

Billions in export revenue at risk if suppliers don't cut carbon emissions - study

South African suppliers who fail to transition towards net-zero products and services alongside their multinational (MNC) counterparts stand to lose billions of rands in export revenue, according to a new study by financial services provider Standard Chartered.



Source: © Sorapop Udomsri – www.123RF.com

The [Carbon Dated research](#) reveals that multinational companies will cut suppliers for failing to curb carbon emissions, with 78% of MNCs planning to remove suppliers that endanger their carbon transition plan by 2025.

For SA suppliers who fail to keep pace with MNC partners, this could mean a loss in export revenue of \$33,7bn. However, the study also reveals a \$1,6tn market opportunity for global suppliers who decarbonise in line with MNC net-zero plans.

According to the research, which looks at the risks and opportunities for suppliers in emerging and fast-growing markets as large corporates transition to net-zero, 15% of MNCs have already begun removing suppliers that might scupper their transition plans. In total, MNCs expect to exclude 35% of their current suppliers as they move away from carbon.

The study also found that:

- Supply chain emissions account for an average of 73% of MNCs' total emissions
- More than two thirds (67%) of MNCs say tackling supply chain emissions is the first step in their net-zero transition, rather than focusing on their own carbon output
- Suppliers in 12 key emerging and fast-growing markets can share in \$1,6tn worth of business if they can remain part of MNC supply chains
- 90% of MNCs with a supply chain in South Africa have set emission reduction targets for their suppliers, asking for an average reduction of 31% by 2025

The race to revolutionise supply chains

Racing against the clock to hit their net-zero carbon goals, MNCs are increasing the pressure on their suppliers to become more sustainable, with companies based in emerging and fast-moving markets facing the biggest challenge. Some 64% of MNCs believe emerging-market suppliers are struggling more than developed market suppliers with their net-zero transition,

and 57% are prepared to replace emerging market suppliers with developed market suppliers to aid their transition.

MNCs are concerned that emerging-market suppliers are failing to keep pace with for two key reasons: insufficient knowledge and inadequate data. Some 56% of MNCs believe that the lack of knowledge among emerging market suppliers (41% for developed market suppliers) is a barrier to decarbonisation.

With MNCs struggling with the quality of data, two-thirds are using secondary sources of data to plug the gap left by supplier emissions surveys and 46% say that unreliable data from suppliers is a barrier to reducing emissions.



South Africa's carbon emission targets not nearly ambitious enough
Robyn Hugo 11 May 2021



Risks and rewards

The study also reveals that the current approach taken by MNCs could create a \$1,6tn opportunity for the net-zero club: those businesses reducing emissions in line with MNC net-zero plans. This represents a major opportunity for net-zero-focused suppliers across the 12 markets in this study, but it also quantifies the potential losses to companies not embracing net-zero transition.

Market	Annual export revenue at risk
China	\$512,3bn
India	\$273,7bn
Hong Kong	\$205,5bn
Singapore	\$146,6bn
South Korea	\$142,5bn
The UAE	\$119,6bn
Malaysia	\$65,3bn
Nigeria	\$34,3bn
South Africa	\$33,7bn
Indonesia	\$25,6bn
Bangladesh	\$18,7bn
Kenya	\$3,9bn

MNCs are also willing to spend more on net-zero products and services. Some 45% said they would pay a premium, of 7% on average, for a product or service from a net-zero supplier.

Carbon, collaboration and compromise

MNCs are exploring other ways to help their suppliers transition to net zero. Some 47% are offering preferred supplier

status – a sales advantage – to sustainable suppliers, and 30% are offering preferential pricing. Some MNCs are going further, offering grants or loans to their suppliers to invest in reducing emissions (18%) or data collection (13%).

How are MNCs supporting their suppliers to reach net-zero?	Percentage
Offering preferred supplier status to sustainable suppliers	47%
Investing in new technologies on behalf of their suppliers	46%
Helping educate them on effective energy efficiency strategies	37%
Helping educate them on reducing waste from their operations	36%
Providing access to industry specialists who will help suppliers reduce emissions	35%
Investing in clean energy infrastructure in key suppliers' local markets	31%
Preferential pricing for measurably sustainable suppliers	30%
Grants or loans to invest in reducing emissions from operations	18%
Grants or loans to invest in data collection	13%

Bill Winters, group chief executive of Standard Chartered comments: “It’s no surprise that as multinational companies transition to net-zero, they are starting to look to their suppliers to help. However, suppliers – especially those in emerging and fast-growing markets – cannot go it alone. MNCs need to incentivise their suppliers to help them kick start their transition journey, but governments and the financial sector have a role to play too by creating the right infrastructure and offering the necessary funding.

Kweku Bedu-Addo, CEO for Standard Chartered South Africa and Southern Africa, says, “There is growing acceptance that decarbonisation is vital for the future of the planet Earth to remain hospitable as we have known it for millennia. What is required is the collective will to act with urgency to manage the transition towards net zero in a coordinated approach such that it minimises severe short-term economic dislocation across markets from stranded assets, unviable industries and activities.”

Carbon Dated surveyed 400 sustainability and supply chain experts at MNCs across the globe.

For more, visit: <https://www.bizcommunity.com>