Written evidence submitted by Dr Suresh Renukappa, Gabriel Martinez, Redouane Sarrakh and Dr Subashini Suresh, Faculty of Science and Engineering University of Wolverhampton (NZG0034)

Strategies towards net zero 2050 targets: A governance perspective

Gabriel Martinez, Redouane Sarrakh, Dr Suresh Renukappa and Dr Subashini Suresh

Faculty of Science and Engineering
University of Wolverhampton
United Kingdom

Executive summary

- Strengthening of the low carbon target towards net zero 2050 goals pose a scenario in which business need to adapt to comply and support the process.
- Lack of policy coordination, financial incentives schemes, clarity in current policies, affordable low carbon solutions and access to low carbon technologies are among the factors hindering businesses efforts towards net zero goals.
- Governance structures need to ensure cross-sectorial alignment to the goals while promoting collaboration among multiple stakeholders to jointly develop strategies. Efforts at the policy level need to match industry standards, incentive schemes, financial support systems, promotion, technological development, and innovation towards low carbon adoption. Integration of these elements is key to deliver scaled-up solutions.

Introduction and reasons for submitting evidence

The UK has continued to ratify its commitments towards net zero emissions. The current target is to achieve this goal by 2050. Furthermore, on April 2021 the UK set an ambitious target of cutting emissions by 78% by 2035. Therefore, inter-institutional and policy coordination are crucial to meet these goals. As the UK get closer to the goals it becomes evident that progress towards the goals varies across sectors. For example, the 2021 progress in reducing emissions report to Parliament shows great success in electricity supply and manufacturing while surface transport is struggling to keep up the pace. This highlights the need to rethink governance structures with in-depth understanding on key drivers and challenges that could frame support strategies for business.

Written evidence

- Evidence provided are based on the perspective of 28 professionals from diverse business sectors to ensure exploration of multiple points of views. Semi-structured interviews were conducted with influential leaders from highly innovative enterprises (Sample includes CEOs, presidents, directors, and senior managers). Participants took part from transportation, IT, financial, construction and energy sectors. They were enquired about their experience on innovation processes towards sustainability goals such as Net Zero by 2050. Findings shows high influence from governance structures regarding innovation and processes development towards meeting net zero goals.

- Regulations allows organisations to act proactively and plan avoiding future risks. It was cited by 79% of the participants as a key driver. The UK could enhance buy-in of new regulations with the incentives and tariffs with a sustainability logic behind it. For sectors that struggle the most it could take the form of standards required for operations.

- However, interviewees agree that an appropriate legal structure is required (Cited by 54% of the participants). Some participants consider that there is lack of policy coordination in cases where current standards do not match net zero goals. Issues associated by a lack of policy coordination include informality, conflict with key actors and lack of attention from the government. Until all the moving pieces are marching in the right direction is difficult to meet net zero goals.

- Comprehensive schemes comprise of financial incentives and sanctions are crucial to promote sustainable innovation. However, they need to reflect of every element of the value networks for every economic sector. Otherwise, businesses are not operating on a level playing field causing resistance to measures imposed by authorities. This also reflects on poor collaboration and alignment across value chains where members do not share the same vision regarding net zero operations.

- Constant changes in governmental regulations poses a challenge to businesses ability to comply, since it can disrupt how industries operates. Furthermore, it disrupts planning since it forces organisation to modify plans and often seek new strategic directions. An on-going perception of uncertainty can deter firms from fully committing time, resources, and effort into net zero targets. 29% of interviewees highlight that regulation changes incur constraints on organisations activities and inhibit sustainability strategy development.

- The lack of clear governmental regulations is hindering the implementation of net zero carbon strategies within the UK businesses. Furthermore, efficient and strong governance is considered to be an essential aspect of successful implementation of net zero carbon strategies. Therefore, it is crucial that the UK Government must develop and deploy a clear and comprehensive net zero carbon policy framework for each of the major contributing sectors to ensure a successful implementation of net zero carbon strategies to minimise social, economic, and environmental risks.

- 32% of the interviewees suggests that there is a lenience with the organisations' implementation of governmental determined policies due to the conflicting definition of its targets. This could be explained in two folds. Firstly, because of the government vagueness in defining specific policies and regulations on how net zero carbon would be delivered across the sectors. Secondly, is the government's mixed attitudes towards some of its carbon related strategies. For instance, the PAS2080, which is developed by the UK construction leadership council as the first world standard for carbon management for infrastructure sector. Five years after the introduction of this standard, its implementation is still voluntary while it is compulsory in other European countries.

- Another important aspect highlighted by 36% interviewees is the lack of a governmental award system that rewards businesses within different sectors for their carbon performances. Similar systems could be considered as a tool of engagement between the government and industries as they attempt to showcase their commitment towards carbon reduction. Furthermore, these awards systems may provide organisations the opportunity to benchmark their carbon reduction strategies and initiatives against others in the country. Accordingly, incentives and rewards systems are a well-established governmental instrument to promote sustainability initiatives. Moreover, award systems should be given higher priority and recognition over other governmental sustainability instruments, i.e., regulation and technical assistance. Mainly since the introduction of rewards systems will create a welcoming environment for organisations to adapt net zero strategies over governments efforts to enforce environmental and social regulations.

- Participants also consider to be significant markets constraints related to the adoption of low carbon technologies, products, and services. This was cited by 25% of interviewees. The issue of spread of information results on customers not being able to favour sustainable low carbon options. Furthermore, resistance is evident when low carbon options are more expensive.

- A small number of participants (11%) argue that lack of access to low carbon technologies as a challenge for adoption. Interviewees who cited this issue belong to the transportation and construction sectors. Due to performance of these sectors towards net zero goals, governance structure needs to deliver support, collaboration and regulatory mechanism to comply at a pace which allows to meet the targets.

- Governance has an important role in promoting awareness of sustainability issues in society, encourage mutually beneficial relationships between organisations and society by developing appropriate regulatory frameworks for the adoption of sustainable technologies that align with net zero strategies. As a result, it could lead to an innovative and healthy business environment that foster resilient economies while addressing social and environmental issues.

August 2021