

THE STATE OF DECARBONIZATION

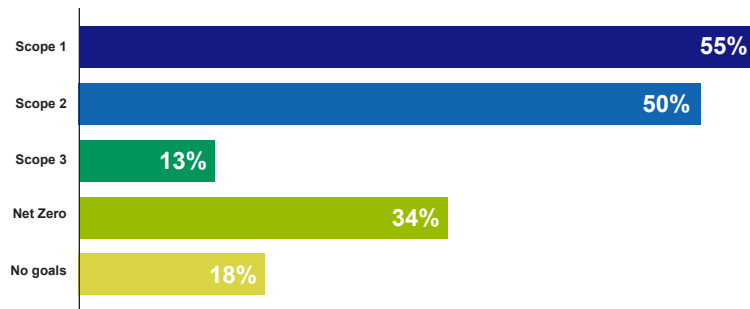
A CLOSER LOOK AT THE COMMERCIAL SECTOR

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 commercial sector. While these operators face the same challenges and look to the same solutions as their peers in the industrial, institutional, and government sectors, survey results show that their issues are magnified due to being less advanced in setting emissions reduction goals, as well as facing outside scrutiny by shareholders in cases where these operators are public companies. When compared to other sectors, commercial organizations could benefit more than the others from support to facilitate decarbonization planning, though overall, challenges and solutions are often similar among all sectors.

EMISSIONS REDUCTION GOALS

Q: Which best describes your organization's emissions reduction goal? (Select all that apply)

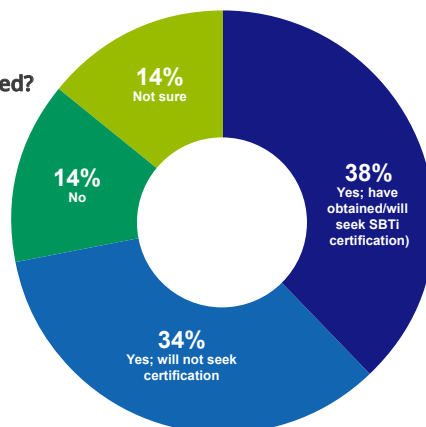
Commercial operators are behind in setting emissions reduction goals compared to their peers in other sectors. For example, only 34% of these organizations have a net-zero goal, compared to 46% of total respondents that have this goal. A considerable 18% of commercial respondents have no goals.



SCIENCE-BASED TARGETS

Q: Is your goal science-based?

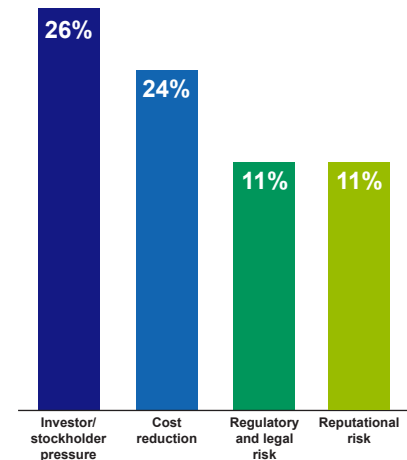
Among commercial respondents who have set goals, nearly three-quarters (72%) expressed interest in science-based targets, 38% working with SBTi for certification and 34% expressing no interest in this certification.



MOST IMPORTANT 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 commercial sector. At 26%, this result is 11 points higher than the result posted by total respondents. This is due in part to the fact that these commercial operators are more likely to represent public companies, especially compared to the institutional and government sectors.



Cost reduction ranks second as the most important driver, close to the first place result among total respondents. Regulatory and legal risk is in third place, and reputational risk is tied with regulatory and legal risk in third place.

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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)

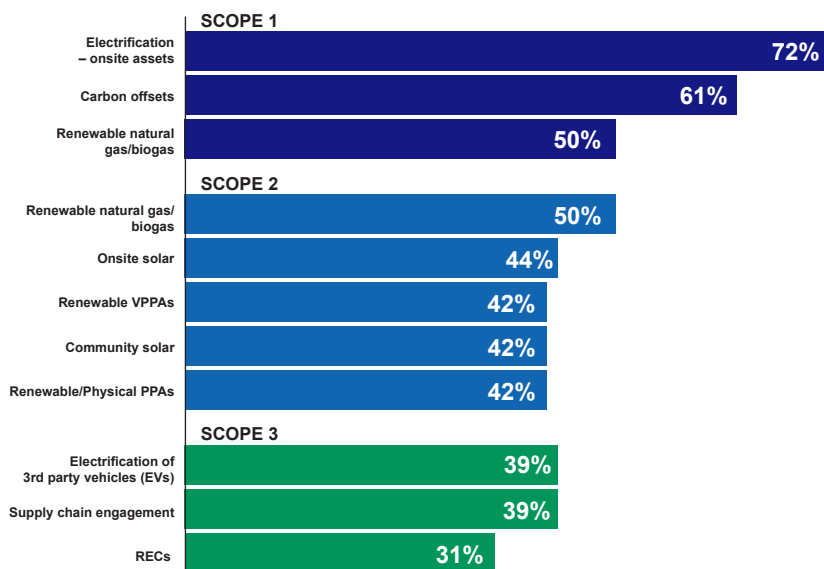
Unfavorable economics, including concerns about increasing costs, ranks as the top challenge for commercial organizations in deploying emissions reduction strategies across all scopes. For Scope 1, lack of available technology and lack of internal stakeholder rank in second and third place, respectively. Lack of capital is in second place for Scope 2. For Scope 3, little policy or regulatory support and lack of available technology are also leading challenges among commercial organizations.

Challenges	Scope 1	Scope 2	Scope 3
Unfavorable economics	58%	58%	45%
Lack of available technology	37%	18%	32%
Lack of internal stakeholder buy-in	34%	24%	29%
Lack of capital to invest	26%	29%	18%
Little policy/regulatory support	26%	21%	37%
Difficulty finding/selecting suppliers	24%	13%	24%
None of the above	11%	11%	13%
Lack of knowledge on available options	11%	3%	26%

TOP METHODS BEING EVALUATED/CONSIDERED TO REDUCE EMISSIONS

What's next for commercial 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 a majority of commercial respondents, attention is turning to electrification of onsite assets, which is now being evaluated or considered by nearly three-quarters of commercial respondents as a method to reduce emissions. Carbon offsets are being evaluated or considered by almost two-thirds of this sector.

Renewable natural gas/biogas top the list of methods being evaluated or considered to curb Scope 2, though onsite solar, renewable VPPAs, and community solar, and PPAs are close behind in second place.

The move toward third-party EVs ties with supply chain engagement as top methods being evaluated or considered for solving Scope 3 emissions, each cited by 39% of commercial operators.

As the commercial 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 custom 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