

WINNING IN GREEN MARKETS



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Sustainability is becoming an increasingly critical issue and it is important to understand it and strive to find "New Boxes" when it comes to climate, if we really want to change our perspectives and then, create a concrete impact.

How can we do that? Let's focus on using technology to act differently. Achieving the ambitions set out in the Paris Agreement to substantially reduce global greenhouse gas emissions and limit global rise in temperature will require massive technological changes across all economic sectors.

Non-fossil solutions already exist, but for many green materials, the products and processes the costs are higher than their traditional equivalents. This cost challenge is not insurmountable, and early movers are already showing us what it might take to succeed in fast-growing green markets.

First, there is a hitherto untapped market for green solutions. A consumer survey conducted by BCG in June 2022 found that while less than 10% of consumers currently buy sustainable products just to "save the planet", the number of consumers in a given category who would opt for sustainable choices increases by about 2-4 times when sustainability is linked to other benefits such as health, safety and quality. These numbers further increase when dealing with sensitive issues

such as convenience, information and cost. Innovative companies that can find ways to offer additional benefits and reduce consumer barriers can access an important hitherto untapped market.

Secondly, the commitment to decarbonisation will give further impetus to green markets. By November 2022, around 2,000 companies had set certified emission reduction targets and another 2,100 had committed to doing so - a significant increase in many sectors.

As companies translate these commitments into action, premium green markets will begin to emerge. Operators in different sectors have started to introduce low-emission materials and services to the market, thus gaining an advantage over pricing.

Third, the scarce availability of raw materials is likely to be a problem for some green success factors. There is a significant gap between the commitment of downstream operators to decarbonise their upstream value chains and the commitment of upstream operators to provide the low-emission materials needed to achieve these targets. This divergence in commitment level creates a serious risk of scarcity for some green materials.

Although global action to contain climate change is increasing, many companies are unprepared.

They underestimate the magnitude of the change that awaits them and are too conservative in their approach running the risk of finding themselves with obsolete assets and business models.

The most innovative companies in many industries are beginning to show that the transition to net-zero is a business opportunity that can bring with it a significant competitive advantage. This is particularly important for companies processing materials such as wood. These leaders are not just creating added value. In many cases, they are changing the rules of the game in their industries, pointing the way to a profitable and sustainable future.

In conclusion, three facts can be highlighted for early movers on climate change, who by changing their mindsets have started to change their business models as well:

- They gain a competitive advantage. Climate leaders can attract and retain better talent, achieve higher growth, cut costs, avoid regulatory risks, access capital at lower costs, and achieve higher shareholder returns.
- They can achieve considerable emission reductions at low cost. By becoming more energy efficient and switching to low-cost renewables, for example, market leaders can achieve significant savings, which they can then use to fund more expensive decarbonisation levers. Almost all companies are able to achieve at least one-third of the emissions reductions needed at zero cost for their business.
- They raise the bar in their industry. Sustainability is now a competitive factor. At a minimum, companies do not want to be seen to be dragging their feet: if one company moves, the others feel the pressure to follow suit. As a result, goals move quickly. A single company that has the courage to set ambitious goals can set the entire industry in motion.