

# THE STATE OF DECARBONIZATION

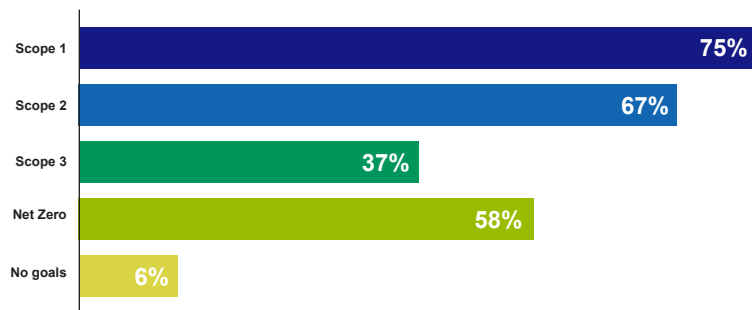
## A CLOSER LOOK AT THE INDUSTRIAL SECTOR

The State of Decarbonization Report includes results from a variety of organization types. With this special addendum, let's dive deeper into results for the industrial sector. While these operators face the same challenges and look to the same solutions as their peers in the commercial, institutional, and government sectors, it can be said that their issues are magnified thanks to the size of their energy load, as well as by outside scrutiny of operations in cases where these manufacturers are public companies. As a result, this sector is often ahead of its peers in other sectors – though challenges and solutions are often similar.

### EMISSIONS REDUCTION GOALS

**Q:** Which best describes your organization's emissions reduction goal? (Select one only)

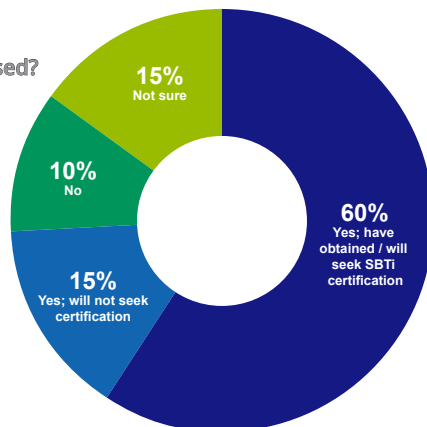
Industrial operators are farther along the path in setting emissions reduction goals than their peers in other sectors. In each case, results for industrials are at least 15 percentage points higher than for total respondents. Only 6% of industrial respondents have set no goals.



### SCIENCE-BASED TARGETS

**Q:** Is your goal science-based?

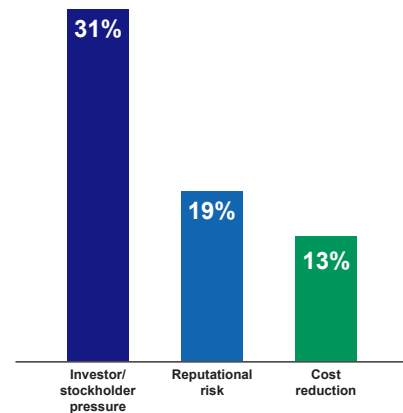
Among industrial respondents who have set goals, a total of three-quarters (75%) expressed interest in science-based targets, with the overwhelming majority – 60% – working with SBTi for certification and only 15% expressing no interest in this certification.



### TOP DRIVERS

**Q:** Which of the following is the SINGLE MOST IMPORTANT driver behind your organization's pursuit of decarbonization strategies? (Select one only)

Pressure from investors or stockholders is the single most important driver of decarbonization strategies within the industrial sector. At 31%, this result is much higher than the 10% posted by total respondents including all sectors, and is due to the fact that industrial and commercial operators are more likely to represent public companies than private institutions and government sectors.



In the same vein as top-ranked investor/stockholder pressure, reputational risk ranks second, another indication of the increased global emphasis on ESG reporting. Cost reduction is in third place. These results are more consistent with overall responses.

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### CHALLENGES TO DEPLOYING OPTIONS TO REDUCE EMISSIONS

**Q:** Which of the following are challenges to deploying options to reduce emissions? *(Select all that apply)*

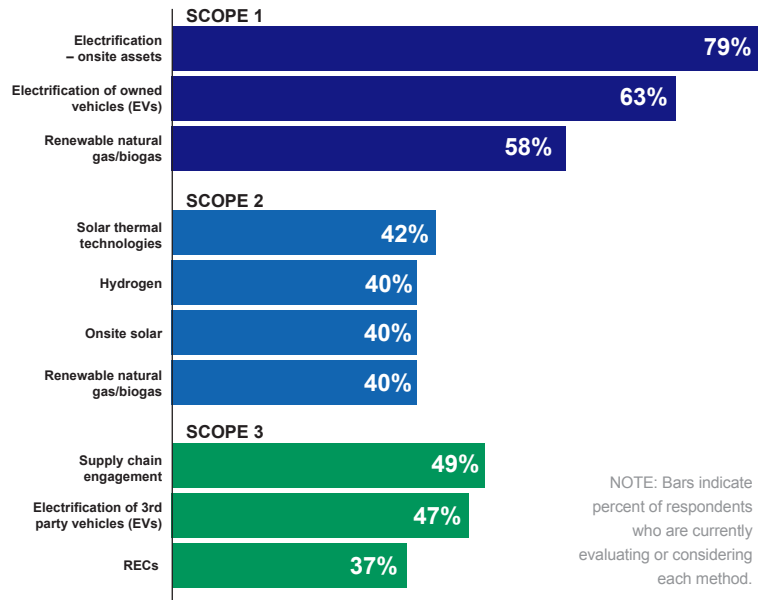
Unfavorable economics, including concerns about increasing costs, ranks as the top challenge for industrials in deploying emissions reduction strategies across all scopes. For Scope 1, lack of investment capital and lack of available technology tie for second place. Lack of capital is also in second place for Scope 2. For Scope 3, policy and regulatory support is also a leading challenge among industrial operators.

Challenges	Scope 1	Scope 2	Scope 3
Unfavorable economics	73%	56%	44%
Lack of capital to invest	48%	40%	25%
Lack of available technology	48%	13%	25%
Little policy/regulatory support	29%	27%	37%
Lack of internal stakeholder buy-in	27%	27%	27%
Lack of knowledge on available options	21%	12%	33%
Difficulty finding/selecting suppliers	21%	17%	23%

### TOP METHODS BEING EVALUATED/CONSIDERED TO REDUCE EMISSIONS

What's next for industrial organizations looking to reduce emissions? Different scopes call for different solutions.

**Q:** Which best describes your organization's position on implementing each of the following options for reducing your emissions *(for each scope)?*



With energy efficiency programs already implemented by 57% of industrial respondents, attention is turning to electrification of onsite assets, which is now being evaluated or considered by more than three-quarters of industrial respondents as a method to reduce emissions. EV electrification is high on the list, as well, being evaluated or considered by almost two-thirds of this sector.

Solar thermal technologies top the list of methods being evaluated or considered to curb Scope 2, though hydrogen, onsite solar, and renewable natural gas/biogas are close behind and all tied for second place. Potential growth for all methods is strong: While solar is currently implemented by 41% of respondents, the other three methods listed here are being used by 12% or fewer.

Supply chain engagement – key for solving Scope 3 – is being evaluated or considered by almost half of industrial respondents; this method is currently implemented by fewer than 20%. Close behind in second place is the electrification of third-party vehicles, which has a long way to go as it is currently in place among fewer than 5% of these respondents.

NOTE: Bars indicate percent of respondents who are currently evaluating or considering each method.

As the industrial sector strives to reduce their environmental impact, NRG is ready to support your journey with smart energy solutions and advisory services. Together, we can build customized strategies and help measure your progress toward a low carbon future.



Scan the QR Code to download the complete State of Decarbonization Report.

Source: The 2022 State of Decarbonization report