate Change

A new report from NewClimate examines how some of the world's largest companies are addressing climate change—and how far they still have to go.

As more organizations awaken to the perils of climate change and make moves to thwart it, entities like NewClimate Institute are measuring and reporting on their progress. The organization, which supports research and implementation of action against global climate change, says that most large companies have public strategies and targets in place, but that there's still much work to be done in this area.

"The rapid acceleration of corporate climate pledges, combined with the fragmentation of approaches means that it is more difficult than ever to distinguish between real climate leadership and unsubstantiated greenwashing," NewClimate points out in its new report, *Corporate Climate Responsibility Monitor 2022.*

"This is compounded by a general lack of regulatory oversight at national and sectoral levels," it continues. "Identifying and promoting real climate leadership, and sorting it from greenwashing, is a key challenge that, where addressed, has the potential to unlock greater global climate change mitigation ambition."

By definition, greenwashing is the process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound. For example, companies may claim that their products are made from recycled materials or that they offer energy-saving benefits when in reality they don't (or, at least not to the degree that's been purported).

Here's What NewClimate Learned

In assessing the climate strategies of 25 major global companies, NewClimate evaluated the integrity of climate pledges against good practice criteria to identify good examples for replication and highlight areas where improvement is needed. Here's what NewClimate learned and its assessment of the current situation:

Headline pledges are often ambiguous and emission reduction commitments are limited.

All 25 companies that the institute assessed had pledged some form of zero emissions, net zero or carbon-neutrality target, but it says that just three of the 25 companies (Maersk, Vodafone and Deutsche Telekom) are committed to deep decarbonization of over 90% of their full value chain emissions by their respective target years of their headline pledges. "Targets for 2030 fall well short of the ambition required to align with the internationally agreed goals of the Paris Agreement and avoid the most damaging effects of climate change," NewClimate points out.

Demonstrated good practice emission reduction measures must be replicated and scaled up.

NewClimate says that companies could "significantly improve" their uptake of ambitious measures to address their climate footprint, especially for their upstream and downstream emissions. For example, Scope 3 emissions account on average for 87% of total emissions for the 25 companies assessed in its report, but just eight of the 25 companies disclosed a moderate level of detail on their plans to address these emissions.

"A few companies demonstrate leadership with higher quality and innovative approaches for sourcing renewable electricity," the institute points out in its report, "but the overall integrity of renewable electricity procurement remains low."

Offsetting plans are contentious, but climate contributions without neutralization claims are gaining traction as an alternative approach.

Offsetting is the action of displacing or reducing emissions at the source, and the action will generate a carbon credit. NewClimate says that most of the companies it examines rely on offsetting, with at least two-thirds of them relying on carbon dioxide removals from forestry and other biological-related carbon sequestration as their offsetting strategies.

The problem, according to NewClimate, is that these are "unsuitable for individual offsetting claims, because biological carbon storage can be reversed (e.g., when forests are cut and burned) and because there is a global requirement to reduce emissions and increase carbon storage, not one or the other."

Companies will be the innovators that find the solutions to the climate crisis, but they must be subject to scrutiny and regulation.

"Mitigation of climate change depends on innovation; companies have, and will continue, to play a central role in finding and scaling up solutions for deep decarbonization," NewClimate points out. "Companies must be subject to intense scrutiny to confirm whether their pledges and claims are credible, and should be made accountable in case they are not."

Key Areas of Focus

According to NewClimate, companies that want to strengthen their positions as climate leaders should focus on four key areas: the tracking and disclosures of emissions; setting specific and substantiated targets; reducing their own emissions; and making climate contributions and using offsetting. "Corporate climate leadership includes not only ambitious target setting," it says, "but also taking responsibility for unabated emissions."