PwC's Second Annual State of Decarbonization Report

Essential ingredients for achieving your climate ambition

Commitments and ambitions are high

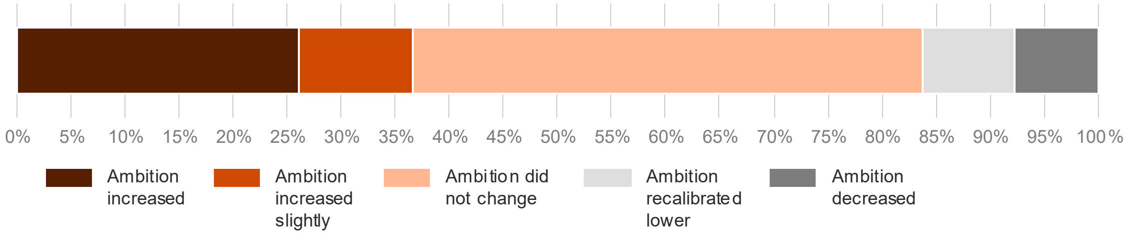
A look at how climate commitments and ambitions have evolved over time

- We assessed CDP responses from over 4,000 public companies, leveraging AI to interpret text-based responses to judge program maturity
- There has been a nine-fold increase in five years of companies with climate commitments
- The number of companies reporting Scope 3 emissions increased from around 2000 in 2023 to over 3600 in 2024
- 84% of companies we studied are standing by their commitments
- Of the 16% who are decelerating their goals, over half are recalibrating from lofty targets set without a detailed plan

37% of companies are increasing their ambitions while only 16% are decelerating their goals.

Year over year growth

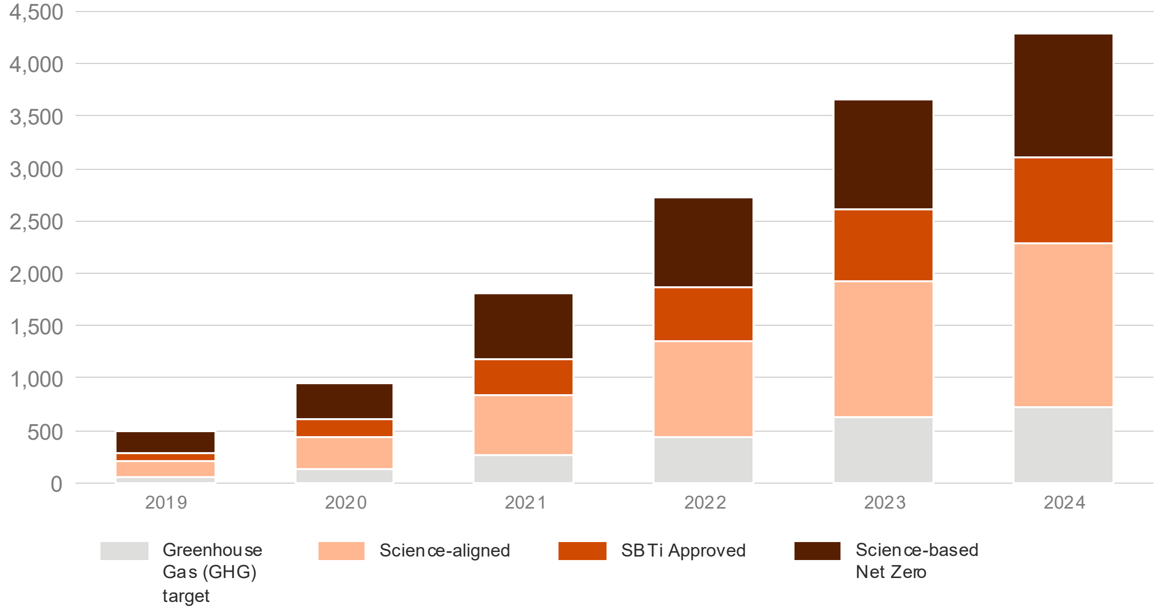
(% of companies)



Source: PwC analysis, CDP (2024)

Growth in companies with decarbonization targets

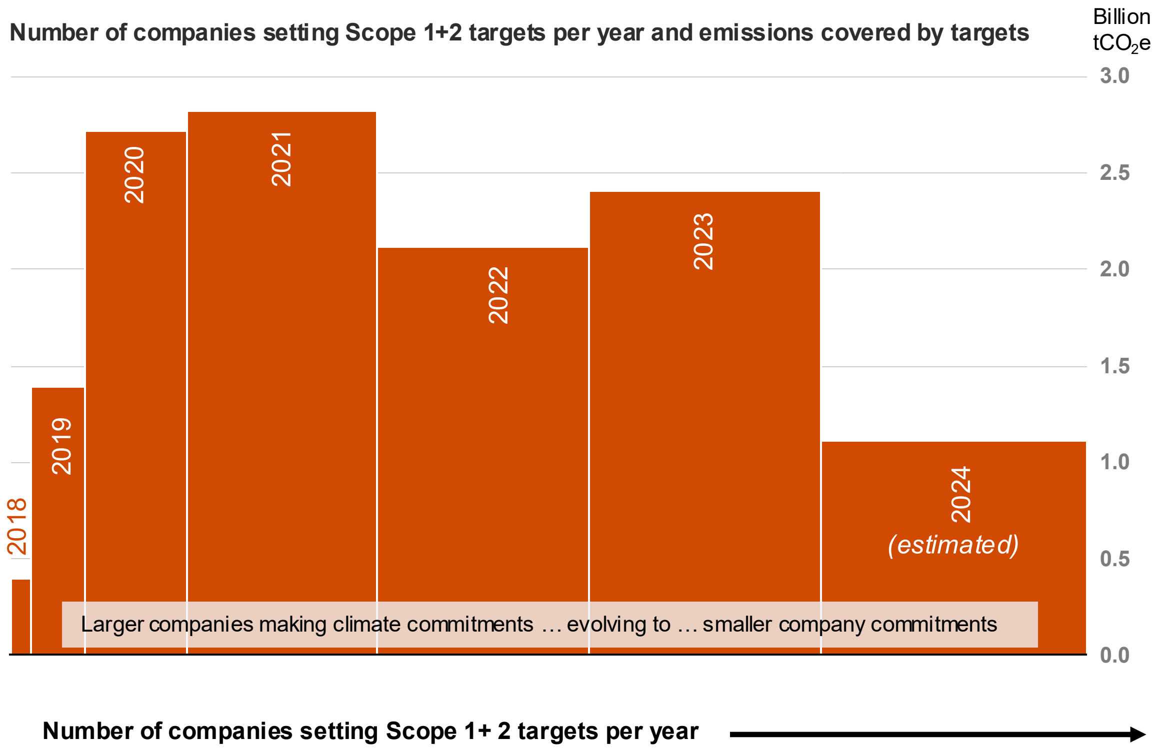
(Cumulative number of companies)



Source: PwC analysis, CDP (2024)

The ripple effect

Number of companies setting Scope 1+2 targets per year and emissions covered by targets



$3.8B

Median annual revenue for company setting targets in **2020**

$1.3B

Median annual revenue for company setting targets in **2024**

Source: PwC analysis, CDP (2024)

Large companies are setting the pace for smaller suppliers to act on climate

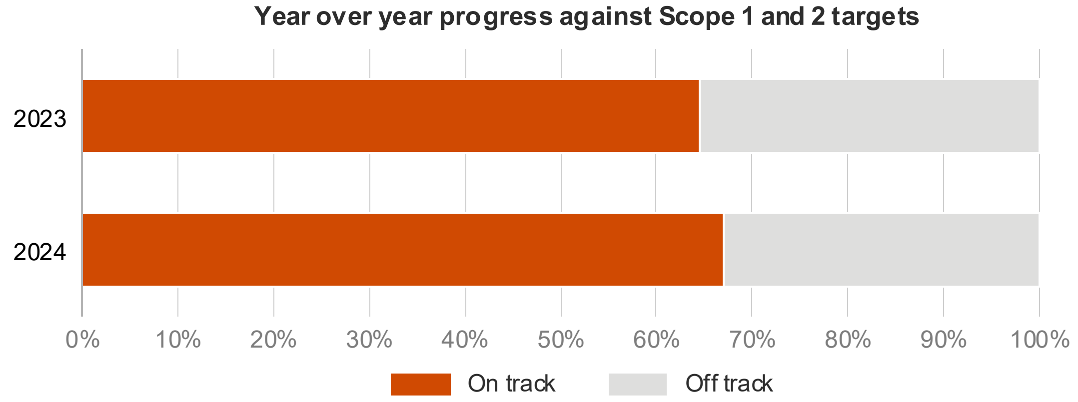
The number of companies setting targets continues to grow each year, but a new trend is emerging in the types of companies taking action.

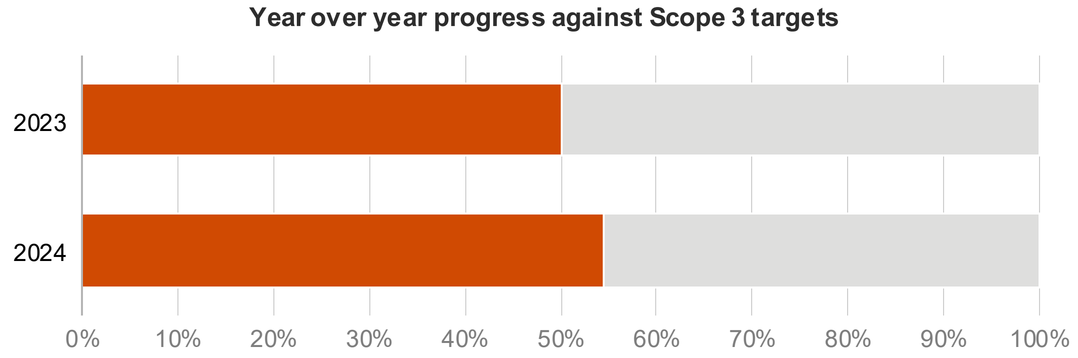
From 2020 to 2023, large companies were leading the charge on climate commitments, with over 2 billion metric tons covered by new targets each year.

In 2024, the number of companies setting targets surged to nearly 1300, but these commitments only accounted for around 1.1 billion metric tons of CO_2e.

What's going on? The research shows that supplier engagement efforts are on the rise, and as the large companies start to address Scope 3 emissions, they are leaning on their suppliers to set targets as well. Over time, this should cause a ripple effect as those suppliers lean on their suppliers to set targets and so on. We expect to see this trend strengthen in coming years, creating a tipping point and having a profound impact on global value chains.

Progress is improving





Source: PwC analysis, CDP (2024)

While 67% are on pace to achieve their Scope 1 and 2 reduction targets,

only 54% of companies are on track to meet their Scope 3 targets.

Scope 2 reductions, primarily through renewable energy purchases (responsible for 42% of reductions), are driving progress. This will create challenges in maintaining momentum after all Scope 2 reductions have been realized.

80% of Scope 3 reductions from on track companies originated from Use of Sold Products—highlighting the opportunities from product sustainability.

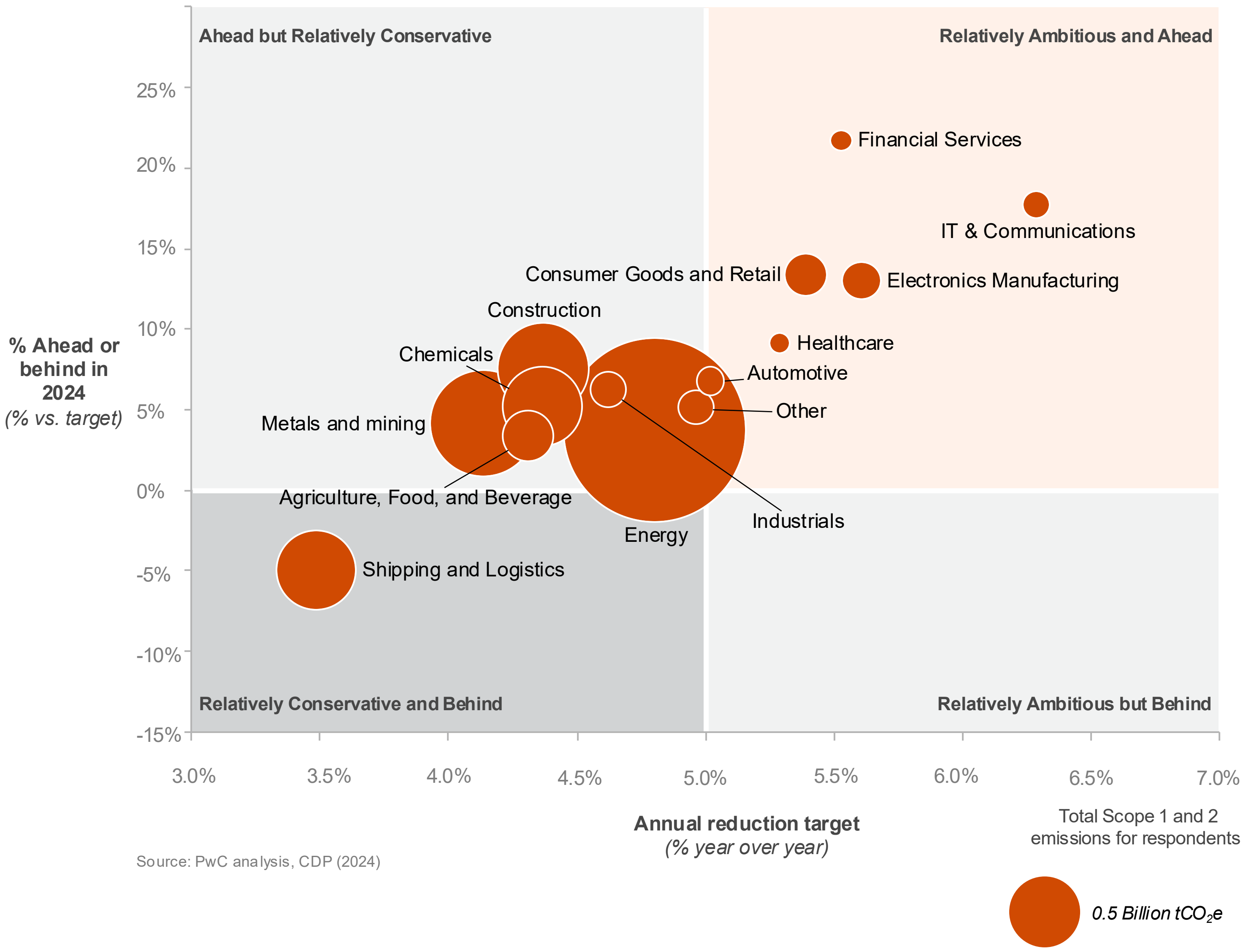
Differences by sector

Service-based industries like financial services and IT and communications may have an easier path to decarbonizing Scope 1 and 2 emissions since most Scope 2 can be abated through purchases of renewable energy.

Companies with more ambitious Scope 1 and 2 targets tend to be on track

Industries with high Scope 1 emissions that rely on heavy consumption of fuel like shipping and logistics or metals and mining have larger (often more capital-intensive) challenges to overcome.

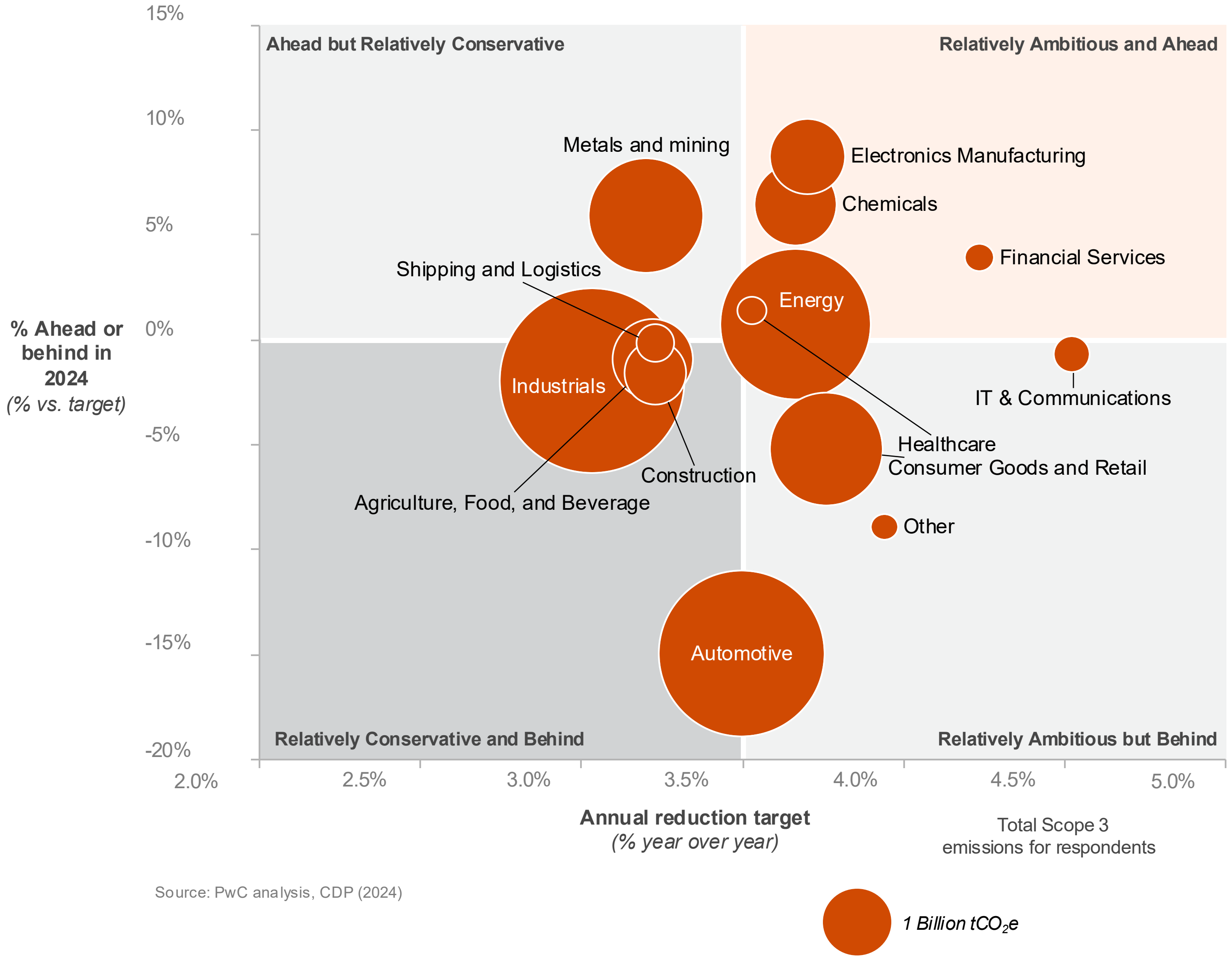
Scope 1 and 2: Relative ambition vs. progress



Source: PwC analysis, CDP (2024)

Scope 3 opportunity

Scope 3: Relative ambition vs. progress



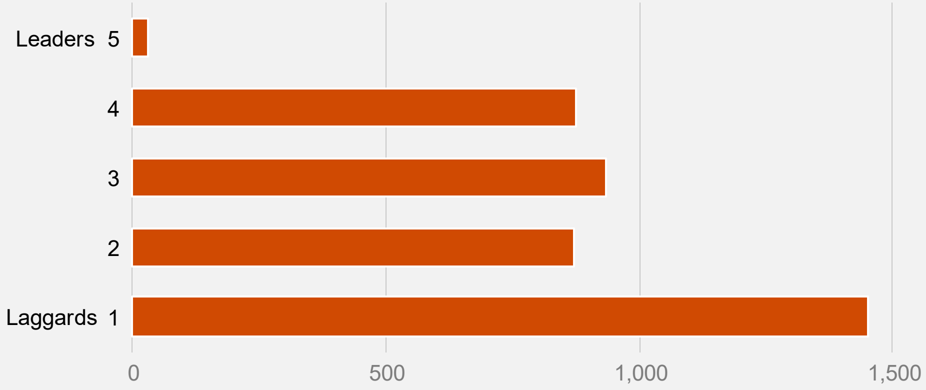
Source: PwC analysis, CDP (2024)

Progress on Scope 3 reductions has not yet caught up to Scope 1 and 2 reductions. For sectors like automotive and industrials, progress on Scope 3 will largely depend on their ability to deliver more sustainable products to customers, which can also unlock value.

A full 72% of companies that responded to CDP are engaging with their suppliers. However, engagement practices are still lagging, with just 22% of companies scoring a 4 or 5 on the maturity scale.

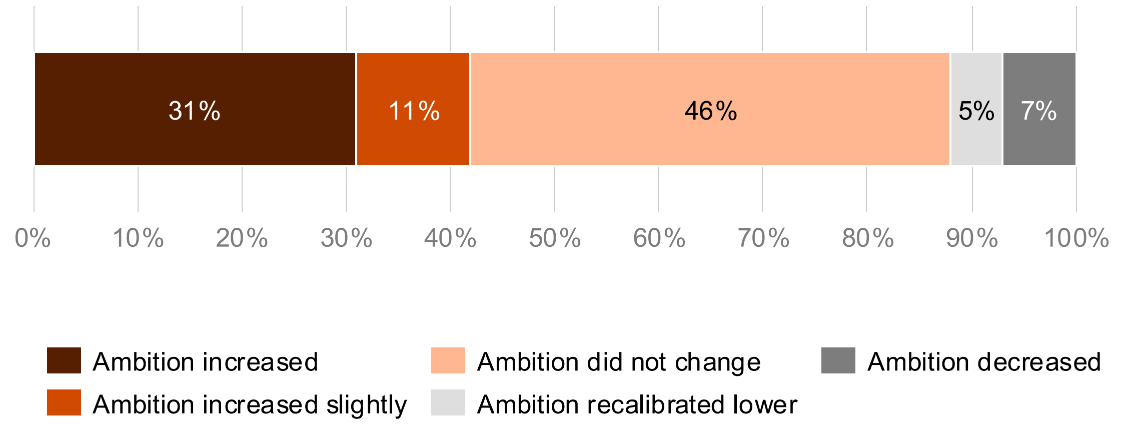
Supplier engagement maturity

(Number of companies)

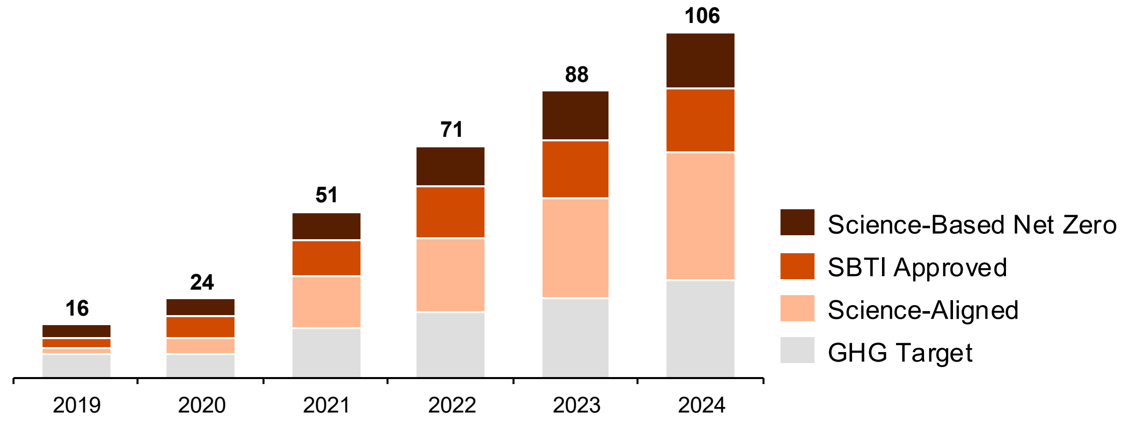


Automotive companies that disclosed targets to CDP in 2024 are largely maintaining or increasing their climate ambitions and target rigor

Year over year growth in ambitions
(% of automotive companies; n=356)



Growth in companies with decarbonization targets
(Cumulative number of automotive companies; n=356)



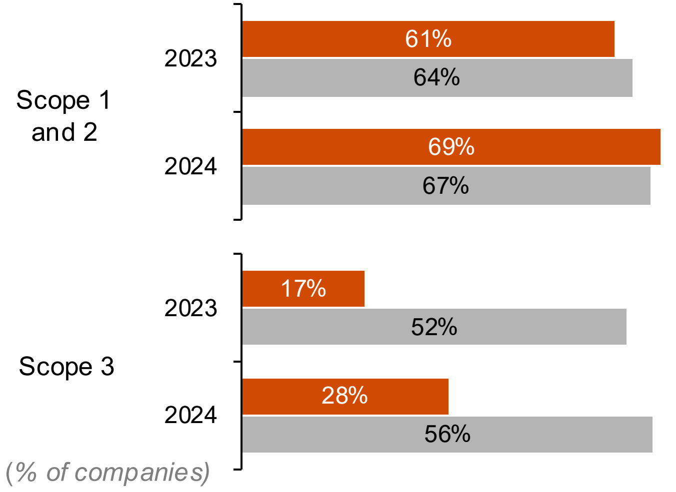
Insights

- **The number of auto companies disclosing climate commitments to CDP has grown 7X** over the last five years.
- **88% are maintaining climate commitments**, with 42% raising ambition and only 12% scaling back
- **Companies are shifting from public pledges to focused execution**, with aim to generate over one-third of their revenue from the climate transition by 2030
- **Supplier engagement is driving a ripple effect**, with smaller companies increasingly setting targets as large firms push Scope 3 accountability down the value chain

Source: PwC analysis, CDP (2024)
Note: This analysis refers to public companies who disclosed climate targets to CDP in 2024

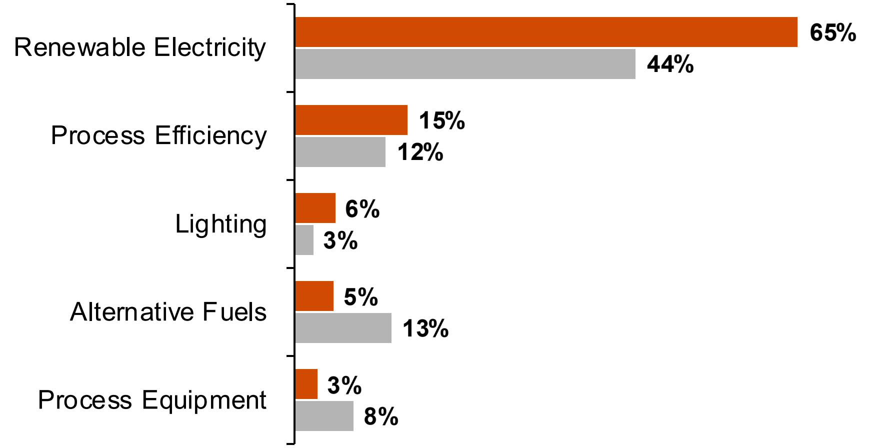
Auto tracks with other sectors on Scope 1 and 2, aided by renewables investments, but lag on Scope 3 based on vehicle use phase emissions

Companies on track to meet their climate targets

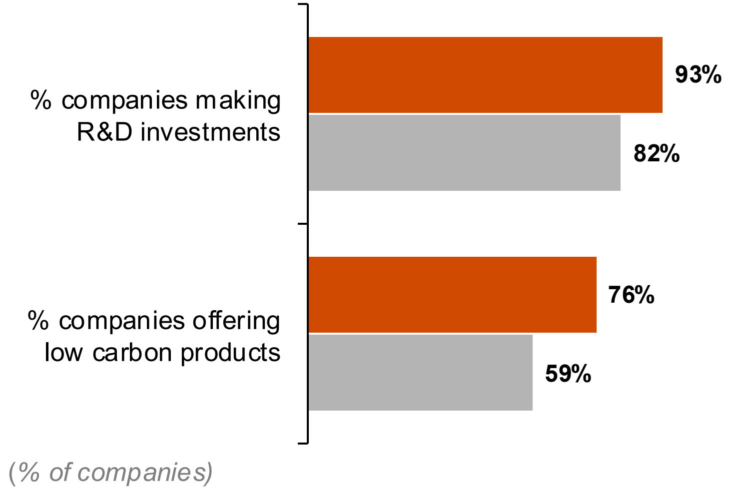


Source of Scope 1 and 2 reductions

(% of emissions reduced)



Climate-focused R&D investments and low carbon product offerings



Insights

- **65% of reported Scope 1 and 2 reductions come from renewable electricity** including onsite solar and market instruments (RECs, vPPAs)
- **Scope 1 decarbonization remains difficult due to gas-powered equipment** (e.g., paint ovens, heaters)—requiring asset lifecycle planning, electrification feasibility assessments, and CapEx allocation for equipment upgrades and replacements
- While the auto sector leads other sectors in **commercializing climate transition-aligned products**, driven by EV and hybrid sales, EV sales growth has not matched forecasts that informed Scope 3 targets — compromising progress to Scope 3 targets
- **Continued EV sales growth in 2024 underscores enduring market pull,** however, the changing policy may pose headwinds

Note: This analysis refers to public companies who disclosed climate targets to CDP in 2024.
1. Sample size = 137. Includes companies within automotive sector

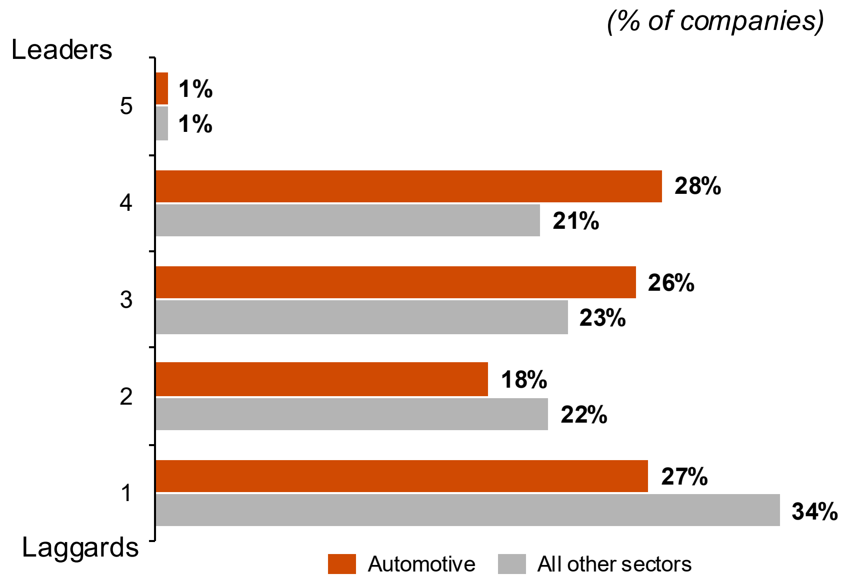
Automotive | All other sectors

Automotive OEMs are encouraging supplier action

Key customer engagement opportunities for suppliers

Target and disclosure requirements	• OEMs are increasingly **requiring suppliers to set science-based Scope 1–3 emissions targets** for validation by the Science Based Targets initiative and **disclose emissions annually** • OEMs use **third-party assessments (CDP, EcoVadis, RBA) and scorecards** to track performance and compliance with requirements *Note: Supplier targets could become a Scope 3 requirement of OEMs setting SBTs from 2027 on per the SBTi's proposed Net Zero Standard v2.*
Training and capacity building	• Companies **offer workshops, training, and technical guidance** on best practices in emissions reporting and decarbonization, such as supplier guidelines and green procurement initiatives
Collaborative innovation	• **Joint R&D, low-carbon manufacturing and product initiatives, and campaigns** to encourage supplier-led environmental innovation
Purchasing-process integration	• **Embedding environmental performance data into product specs** as OEMs incorporate environmental metrics into procurement criteria, such as defining a maximum CO_2 "cradle-to-gate" footprint for critical parts or tying long-term contracts to supplier sustainability performance

Automotive sector supplier engagement maturity scores



- Most automotive companies are progressing toward **moderate to high maturity** in supplier engagement, a key lever to address Scope 3 emissions and build resilient, low-carbon supply chains
- **Supporting suppliers** with **target-setting, training, and joint R&D** accelerates decarbonization and innovation across the value chain
- As regulations tighten, **proactive engagement** helps reduce risk and unlock cost, transparency, and partnership benefits

Source: PwC analysis, CDP (2024)
Note: This analysis refers to public companies who disclosed climate targets to CDP in 2024

The recipe for success is becoming clearer

As climate programs mature, 4 key differentiators separate the leaders from the laggards.

1

Strong climate governance

Companies with moderate to leading governance maturity scores are more likely to be on track to achieve their climate targets, particularly for Scope 1 and 2.

2

Capital allocation

Typical CapEx planning processes are insufficient for decarbonization projects. Leading companies are implementing an internal cost of carbon or ring-fencing CapEx allocated to decarbonization projects.

3

Effective stakeholder engagement

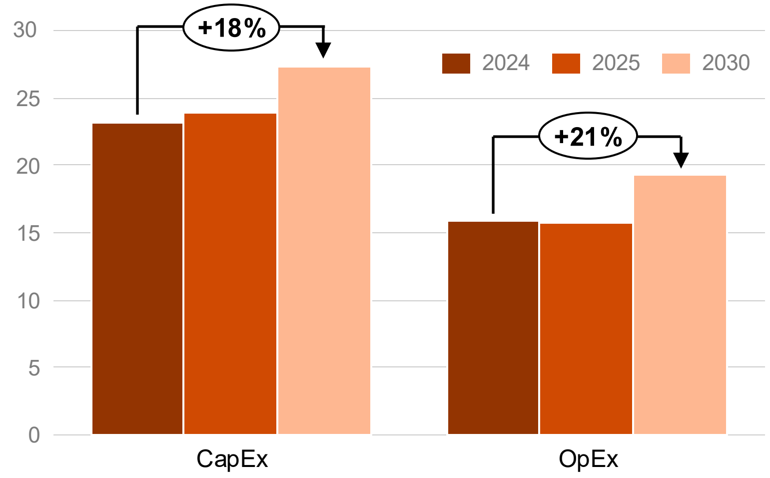
72% of companies are engaging with suppliers, while 67% are engaging with customers. Companies who engage with both can drive business growth and decarbonization across the value chain.

4

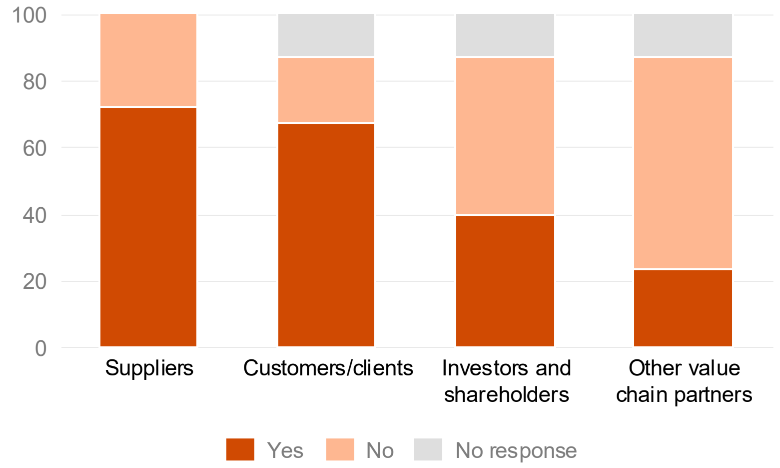
Product sustainability

Innovation in product design is the top action companies are taking to address Scope 3 emissions. This can unlock value--products featuring sustainability attributes can achieve a revenue increase of 6% to 25%.

Actual and projected CapEx and OpEx % allocated to climate transition



Percentage of companies engaging with stakeholders



Source: PwC analysis, CDP (2024)

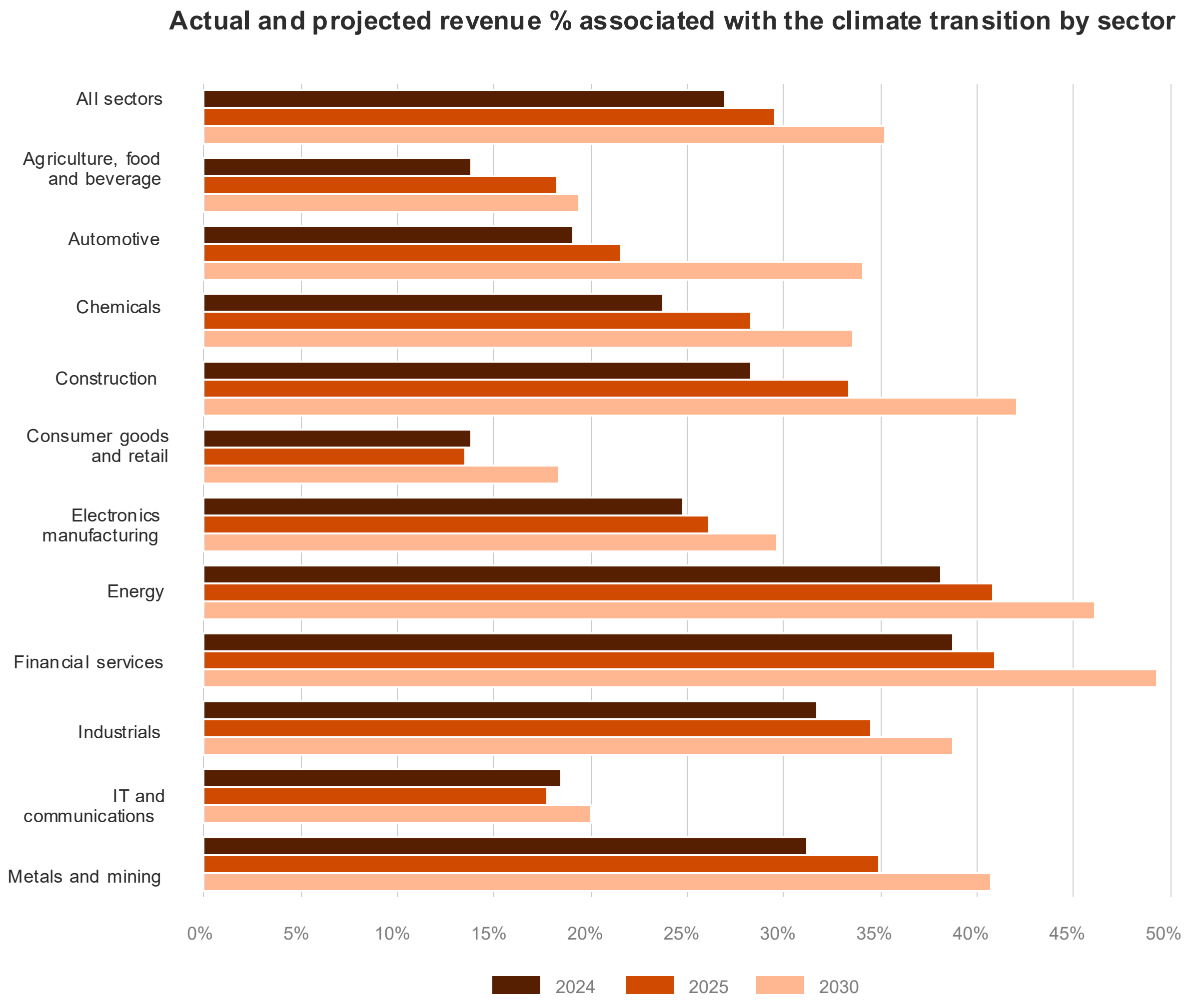
The greatest value unlock is yet to come

Topline growth expected along the climate transition

- Companies are indicating that their climate transition efforts are increasingly aligned with long-term growth opportunities
- Climate-related investments are already paying off
- Companies across sectors expect long-term growth in the share of climate transition-related revenue, signaling widespread growth opportunities

On average, companies forecast over 1/3rd of revenue will be associated with the climate transition in 2030

- Companies that can successfully execute on climate can reap the rewards: revenue growth, cost reduction, and risk reduction



Source: PwC analysis, CDP (2024)
Note: 783 companies provided estimates for the percent of revenue for 2024 that would be associated with the climate transition, 685 provided 2025 estimates, and 679 provided 2030 estimates. Industries with less than 30 responses are excluded from the analysis (Healthcare, Shipping and Logistics, and Other).

Thank you