



# BDO Carbon Advisory Services

Helping you succeed in a net-zero world

The net-zero transition is a major strategic risk and opportunity for business. Almost 90% of the world economy is now covered by government net-zero targets. The transition will disrupt markets and companies need to adapt to remain competitive.

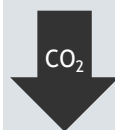
## How can I achieve net-zero?

Decarbonising your business requires a thorough understanding of your emission sources, operations and business strategy. Whilst short-term measures are often readily identifiable, designing the optimal medium-to-long term strategy can benefit from scenario analysis and business model innovation.

## Why should I be thinking about this now?

**Early action is the most effective mitigation to climate risk:**

- ▶ Reduce transition costs by aligning capital investment programmes with asset investment cycles and future carbon taxation
- ▶ Legal and reputational risk relating to historical emissions can be reduced by efforts to decarbonise today
- ▶ Remaining competitive in a market increasingly defined by climate concern and net-zero policy requires early and sustained action
- ▶ Greenhouse gas (GHG) reporting requirements are expanding to encompass many businesses with little or no prior experience of GHG reporting. Developing mature, good quality reports takes time
- ▶ Demonstrating a clear vision for the net-zero transition can have an immediate positive impact on your brand.



## What is net-zero?

Net-zero is a state where all greenhouse gases (GHGs) released to the atmosphere are balanced by those removed from the atmosphere. For businesses it requires reducing full value chain GHG emissions by at least 90% by 2050 and balancing residual emissions with GHG removals.

From the SBTi Net Zero Standard

We offer:

### Measurement and monitoring

- ▶ Greenhouse Gas Protocol aligned Scope 1, 2 and 3 assessment
- ▶ GHG data improvement and data systems.

### Analysis

- ▶ GHG forecasting and scenario analysis
- ▶ Decarbonisation initiative business cases and cost optimisation.

### Decarbonisation and net-zero transition

- ▶ Target setting and Science Based Targets initiative (SBTi) Net Zero Standard support
- ▶ Carbon reduction plan and transition plan development
- ▶ Net-zero roadmap and strategy development.

### Reporting and disclosure

- ▶ Preparation for climate-related disclosure requirements
- ▶ Integration of GHG reporting within environmental, social and governance (ESG) disclosure.

### Assurance

- ▶ GHG assurance and verification.

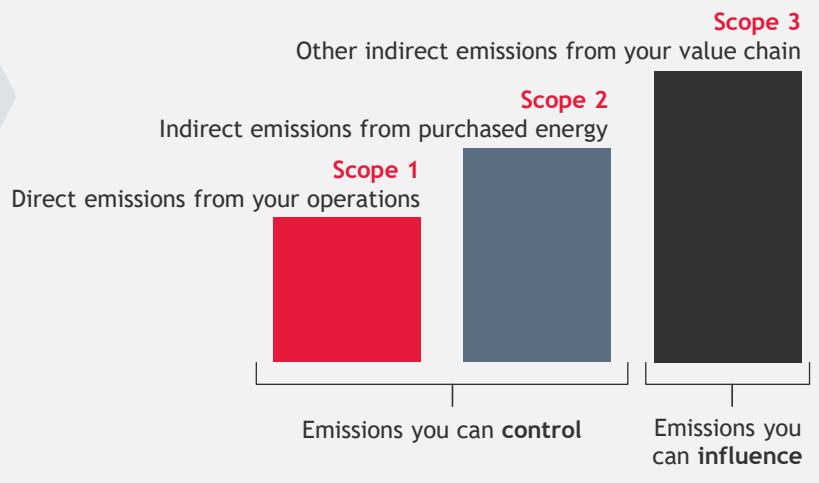
Whatever the stage of your decarbonisation journey, we can help you:

- ▶ Understand the nature and scale of the risks/opportunities and how to respond
- ▶ Prepare for and deliver decarbonisation within your operations and wider value chains
- ▶ Realise low carbon business opportunities
- ▶ Optimise capital programmes to upgrade infrastructure and equipment
- ▶ Demonstrate the veracity of your data and credibility of your plans
- ▶ Comply with applicable legislation and standards
- ▶ Communicate your plans effectively.

# Carbon accounting

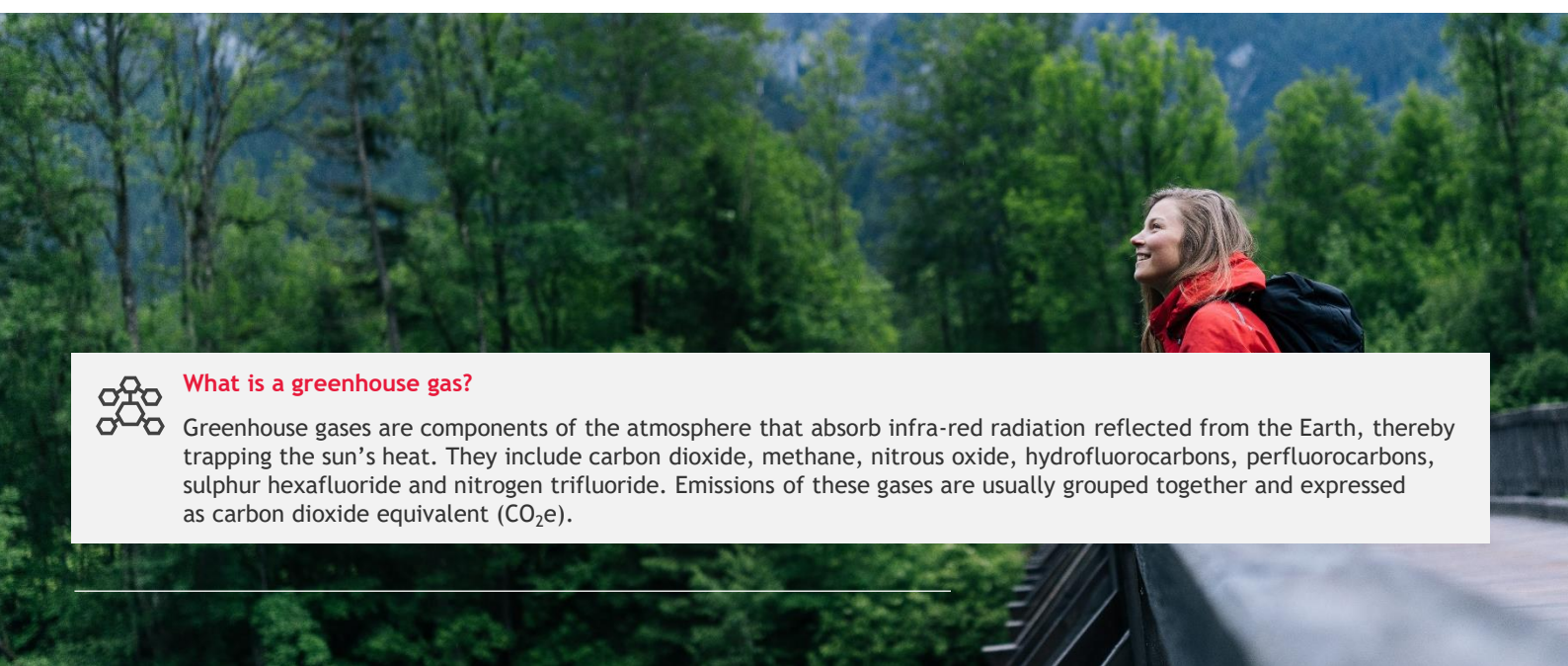
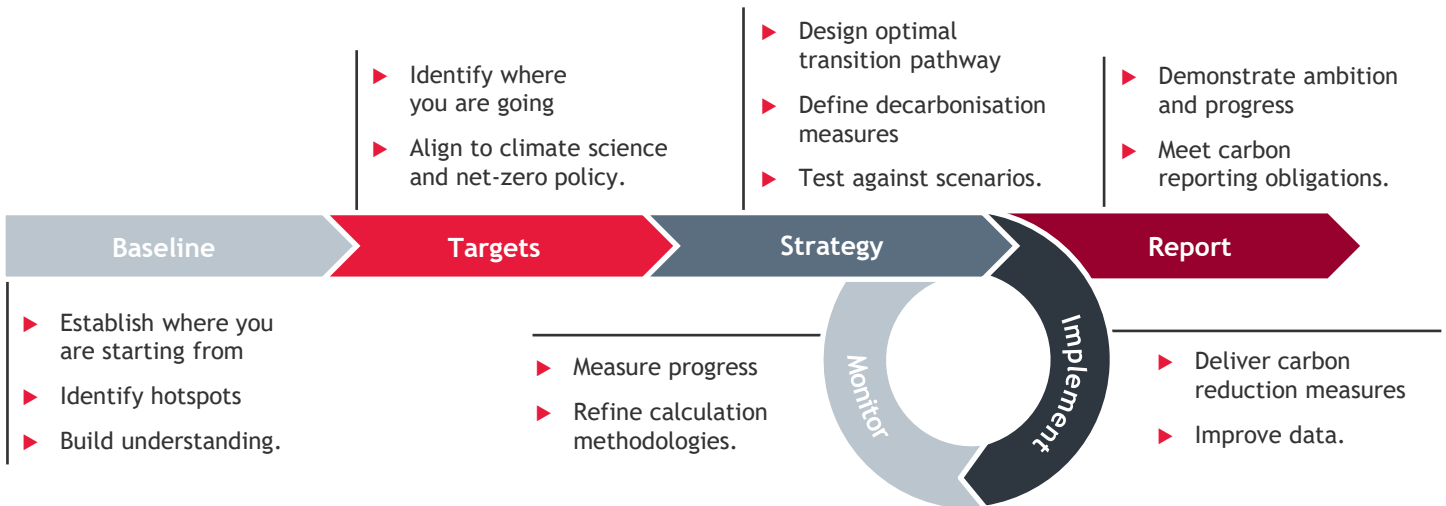
## Scopes 1, 2 and 3

The GHG Protocol accounting standards group emissions into three scopes. These encompass all the emissions you cause throughout your value chain including both those you control and those you can influence.



## Where should I start?

To navigate the net-zero transition effectively you need to look backwards to understand your baseline, and forwards to set targets and develop a strategy. Of course, you then need to implement your strategy, monitor performance and you may need to report. This logical flow is illustrated below:



## What is a greenhouse gas?

Greenhouse gases are components of the atmosphere that absorb infra-red radiation reflected from the Earth, thereby trapping the sun's heat. They include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. Emissions of these gases are usually grouped together and expressed as carbon dioxide equivalent (CO<sub>2</sub>e).

# Net-zero transition

The transition affects everyone, yet many organisations are yet to explore viable net-zero pathways. Even those with market-leading strategies face a high degree of uncertainty.

Effective transition planning can equip your business to navigate successfully through a period of disruptive change associated with net-zero, reducing the risks and realising the opportunities.

## How can I optimise the transition to net-zero?

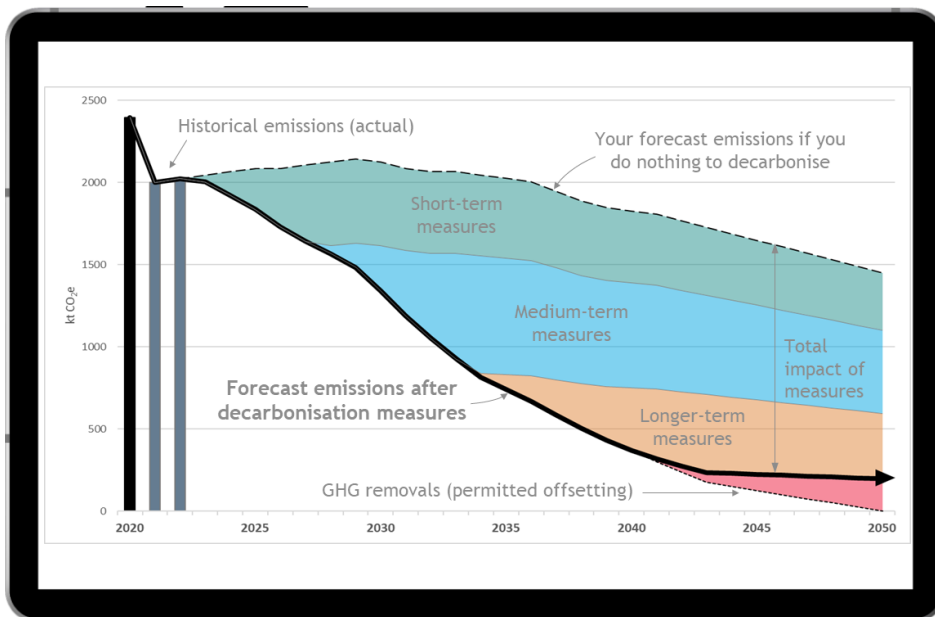
Achieving net-zero requires buy-in from multiple business functions, from HR to procurement, facilities, operations and finance. A plan should address all the emissions in your value chain and include a wide range of measures addressing all the material emissions categories. The most credible plans are informed by modelling the impact of initiatives over time, enabling organisations to prioritise and shortlist initiatives effectively.

**Short-term measures** are typically no/low-cost initiatives with few barriers preventing implementation, for example behaviour change programmes.

**Medium-term measures** include invest-to-save and invest-to-grow initiatives and typically require capital investment to achieve emissions reduction. Initiatives

can include property upgrades, for example solar panels, or product, process and business model innovation.

**Longer-term measures** are typically solutions-to-watch for future decision making. Initiatives can include emerging technologies and their potential applications like hydrogen.



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## Which businesses are required to publish a plan?

Companies wishing to tender for UK government contracts over £5m must have a carbon reduction plan aligned to PPN 06/21. Requirements for UK large and listed companies could be introduced following the launch of the Financial Conduct Authority's Transition Plan Taskforce (TPT) standard.

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