Why energy and utilities companies need to act now to help save the planet, and view sustainability as an opportunity

With energy use contributing to 73% of all emissions globally, energy and utilities companies are the key players in the climate change issue

- ***Almost two-thirds (64%) of organizations say also that they have generated a revenue increase from sustainable operations and offers, with more than half of organizations investing in at least six clean sources of revenue.***

- ***However, 37% have slowed or suspended sustainability investments and initiatives due to COVID-19.***

Paris, October 5, 2020 – Energy and utilities companies with advanced sustainability[1] initiatives earn more revenue, improve brand and company valuations, and are perceived positively by investors, regulators and clients, according to a new report from the [Capgemini Research Institute](), "[Powering Sustainability: Why energy and utility companies need to act now and help save the planet]". The report also found that the sector is diversifying into clean sources of revenue, however energy-related greenhouse gas (GHG) is currently contributing 73% of all emissions globally[2], and more needs to be done for companies to become sustainable to also help the whole economy to mitigate the climate risk.

With the Green packages (European Green Deal for instance) and other carbon related regulatory deadlines looming, failure to act is becoming expensive. In the face of this, large organizations are leading the way towards sustainability, declaring clear and ambitious goals for reducing or eliminating carbon from their company's value chain, with European major Utilities showing the way. Capgemini surveyed 600 senior industry executives across 300 organizations and found that energy and utilities companies are moving from viewing sustainability as a threat to seeing it as a 'raison d'être' as well as an opportunity, and are moving fast securing a "license to operate[3]" to playing a critical role in transitioning to clean energy.

With sustainability at the core of operations, close to two-thirds (64%) of organizations say that they have generated a revenue increase from sustainable operations, with more than half of organizations investing in at least six clean sources of revenue, including green hydrogen (59%). Other benefits of these sustainable investments include enhanced brand value through to positive environment, social, and governance (ESG) perception.

Barriers to progress remain
Despite this progress, energy and utilities organizations still struggle to convert intention into reality. While 57% said they had a mature approach – meaning sustainability initiatives deployed widely throughout the organization and to the benefit of their clients in terms of environmental responsibility. This relatively strong maturity does not reflect in other areas.

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[1] The United Nations definition of sustainable development strives to strike a balance between the present and the future: "Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs

[2] Climate Watch, "Historical GHG emissions" https://www.climatewatchdata.org/ghg-emissions?end_year=2016&start_year=1990 accessed 23 September 2020

[3] Grant of permission to undertake a trade or carry out a business activity, subject to regulation or supervision by the licensing authority.

When it comes to reducing emissions, the report reveals that less than half of organizations (42%) have mature practices in place for reducing Scope 1 emissions[4], and only 3% having mature practices for tackling Scope 3[5] emissions.

The ongoing COVID-19 crisis represents another challenge. While overall the pandemic has caused the global decline of CO2 emissions (of 2.4 Gt) at the fastest rate since 2010, they need to decline another 60% to ensure that, by 2050, temperature rises are kept below 1.5 to 2°C of pre-industrial levels. As a result of COVID-19, 37% of survey participants said they have slowed the pace of sustainability investments considerably.

Within the context of the Paris Agreement to limit global warming, the report found that just 6% of energy and utilities organizations are currently on track to meet these targets. And three in five organizations say that they will either be unable to meet or are unsure whether they will meet the Paris Agreement targets.

"While progress has been made in the sector, it is clear that energy and utilities organizations need to do more to curb the harmful impacts of climate change and accelerate their sustainability programs," said Philippe Vié, Global Head of the Energy and Utilities sector at Capgemini, *"Setting an ambitious strategy and vision is one thing – but delivering against it is a major challenge, notably on emissions - scope 3. To prepare for the future, organizations need to recognize that for true impact and change, they must upgrade their models to meet the demands of a sustainable world and seize the full potential of technologies to deliver on ambitious targets."*

The report highlights a series of key recommendations for energy and utilities organizations to prepare for a sustainable future. Organizations need to begin by radically transforming their business models by progressively curtailing capital investments in fossil-fuel businesses for growth, creating a roadmap to phase out existing emissions-intensive assets, and diverting capital into renewables and low-emissions operations. They also need to maximize the use of and investment in renewables, use technology to accelerate the sustainability journey, offer low emissions/clean energy solutions to customers to reduce Scope 3 emissions and scale social inclusion and economic sustainability efforts.

In reaching ambitious sustainability goals, technology has proven useful: a combination of deep and digital technologies like IoT, automation, data analytics, hydrogen and storage technologies, electrification of uses – as well as Artificial Intelligence/Machine Learning – are the top-ranked technologies that energy and utility companies are investing in. More than half (55%) of companies have collaborated with established technology firms to bring new ideas and practices to their sustainability agenda. Yet despite these potential benefits, the extent to which global organizations have achieved scale with tech-related use cases is low.

Philippe Vié concludes: "*In the 'decade of delivery', aiming low is a mistake, given the huge transformation required to meet the Paris Agreement targets, and the EU player mandate on Energy Transition. For energy and utilities organizations, the message is simple: the scale of the challenge is huge and continues to grow further. Companies that do not act with urgency face loss of revenue, alienated investors, and heightened risk of losing their social license to operate. Incumbents need to take bold steps now: setting out a clear path to sustainability, with well-defined goals and determined action. The cost of inaction is huge, while the right steps can future-proof companies' business models for decades."*

To read a full copy of the report and its recommendations, click here.

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[4] Scope 1 greenhouse gas emissions are direct emissions released to the atmosphere from owned or controlled sources. Production of electricity by burning coal is an example of scope 1 emission.

[5] Scope 3 emissions are indirect greenhouse gas emissions other than scope 2 emissions that are generated in the wider economy. They occur as a result of the activities of an entity, but from sources not owned or controlled by that entity's business. Some examples are extraction and production of purchased materials, transportation of purchased fuels, use of sold products and services. Scope 3 also includes emissions associated with contracted solid waste disposal and wastewater treatment. Some Scope 3 emissions can also result from transportation and distribution (T&D) losses associated with purchased electricity.

Research methodology

Capgemini conducted a survey of 600 executives across 300 organizations in 17 countries/regions. Each organization was represented by one sustainability executive and one business executive in the energy and utilities sector: Countries/regions included: US, Canada, UK, Nordics (Denmark, Finland, Iceland, Norway, Sweden), France, Germany, Netherlands, Italy, Spain, Australia, India, China, Brazil. Capgemini also conducted 10 interviews with sustainability and industry experts to understand their approach towards sustainability, its benefits, challenges, and leading practices.

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