

# The 3% Solution: Driving Profits Through Carbon Reductions in a 400 ppm World

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June 18, 2013



# Today's Speakers

## Steven Swartz

Partner, McKinsey & Co.

[@sjswartz](#)



## Paul Simpson

Co-Founder and CEO, CDP

[@CDP](#)



## Carter Roberts

President and CEO, World Wildlife Fund

[@Carter\\_Roberts](#)



## Joel Makower

Executive Editor, GreenBiz Group

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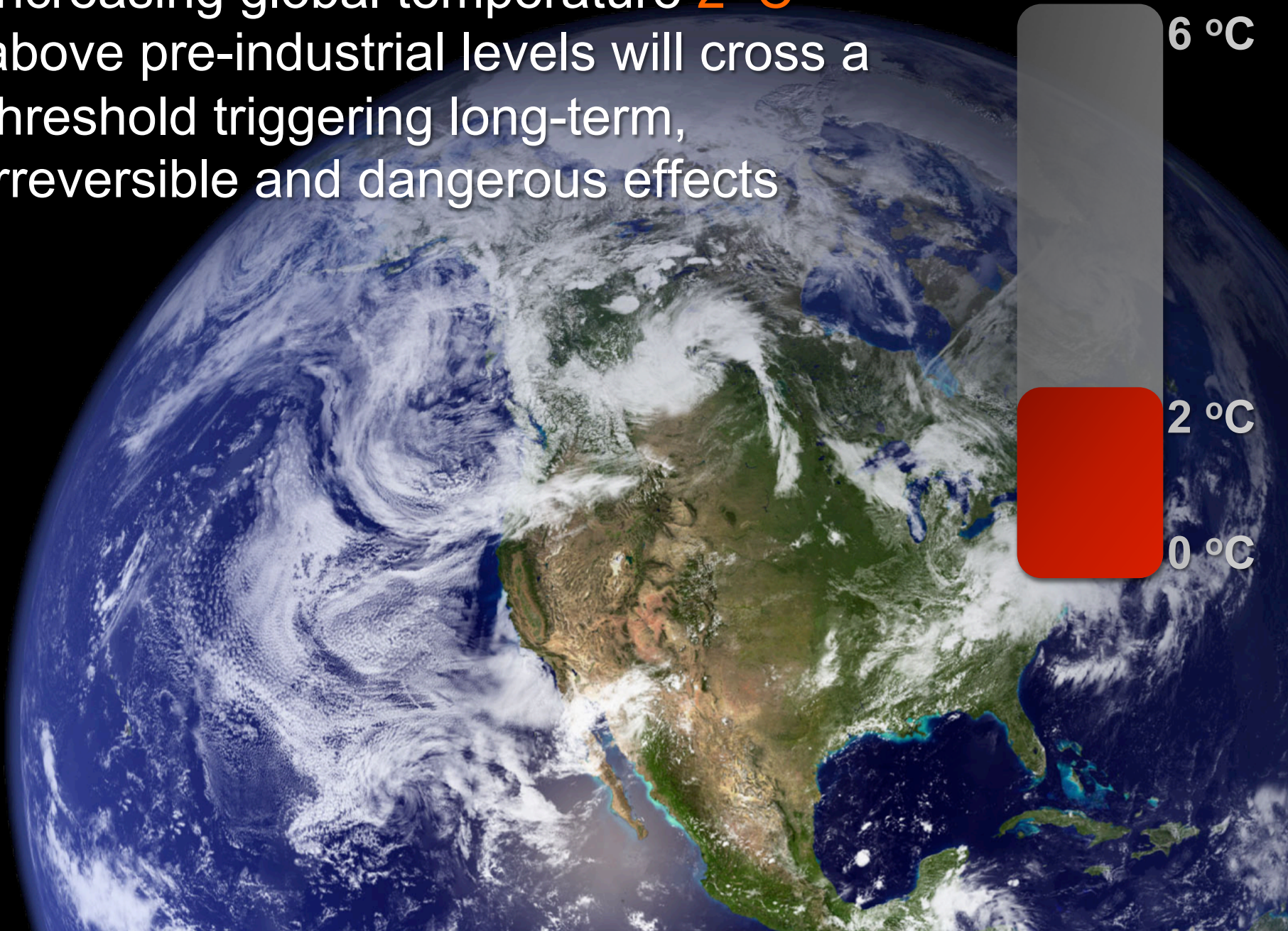


What is the **size of the US gap**?

How much of the gap can be closed **profitably**  
by the US corporate sector?

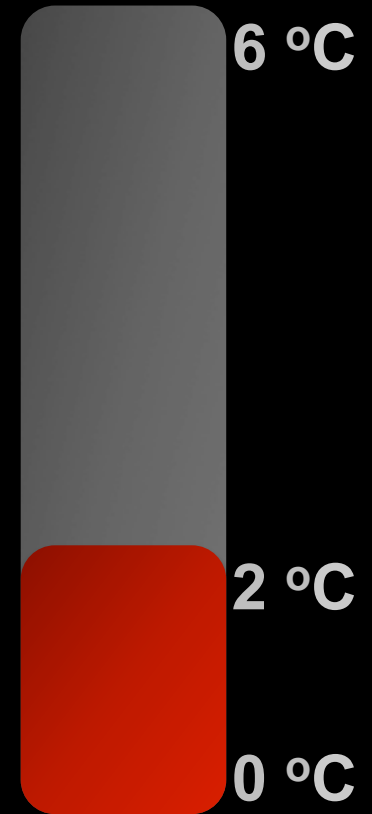
**What else needs to be done?**

Increasing global temperature **2° C**  
above pre-industrial levels will cross a  
threshold triggering long-term,  
irreversible and dangerous effects

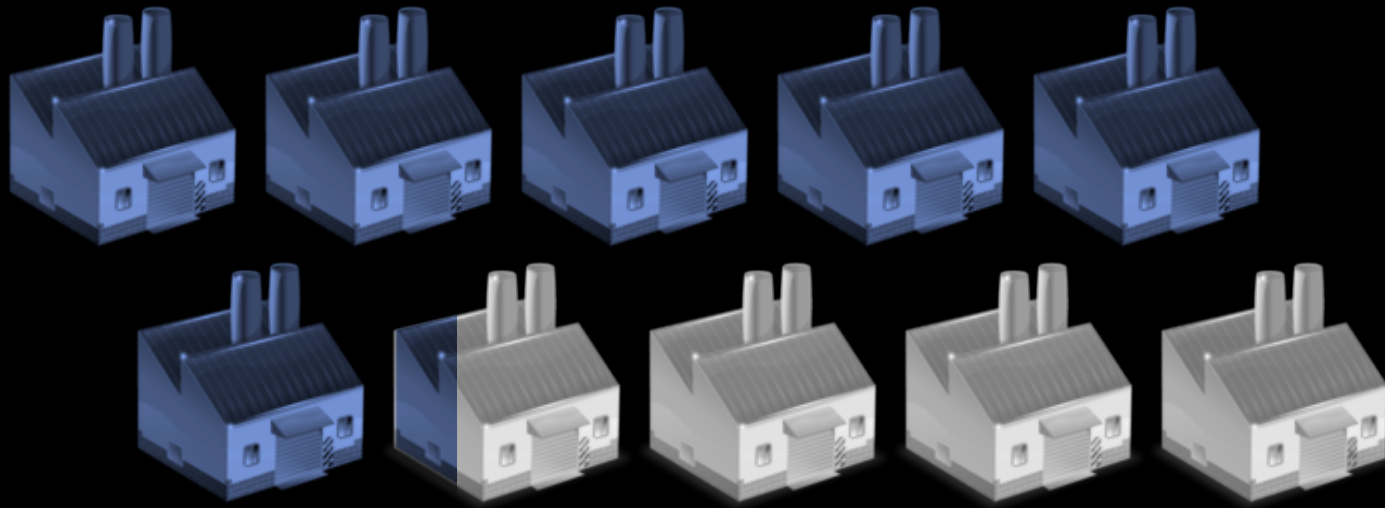




A **daunting goal** no doubt...  
achievable but  
profitably

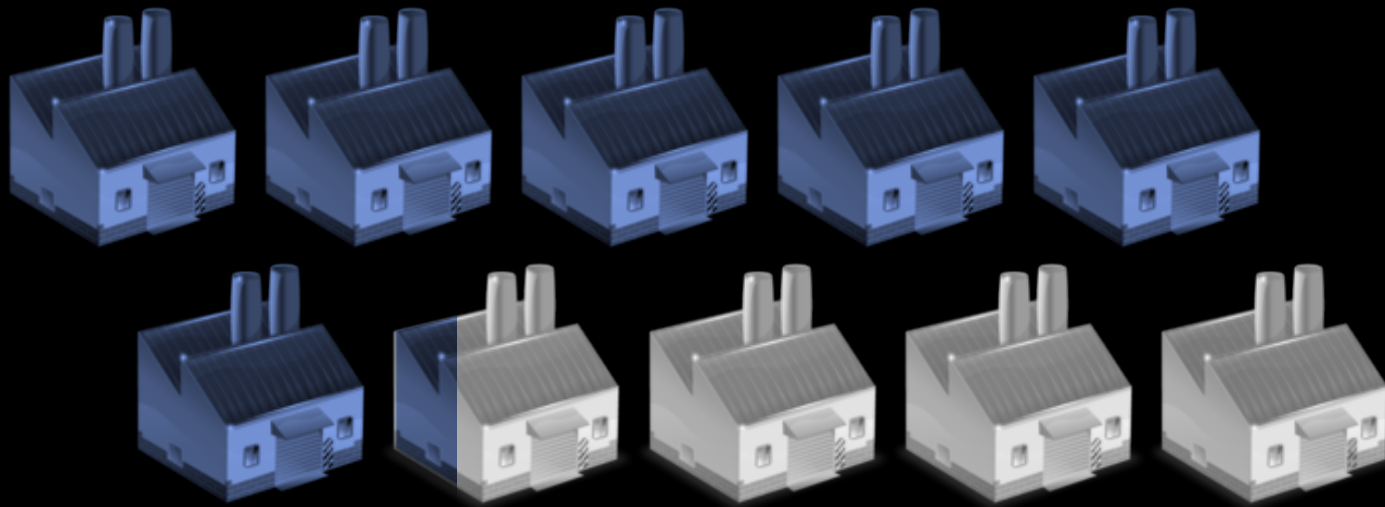


In the US, roughly 62% of carbon emissions come from the corporate sector



4.2 Gigatons CO<sub>2</sub>  
US Corporate Sector Annually in 2010

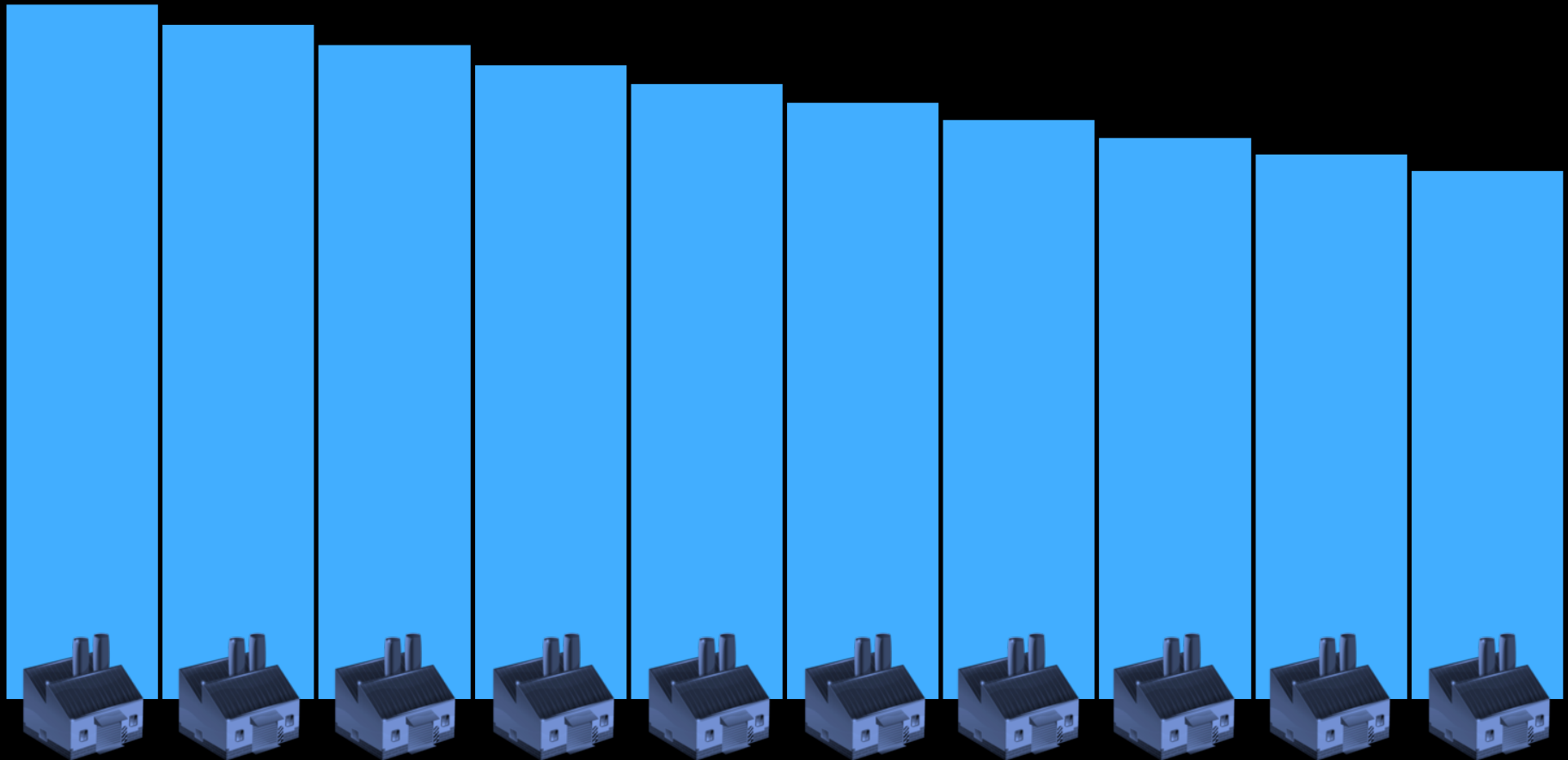
Therefore the goal is to lower carbon emissions by a **proportional** share of projected 2020 emissions



**3.0 Gigatons CO<sub>2</sub>**  
US Corporate Sector Annually in 2020

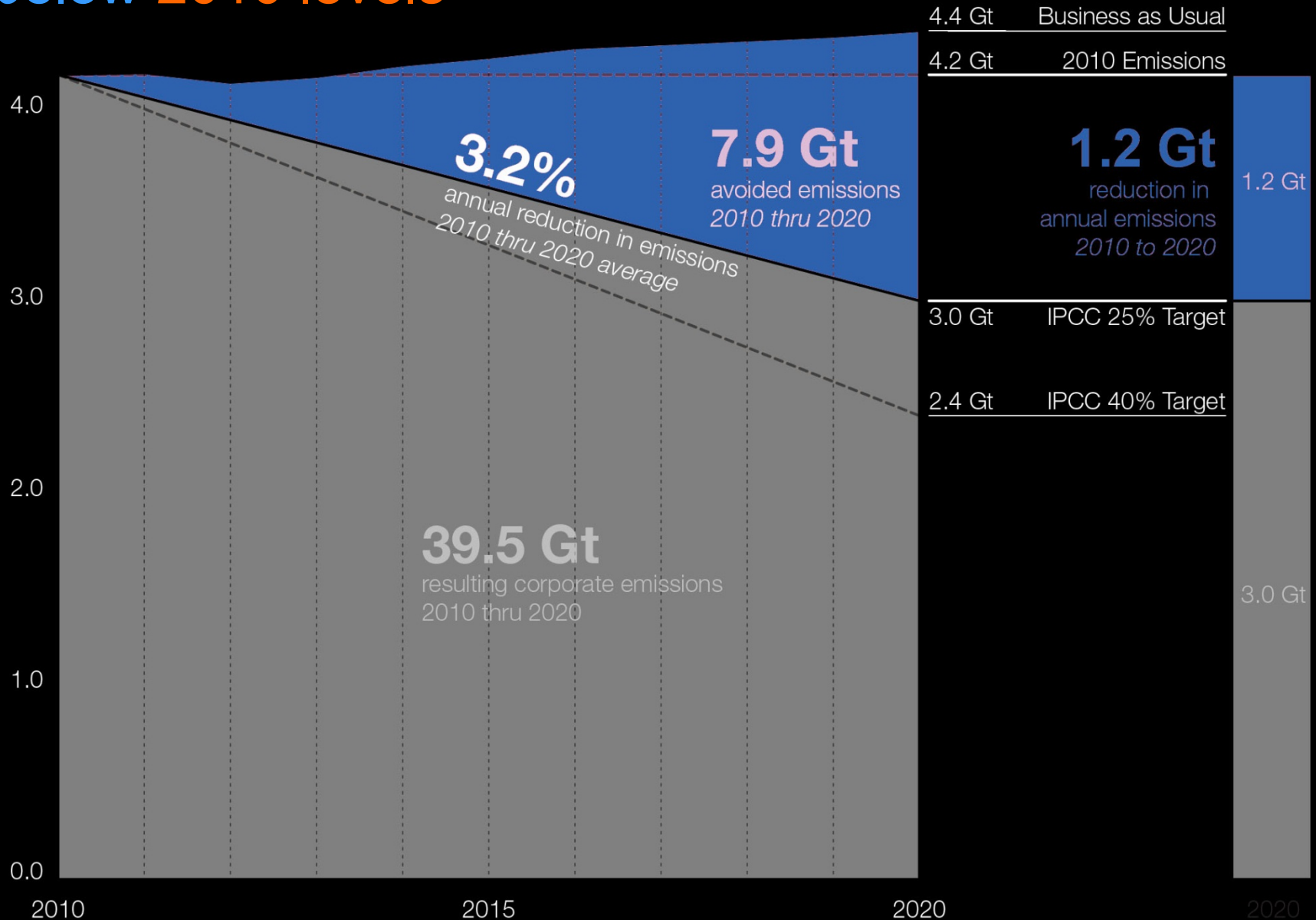
# 3%

Average annual carbon emission reductions  
required by US corporate sector between  
2010 and 2020





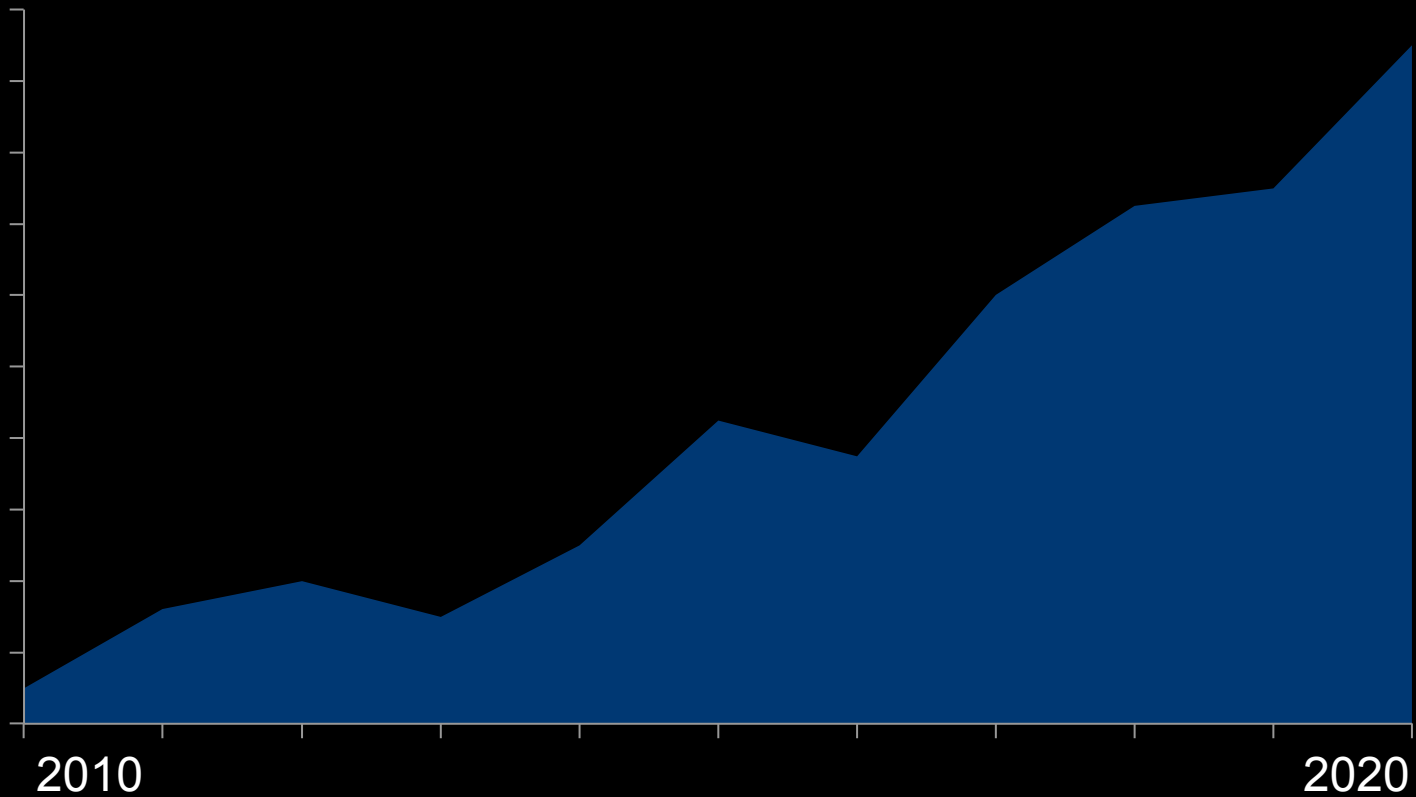
# In 2020, annual emissions would be 1.2 Gigatons below 2010 levels



Not only can this goal be **achieved**,  
it can be done **profitably**

# \$780 Billion (NPV)

Amount that the US corporate sector could save between 2010 and 2020



# \$190 Billion (PV)

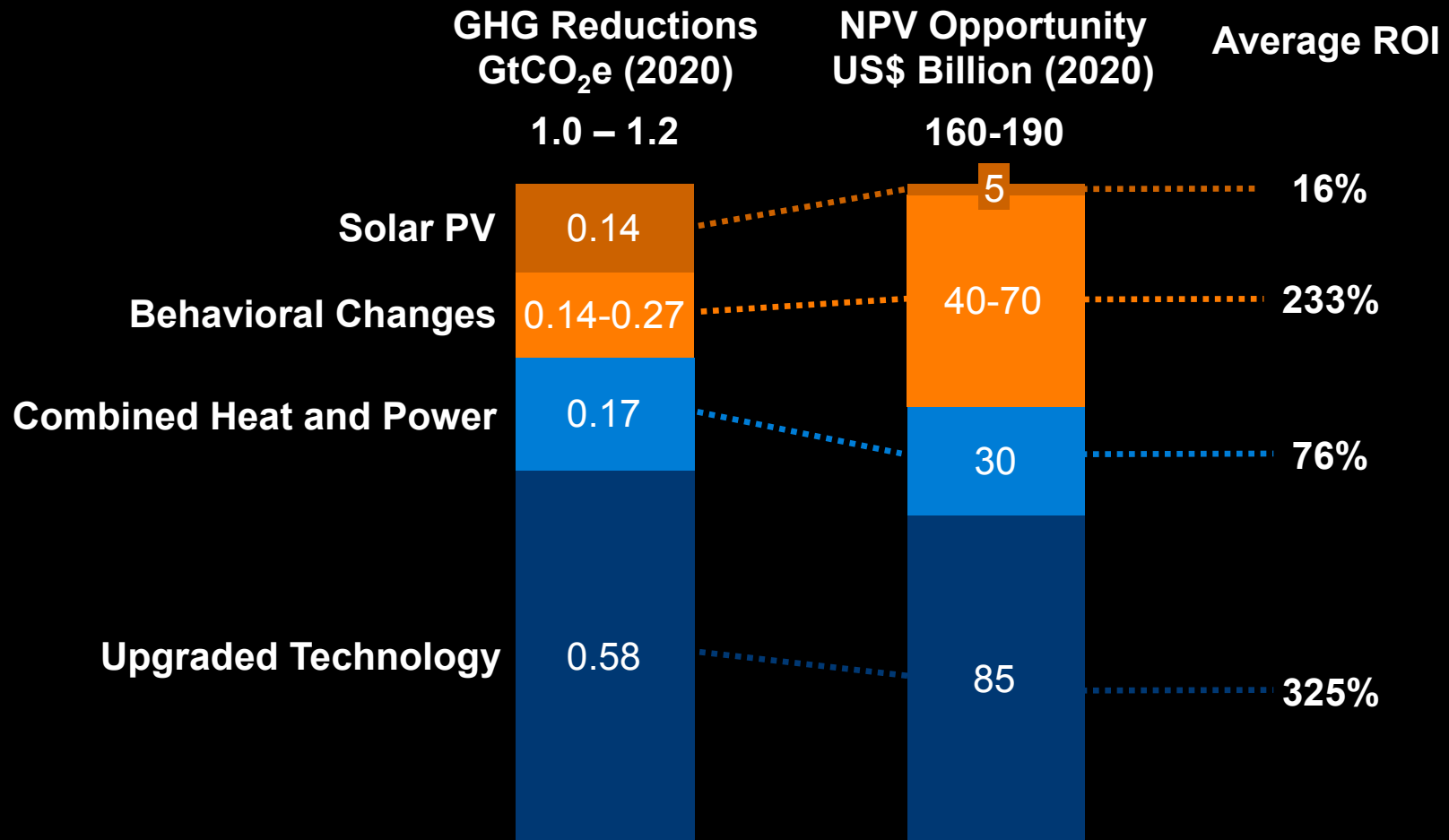
Net savings that the US corporate sector could save in 2020



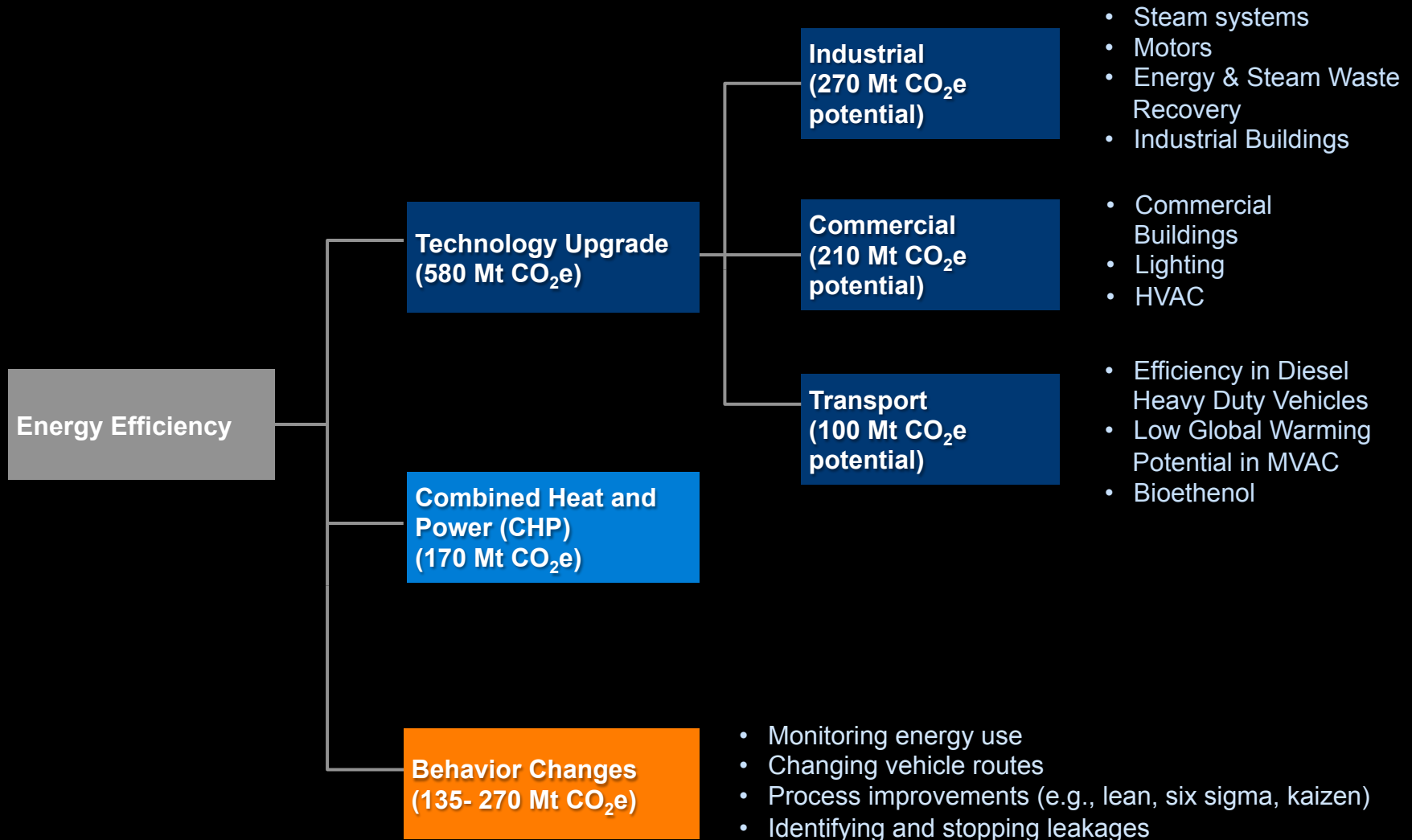
2020



# Up to **\$190 billion** in 2020 alone from savings opportunities can be captured across **four key investment areas**



# Energy Efficiency and Behavior Changes represent the bulk of the levers

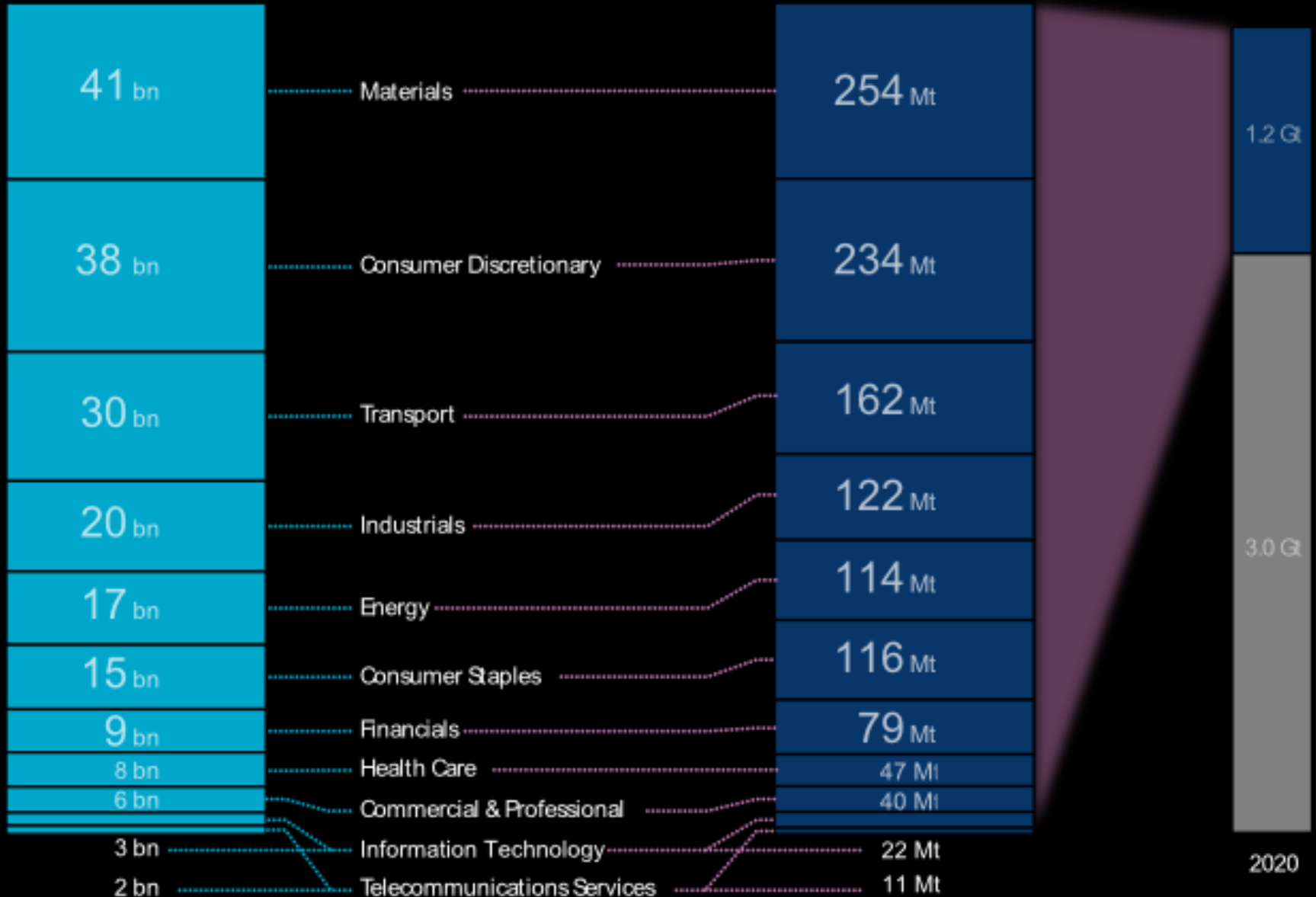


## Annual Cost Savings

Up to **\$190 Billion**  
(in 2020 NPV @ 8%)

## Annual GHG Reductions

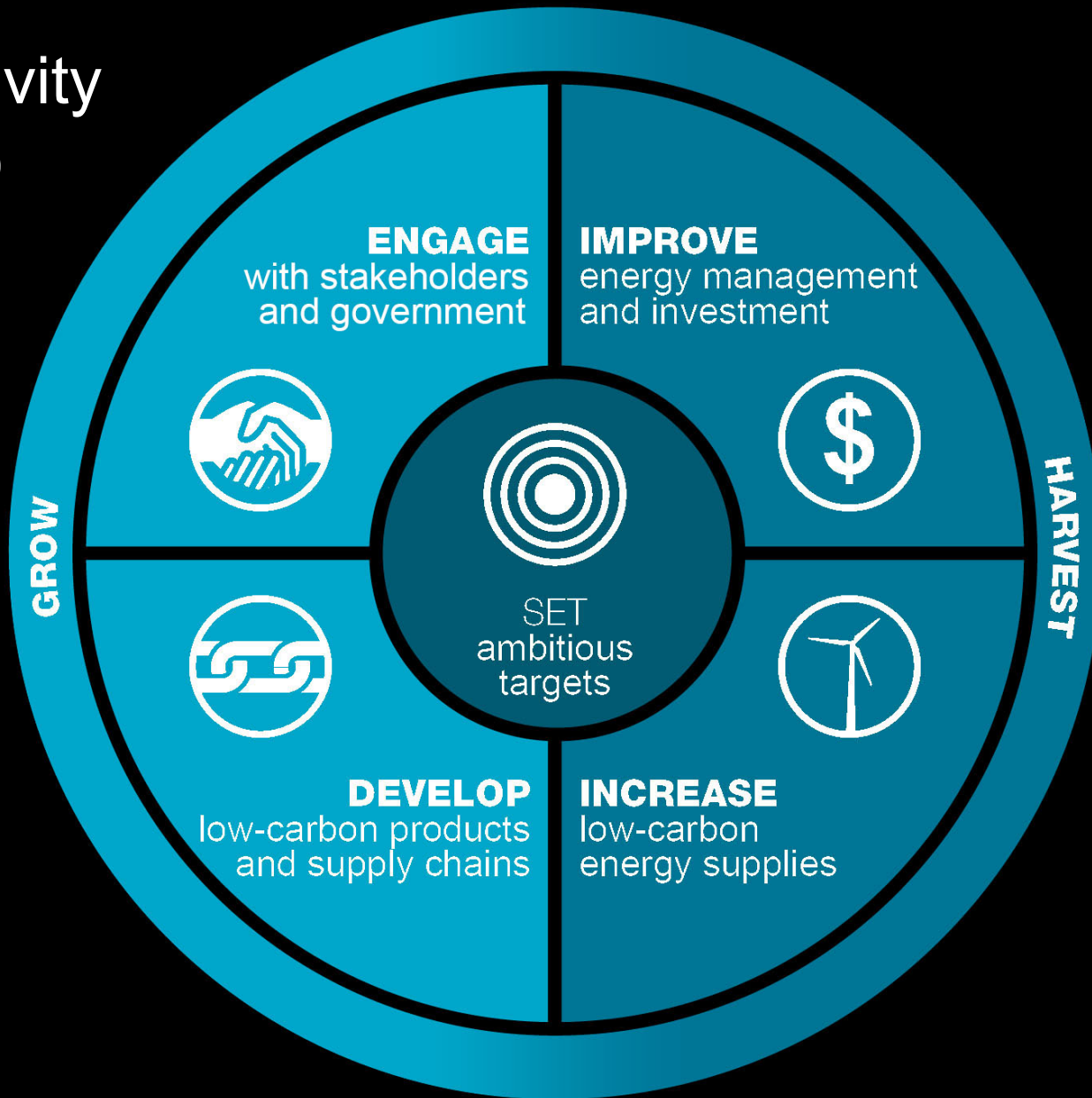
Up to **1.2 Gt CO<sub>2</sub>**  
(in 2020)



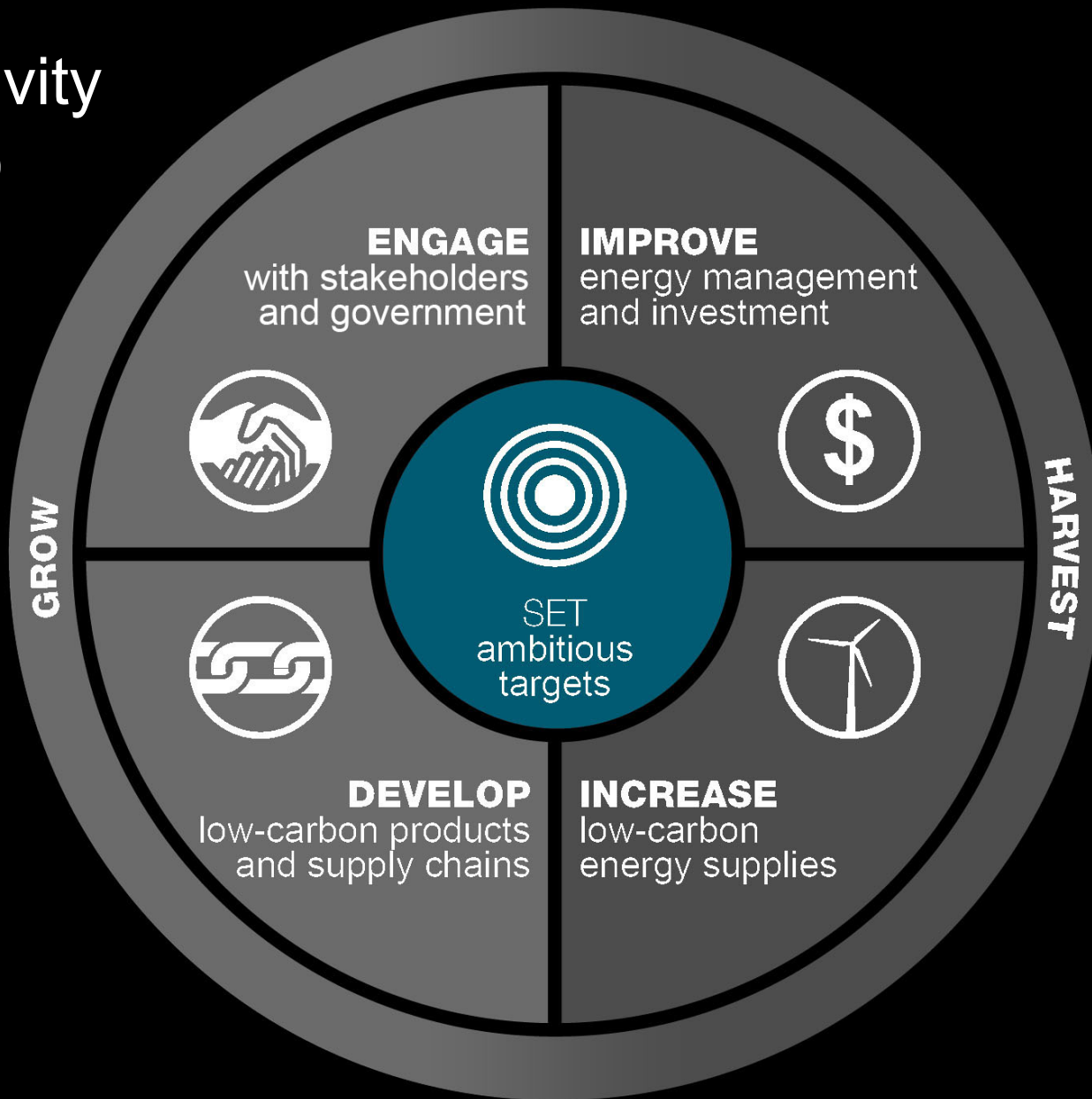
We've created a portfolio of action items that companies can take in order to fully capture all the net present value (NPV) positive opportunities



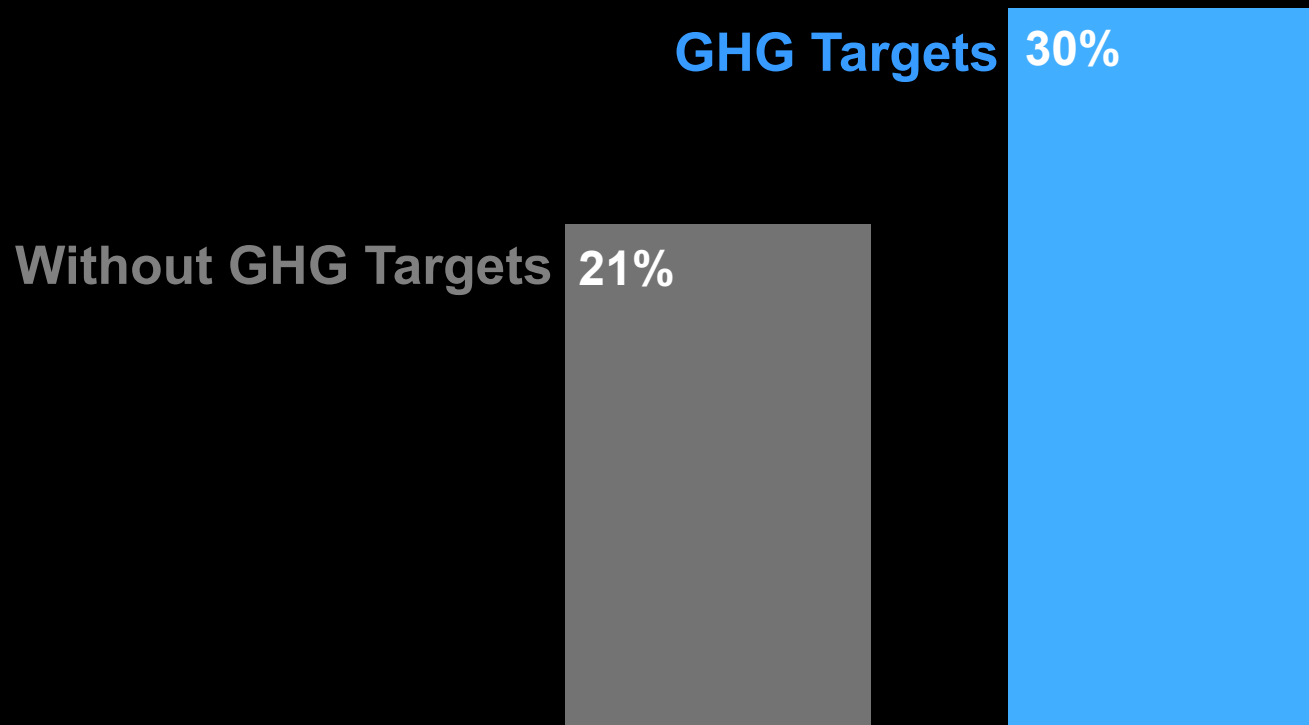
# Carbon Productivity Portfolio



# Carbon Productivity Portfolio



**S&P 500** companies reporting to CDP that **set GHG reduction** targets achieved an average of **9 percentage points better return on investment (ROI)** than those without goals

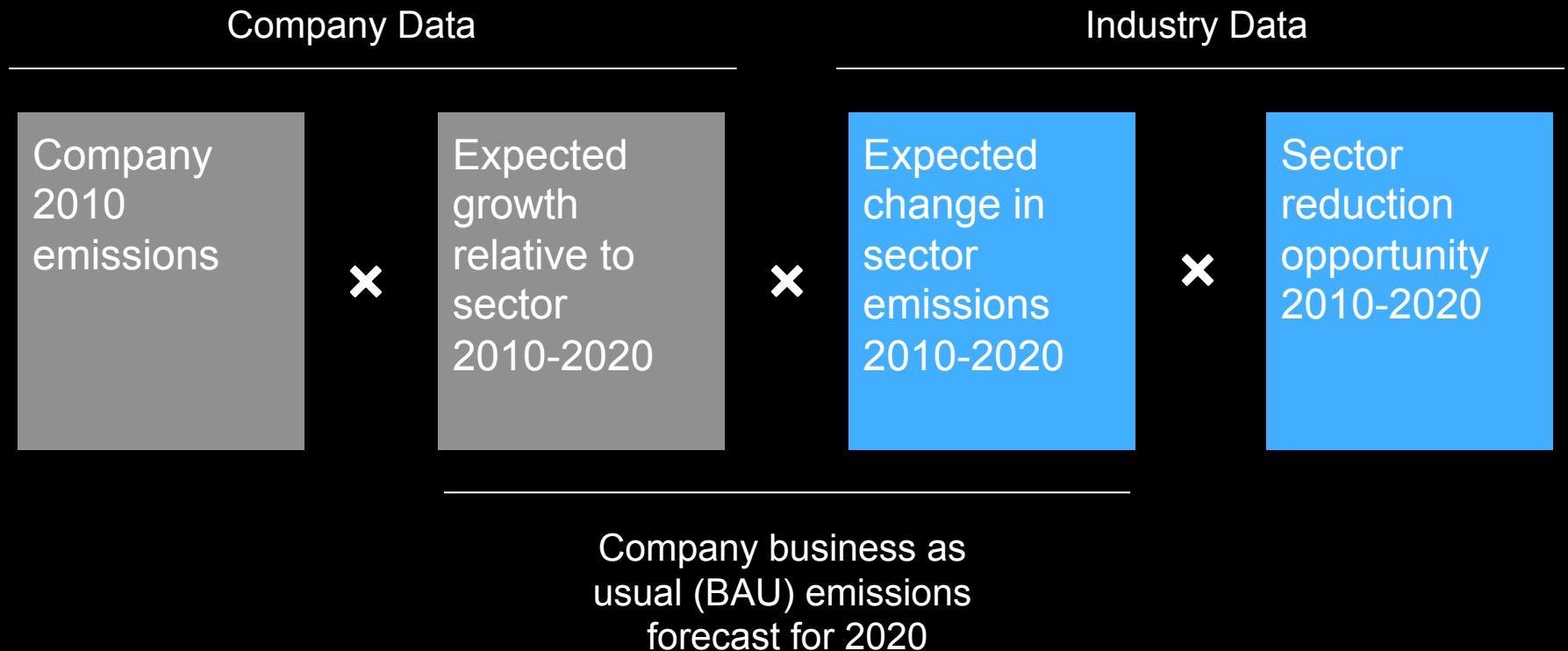




# 79%

US companies reporting to CDP saw a higher ROI  
from investments targeting GHG emission  
reductions than their average investment portfolio

We have created a simple **calculator** to help **set goals** for carbon reductions



The calculator can **guide**  
**companies** to create their 2020  
carbon **emissions target**

## Results

Estimated **Costs** (PV)

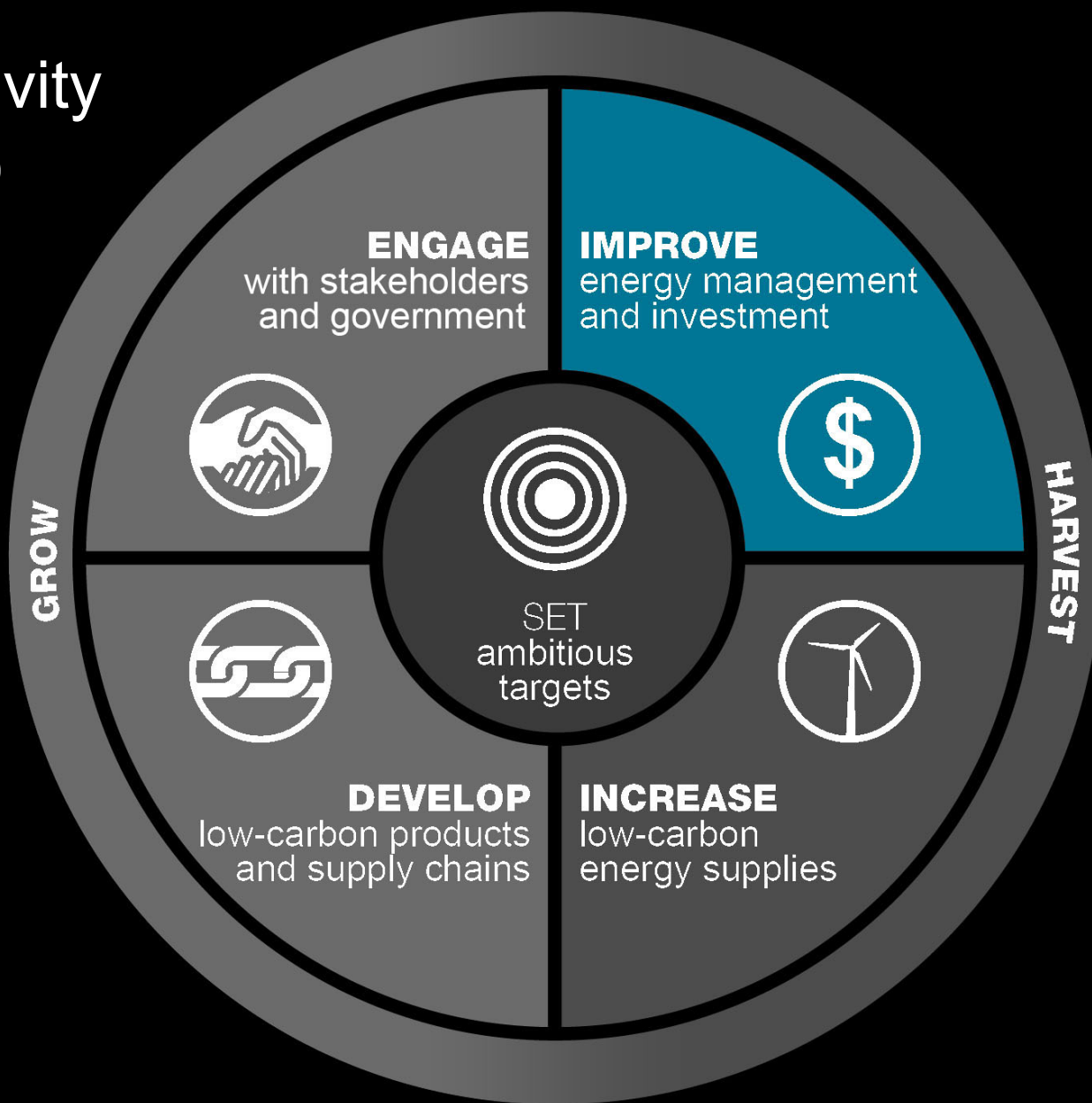
Estimated **Savings** in 2020 (PV)

Estimated **Savings** 2010-2020 (NPV)

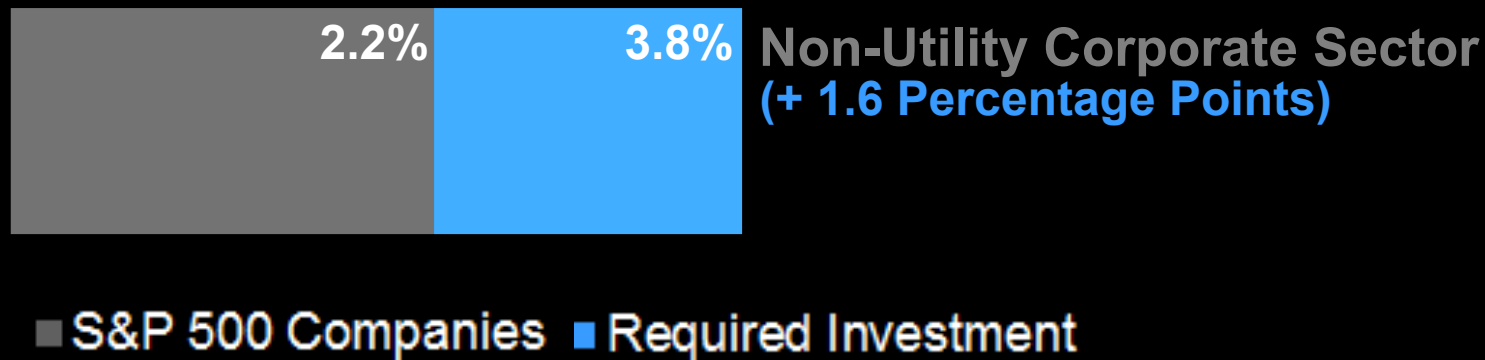
2020 Emissions Target

Expected Emissions Reductions

# Carbon Productivity Portfolio



To **capture all the GHG reduction** opportunities identified, an **increase in capital expenditures** is necessary





There are **ways** around the **barriers** that exist

## **Capital Constraints**

Low-hanging fruit, bundling, ongoing operational improvement

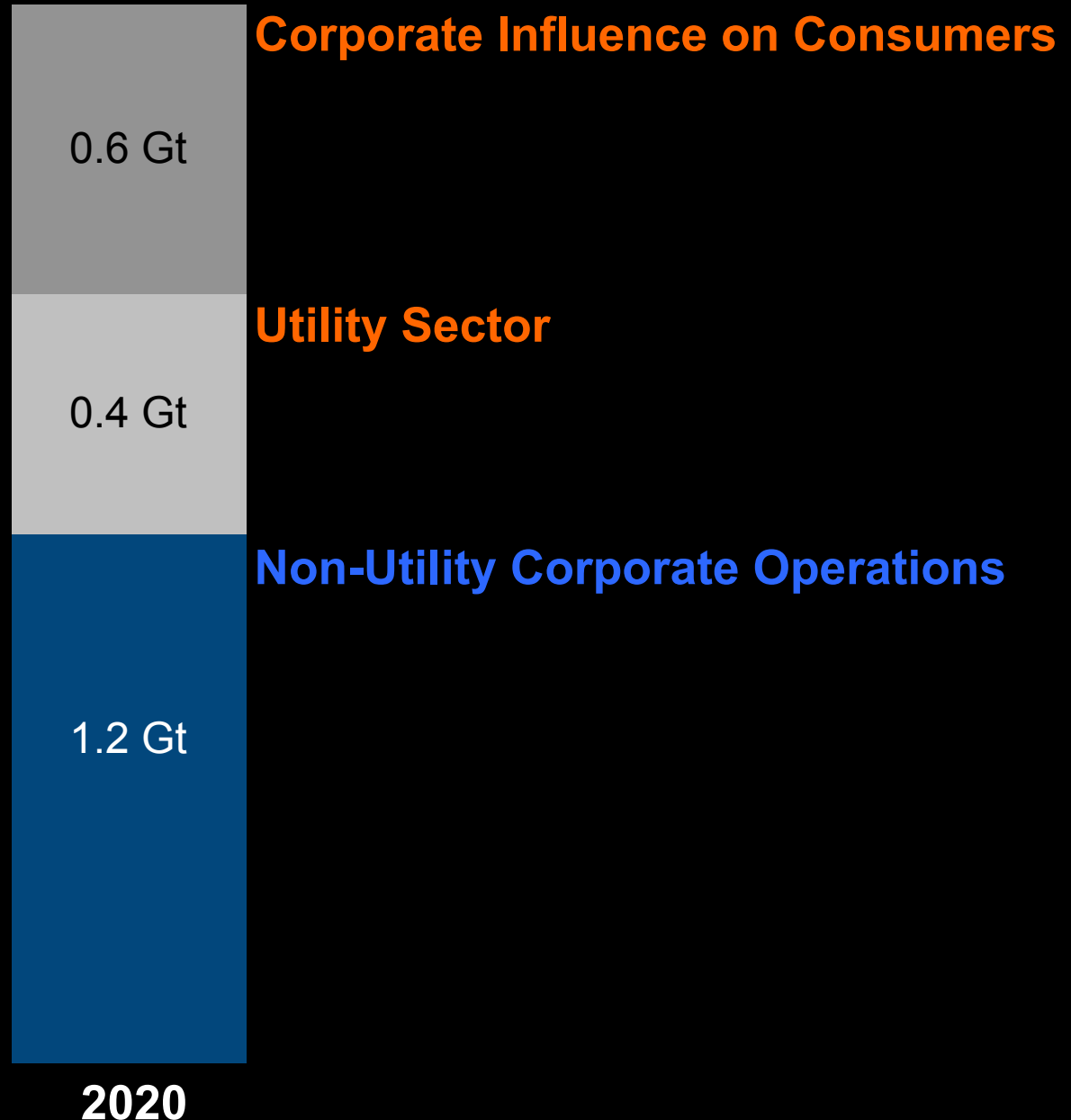
## **Low Management Priority**

Employees, customers, and competitors shift the impetus to management

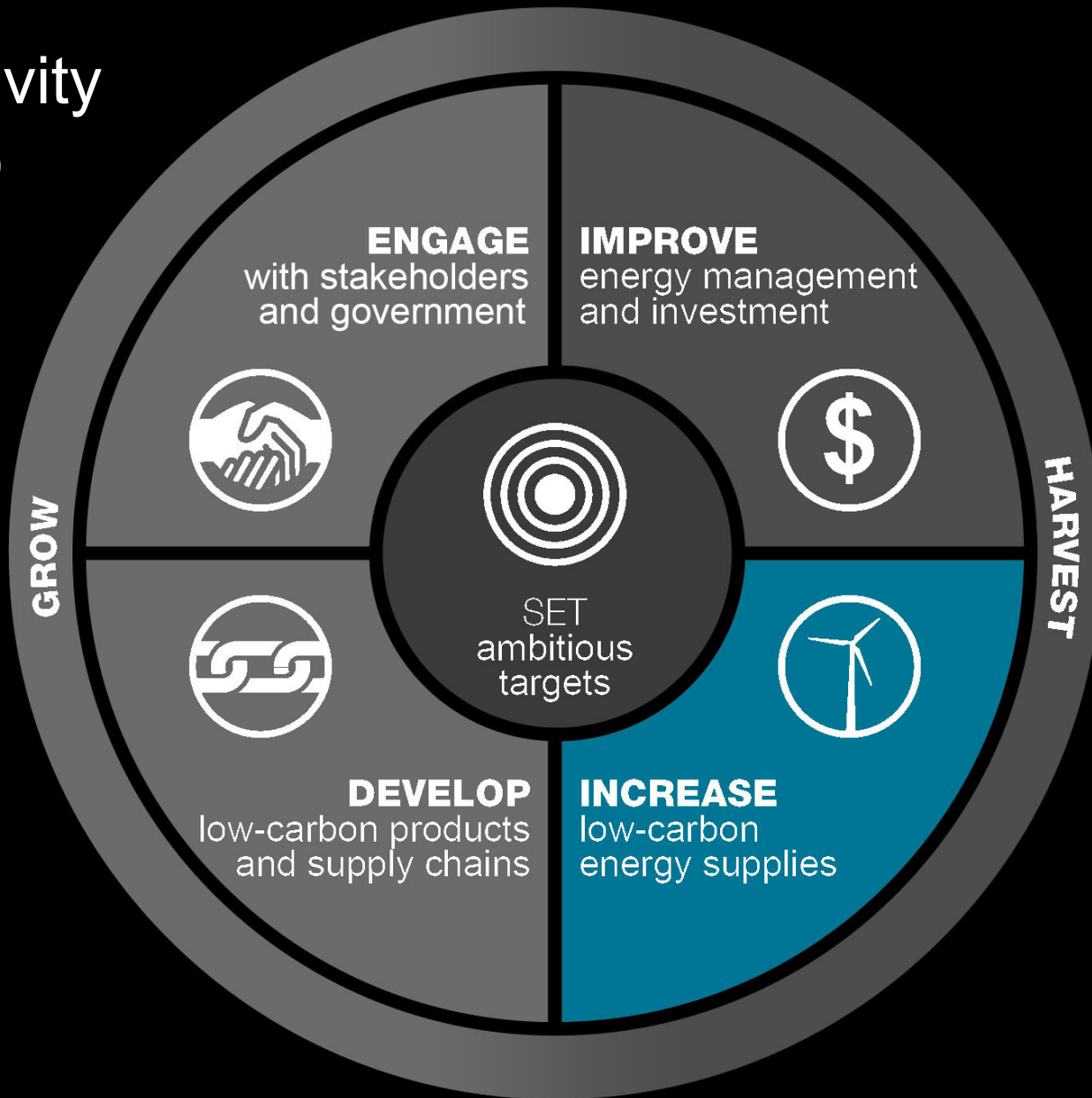
## **Lack of Expertise**

Create central management, leverage external providers, use front line engagement

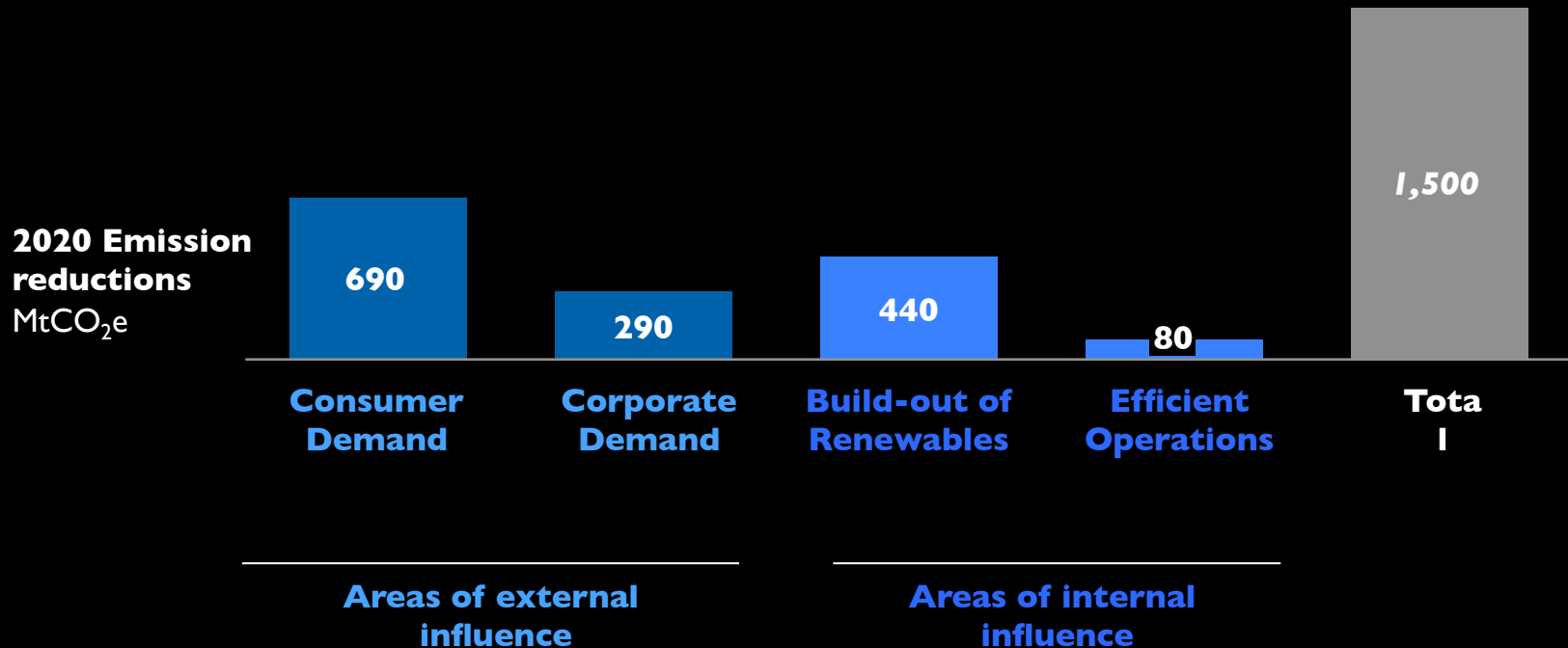
The potential to reduce lies largely with **corporate operations** but can be magnified by the corporate *influence* on **utilities, consumers, and governments**



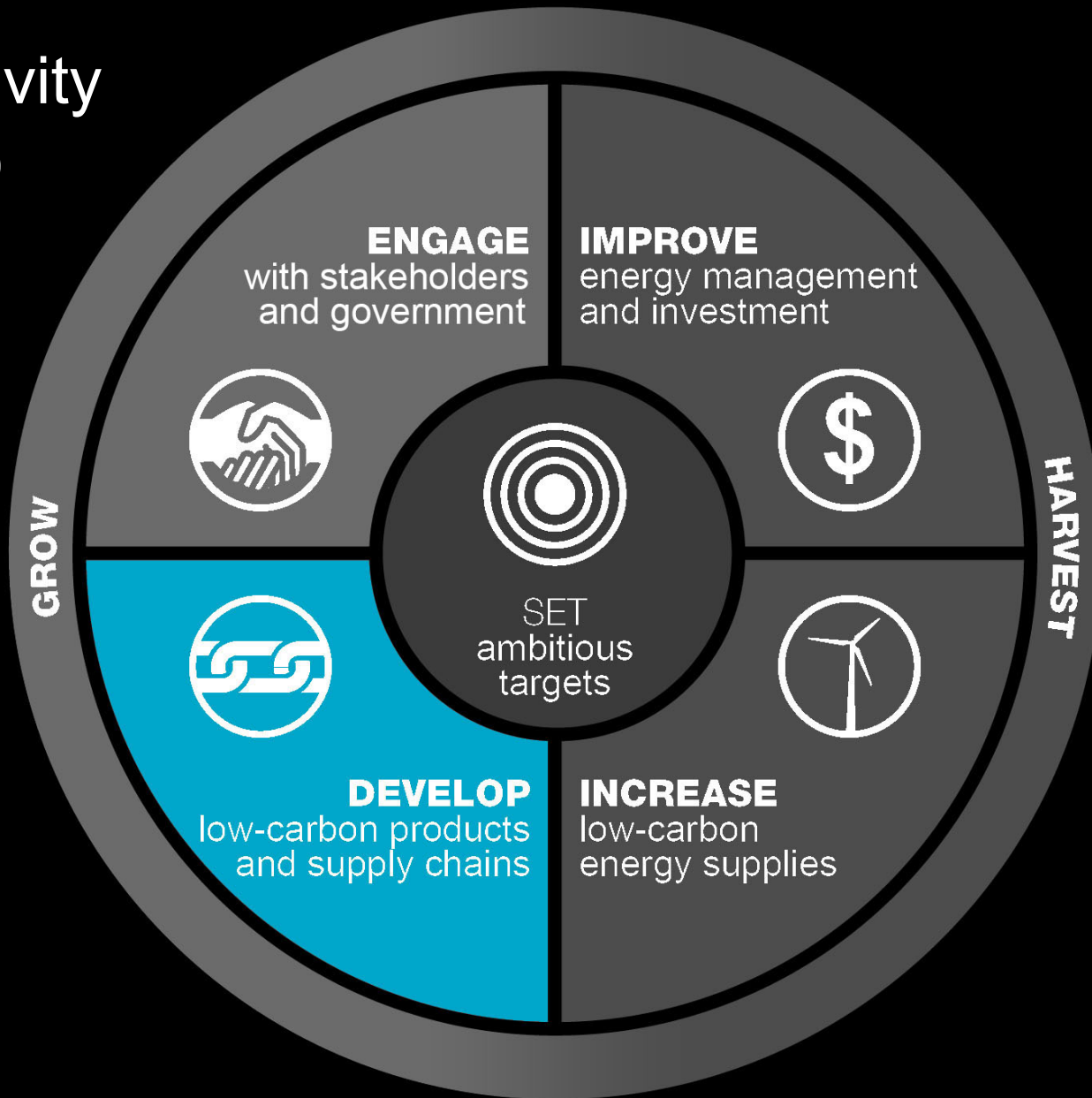
# Carbon Productivity Portfolio



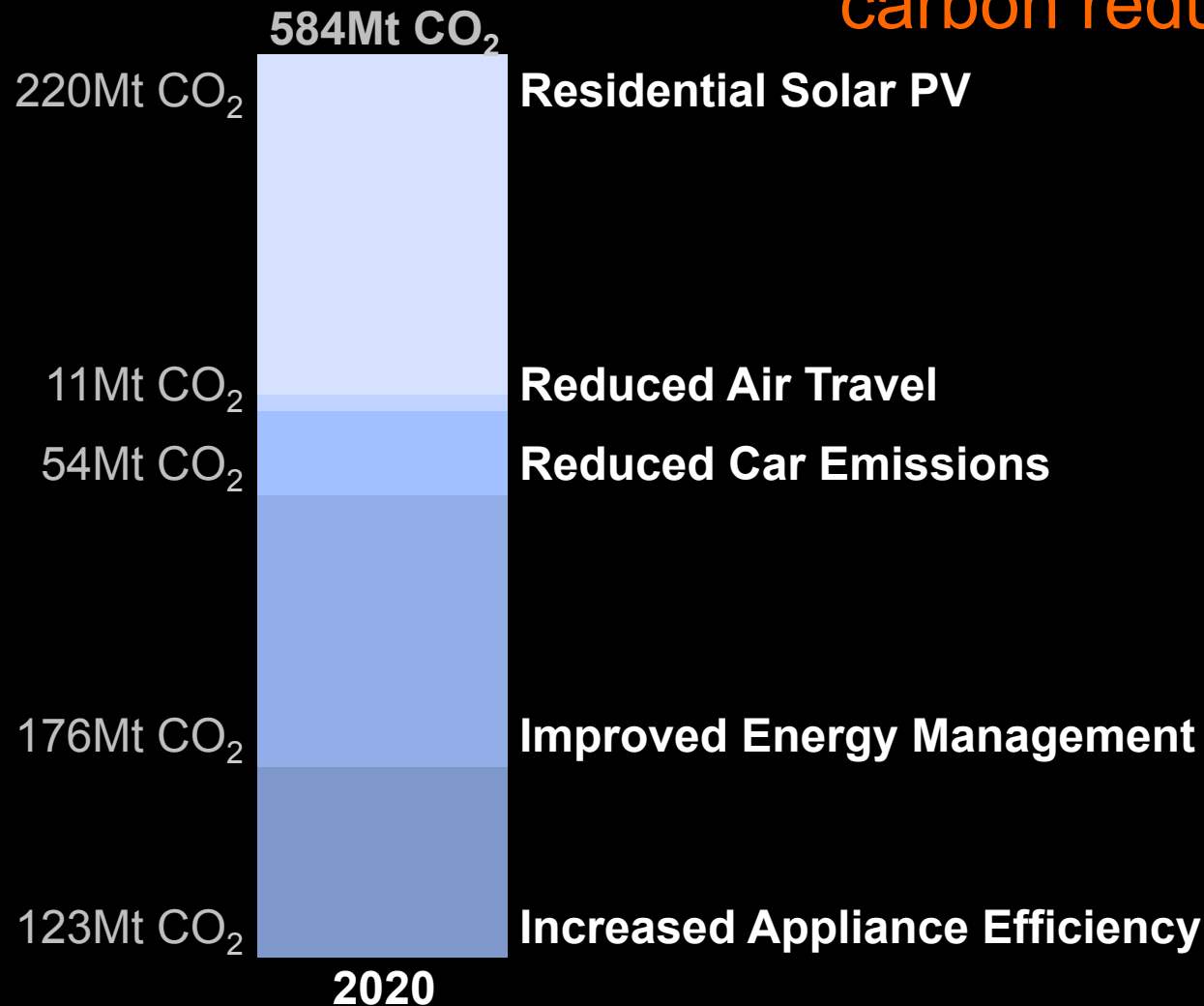
The **utility sector** holds tremendous potential for reducing emissions on a large scale



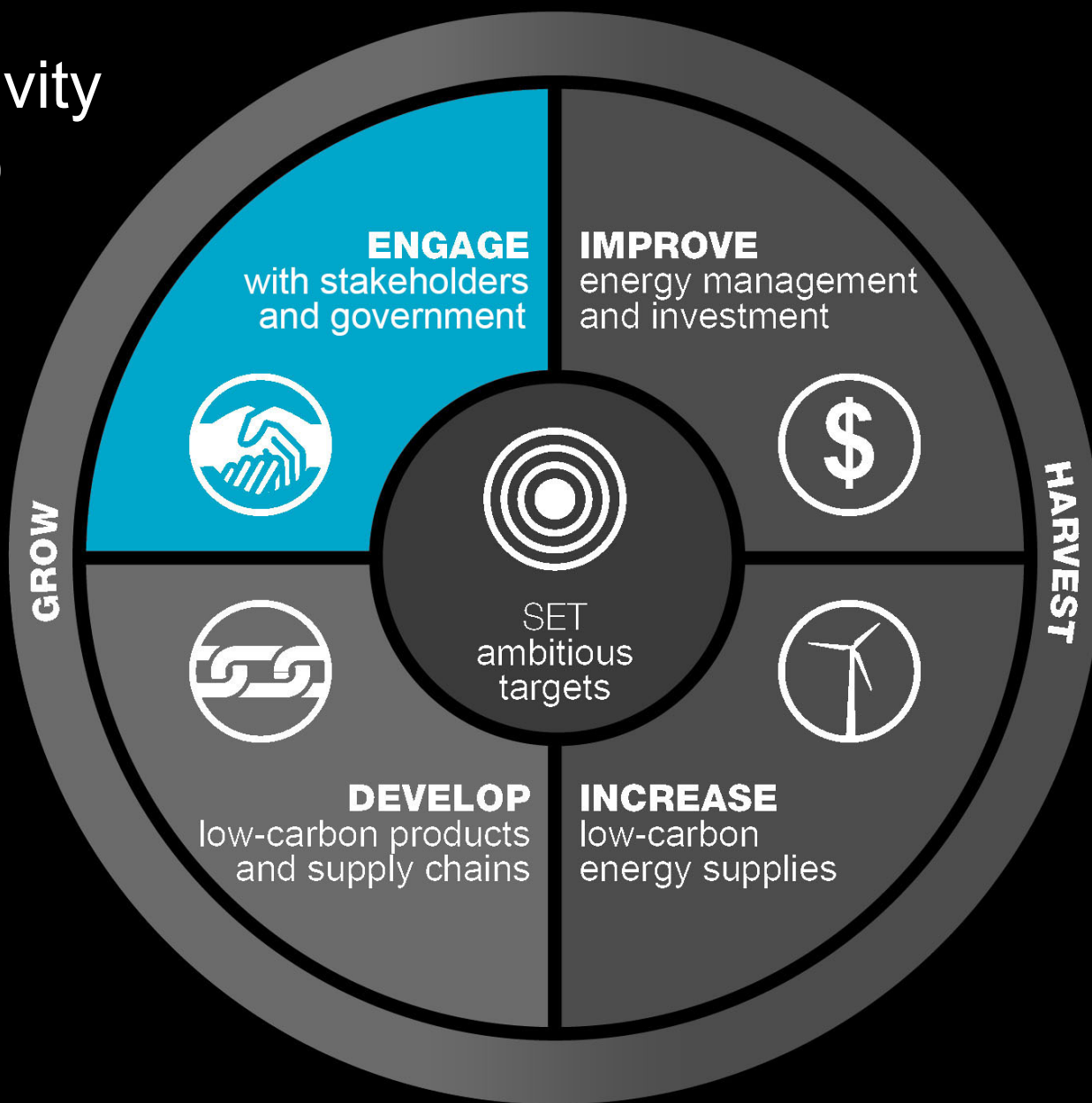
# Carbon Productivity Portfolio



Corporations and utilities have a significant impact on **consumer's carbon reduction** potential



# Carbon Productivity Portfolio



# Successful companies collaborate with stakeholders

NGOs

Cross Industry



Government

Industry Associations

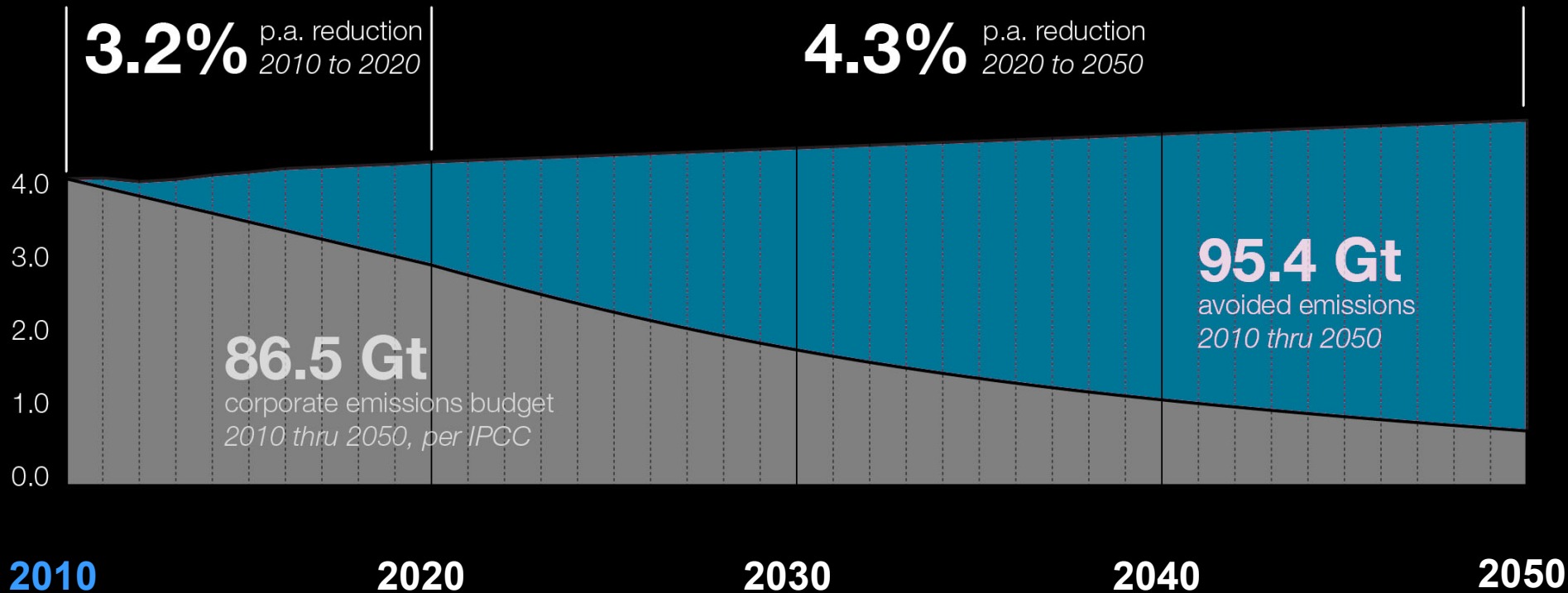
R&D Partners



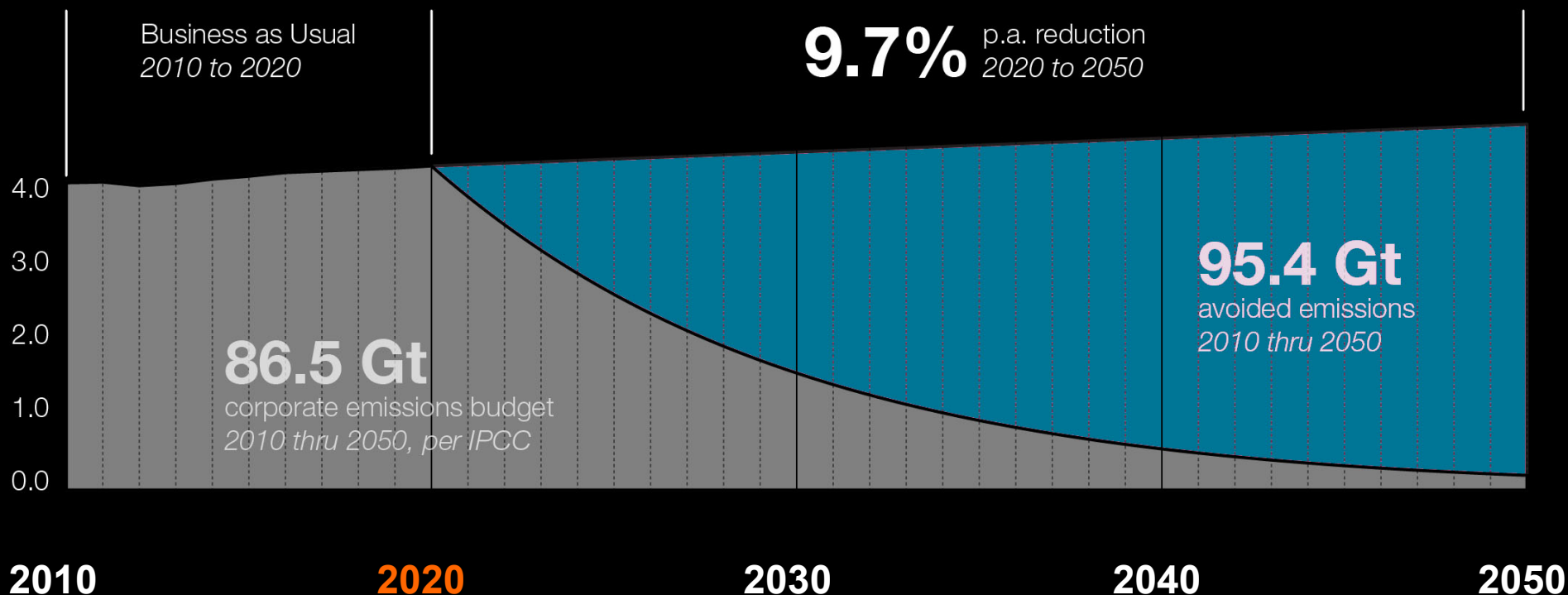
Waiting to take action has  
significant costs

The window is closing...

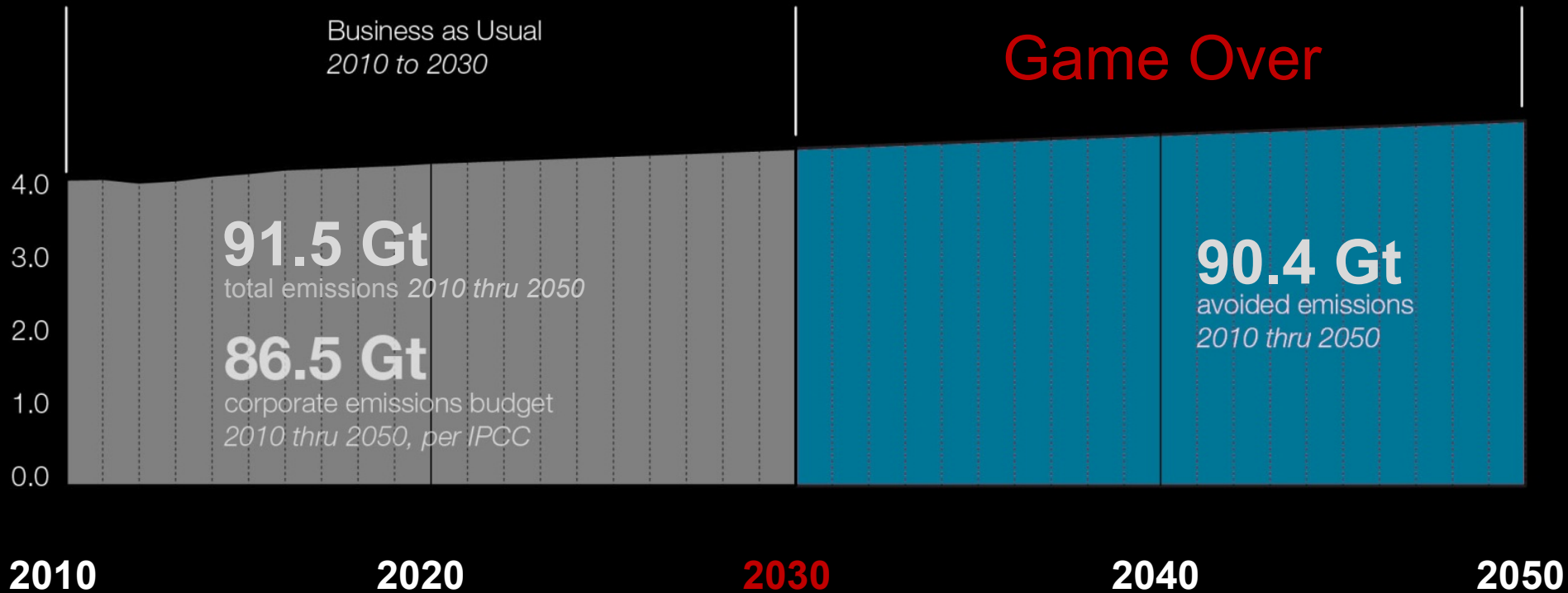
# If we take action **now**...



Starting in **2020** will require the corporate sector to dig deeper...



...Waiting until **2030** is not an option



This is an opportunity disguised  
as a crisis

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Executive Editor, GreenBiz Group

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# The 3% Solution

Paul Simpson, CEO

CDP

June 18, 2013



# Founding Sponsors of Destination Gigatonne



- ▼ Thank you to the founding sponsors of the CDP-WWF “Destination Gigatonne” initiative
- ▼ Goals:
  - ▼ Clarify the progress made and current context of aggregate emissions reductions
  - ▼ Recalibrate corporate goals to ensure the corporate sector tracks scientific targets

## Platinum



## Gold



## Silver





# CDP in 2013

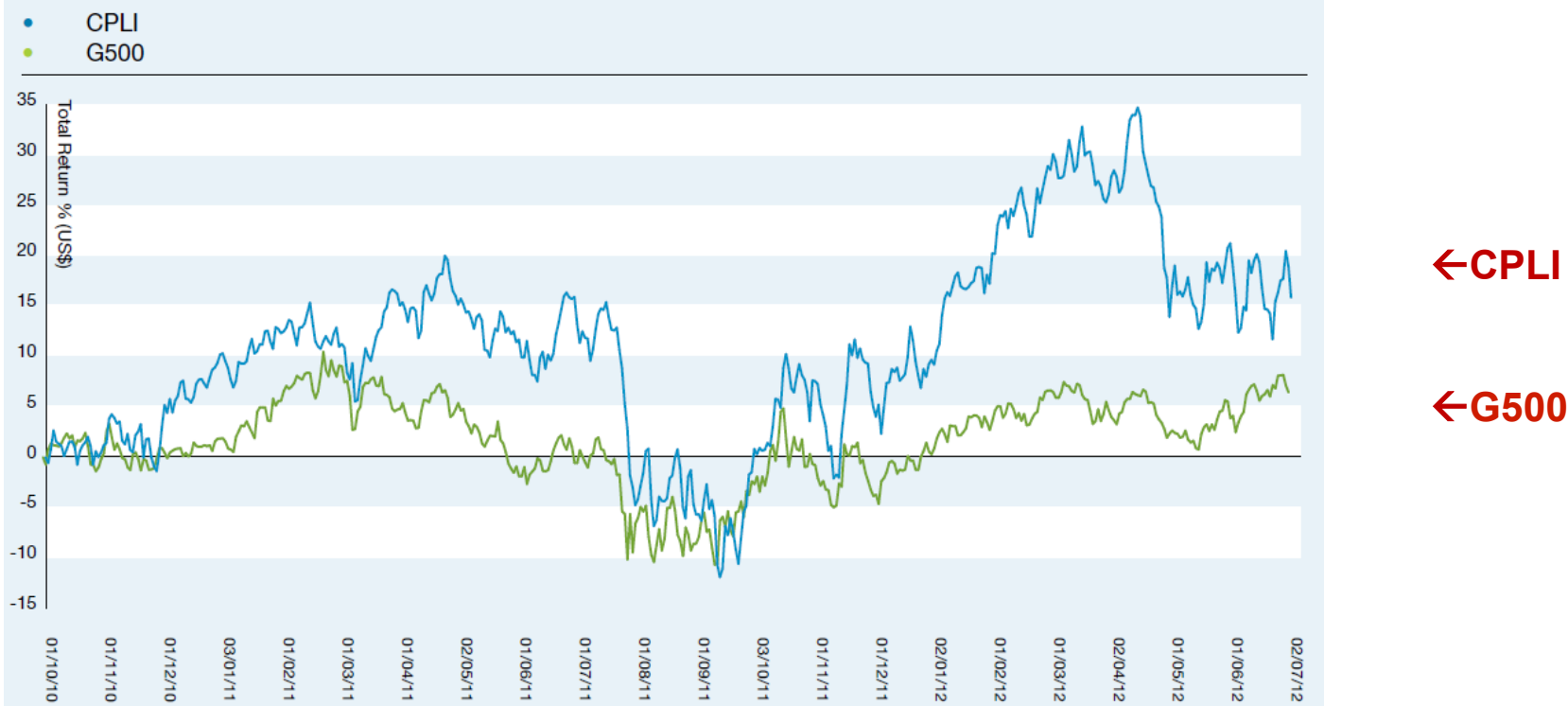
- ▼ Extension into new natural capital areas: Water – started in 2010; Forests – 2013
- ▼ Extension beyond corporate environmental disclosure into Cities
- ▼ Action Exchange – Launched in 2013



# Why (Else) Act Now? Carbon Performance Leaders Outperform

## Companies in Carbon Performance Leadership Index (“CPLI”) delivered higher financial returns

14 CPLI [2010-12] RETURNS AGAINST OVERALL GLOBAL 500 POPULATION<sup>10</sup>

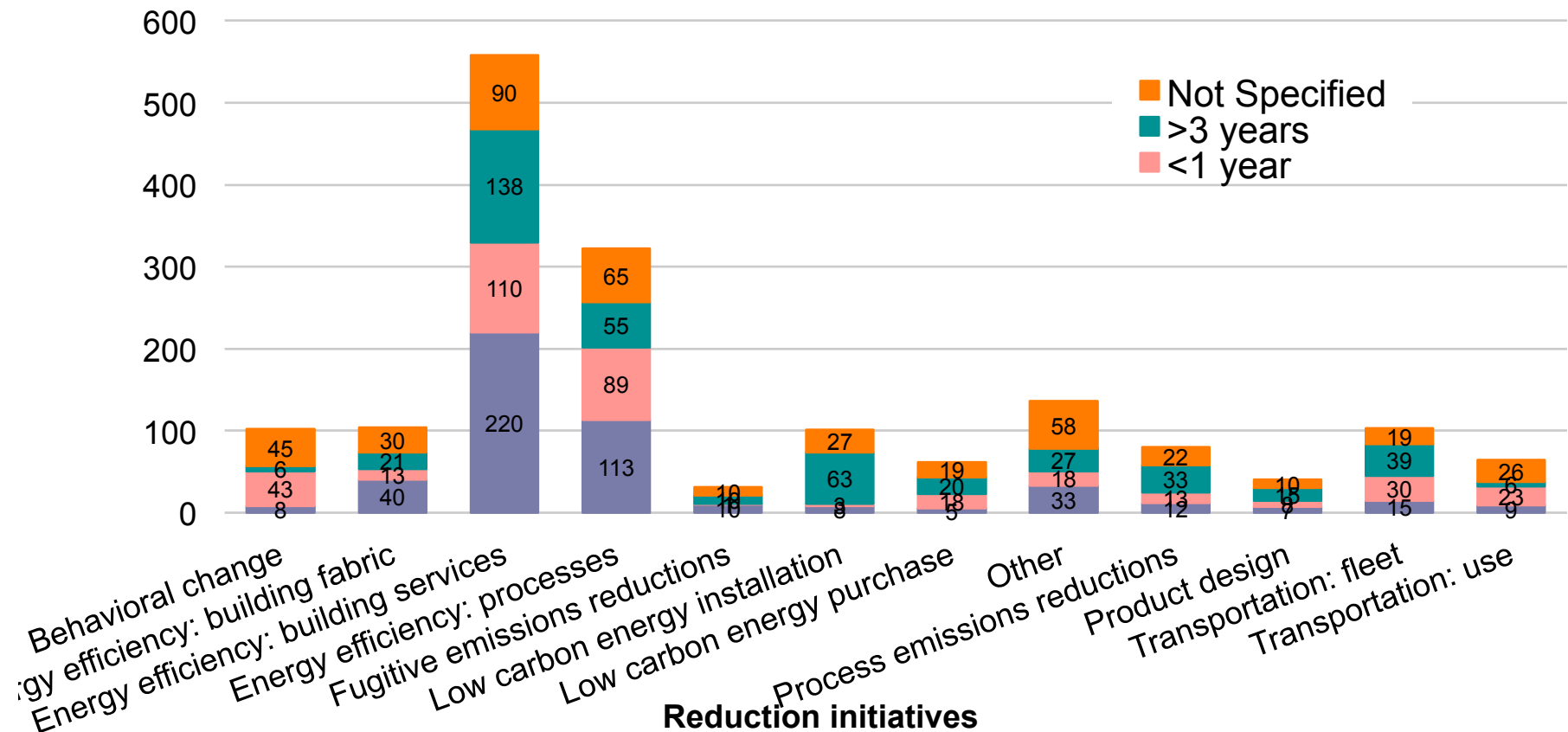


Note: Total Return includes interest, capital gains, dividends and distributions realized over a given period of time. Results presented should not and cannot be viewed as an indicator of future performance. Performance of CPLI companies is calculated on an equally-weighted basis relative to the FTSE Global Equity Index Series and re-balanced annually on October 1st. Therefore, the 2012 CPLI companies are not included in this analysis.

Source: Bloomberg, CDP

# Emissions Reduction Initiatives

Reported active emissions reduction initiatives broken down by payback period



Source: CDP Analytics; S&P 500 2012 Responses

**Paul Simpson, CEO**

**CDP**

**@CDP**

**[www.cdp.net](http://www.cdp.net)**

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## Joel Makower

Executive Editor, GreenBiz Group

[@Makower](#)



# Carter Roberts

World Wildlife Fund, US  
CEO, President





Our vision is to build a future in which  
people live in *harmony with nature*



# ***Climate Change*** threatens 50 years of investments in conservation





# ***Climate Change*** threatens 50 years of investments in conservation







Population x Consumption  $\neq$  Planet

# Aligning business and conservation goals is a cornerstone of WWF's approach

**6.9**

*billion consumers*

**500**

*companies that control  
70% of trade in each  
commodity*

**1.5**

*billion producers*



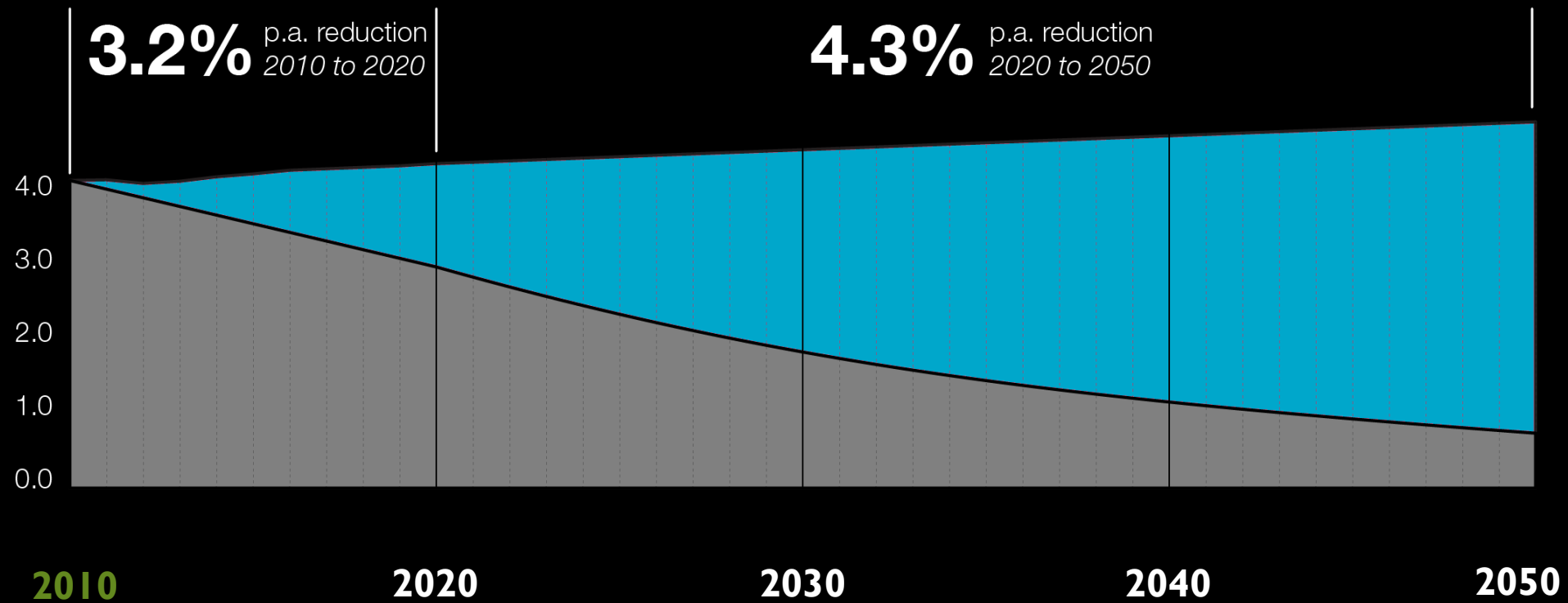


# The time to act is ***now***

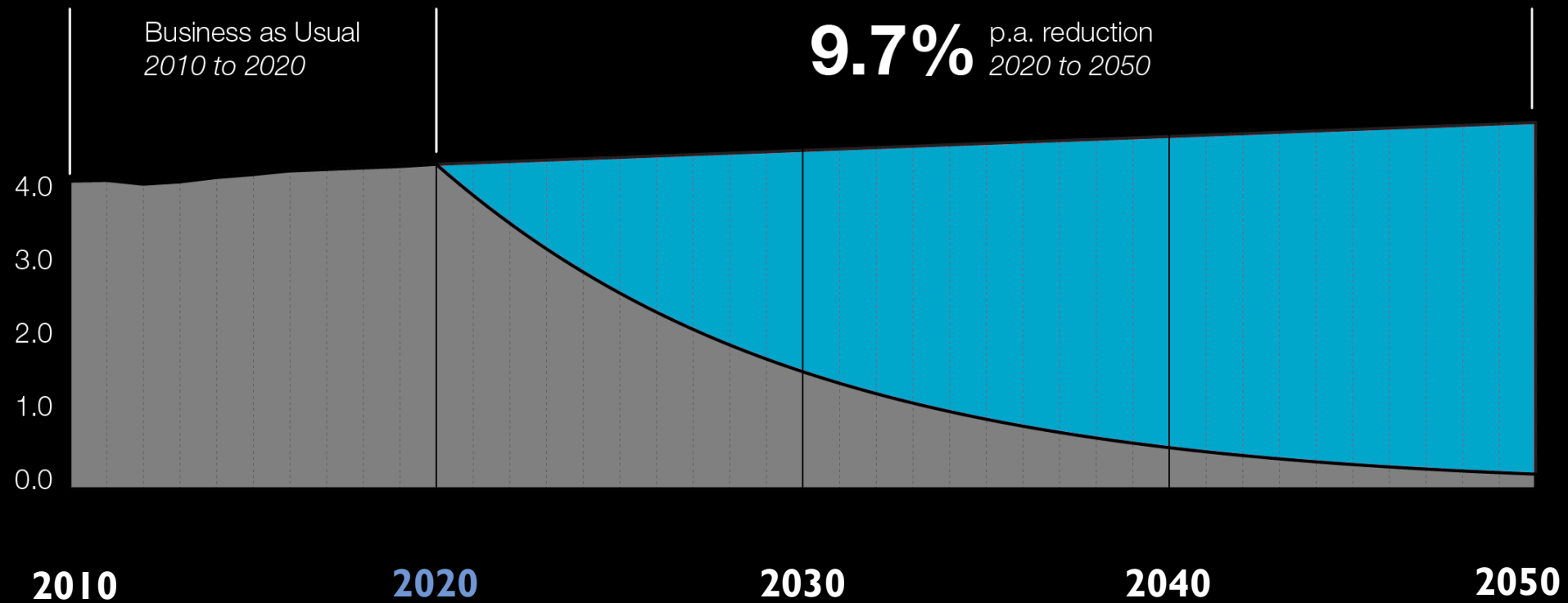
- Begin saving money
- Profitably deploy billions in cash reserves
- Mitigate costs to future regulation
- Strengthen supply chain resilience
- Do the right thing to reduce carbon emissions



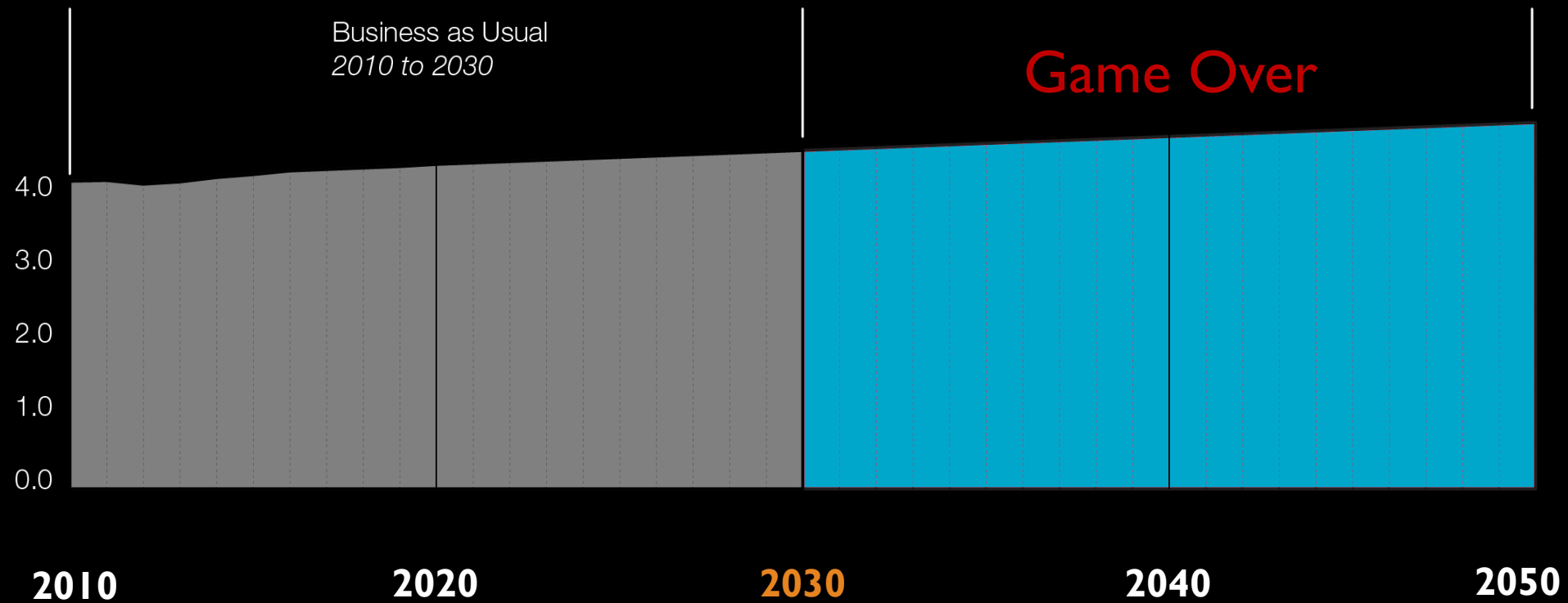
# The window is *closing*



# The window is *closing*



# The window is *closing*





**79%** of US companies reporting to CDP saw a higher ROI from investments targeting GHG emission reductions than their average investment portfolio





# Here are ***our recommendations***

- Run the calculator and set or revise your target to claim your company's share of the savings
- Reallocate capital to deliver better returns at lower risk
- Translate the savings to your bottom line (e.g. EPS)

## ***WWF will***

- Track progress starting with corporate carbon targets
- Develop new instruments for tracking implementation
- Bring *The 3% Solution* to investors with CDP
- Coordinate sector forums



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# For More Information...

**[www.the3percentsolution.org](http://www.the3percentsolution.org)**

**[www.worldwildlife.org](http://www.worldwildlife.org)**

**[www.cdp.net](http://www.cdp.net)**

**[www.mckinsey.com/client\\_service/  
sustainability](http://www.mckinsey.com/client_service/sustainability)**

**[www.greenbiz.com](http://www.greenbiz.com)**