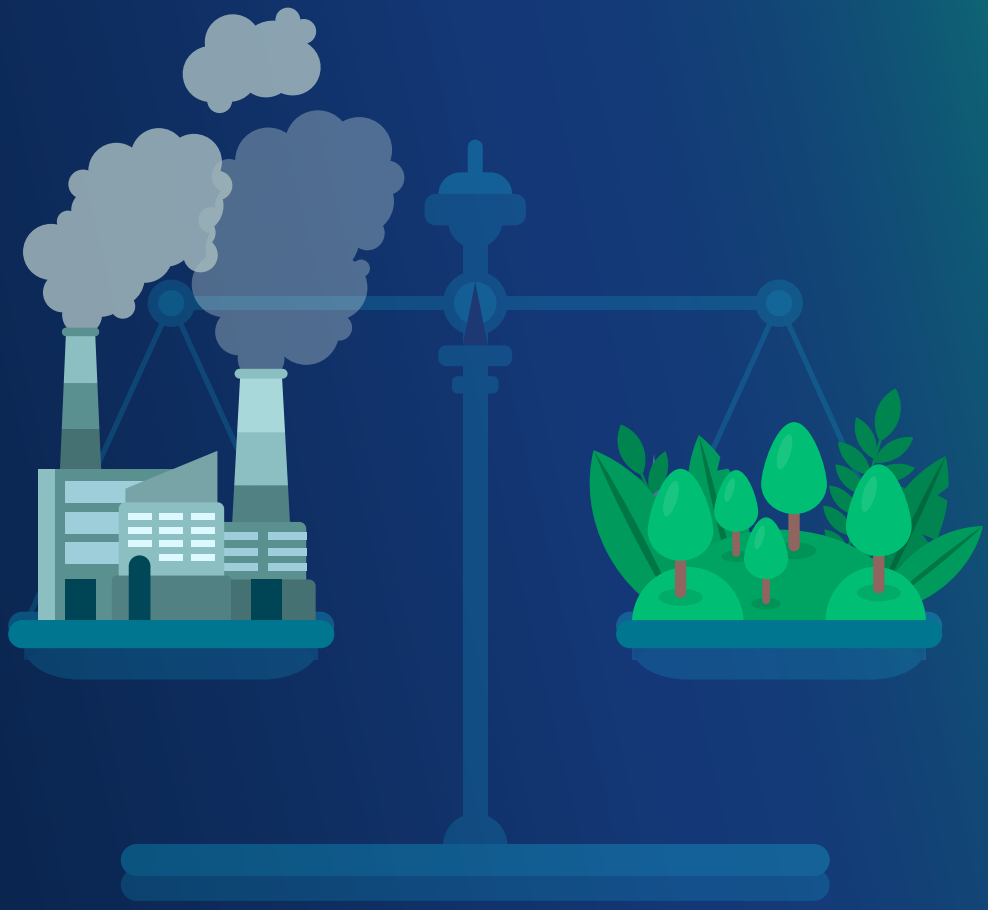
Carbon offsetting in 2023

A CHIEF SUSTAINABILITY OFFICER'S GUIDE TO THE MARKET



January 2023

FOREWORD

How CSOs will manage carbon, meet regulations, and keep their jobs: With data

Today, the rise of sustainability as a corporate initiative is exceeded only by fundamental changes in the expectations and actions of business stakeholders.

- After COP26, 60 FTSE 100 companies committed to reach net-zero carbon emissions by 2050.
- Climate action failure and biodiversity loss rank as 2 of the top 3 business risks in the 2022 Global Risks Report published by the World Economic Forum.
- Barron's found that customers tend to support businesses with sustainability results.

CEOs are creating senior roles to manage their sustainability initiatives "to not only monitor but also improve their performance," says Harvard Business School associate professor, George Serafeim, in Forbes.

These newly minted CSOs must navigate a path of complying with regulations and finding efficiencies that save money. At each stage, the business plans that deliver insights, inform decisions, and build accountability all need data — clear baselines and ongoing measurement. Many are buying carbon credits to offset carbon emissions at their organizations, causing the carbon credit market to grow 164% in 2021 to record highs.

Survey structure and methodology

Here, then, is data to help CSOs and all executives in similar roles understand how their peers are approaching carbon management. It was drawn from a survey of 533 mid-level and senior executives who make sustainability decisions for their organizations. They employ more than 500 people in 19 industries around the world. Geographic distribution of the respondents was 40% in the U.S., 40% in the U.K., and 20% in Canada. The survey was conducted November 10-23, 2022.

Abhishek Singh
Co-Founder and CEO
AIDASH

We all need CSOs to beat the existential threat of runaway carbon emissions

1.5°
Earth temperature shift
UN COP27 wants to avoid

3,000%
Rise in carbon credit costs
projected by 2029

£300 million
Savings by utilities by 2035
if they capture carbon
on only 10% of their land

To avoid irreversible climate change if carbon emissions continue to rise, the United Nations' COP27 meeting in November 2022 urgently sought agreement among the world's leaders to act.

Businesses have an enormous opportunity to manage carbon emissions and perhaps all sustainability challenges. Many offset their carbon emissions with carbon credits. However, the cost of these credits is highly volatile, prompting many organizations to consider new technologies to measure carbon capture on their own lands.

Governments are passing legislation with standards, goals, and deadlines. As societal expectations grow, businesses must start now to meet new and future regulation mandates. The first fundamental step is to track progress by gathering accurate baseline data for the full company-wide carbon footprint.

An evolving issue surrounds data standardization, but here, too, development is active and ongoing. The International Organization for Standardization (ISO) has announced its Net Zero Guidelines to bring standardization to a "fragmented net-zero governance landscape." A collaboration among ISO, the United Nations, and Oxford Net Zero, the guidelines offer a common reference for collective efforts to reach net-zero.

Survey says:
Despite initial successes, CSOs face major risks

There's no question that organizations around the world are embracing sustainability and carbon management. And the survey shows that biodiversity is rising in prominence within the plans of CSOs.

However, there are real and immediate issues that affect sustainability outcomes. Despite the popularity of carbon offsets for carbon emissions, CSOs don't entirely trust them and seek a trustworthy mechanism to validate them. Nevertheless, offsets seem to be the only solution for more than half the CSOs, who must use them to offset the majority of their emissions.

Hindering these best of intentions is the confusion of data. CSOs report major challenges from the lack of accepted reporting frameworks combined with the difficulty of comparing, say, electricity impacts with airline impacts.

See for yourself.

1 **Sustainability and carbon management are now mainstream**

- **79%** CSOs are already accountable to their boards and/or publics.
- **98%** CSOs do more emissions reduction than the law requires.
- **56%** CSOs have net-zero targets on or before 2030.

2 **CSOs don't trust carbon offsets but use them anyway.**

- **41%** Don't use carbon offsets because they don't trust them enough.
- **43%** Are using or exploring rating agencies to validate their offset credits.

Survey says:
Despite initial successes, CSOs face major risks

3 **CSOs can't control GHGs to meet 2030 net-zero goals.**

56% Have no direct operational control over the majority of their greenhouse gas (GHG) emissions.

43% Use carbon offsets for hard-to-reduce GHG emissions alongside direct measures.

5 **CSOs say biodiversity is the next big thing.**

66% Already have biodiversity positions.

14% Plan to create biodiversity positions.

24% Include biodiversity impact in their environmental strategy.

4 **CSOs are stifled by needless data complexities.**

89% Use KPI metrics to track progress.

Data issues are the **top 3** challenges to reaching net-zero goals:

26% Collating reference data such as electricity, airline emissions.

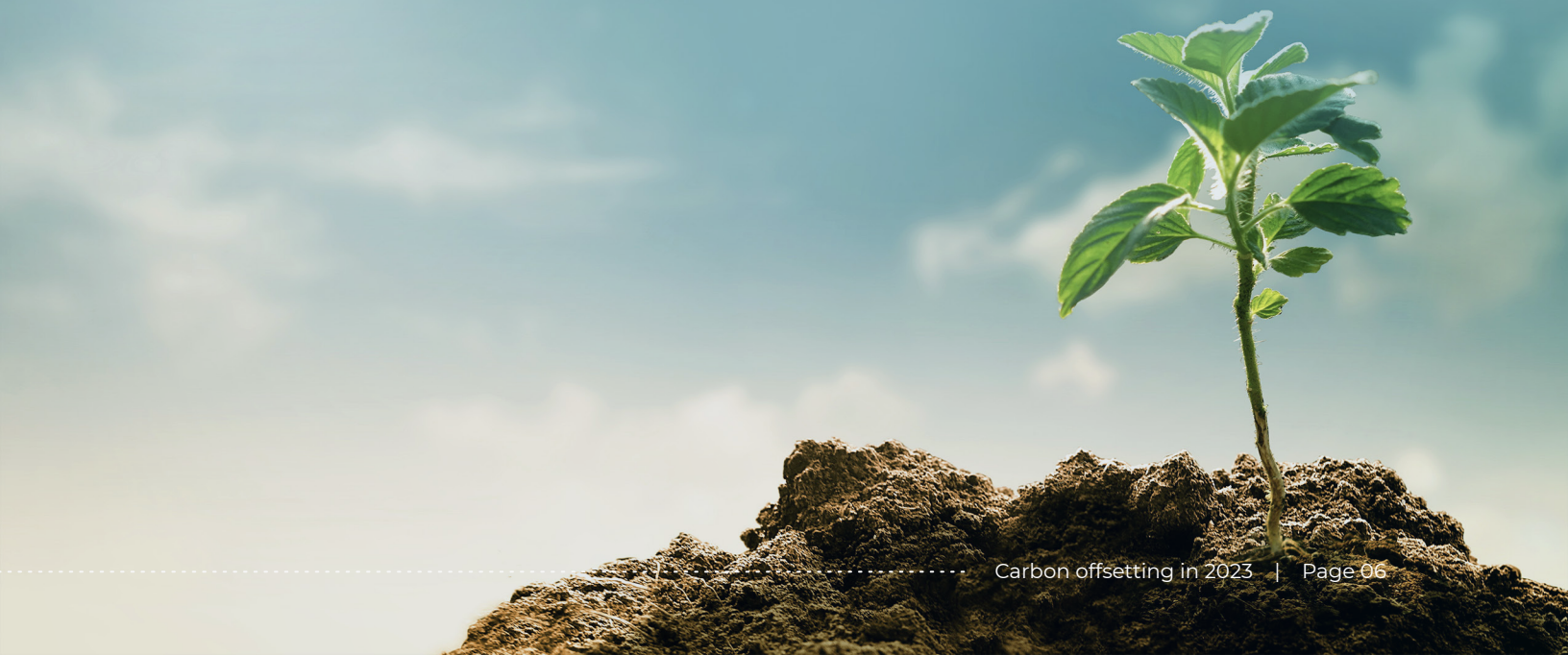
19% Lack of common reporting frameworks.

18% Difficulty collating internal information.

What's next? A fresh perspective for CSOs to manage carbon

Clearly, the world's businesses are responding to the demands of society — shareholders and customers — as well as the requirements of the environment. These organizations' dependence on carbon offsets to meet the fast-approaching 2030 deadline they've set themselves for reaching net-zero is understandable and fraught with risk. As many organizations try to purchase these credits, the cost will skyrocket.

What's needed is rethinking carbon management itself. The promise of innovation is alive in recent technological advancements. With simpler, more affordable, and varied carbon management solutions, chief sustainability officers may be able to reduce or even eliminate their third-party carbon credits, lowering the potential risk of carbon-offset price increases. By unlocking the untapped value in their existing landholdings, companies can maximize their carbon capture themselves and improve their local environments.



Let's create a greener, cleaner, safer planet from space

AiDash is an AI-first vertical SaaS company on a mission to transform operations, maintenance, and sustainability in industries with geographically distributed assets by using satellites and AI at scale. With access to a continual, near-real-time streams of critical data, utilities, energy, transportation, water and wastewater, and other core industries can make more informed decisions and build optimized long-term plans, all while reducing costs, improving reliability, and achieving sustainability goals.

To learn more about how AiDash is helping core industries become more resilient, efficient, and sustainable, visit www.aidash.com.

www.aidash.com

#satellitepowered