

Title:

Assessing the Feasibility of Corporate Net Zero Targets: An Exploratory Inquiry

Abstract:

Since the 2015 Paris Accords, pledging to achieve Net Zero emissions by mid-century has become the new norm for setting corporate climate action strategies. However, little work has been done to assess the extent to which Net Zero targets can be feasibly implemented by their issuers, given their track record in setting and meeting decarbonization targets. This thesis explores the following research question: *How can insights from a company's decarbonization track record help to assess the feasibility of its Net Zero targets?* Building on the work of Sitkin et al. (2011) on the Paradox of Stretch Targets, and MSCI's Climate Target Scorecard (Watanabe and Panagiotopoulos, 2021) this thesis develops and tests a 10-step model for estimating a company's unabated emissions post-2030. Three elements are central to the analysis: a company's track record, a target's level of ambition and a company's strategy in tackling its goals.

For the Food and Beverage industry, the model has revealed that companies are likely to overshoot on their long-term Scope 3 targets, and over-perform compared to Scope 1 and 2 targets. By extrapolating a decarbonization trajectory until 2050, the analysis has estimated that Danone and General Mills would need to spend the equivalent of 43% and 22% of their FY 2021 Net Income to achieve Net Zero in 2050, assuming a carbon removal cost of 50 EUR / ton. The two in-depth case studies from the Food and Beverage Processing sector have shown that a company's track record can indeed be used to identify feasibility gaps in decarbonization targets if it is complemented by an in-depth understanding of strategic mitigation options in a given sector. The model can be further developed by improving forward-looking analysis and by encompassing the full CDP target dataset.