

# SUSTAINABLE FUTURES CONFERENCE

Business transformation for  
the era of climate disruption

## RETURN ON NET ZERO: Creating a business case for decarbonisation

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SVP Product Management, **Risilience**



# Critical steps on the path to a net-zero strategy

## Steps needed to reach net zero

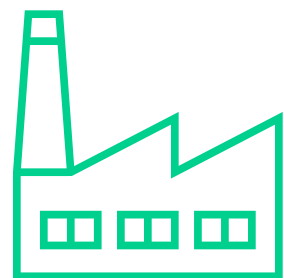


# Assessing the cost of a business-as-usual approach

Continuing as you are is a conscious decision that will have a substantial impact on the business



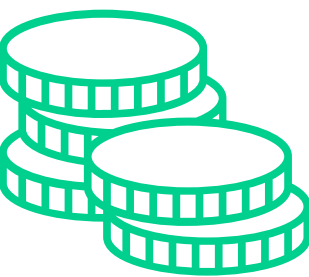
**Policy**



**Technology**



**Liability**



**Investor**

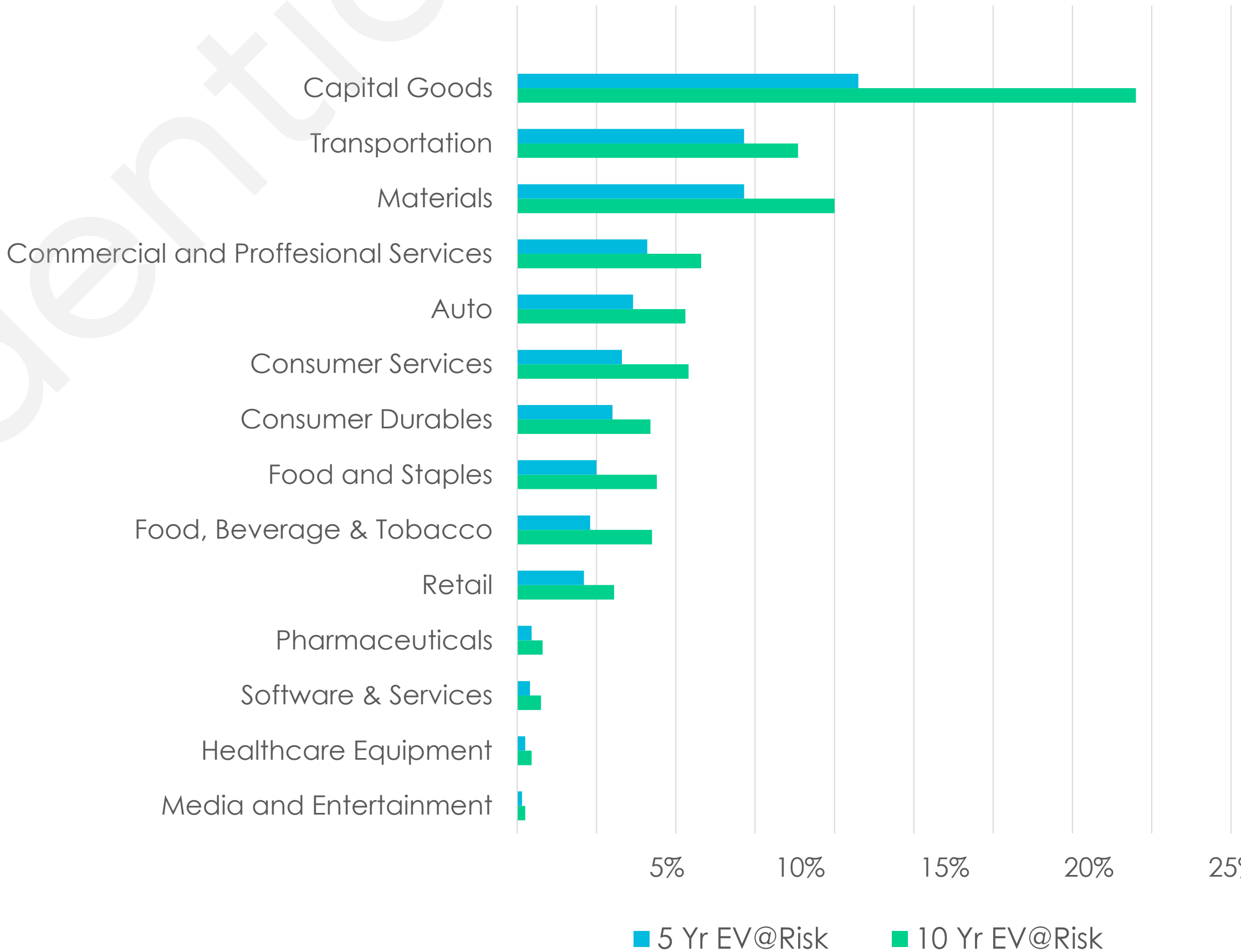


**Consumer**



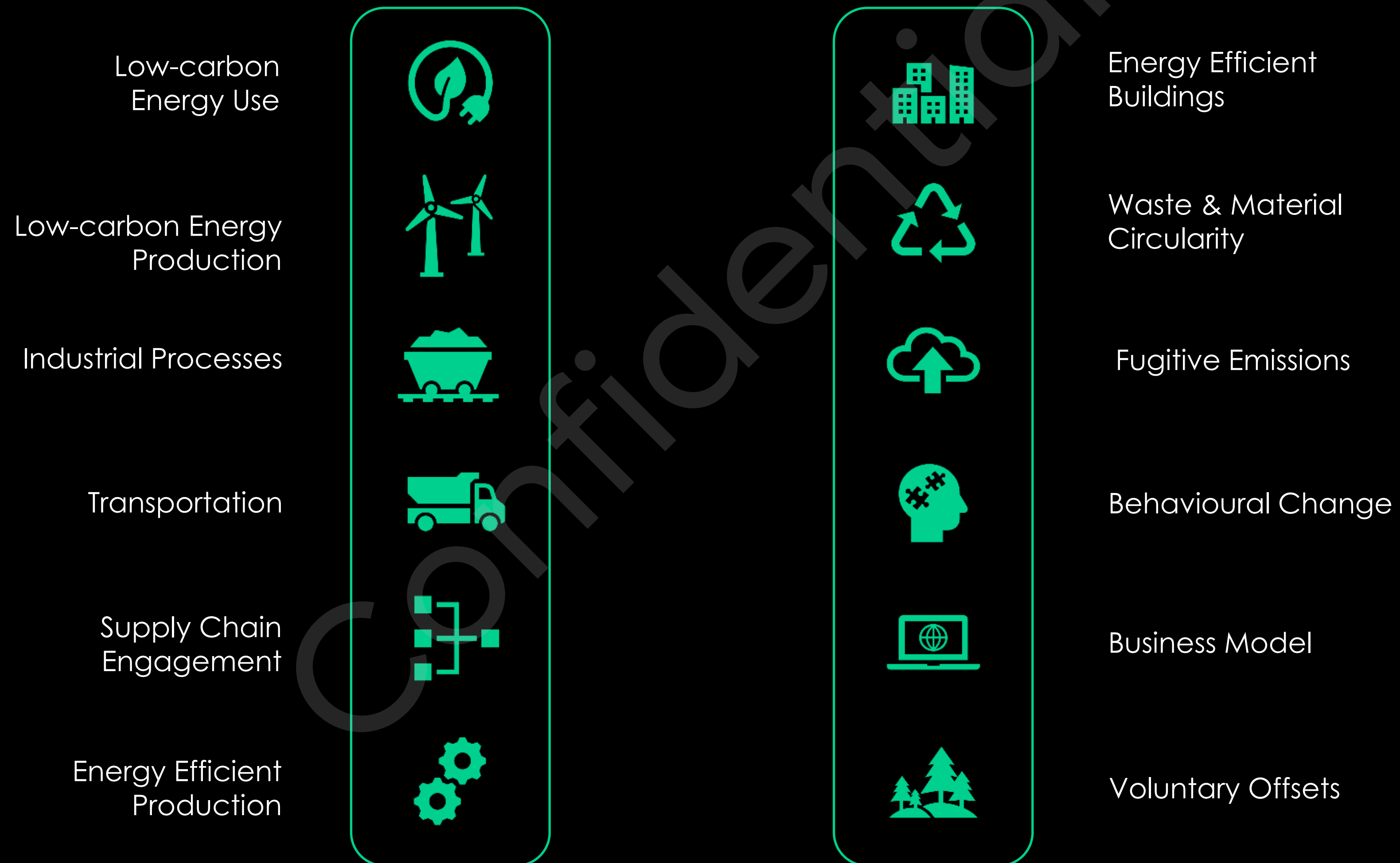
**Reputation**

Percent Earnings at Risk as a result of climate change under a Paris Aspiration scenario



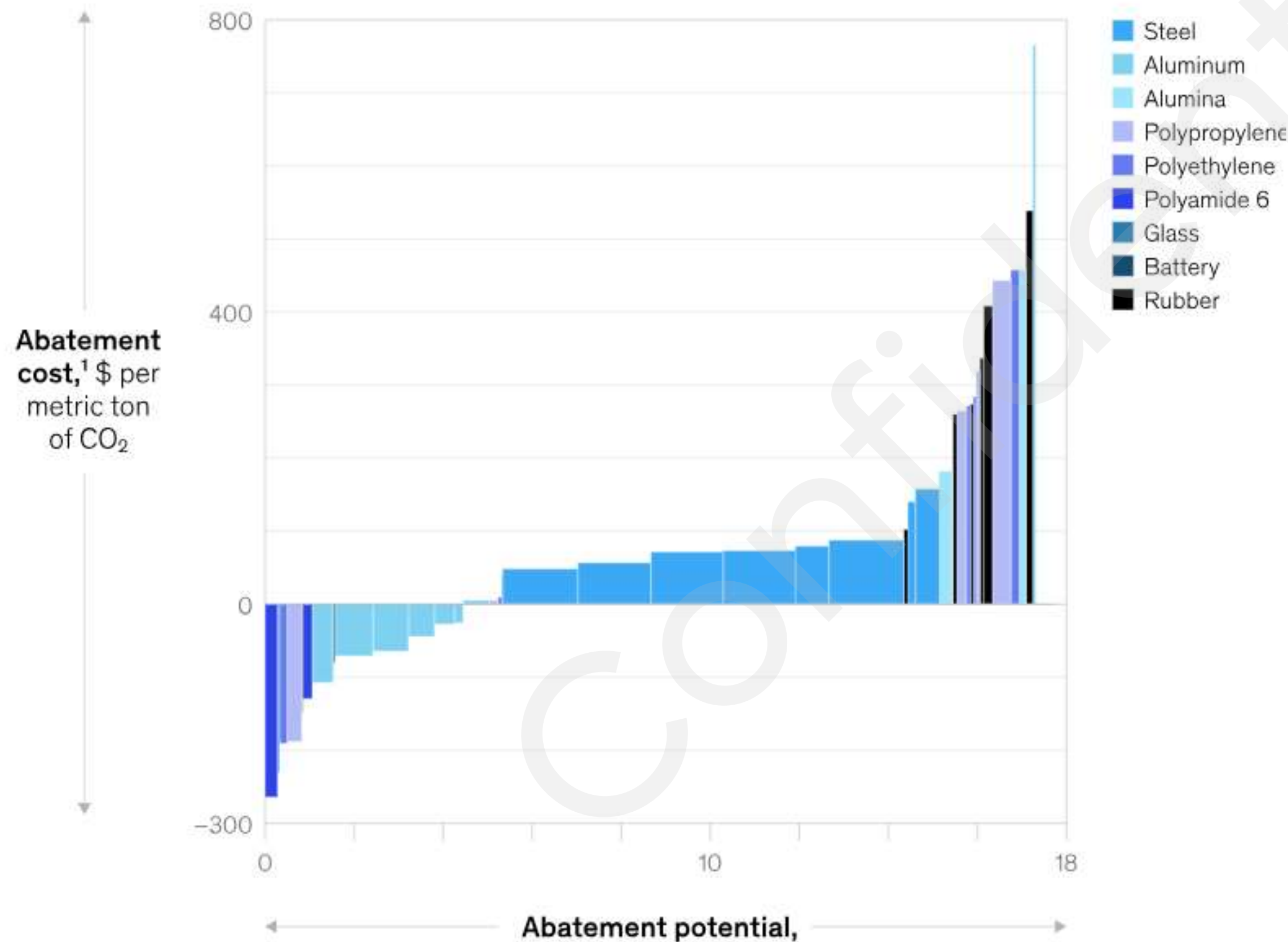
# Understanding options for decarbonising your business

Various options exist with varying costs, availability and emission reduction potential



# Assessing a net-zero plan using a Marginal Abatement Cost Curve (MACC)

A valuable tool to view the cost effectiveness of initiatives – but often doesn't paint the full picture



<sup>1</sup>Internal-combustion-engine vehicle; all carbon-reduction levers, 2030 estimate.  
Source: McKinsey analysis

Moving beyond the marginal abatement curve

- From MACC to RACC (Risk Adjusted Cost Curve)
- Quantifying the risks and opportunities provides more ammunition to support a decarbonization investment

# CASE STUDY

## AVOCADO INC.

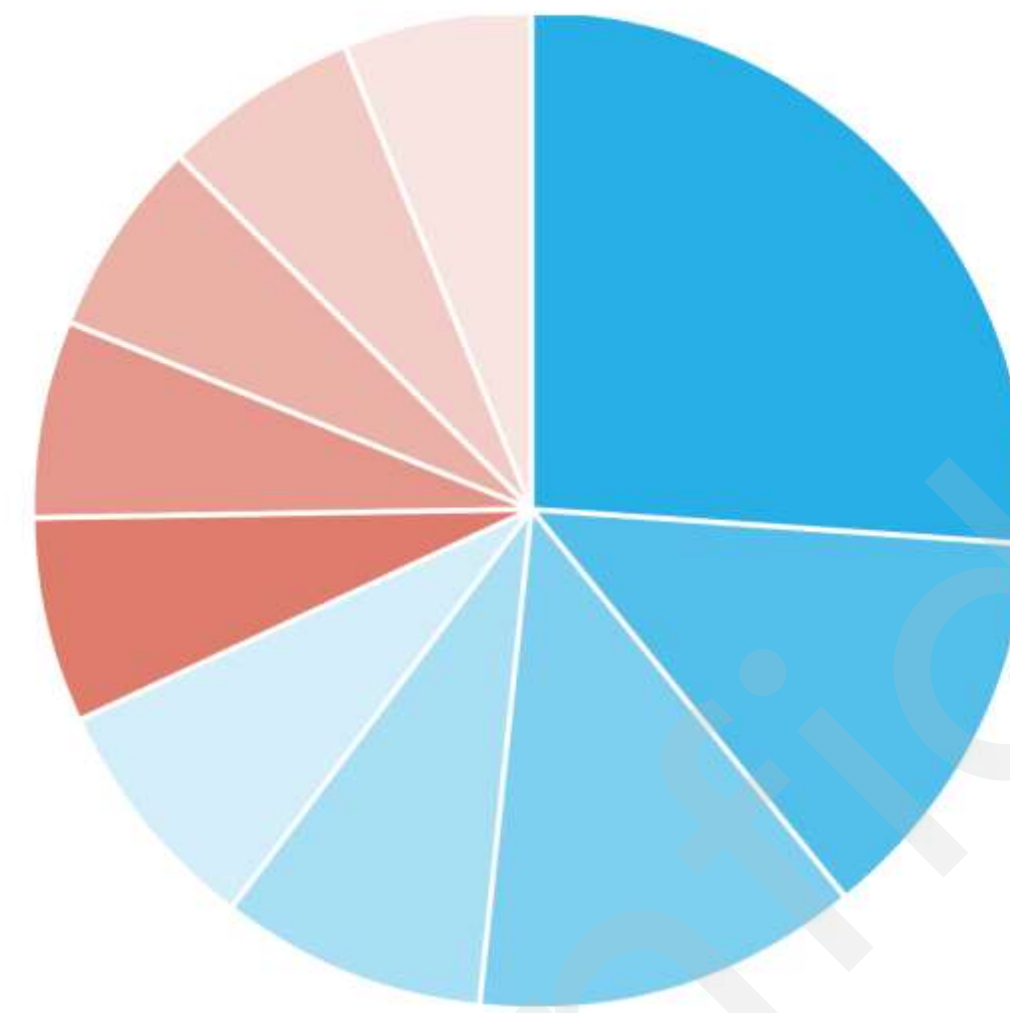
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# Avocado Inc. A global leader in food and beverage manufacturing

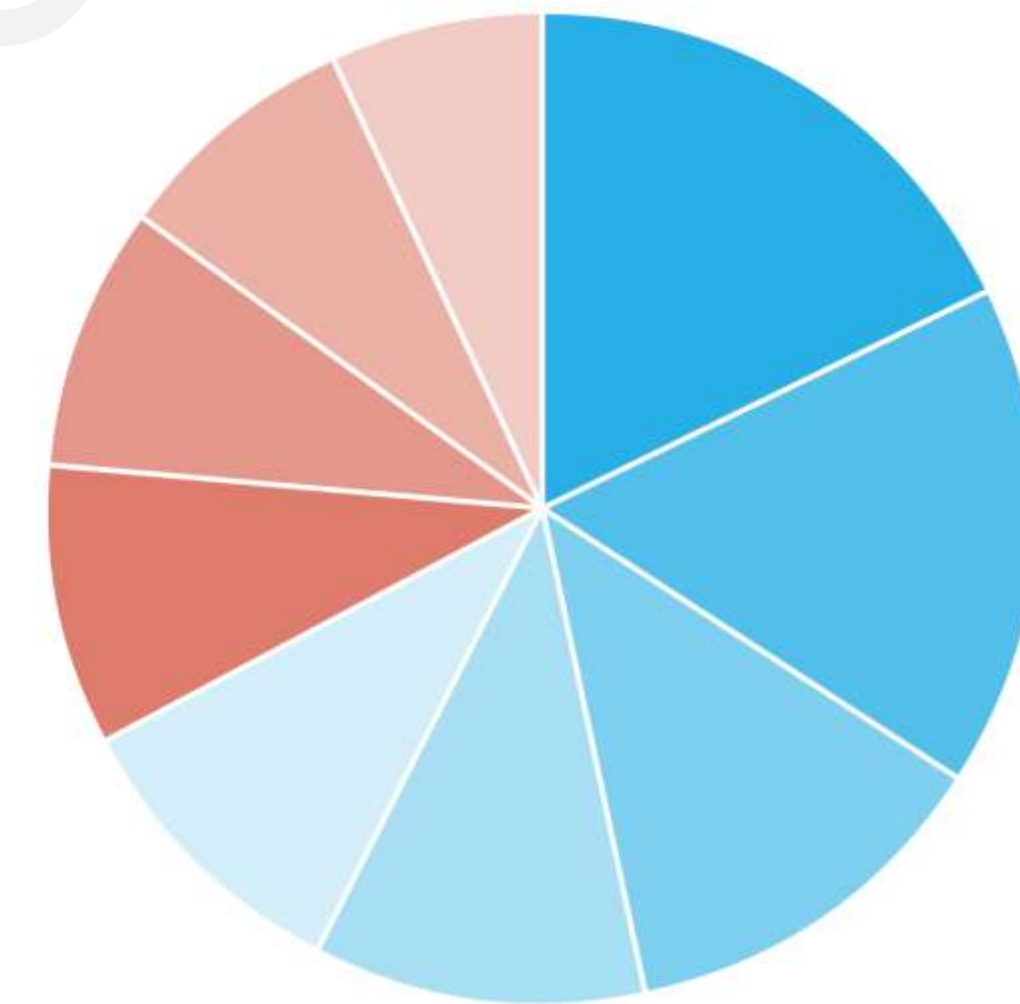
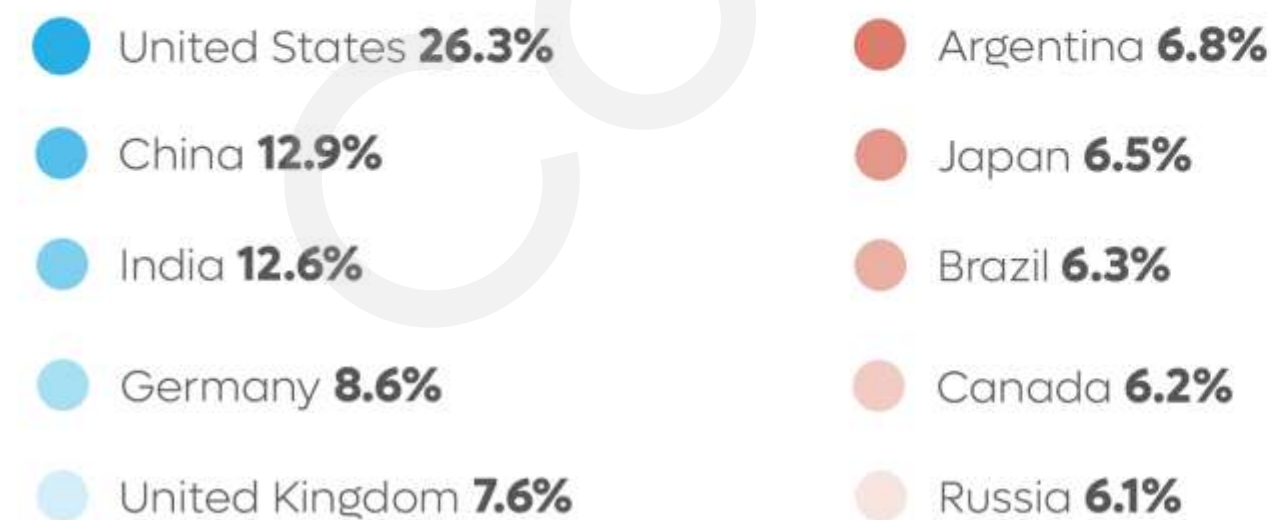
Global leader with a wide range of products sold globally, with a complex supply chain

## Key statistics:

- **\$12B** - Annual Revenue
- **\$8B** - 5 Year Earnings Value



Revenue by Country



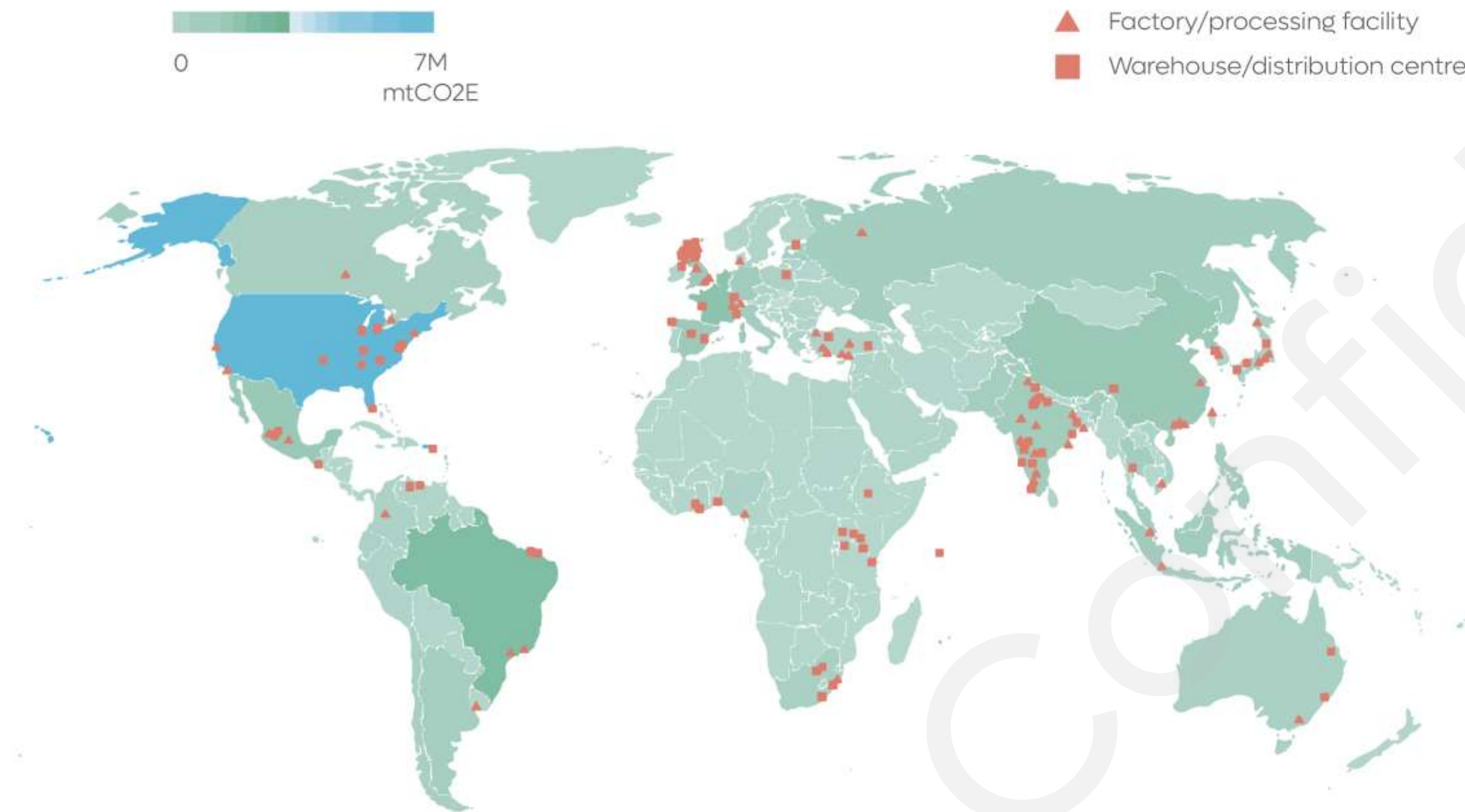
Revenue by Product



# Global operations with high emission intensity compared with peers

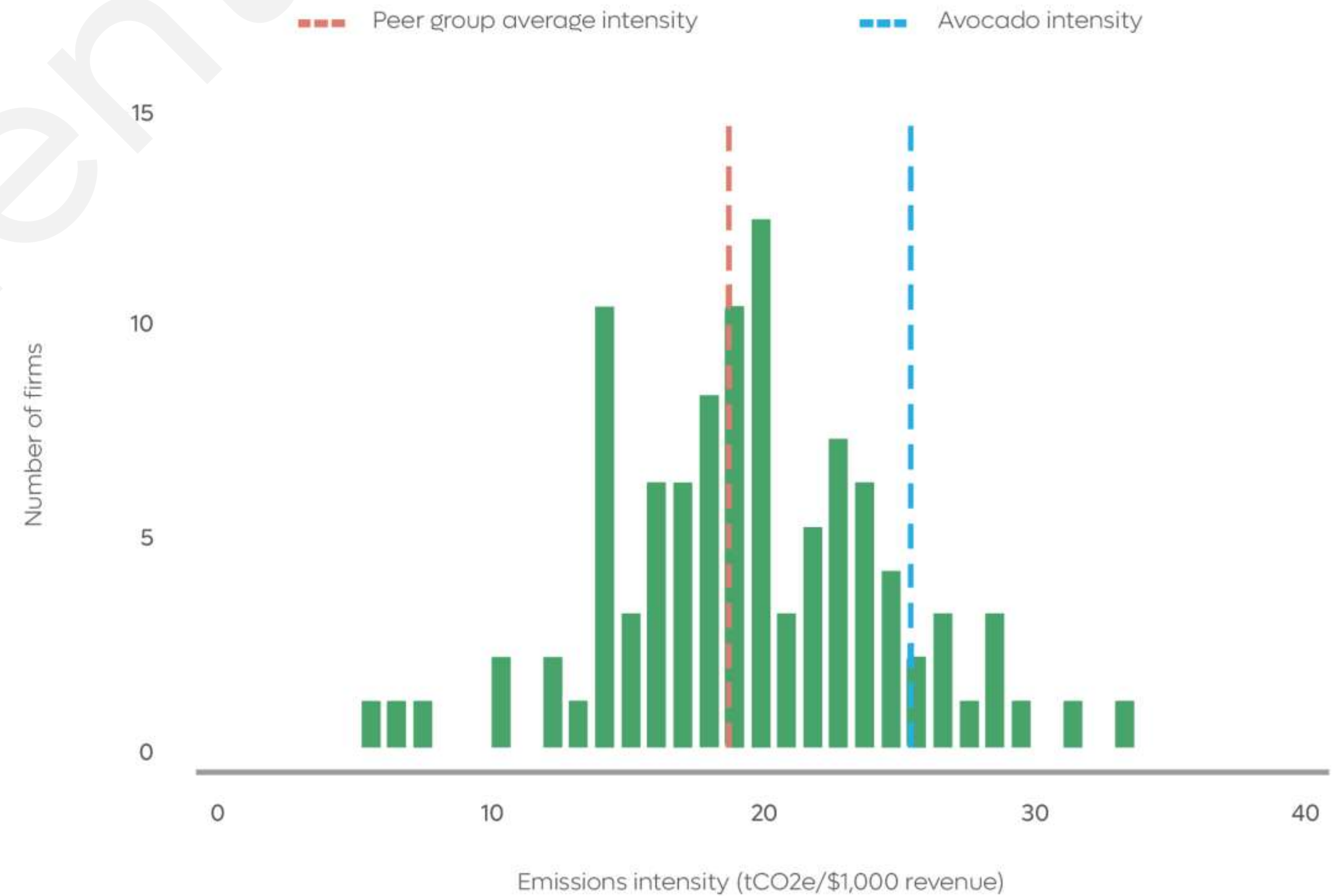
Global supply chain with emissions in >120 countries, with emissions intensity in the 75<sup>th</sup> percentile

### Scope 1, 2 and 3 Emissions by Country



\*Note: Greenhouse gas data includes total across Scope 1, 2 and 3 (upstream and downstream) emissions.

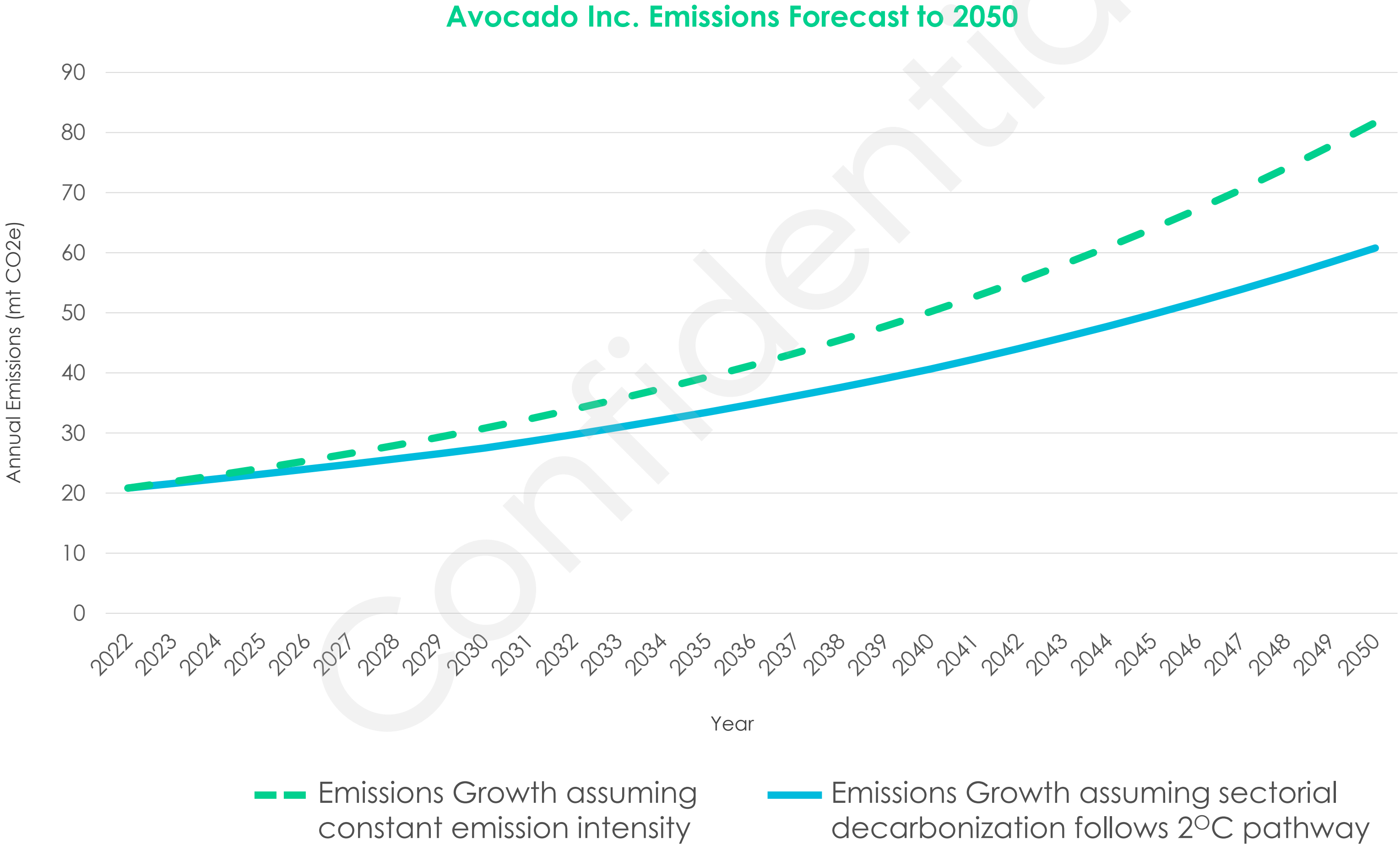
### Distribution on emissions intensity for large multinational food and beverage companies





# Emissions expected to grow into the future – unless steps are taken

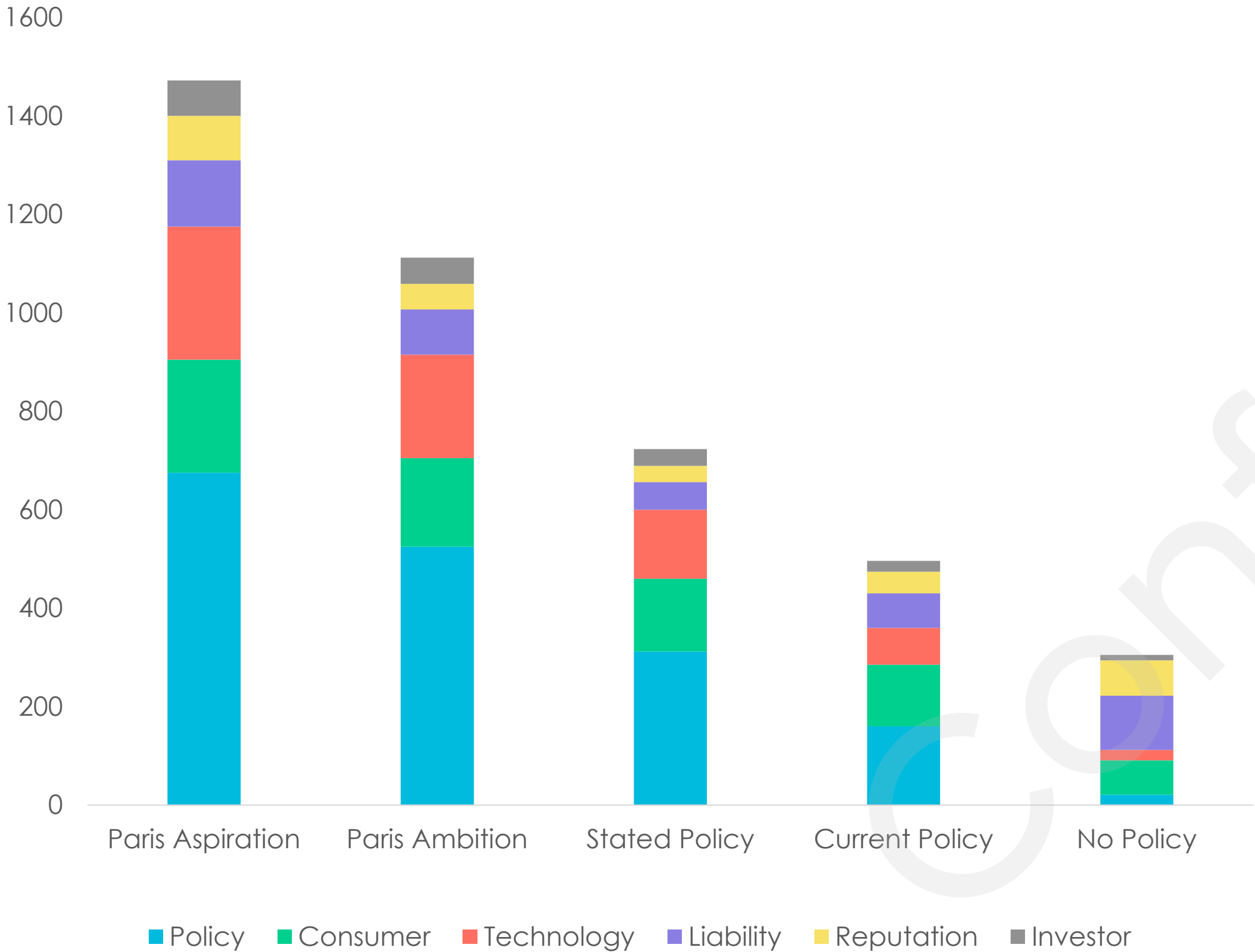
Future emissions are uncertain depending on how fast the world transitions - this assumes a current policy pathway



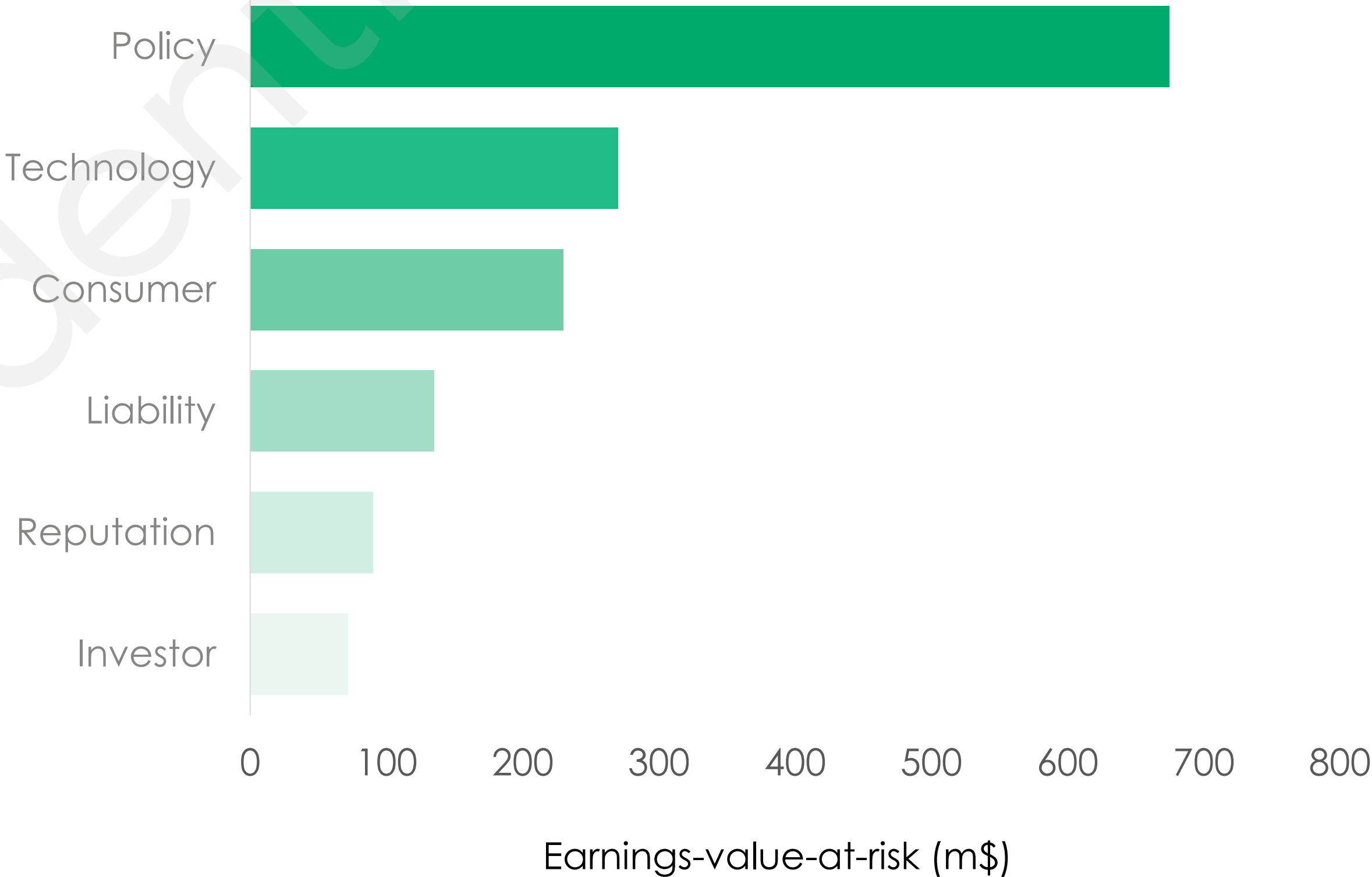
# Cost of inaction is substantial for Avocado as the world transitions

Transition risks has the potential to erode >10% of Avocado's future earnings

5-year Earnings Value at Risk by Emission Pathway



Transition risk to Avocado's earnings value over the next 5 years



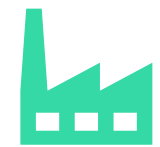
# Various options for decarbonising Avocado Inc. available

How do the decarbonisation initiatives help move Avocado towards its net-zero goals



## Nearshoring

Scope 3 Upstream Reduction 2024-2050



## Reduced Carbon Production

Scope 1 & 2 Reduction 2027-2050



## Waste, Recycling and Pack. Solutions

Scope 3 Upstream 2036-2050



## Electrification of Vehicle Fleet

Scope 1 Reduction 2030-2050



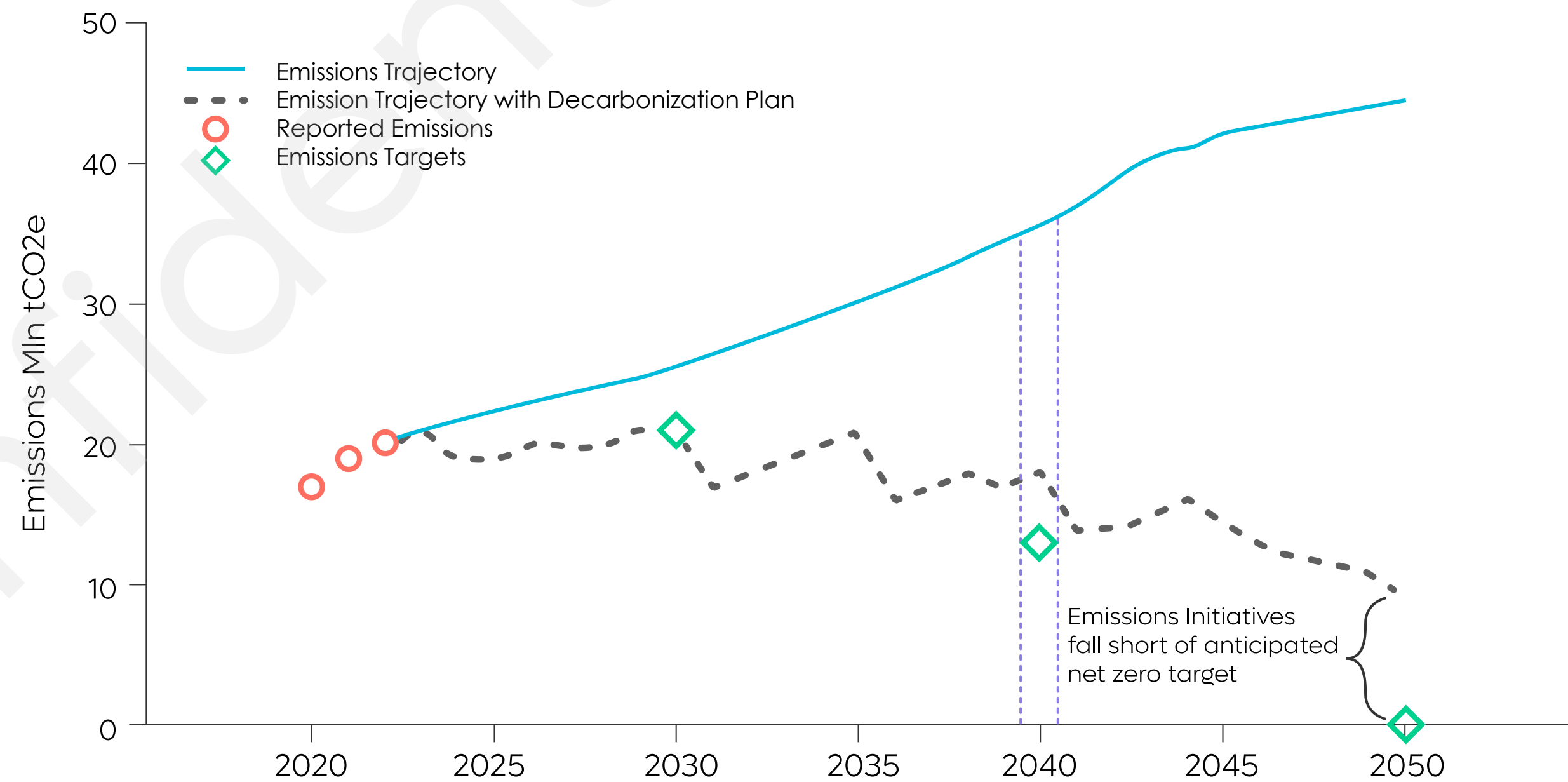
## Clean Energy 100

Scope 2 Reduction 2036-2050



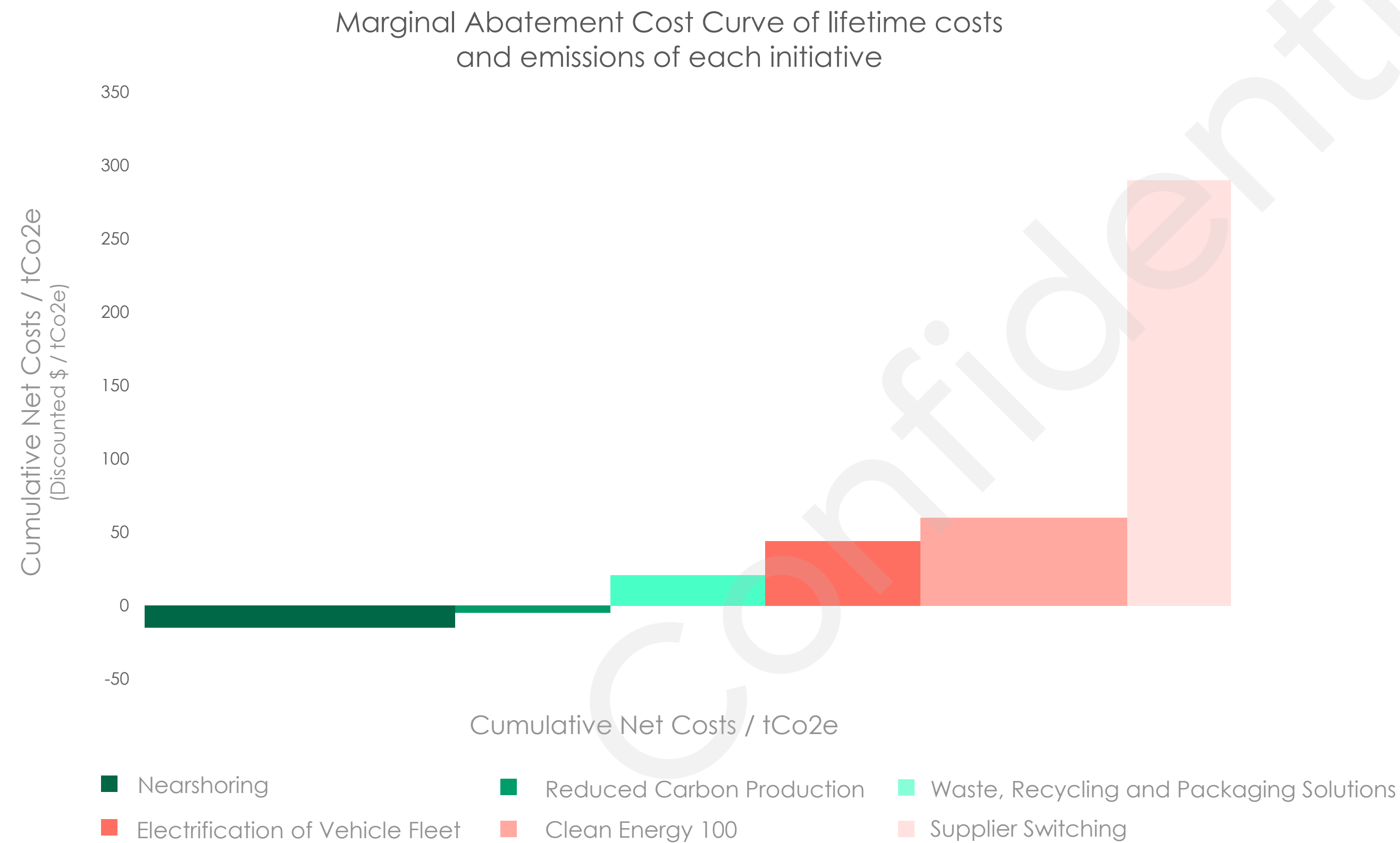
## Supplier Switching

Scope 3 Upstream 2036-2050



# Assessing the ROI based on net costs

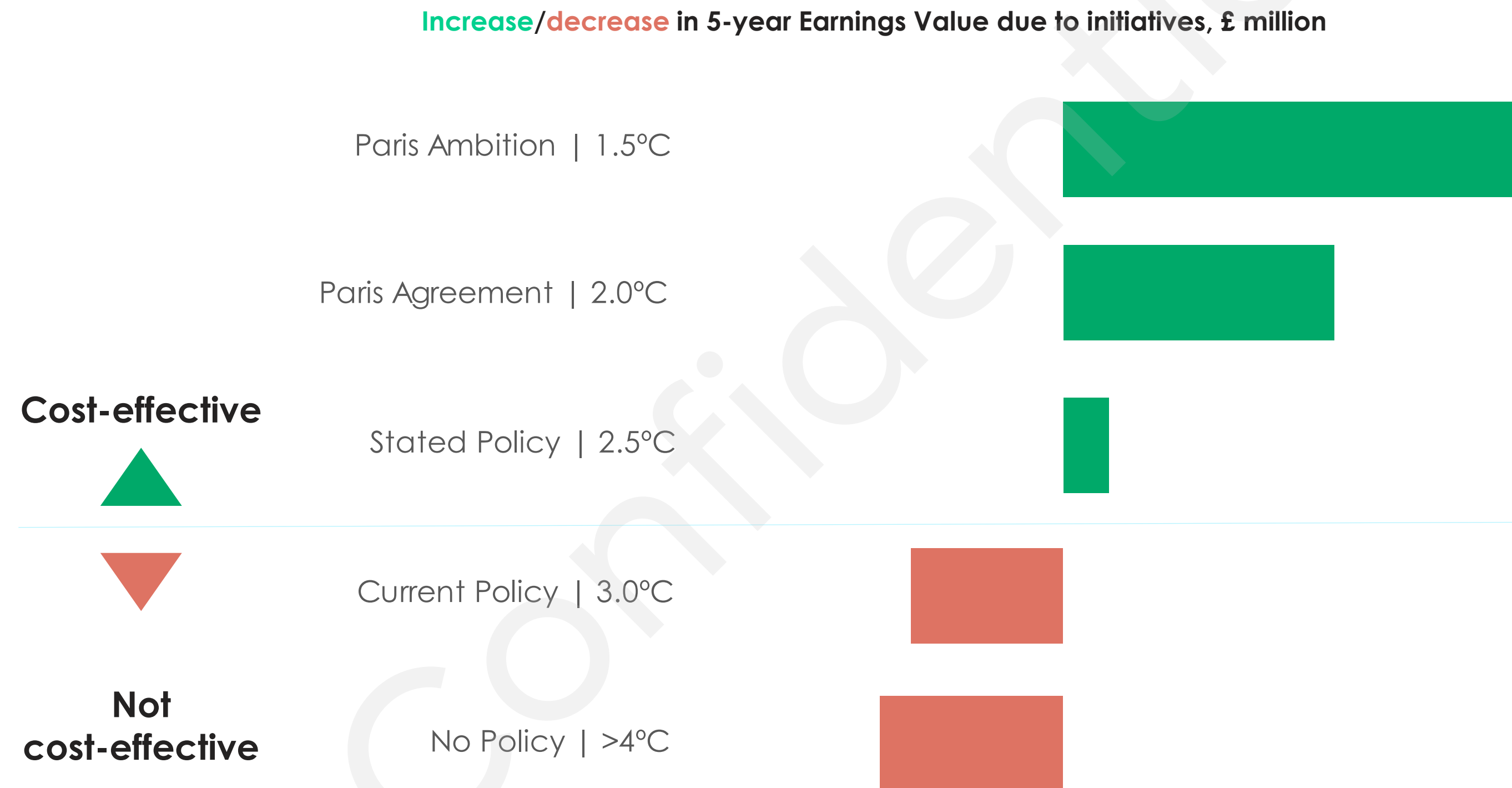
Assessing the cost effectiveness based on a MACC curve helps optimise but shows negative ROI



- Calculating the capital expenses and routine cost increases against the anticipated savings shows a negative return on investment
- Executing this plan is expected to **cost** Avocado Inc. \$250M a year in the next 5 years

# Decarbonisation Plan provides a positive earnings value

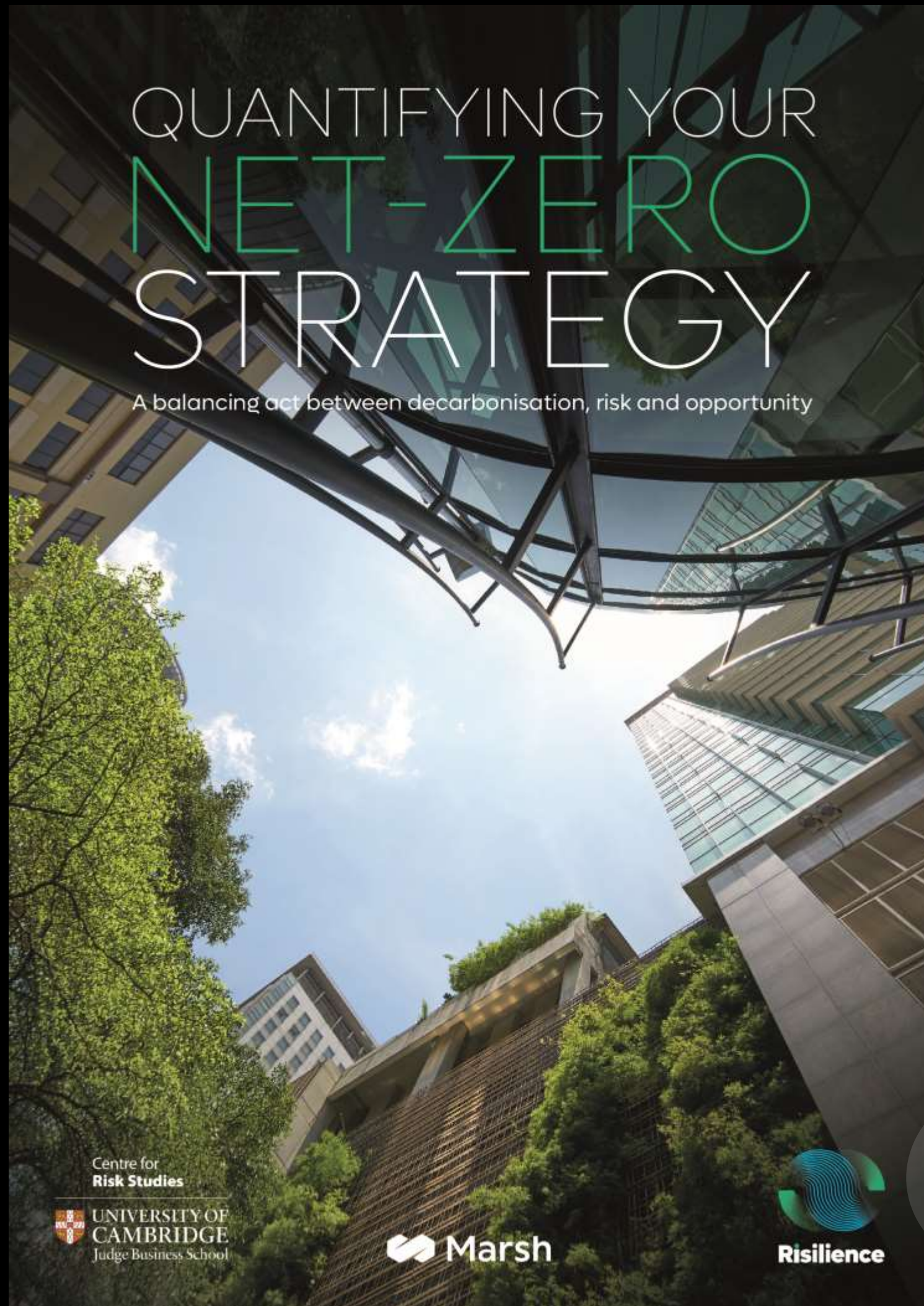
A reduction in exposure to transition risk leads to a positive return on investment – and justifies the investment



# Conclusions

- Business as usual is costly as is driving a business transformation
- Pricing the risk and opportunity contributes to building the business case

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# Quantifying Your Net-Zero Strategy

A balancing act between decarbonisation, risk and opportunity

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THANK YOU

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Risilience Sustainable Futures Conference 12<sup>th</sup> October 2023

