15°C climate goal: How does the ASX200 stack up in 2022?
We acknowledge and pay respect to the Traditional Custodians and Elders – past and present – of the lands and waters of the people of the Kulin nation on which the Climateworks Centre office is located, and all of the Elders of lands across which Climateworks operates nationally. We acknowledge that sovereignty was never ceded and that this was and always will be Aboriginal land. More information.
ABOUT THE NET ZERO MOMENTUM TRACKER

Climateworks Centre established the Net Zero Momentum Tracker in 2019 to monitor and assess the climate commitments of Australia’s largest organisations – private, public and government – including those operating in the highest emitting economic sectors.

The Net Zero Momentum Tracker has assessed the climate commitments of companies accountable for almost 70% of Australia’s national emissions and established four principles for best practice, outlined in our Corporate action for 1.5 degrees: Best practice for Australian company net zero commitments guide (Climateworks Centre 2021). For the 2022 Net Zero Momentum Tracker update, Climateworks used data provided by the Australian Council of Superannuation Investors (ACSI) collected as part of their annual ESG assessment of the ASX200. S&P Global Sustainable1 provided emissions data supporting the scope 3 emissions assessment.

To capture the disclosure of recent corporate commitments, the website tracker at netzerotracker.org is updated periodically. For details on how to update company details, please email nzmt@climateworkscentre.org

ABOUT US

Climateworks Centre bridges research and action, to achieve the system-level transitions required to reach net zero emissions across Australia, Southeast Asia and the Pacific. We act as trusted advisers, influencing decision-makers with the power to reduce emissions at scale. Co-founded by The Myer Foundation and Monash University in 2009, Climateworks is an independent non-profit working within the Monash Sustainable Development Institute.

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Key findings

Scope 1 and 2 emissions: Signs of momentum

84% of the 187 companies assessed (45%) have a scope 1 and 2 net zero target.

34% of this group (63 companies) have scope 1 and 2 net zero targets in line with 1.5°C.

96% of scope 1 and 2 emissions reported by the ASX200 companies assessed in this report are covered by net zero targets.

Scope 3 emissions: Action is emerging for the largest source of ASX200 emissions

16% of the 177 companies (9%) where scope 3 emissions are deemed applicable have set a net zero target for scope 3 emissions in line with a 1.5°C pathway.

31% of the 177 companies fully disclose their scope 3 emissions and 21% report on some, but not all.

28% of the ASX200 reported scope 3 emissions are covered by a 1.5°C aligned net zero target.
All emissions: Progress to date across scope 1, 2 and (if applicable) scope 3 emissions

- 23% of the 187 companies (12%) assessed have a net zero emissions targets for applicable emissions scopes.
- 0/3 of this group (16 companies) have net zero targets in line with 1.5°C.
- 56% of ASX200 reported emissions assessed are covered by net zero targets.

Challenges to be addressed

- 10% of the 187 companies assessed (5%) have set an interim emissions reduction target covering all applicable scopes, yet ambitious short- and medium-term targets are imperative for all companies to align with a 1.5°C trajectory.
- 36% Based on current targets and commitments, the ASX200 will overspend its 1.5°C carbon budget by 741 MtCO₂e or 36% for the period 2021 to 2050.
- 44% of ASX200 reported total emissions are not covered by any net zero target.
Introduction

Climateworks has analysed the ASX200’s climate commitments against a 1.5°C trajectory, in line with mitigating the worst impacts of climate change.

This report assesses the publicly available climate commitments (as of March 2022) of Australia’s largest companies by market capitalisation, and measures these commitments against a decarbonisation pathway compatible with limiting global warming to 1.5 degrees Celsius (1.5°C).

The analysis covers the 187 companies listed on the ASX200 which have operations in Australia. Corporate net zero targets and short- and medium-term emissions reduction targets, were assessed against a company-specific 1.5°C decarbonisation pathway derived from Decarbonisation Futures ‘1.5C All-in’ scenario and in instances where electricity generation is concerned, the Australian Electricity Market Operator’s (AEMO) Integrated System Plan Hydrogen Superpower scenario.

The Decarbonisation Futures report (Climateworks 2020) explored pathways for Australia to reach net zero emissions. One of the three scenarios, the ‘1.5C All-in’ scenario outlines one possible pathway through which Australia can reduce emissions in line with 1.5°C of warming, with some key sectors moving faster than others. This scenario demonstrates that a decarbonisation pathway in line with 1.5°C is possible for Australia, and implies the nation as a whole reaches net zero emissions by 2035.

Based on their business activities, 187 companies were allocated across 14 sectors specifically defined for this analysis. Details on the data sources and assessment undertaken can be found in the methodology report, Assessing ASX200 alignment to the 1.5°C climate goal (Climateworks Centre, 2022).

Throughout this report, we have also linked findings with three of our best-practice principles from the Corporate action for 1.5 degrees: Best practice for Australian company net zero commitments report (Climateworks Centre, 2021).

Based on two years of assessing company commitments, it defines four best-practice principles for creating 1.5°C aligned net zero commitments:

1. A net zero commitment by or before 2050.
2. At least one medium-term target that is appropriate and ambitious.
3. Addressing operational, value chain, customer and financed emissions, associated with loans, investments and other financial services.

This analysis provides a quantitative assessment of corporate commitments at a point in time and does not assess the credibility of the climate strategies supporting decarbonisation commitments, nor does it involve detailed research into the actions of individual companies such as production plans and capital allocation.
### Context

Emissions generated by ASX200 companies represent 32% of the total scope 1 and 2 emissions in Australia.\(^1\) These companies therefore play an important role in meeting national decarbonisation objectives and limiting global warming.

Since the Paris Agreement in 2015 saw nations agree to limit global temperature rise to well below 2°C, research has shown that each increment of warming avoided has significant consequences for the frequency and severity of extreme weather events (Intergovernmental Panel on Climate Change [IPCC] 2022).

Climateworks, like many leading climate organisations and institutions, regards striving to achieve a 1.5°C aligned emissions reduction trajectory as vital to preserving a safe and prosperous planet. Traditional finance, energy and business institutions, both globally and in Australia, are also starting to converge on the importance of climate action to limit warming to 1.5°C.

In this context, this report demonstrates some of the growing corporate momentum to transition in line with 1.5°C given the evolving understanding of what steps need to be taken.

As recently reinforced by the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (2022), companies must publicly report on their emissions with verifiable, comparable information. To have integrity, corporate commitments must be backed up by detailed transition plans to ensure their decarbonisation pace aligns with the net zero goal.

Even with 2022 proving to be another tumultuous year in global markets, following several years dominated by the COVID-19 pandemic, companies continue to perceive climate change as the most significant global risk for the next 10 years (World Economic Forum 2022).

\(^1\) Considering Australia’s emissions for the year to March 2022 as estimated by the Australian Government Department of Climate Change, Energy, the Environment and Water (2022).
The results: How ASX200 targets stack up

For this analysis, Climateworks assessed ASX200 corporate commitments against a bespoke 1.5°C aligned trajectory based on our Decarbonisation Futures ‘1.5C All-in’ scenario and when the electricity generation sector was concerned, the AEMO’s 2022 Integrated System Plan Hydrogen Superpower scenario. These bespoke trajectories were determined by the sectors in which each company operates.

In these results, we have presented analysis of the timeframes within which companies have committed to reach net zero against a 1.5°C pathway. Linked to best-practice principle 1, by setting a net zero commitment by or before 2050, large corporates can reduce their own emissions and demonstrate that they are taking action.

We explored these net zero commitments, and alignment to 1.5°C, for both operational emissions (scope 1 and 2) and value chain emissions (scope 3). Linked to best-practice principle 3, addressing all applicable emissions - operational, value chain, customer and financed - will be crucial to climate action for a 1.5°C future.

We also analysed the interim emissions reduction targets. Linked to best-practice principle 2, companies need at least one shorter term target that is appropriate and ambitious to align with a 1.5°C trajectory.

In these results, overall findings, sectoral insights and some company examples are outlined. For the full assessment of the 187 companies visit netzerotracker.org.

Scope 1 and 2 emissions are together known as ‘operational’ emissions.

**Scope 1**
emissions refer to the greenhouse gas (GHG) emissions directly generated by assets owned or operated by a company (production-line emissions, company vehicle emissions).

**Scope 2**
emissions are the indirect GHG emissions occurring from the purchase of energy (electricity, steam, heat or cooling) to be used by a company which physically occur outside a company’s facilities but are directly linked to a company’s operations.

**Scope 3**
emissions are all the remaining emissions generated upstream (everything to produce a product) and downstream (everything to consume a product) along a company’s value chain, including ‘financed’ emissions associated with loans, investments and other financial services.
Overview of target alignment for 187 companies in 14 sectors

<table>
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<td>Scope 1 + 2</td>
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<td>Utilities - 3</td>
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Net zero targets for operational emissions (scope 1 and 2)

We have assessed the net zero targets that cover scope 1 and 2 emissions (operational emissions) for 187 companies in the ASX200.

Net zero commitments across corporate Australia have rapidly increased between 2021 and 2022 with the number of companies with a net zero target almost doubling (ACSI 2022).

Linked to principle 1 from Climateworks best-practice report, analysing how many companies have a net zero commitment by or before 2050, gives an overall picture of corporate commitment. Also linked to best-practice principle 3, we have analysed what percentage of operational emissions are addressed by these commitments.

Two-thirds of the ASX200 reported scope 1 and 2 emissions are now covered by a 1.5°C aligned net zero target as corporate net zero ambition increases

The analysis found 45% (or 84) of the companies assessed have in place a net zero emissions target for their scope 1 and 2 emissions. Although this is less than half the companies assessed, these commitments cover 96% of the total ASX200 reported scope 1 and 2 emissions.

The majority of these targets (75%) are in line with a 1.5°C trajectory, covering 34% (or 63) of the companies assessed and 66% of the total ASX200 scope 1 and 2 emissions (see Figure 1).

FIGURE 1: ASX200 net zero scope 1 and 2 commitments and the percentage of emissions covered

Net zero target: 1.5°C aligned
Net zero target: Not 1.5°C aligned
No net zero target

Proportion of ASX200 scope 1 and 2 reported* emissions covered

*Not all companies disclose their emissions therefore ASX200 emissions are expected to be an underestimate.

Despite the progress, this means 55% (or 103) of ASX200 companies have not set any net zero scope 1 and 2 commitments.

It was also noted that companies without net zero commitments were often behind in their emissions disclosure. Of the companies without a net zero scope 1 and 2 commitment, almost half (48%) have not disclosed their scope 1 and 2 emissions.
Delving into the sectoral and company-level analysis we can assess which sectors have strong net zero commitments covering scope 1 and 2 emissions.

Four of the 14 sectors are leading in terms of 1.5°C aligned net zero scope 1 and 2 commitments. In the metals and mining, real estate, utilities and transport sectors, 60% or more have scope 1 and 2 net zero targets in line with a 1.5°C trajectory. These four sectors also comprise some of the top performing companies in terms of scope 1 and 2 net zero ambition.

Eight companies are going beyond their company-specific 1.5°C trajectory by aiming to achieve net zero scope 1 and 2 emissions by or before 2025:

- ASX Limited
- Brambles Limited
- Deterra Royalties Limited
- Dexus
- Growthpoint Properties Australia
- Lendlease Group
- Macquarie Group Limited
- Tyro Payments Limited

The company-specific 1.5°C trajectories of these six companies show them reaching net zero emissions in the medium-term (2026–2039) or long-term (2040+). These companies are leading the way by setting net zero targets. These companies are leading the way by setting net zero targets in advance of those timeframes, that is, in the short-term (2022-2025).

The remaining 10 sectors have not yet strengthened their 1.5°C aligned ambition. The communication services and hotels, restaurants and leisure sectors, in particular, currently hold the lowest proportion (10% or less) of 1.5°C aligned net zero targets for scope 1 and 2 emissions.

Within the high-emitting sectors – utilities, metals and mining and oil, gas and consumable fuels – most companies (78%) have set a net zero scope 1 and 2 commitment and more than half (59%) have set this commitment in line with a 1.5°C trajectory.

55% of ASX200 companies have not set any net zero commitments for scope 1 and 2 emissions. The analysis highlights a lack of net zero commitments across all sectors of the economy, with the lowest proportion of net zero commitments occurring in some of the lowest emitting (scope 1 and 2) sectors.

In the other manufacturing, information technology, financials and hotels, restaurants and leisure sectors, fewer than 30% of the companies have set a net zero target for scope 1 and 2 emissions. However, decarbonisation opportunities are readily available for these sectors and greater ambition and commitments are therefore possible (see Box 1).
Greater ambition and commitments are possible and therefore expected in sectors where most decarbonisation opportunities are already commercially viable. However, this analysis found the opposite: that many of the companies in these sectors lack net zero commitments.

Conversely, some of the companies assessed operating in the harder-to-abate sectors have ambitious net zero commitments for scope 1 and 2 emissions. For these sectors that rely on emerging and demonstration technologies, more certainty in technology advancement will provide confidence for them to strengthen their net zero commitments even further.2

Sectors where decarbonisation opportunities are largely already commercially available include:
- real estate
- utilities (electricity)
- financials
- information technology
- communication services
- hotels, restaurants and leisure
- retail, wholesale and distribution
- other services.

Harder-to-abate sectors where some of the required zero-emissions technologies are still emerging and being developed for deployment at scale are:
- metals and mining
- other manufacturing
- construction materials
- consumer staples
- transport
- oil, gas and consumable fuels.

We also assessed the net zero targets that cover scope 3 emissions.

Scope 3 emissions are often the biggest source of emissions and can be harder to measure and directly control. ASX200 companies have started disclosing scope 3 emissions and setting commitments to address them in line with the global recognition of the magnitude of the associated climate-related risks.

Linked to the first and third principles from Climateworks best-practice report, this section analyses net zero targets for value chain, customer and financed emissions.

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2 This report does not provide comprehensive sectoral guidance or present the full net zero transition plans of each organisation in detail, but it can provide a valuable high-level understanding of how Australia can get to net zero emissions by 2035.
**Action on scope 3 emissions is emerging**

This analysis determined scope 3 emissions are applicable to 177 of the 187 ASX-listed companies included in the 2022 Net Zero Momentum Tracker. For the purpose of this analysis, scope 3 is deemed to be ‘applicable’ when a company’s reported scope 3 emissions represent at least 40% of their total emissions.

Of the 177, almost one-third (31%) fully disclose their scope 3 emissions and approximately one-fifth (21%) report on some, but not all, of their scope 3 emissions.

Based on company reporting, scope 3 emissions represent 60% of the total ASX200 reported scope 1, 2 and 3 emissions. Since not all companies fully disclose their scope 3 emissions, this proportion is expected to be an underestimation.

Of the 177 companies deemed to be scope 3 applicable, 12% (or 21 companies) have set a net zero scope 3 target. Most of these targets (76%) are in line with a 1.5°C trajectory. 9% (or 16) of the applicable companies, responsible for 28% of the total disclosed scope 3 emissions, have set this target in line with a 1.5°C pathway as shown in Figure 2.

**FIGURE 2: ASX200 net zero scope 3 commitments and the percentage of emissions covered**

Net zero target: 1.5°C aligned
Net zero target: Not 1.5°C aligned
No net zero target
Net zero not assessed*

Proportion of ASX200 scope 3 reported** emissions covered

* Commitments not assessed due to insufficient information.
** Not all companies disclose their emissions therefore ASX200 emissions are expected to be an underestimate.

Note: Percentages may not add up to 100 due to rounding.

**Targets aligned with a 1.5°C climate goal tackle more scope 3 emissions**

Although corporate scope 3 commitments are increasing, commitments to reduce scope 1 and 2 emissions are considerably more advanced. Net zero commitments cover 96% of the total ASX200 reported scope 1 and 2 emissions but less than a third of the scope 3 emissions are addressed (Figure 3).

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3 The total ASX200 reported scope 1, 2 and 3 emissions is a simple sum of their reported emissions. While it is prone to double counting, it serves as an indicator for which coverage of targets can be calculated.

4 The total disclosed scope 3 emissions of all ASX200 companies is a simple sum of their reported scope 3 emissions. While it is prone to double counting, it serves as an indicator for which coverage of targets can be calculated.

5 The scope 3 target of five financial institutions was not assessed in terms of 1.5°C alignment due to lack of information disclosed.
FIGURE 3: Emissions covered by net zero commitments for scope 1 and 2 compared with scope 3

- Net zero target: 1.5°C aligned
- Net zero target: Not 1.5°C aligned
- No net zero target
- Net zero not assessed*

REPORTED EMISSIONS (MtCO₂e)

<table>
<thead>
<tr>
<th>Scope 1 and 2**</th>
<th>Scope 3***</th>
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</thead>
<tbody>
<tr>
<td>4%</td>
<td>71%</td>
</tr>
<tr>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>66%</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

* Commitments not assessed due to insufficient information.
** Not all companies disclose their emissions therefore ASX200 emissions are expected to be an underestimate.
Note: Percentages may not add up to 100 due to rounding.

Across all ASX200 sectors, ambitious commitments need to address more scope 3 emissions

In the metals and mining and oil, gas and consumable fuels sectors, scope 3 emissions represent around 60% of the total ASX200 scope 3 emissions, but most (93%) of the companies in these sectors have not set any targets to reduce them. In these sectors, two companies – BHP Group Limited and Fortescue Metals Group Ltd – have set a commitment for scope 3 emissions.

In five sectors (construction materials; transport; hotels, restaurants and leisure; and retail, wholesale and distribution) none of the companies have any targets addressing scope 3 emissions.

Some organisations demonstrate momentum on scope 3 commitments. In the financial and utilities sector, scope 3 coverage is increasing despite the complexity of the challenge. These two sectors are responsible for 15% of total ASX200 reported scope 3 emissions, and one-quarter (25% or eight companies) of the companies in these sectors have set net zero targets addressing scope 3 emissions.

Most of the targets in these sectors have been set in the past two years. When the Net Zero Momentum Tracker 2020–2021 sectoral reports were published, none of these eight companies – AMP Limited, Australia & New Zealand Banking Group Ltd, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, AGL Energy Limited – had a scope 3 target. Now they all do.

6 The total scope 3 emissions of all ASX200 companies is a simple sum of their reported scope 3 emissions. While it is prone to double counting, it serves as an indicator for which coverage of targets can be calculated.

7 The total ASX200 scope 3 emissions is a simple sum of their reported scope 3 emissions. While it is prone to double counting, it serves as an indicator for which coverage of targets can be calculated.
We also examined the combined picture of operational and value chain emissions to analyse the overall long-term net zero commitments for the 187 companies.

Of the 187 companies included in this analysis, 12% (23 companies) have a net zero target for all applicable scopes⁸ (scope 1, 2 and if applicable, scope 3) and 9% (16 companies) have set such a commitment in line with 1.5°C (see Figure 4).

As a result, 56% of the total reported scope 1, 2 and 3 emissions are covered by a net zero target.¹⁰

* Commitments not assessed due to insufficient information.

Net zero commitments that cover all emissions scopes are relatively low across all the sectors analysed, but some individual companies have commitments that cover all applicable scopes.

Sixteen companies have a 1.5°C aligned net zero commitment addressing scopes 1, 2 and, if applicable, scope 3 emissions.

These companies are:
+ The a2 Milk Company Limited
+ Aurizon Holdings Limited
+ BHP Group Limited
+ Blackmores Limited
+ Block Inc
+ CIMIC Group Limited
+ Evolution Mining Limited*
As well as analysing net zero commitments across all applicable scopes, this analysis assessed the interim emissions reduction targets of the 187 companies, and if they are aligned with the company-specific 1.5°C trajectory.

This analysis is linked to best-practice principle 2 – at least one medium-term target that is appropriate and ambitious – to support 1.5°C aligned climate action.

Short- and medium-term targets are essential for company commitments to align with a 1.5°C trajectory. This is related to the maximum volume of emissions that can be released into the atmosphere before we pass the atmospheric warming threshold of 1.5°C – also known as the carbon budget. Emissions reduction needs to start early or the trajectory towards net zero emissions becomes steeper and it becomes even harder to stay within our carbon budget. In addition, if emissions are brought down sooner it will avoid the worst impacts of climate change.

Less than a third (30% or 57) of the companies assessed have any interim emissions reduction targets for their scope 1 and 2 emissions, and 5% (or 10 companies) have interim emissions reduction targets that cover all applicable scopes.

18% (or 33 companies) have an interim emissions reduction target in line with 1.5°C for scope 1 and 2.

To be aligned to the 1.5°C climate goal, decarbonisation efforts across all sectors are expected to commence earlier.

One sector is leading in terms of interim emissions reduction targets for the short- and medium-term. In the transport sector, 50% of the companies have set such targets in line with a 1.5°C trajectory for scope 1 and 2 emissions.

Efforts across five further sectors are falling behind. In the manufacturing; real estate; information technology; hotels, restaurants and leisure; and other services sectors, 25% or fewer companies have set at least one interim emissions reduction target covering scope 1 and 2 emissions.

When analysing the breakdown of short-term versus medium-term targets, it is evident that most decarbonisation efforts are forecast to be achieved between the medium- and long-term.
The real estate sector is an exception, with the short- and medium-term commitments of companies equating to an 87% reduction in that sector’s scope 1 and 2 emissions between 2025 and 2035. However, the major decrease in emissions across all other sectors is achieved between 2035 and 2050 (see Figure 5).

**FIGURE 5: Emissions reductions forecast per sector**

*EMISSIONS (Mt CO₂e)*

**A CLOSER LOOK:**

Reduction 2021-2025

Reduction 2025-2035

Reduction 2035-2050

Remaining emissions in 2050
The highest emitting sectors – utilities, metals and mining, and oil, gas and consumable fuels – are targeting at least a 90% reduction in scope 1 and 2 emissions by 2050. However, most decarbonisation efforts are expected between the medium- and long-term. Therefore, these remain the top emitting sectors up until 2035 – only after that is the 98% emissions reduction being targeted.

To sit in line with 1.5°C, all sectors can increase their interim emission reduction targets covering all applicable scopes. This is needed in order to bring down emissions at such a rate as to avoid increasing climate risk through delayed action.

Combining net zero targets and interim emission reduction targets for best practice

As outlined in the ‘Interim emissions reduction targets’ section, corporate decarbonisation is mostly expected to happen between 2035 and 2050, not aligned with the steep decarbonisation efforts required before 2035 (see Box 2). Long-term net zero targets can’t succeed without also committing to short- and medium-term emissions reduction targets. Setting short and medium-term targets in line with a 1.5°C trajectory supports companies’ decarbonisation journey to be achieved at pace.

Some ASX200 net zero targets are supported by sufficiently ambitious interim emissions reduction targets.

23% (or 43) of companies assessed have a net zero commitment that is supported by an interim emissions reduction target for scope 1 and 2 emissions and 3% (or six companies) for all applicable scopes.

The number of these companies with 1.5°C aligned commitments is a smaller percentage: 11% of companies (or 20) have 1.5°C aligned net zero and interim emissions reduction targets covering scope 1 and 2 and only 1% (one company) has both net zero and interim targets that address all applicable scopes.
20 companies have 1.5°C net zero targets supported by 1.5°C aligned interim emissions reduction targets for their scope 1 and 2 emissions:

+ Bega Cheese Limited
+ Beach Energy Limited
+ Charter Hall Group
+ CIMIC Group Limited
+ Fortescue Metals Group Ltd
+ GPT Group
+ IGO Limited
+ Ingenia Communities Group
+ Link Administration Holdings Limited
+ Orica Limited
+ Origin Energy Limited
+ Qantas Airways Limited
+ QBE Insurance Group Limited
+ Rio Tinto Limited
+ Santos Limited
+ Scentre Group
+ Sims Limited
+ Transurban Group
+ Worley Limited
+ Woodside Petroleum Limited.

Six companies have a net zero and at least one emissions reduction target for their scope 1, 2 and, if applicable, 3 emissions:

+ AGL Energy Limited
+ Aurizon Holdings Limited*
+ Evolution Mining Limited*
+ Northern Star Resources Ltd*
+ Qantas Airways Limited*
+ Telstra Corporation Limited.*

*Note: Considering scope 1 and 2 only. For this company, scope 1 and 2 emissions are the most material source of emissions and scope 3 emissions are deemed not applicable. For more information on scope 3 applicability, see the methodology report (Climateworks Centre 2022).

Eight companies are aiming to achieve net zero scope 1 and 2 emissions by or before 2025:

+ ASX Limited
+ Brambles Limited
+ Deterra Royalties Limited
+ Dexus
+ Growthpoint Properties Australia
+ Lendlease Group
+ Macquarie Group Limited
+ Tyro Payments Limited.

One of these companies has set such targets in line with a 1.5°C trajectory: Qantas Airways Limited (scope 1 and 2 emissions only).

One company aims to reach net zero in the short-term (by 2025) in line with a 1.5°C trajectory for scope 1, 2 and 3 emissions:

+ Tyro Payments Limited.

The transport, and oil, gas and consumable fuels sectors have the highest proportion of companies with both 1.5°C aligned net zero and interim emissions reduction targets for scope 1 and 2 emissions (50% and 38%, respectively).

The real estate sector is showing some momentum with 35% of the companies aligning to 1.5°C trajectories by setting either a net zero short-term target or a net zero medium-term target supported by an interim emissions reduction target in line with a 1.5°C trajectory.

Efforts to establish net zero commitments supported by interim emissions reductions targets can be strengthened across all sectors.
**BOX 2:**

**Current low-emitting sectors could become the future high-emitting sectors**

Under their current commitments, the two highest emitting sectors - utilities, and metals and mining - are expected to significantly reduce scope 1 and 2 emissions by 2050 as indicated in Figure 6. If this occurs, by 2050 emissions would be evenly distributed across all sectors with the construction materials and other services sectors left responsible for the largest proportions of emissions (19% each). See Figure 7 for detail.

**FIGURE 6: Expected scope 1 and 2 emissions reductions by 2050 per sector**
FIGURE 7: Emissions in 2021 and forecast emissions levels in 2050 across sectors

Total ASX200 scope 1 and 2 emissions in 2021: 157 MtCO$_2$e

2021

2050

Forecast of total ASX200 scope 1 and 2 emissions in 2050: 6 MtCO$_2$e

Utilities
Metals and mining
Oil, gas and consumable fuels
Construction materials
Consumer staples (manufacturing)
Transport
Other manufacturing
Retail, wholesale and distribution
Other services
Communication services
Real estate
Hotels, restaurants and leisure
Financials
Information technology

Other services
Construction materials
Oil, gas and consumable fuels
Hotels, restaurants and leisure
Metals and mining
Consumer staples (manufacturing)
Communication services
Transport
Information technology
Financials
Retail, wholesale and distribution
Other manufacturing
Real estate
Utilities

Note: Percentages may not add up to 100 due to rounding.
Current short- and medium-term targets imply a 36% ASX200 carbon budget overspend

The ASX200 long-term commitments for scope 1 and 2 emissions imply that a 96% (or 151 MtCO₂e) reduction would be achieved by 2050 (compared to 2021 levels).

However, the current short and medium-term commitments imply that a reduction of 34% (or 53 MtCO₂e) in emissions would be achieved by 2035 (compared to 2021 levels).

This reduction falls short of the ASX200-specific 1.5°C trajectory determined in this assessment which shows a reduction of 71% (110 MtCO₂e) by 2035.

With the current ASX200 emissions reduction commitments, the remaining ASX200 total scope 1 and 2 emissions equal 2,787 MtCO₂e for the period of 2021 to 2050. This exceeds the ASX200-specific 1.5°C carbon budget by 741 MtCO₂e or 36% (see Figure 8).

FIGURE 8: Comparison between remaining scope 1 and 2 emissions of the ASX200 and ASX200-specific Decarbonisation Futures ‘1.5C All-in’ emissions trajectory

ASX200 remaining emissions implied by commitments

ASX200-specific Decarbonisation Futures ‘1.5C All-in’ emissions trajectory

EMISSIONS (MtCO₂e)

200
150
100
50
0
2025 2030 2035 2040 2045 2050

36%
Implications for best practice

This report has demonstrated momentum across three of the four principles for best practice in line with corporate action to limit global warming to 1.5°C, but more can be done.

Net zero scope 1 and 2 emissions commitments are increasing across ASX200 companies. This is especially the case in high-emitting sectors, where the majority of companies have now set a long-term net zero target for their scope 1 and 2 emissions. This demonstrates good progress in best practice principle 1—setting a long-term net zero commitment by or before 2050—although the pace of progress is slow with more than half of the companies assessed not having any net zero emissions target.

The lack of correlation between the availability of emissions reductions technology and momentum in long-term commitments may appear counterintuitive at first, with some of the highest emitting and harder-to-abate sectors performing better in terms of net zero scope 1 and 2 commitments than those with readily available solutions to decarbonise.

Conversely, many of the companies that have not set a net zero scope 1 and 2 target are operating in sectors where decarbonisation technologies are already commercially available. There is a lot for opportunity for the lower emitting sectors to take up this technology and increase their decarbonisation efforts.

Where momentum is being demonstrated in long-term scope 1 and 2 commitments, fewer net zero commitments cover scope 3 emissions or are supported by interim emissions reduction targets. Thus, many are not aligned to a 1.5°C future.

There are many opportunities for corporates to increase their commitments covering scope 3 emissions. Scope 3 emissions represent the largest source of emissions for most companies yet may be beyond a company’s direct control and therefore harder to measure and address. But some leading large corporates have demonstrated they are able to influence the emissions along their value chain and support the development of emerging data solutions to enable measuring and addressing these emissions (Climate Leaders Coalition, 2022).
As outlined in the report, long-term net zero targets alone are not enough to be in line with a 1.5°C trajectory. Implementing best practice principle 2 is also key. Stronger short- and medium-term interim reduction targets in line with the company-specific 1.5°C trajectory provide confidence and certainty that companies will decarbonise fast enough to achieve their long-term net zero goal and remain within our carbon budget.

As our analysis has found, some Australian organisations are already leading when it comes to setting scope 3 and short- and medium-term targets. By analysing the progress of these market leaders, reports like this can help demonstrate what ‘good’ looks like, so other corporates can lift their confidence and ambition. These first movers can drive uptake in the number and quality of these commitments to scale up the impact. By working collaboratively with suppliers and partners, leading corporates can also help accelerate the coverage of scope 3 commitments across wider value chains.

Considering the impact disclosure and transparency of commitments can have among corporates, public reporting is a high priority for the Net Zero Momentum Tracker. The quality of emissions disclosure is trending upwards for Australian corporates, but many companies could increase their transparency, especially when it comes to reporting scope 3 emissions. While not the focus of this analysis, this lack of transparency is even more marked in private companies, which have been found to have a lower number of disclosed climate commitments than publicly listed companies (Net Zero Tracker 2022).

Not disclosing commitments to reduce scope 3 emissions might also start exposing Australia’s corporates to consumer, investor and regulator pressures. For example, the International Sustainability Standards Board (ISSB 2022) has recently indicated that scope 3 reporting will become mandatory within its new standards as soon as 2024, which is likely to increase scrutiny by regulators for whom greenwashing is becoming an area of focus.

High quality and transparent disclosure of corporate emissions and climate commitments is essential to track progress on decarbonisation efforts and to hold companies accountable to their climate plans. But as indicated by our best practice principle 4 – demonstrable, tangible near-term actions is the final step in creating 1.5°C aligned net zero commitments.

High-emitting companies such as those involved in the production and combustion of fossil fuels as well as financial institutions investing in the development of such projects will need both robust commitments and net zero transition plans. Most scope 1 and 2 emissions from companies in the oil, gas and consumable fuels sector and scope 3 emissions from companies in the utilities sector supplying gas relate to the production and combustion of fossil fuels. Transitioning away from the use and financing of fossil fuels is not only possible but necessary as the International Energy Agency (IEA) Net Zero Emissions by 2050 scenario shows no new coal, oil or gas fields are approved for development in a 1.5°C transition (IEA 2021).

Sector-based pathways on ‘how’ to achieve net zero are not always agreed upon in Australia. Climateworks’ scenarios and sectoral pathways provide insights for where and when action is needed. Further guidance from the expanding library of green taxonomies and climate transition plan standards can help provide clarity to corporates on what steps to take in the short and medium term. It can also provide investors and regulators with transparent, standardised benchmarks against which to assess corporate progress towards a 1.5°C future. More familiarity with this evolving guidance – including understanding pathways, technology sequencing and regulatory requirements for their sectors – can motivate corporates and investors to demonstrate alignment to 1.5°C.

Looking forward to 2023, ASX200 companies across all sectors can increase their climate ambition in line with best practice principles. Ambitious efforts from the corporate sector will support Australia’s transition to net zero emissions.
Conclusion

With more companies adopting net zero commitments that are aligned with Australia’s role in a 1.5°C degree world – and some leaders pushing their ambitions even further – our 2022 analysis shows corporate Australia is recognising the importance of 1.5°C degree alignment.

While current targets fall well short, particularly in the short term (the next 2–8 years), there is a large scope for increased ambition, particularly from those lower emitting sectors where solutions are readily available now.

Greater ambition is possible, and imperative with corporates responsible for almost a third of the nation’s emissions. Highlighting the companies that are leading the way to identify best practice will continue to be a priority for the Net Zero Momentum Tracker in this transformational decade.
References


