

Advancing Net Zero Volunteering Team



**ADVANCING
NET ZERO**
Volunteering Team

Net Zero in UAE's Industries – Readiness Survey 2023

September 2023



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Acknowledgments

Prepared by: Piotr Konopka, Akshay Datar and Andrea Di Gregorio.

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Foreword by Eng. Faisal Ali Rashid, Chairman of Advancing Net Zero Volunteering Team

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This report developed by the Industry Group within ANZ Team is an important milestone in advancing the UAE's industrial sector in its net zero journey. It marks the first time that net zero readiness has been systematically surveyed across such a broad range of industries in the UAE. It also give me pride as the first report produced by our relatively new organization.

The report and survey reveal interesting insights on the current state of net zero readiness of industrial businesses, their sustainability priorities and their policy needs. At the end it provides some recommendations to corporate leaders on how to advance net zero in their organization, and to policymakers on how to support businesses in doing so. This is a great first step of the industrial group of ANZ Team, and I look forward to more in the future.

I invite you to familiarize yourself with the findings of this report.

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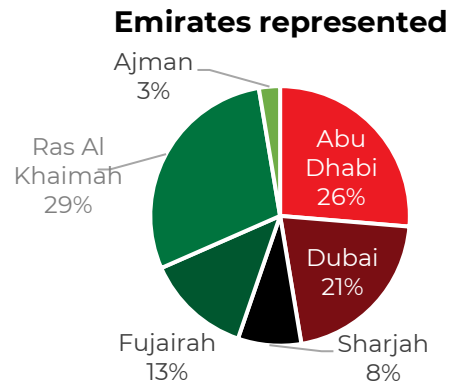
Eng. Faisal Ali Rashid

Chairman, Advancing Net
Zero Volunteering Team

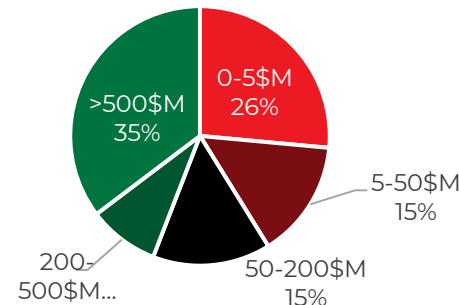
ANZ Team & Net Zero Readiness Survey - Introduction

The Net Zero Readiness Survey was conducted in Q2 and Q3 2023 to gauge the views of a sample of stakeholders from industrial companies in the UAE about:

- ✓ Readiness vs. a net zero emissions ambition
- ✓ Current barriers affecting their ability to make substantial progress
- ✓ Areas of desired government support



Size of companies represented



Total number of responses: 34

List of sectors represented: heavy industries; manufacturing; utilities; building materials; nuclear power; oil & gas; energy technology; energy; rubber, plastics and packaging; advanced manufacturing; transportation & logistics; waste management; food, beverage and agricultural technology; tourism; interior fittings and furniture; petrochemicals and chemical; material testing laboratory.



What's our goal?

Total decarbonization of cities in the UAE by 2050. This includes operational and embodied carbon emissions.

What's our mission and role?

Our mission is to accelerate the transition towards decarbonization of cities in the UAE by:

- Promoting social responsibility and stimulating positive engagement in climate action.
- Encouraging experts in the built environment sector to volunteer and contribute to UAE's net zero journey.
- Offering a platform for different stakeholders to exchange knowledge on net zero.
- Supporting public and private entities by providing research and tools related to net zero.
- Advocating for more stringent sustainability requirements in building regulations.
- Catalyzing the uptake of net zero in the UAE through capacity building, outreach programs, and technical projects.

How net zero ready are UAE's industries?

Summary findings:

1. Less than half (41%) of surveyed companies are on the path to net zero emissions. Another 44% do not have the resources, commitment or targets to support their sustainability strategy.
2. A majority have at least some sustainability strategy. Many conduct ESG reporting using SDG, SBTi or CPD.
3. Of those with decarbonization targets, half include scope 3, while the rest focus on scopes 1 and 2.
4. The biggest challenge reported is availability/cost of technology, followed by availability of financing, lack of expertise and the ability to generate or procure renewable energy.
5. On technology, most companies are deploying energy efficiency, renewables, waste treatment and process/material changes; green mobility and water management seem as underexploited quick-wins.
6. In addition, a large majority of companies (83%) believe that the technology required for net zero already exists, but only some (24%) have already deployed it.
7. On financing, some (35%) of the surveyed companies are already accessing green finance.
8. Over half (56%) the respondents know of government support to reach net zero. Overall, UAE's current policies are rated moderately effective (avg. 7 out of 10).
9. The most effective policies include the UAE General Environment Policy, Emirate-level DSM Programs and the UAE Circular Economy Policy.
10. Surveyed companies see scope for beneficial policies across the board, with particular support for on-site renewables (68%), cost reflective tariffs (61%), energy efficiency programs (61%) and incentives (57%).



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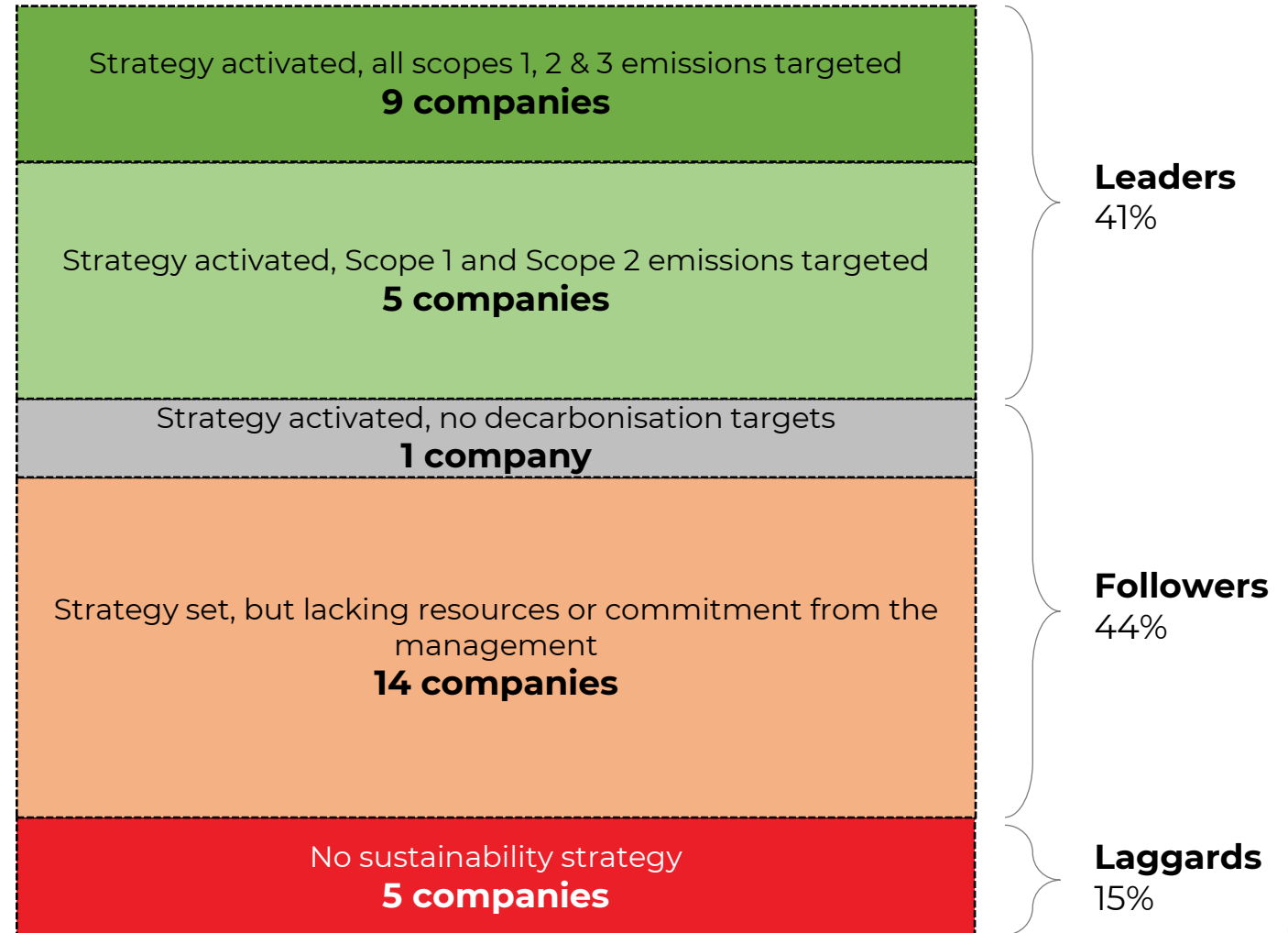
Industrial Net Zero Readiness

Less than half (41%) of surveyed companies are today on the path to net zero emissions. Another 44% do not have the resources, commitment or targets to support their stated sustainability strategy

Corporate resources typically deployed by the leaders (as examples):

- Dedicated sustainability team, connected to regional or global corporate initiatives.
- Advisors to develop decarbonization strategy and accelerate deployment.
- Assignment of decarbonization roles and responsibilities to existing staff.
- EHS surveys.

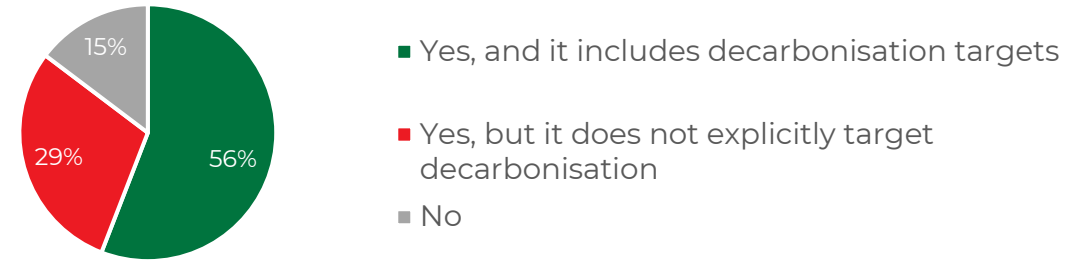
Does your company have a sustainability strategy?



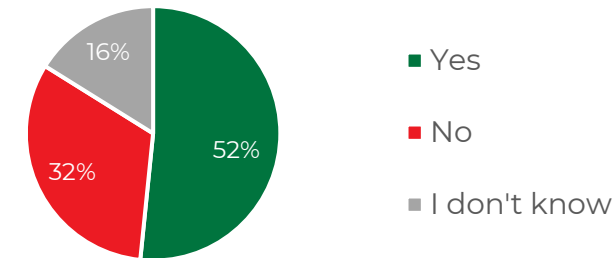
A majority of surveyed companies have at least some sustainability strategy. Many conduct ESG reporting under frameworks such as SDG, SBTi or CPD

- 85% of respondents indicated that their company has a sustainability strategy, however only 26% of surveyed companies communicate their detailed strategy publicly.
- 47% surveyed companies conduct ESG reporting, most commonly based on SDG, SBTi and CDP frameworks.
- Most companies (68%) conduct ESG reporting to satisfy regulatory and stakeholder requirements while other benefits of reporting are not well perceived (e.g. satisfying customers, access to financing and access to new markets).

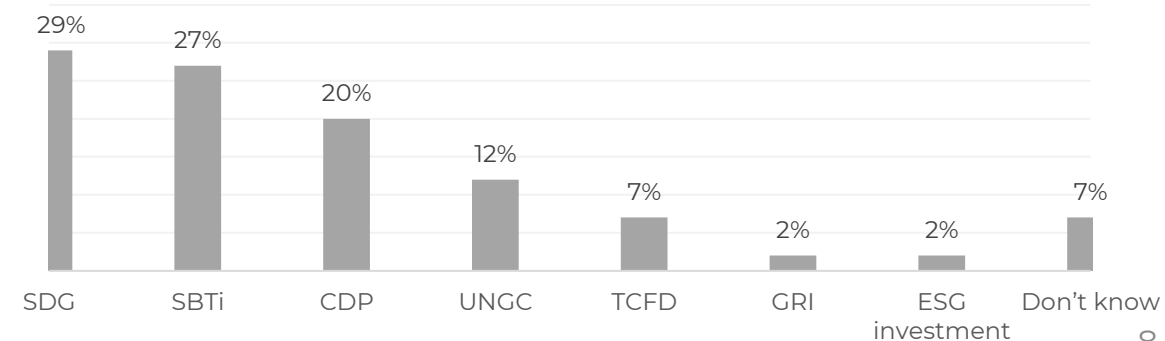
Does your company have a sustainability strategy?



Does your company conduct ESG reporting?



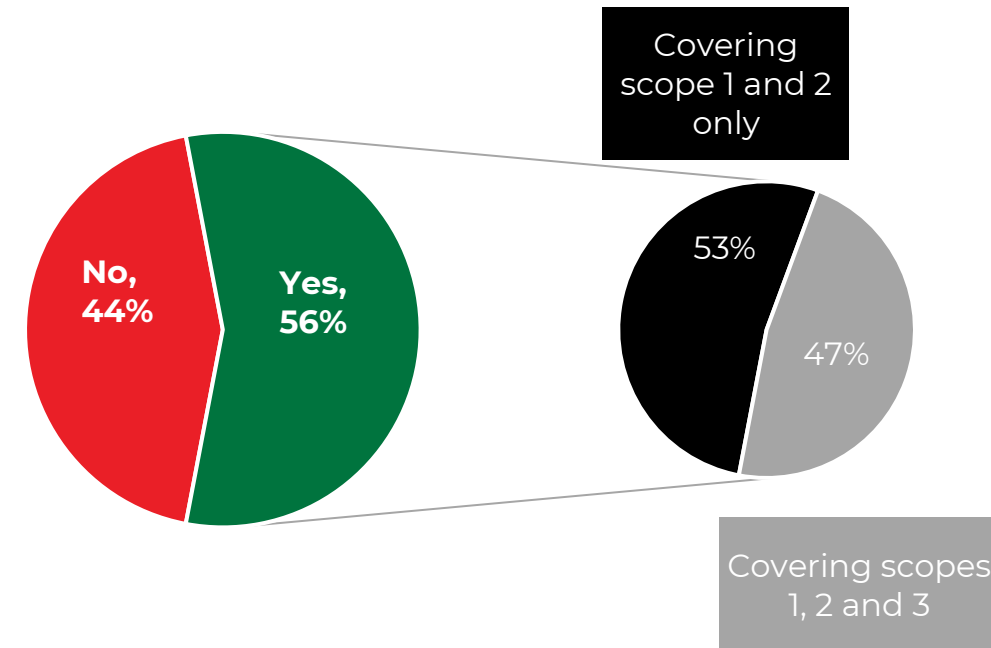
Frameworks that companies use for ESG reporting



Of those companies with decarbonization targets, half include scope 3, while the rest focus on scopes 1 and 2

- 56% of respondents have set net zero targets.
- Half of those with net zero target cover scope 1 and scope 2 GHG emissions only.
- Another half also cover scope 3 emissions in their net zero targets.

Does your company have a net zero carbon target?

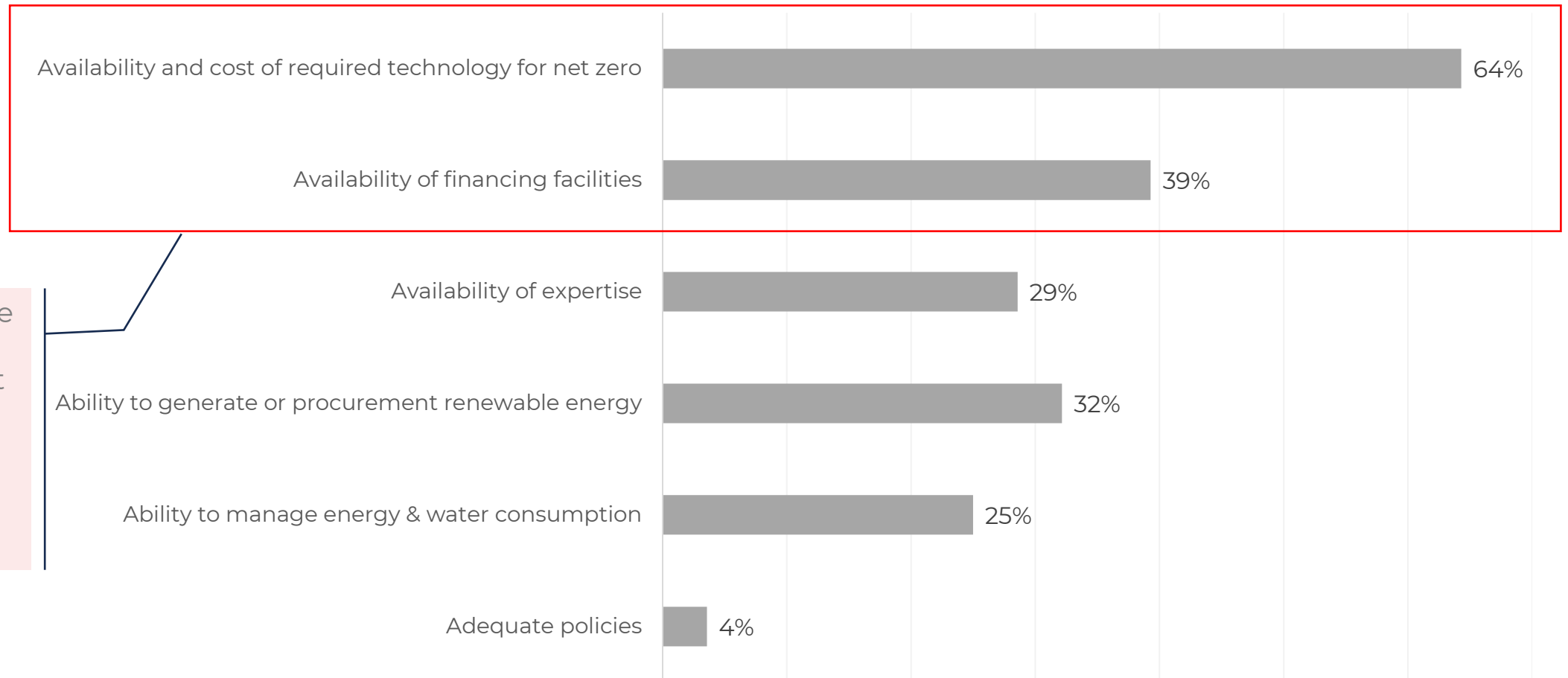




Decarbonisation Challenges & Progress

The biggest challenge reported is availability/cost of technology, followed by availability of financing, lack of expertise and the ability to generate or procure renewable energy

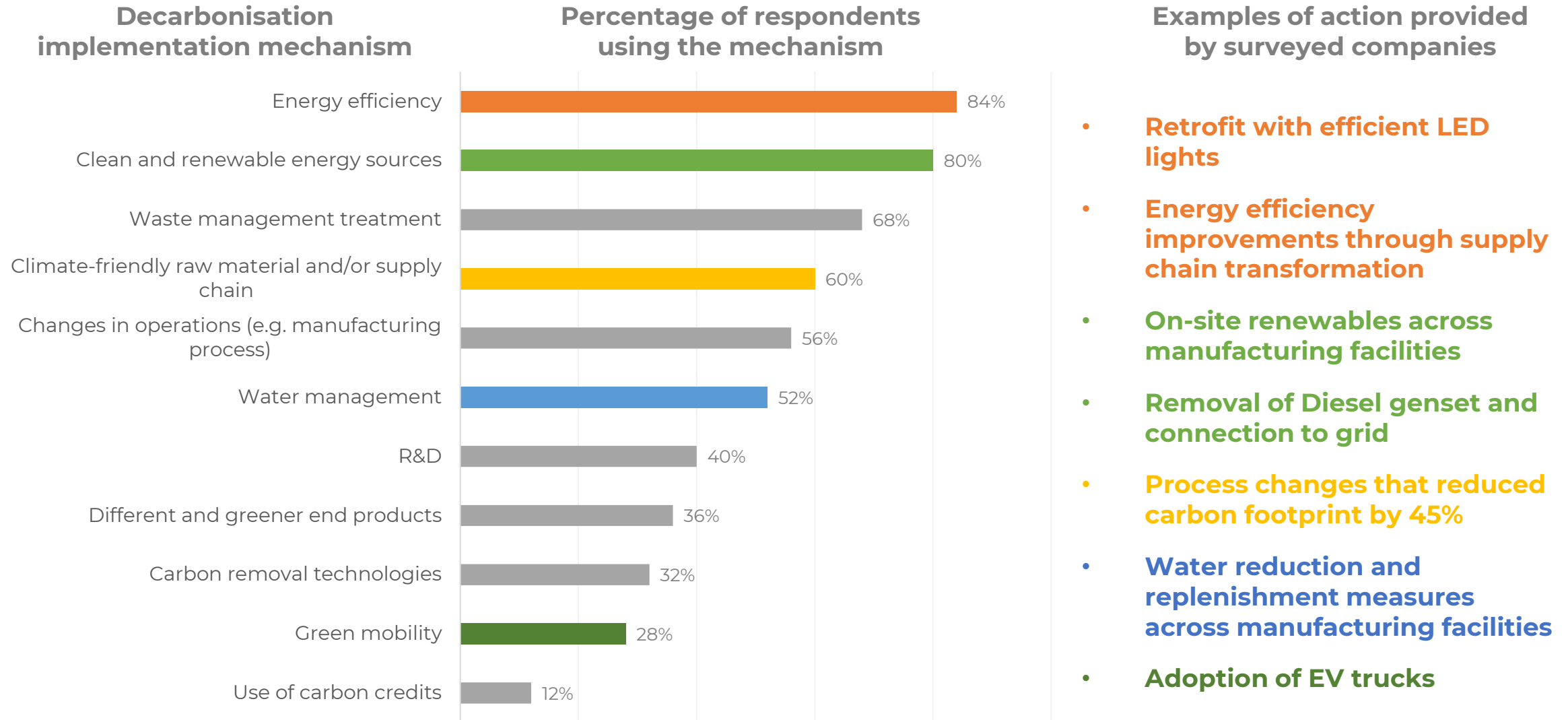
Main challenges that your organisation faces in its sustainability or decarbonisation projects currently



A deep dive into the top 2 challenges follows on the next pages

We also address policy in the next section

On technology, most companies are deploying energy efficiency, renewables, waste treatment and process/material changes; green mobility and water management seem as underexploited quick-wins



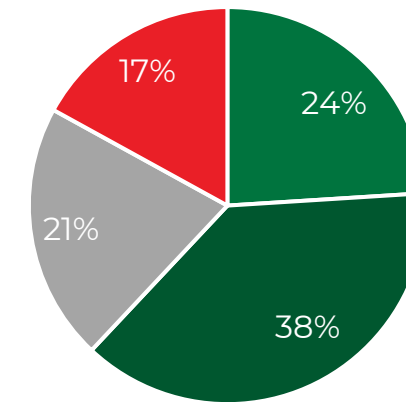
In addition, a large majority of companies (83%) believe that the technology required for net zero already exists, but only some (24%) have already deployed it

83% of companies claim that the technologies they require to decarbonize their operations already exist. 24% have already adopted them, 38% are in the process of procuring and introducing them. Only 17% claim the technologies they require are not available on the market today.

Examples of required technologies:

- Smart AI driven asset management solutions.
- Access to renewable energy sources at large scale.
- For transportation, some technologies exist, however it will be very difficult to decarbonize a huge fleet of trucks.
- Carbon Capture, Utilisation and Storage (CCUS).
- Measuring, monitoring and reporting platforms.

Do you have the required technology to realise your targets?



- Yes, we are already using all the technology needed
- The technology exists, and we are in the process of applying it in my organisation
- The technology exists but is not yet available in my organisation
- The technology is not yet available in the market

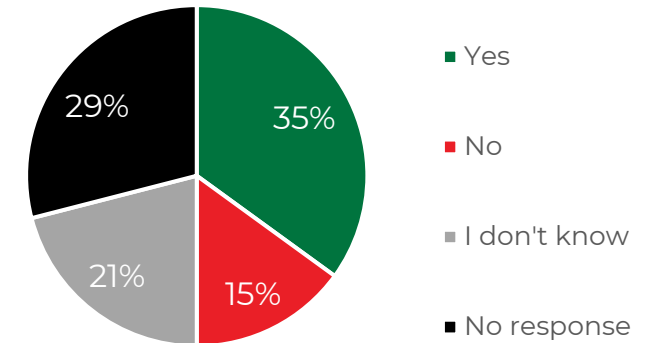
On financing, some (35%) of the surveyed companies are already accessing green finance

35% of organization already access green finance (such as green bonds or green loans), however 36% either do not know about such mechanisms or did not respond.

Some examples of projects companies listed as not being implemented due to low return on investment include:

- The use of sustainable material such as smart flooring in building material as part of events structure.
- Use of recycled plastic in beverage bottles.
- Carbon Capture, Utilisation and Storage (CCUS).
- Wood waste and packaging optimization.
- Intelligent building management systems.
- Decarbonisation of vessel operations.
- Electrification of logistics trucks.

Are you already accessing green/ESG finance?





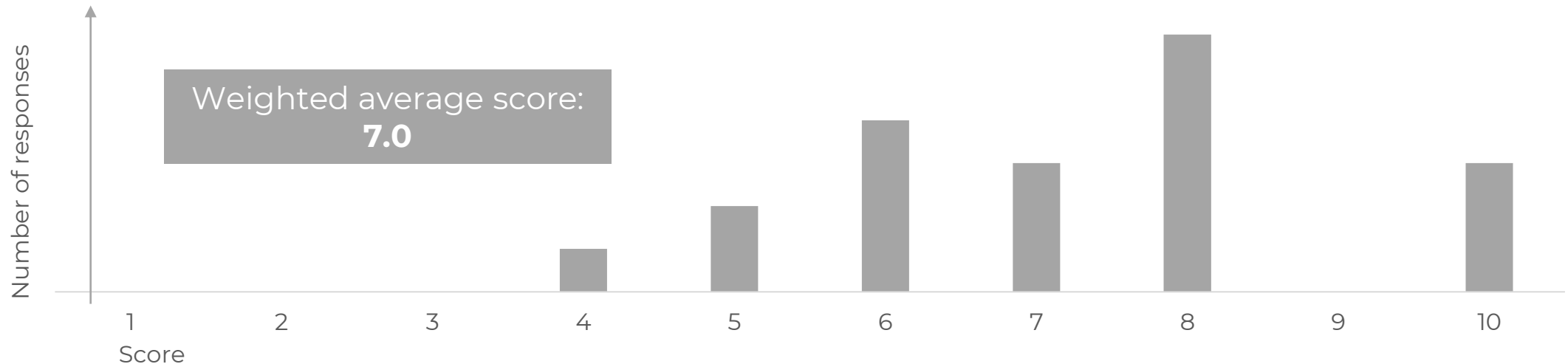
Government Support

Over half (56%) the respondents know of government support to reach net zero. Overall, UAE's current policies are rated moderately effective (avg. 7 out of 10)

Are you aware of available government support and the decarbonisation policy landscape in the UAE?

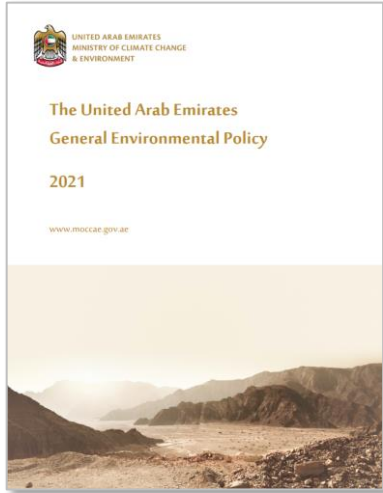


How would you rate the effectiveness of the current policy landscape in the UAE in helping you achieve your decarbonization goals? (1-10)



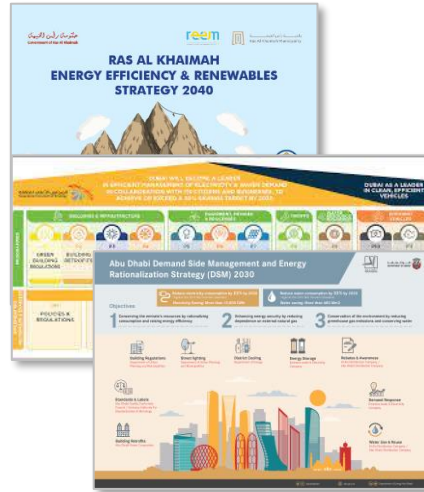
The most effective policies include the UAE General Environment Policy, Emirate-level DSM Programs and the UAE Circular Economy Policy

Which elements of the UAE's policy have helped you on your decarbonization journey?



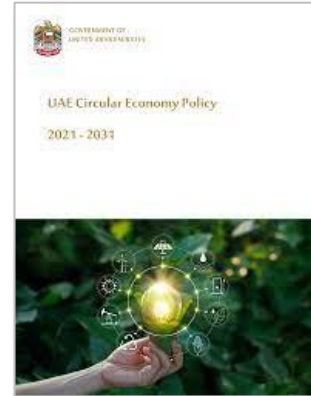
UAE General Env. Policy

37% found helpful



Emirate-level DSM programs

23% found helpful



UAE Circular Economy Policy

20% found helpful



UAE Sustainable Finance Framework

7% found helpful



UAE Green Business Toolkit

7% found helpful



UAE Green Bond and Sukook Program

3% found helpful

Surveyed companies see scope for beneficial policies across the board, with particular support for on-site renewables (68%), cost reflective tariffs (61%), energy efficiency programs (61%) and incentives (57%)



- The respondents expressed the opinion that more mandatory programs, laws and regulations are required and could create more impact
- Voluntary initiatives can influence decision making but are less of a powerful tool and are unlikely to be followed at large scale

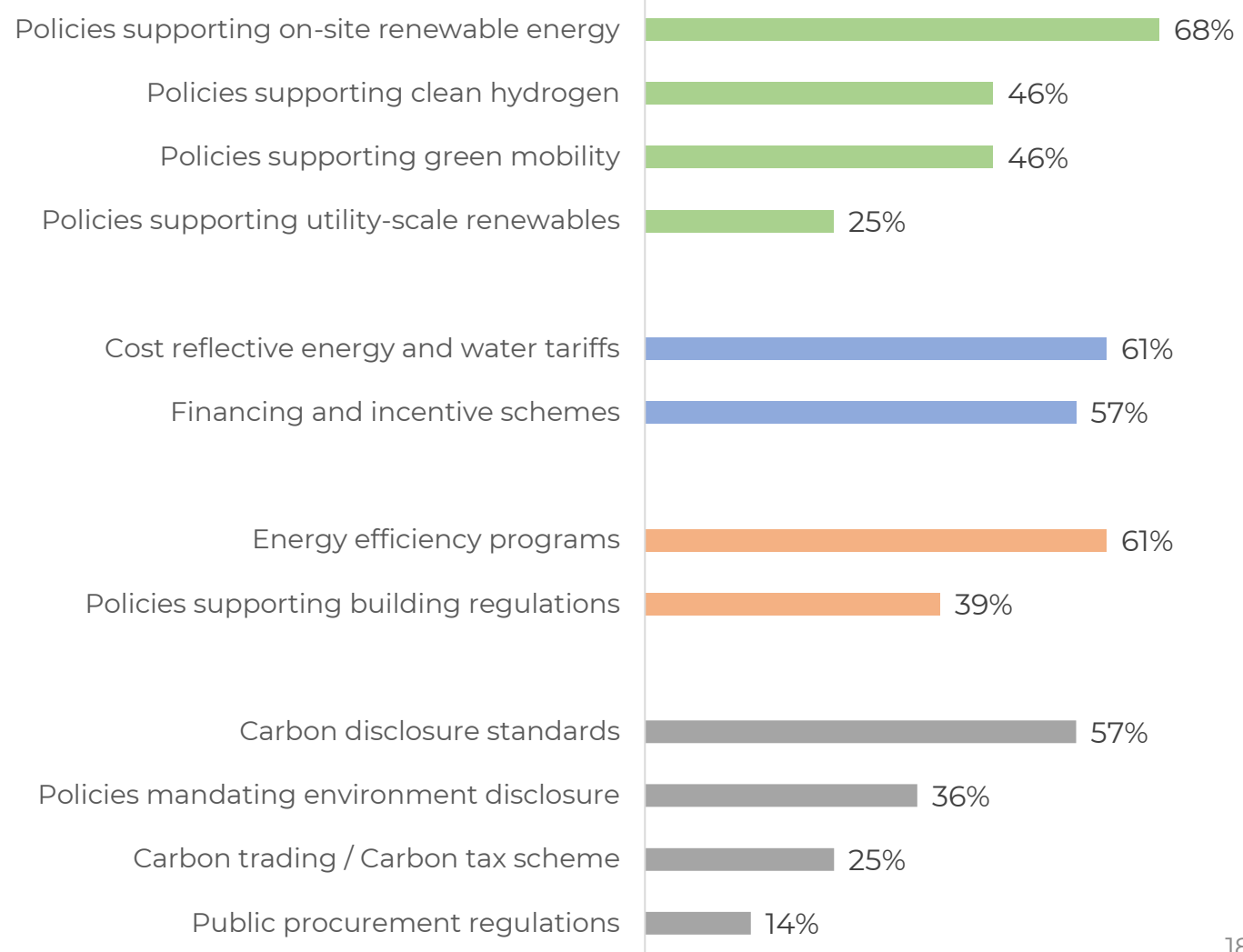
Renewable & clean energy

Tariffs & incentives

Energy efficiency

Reporting & disclosure requirements

Which areas of UAE policy do you believe would benefit the acceleration towards net zero for your organization?





Conclusion

Survey results indicate **six takeaways for policymakers**

1. **Consider policies that strongly support on-site renewable energy systems**

A majority of respondents indicated that the current regulatory framework prevents them from installing renewable energy on their premises to reduce their scope 2 emissions.

2. **Consider policy on mandatory GHG emissions disclosure, at least for large companies**

Measurement and reporting is a no-harm trigger for climate action and is practiced internationally. Mandatory disclosure would establish UAE as a leading country on progress towards net zero.

3. **Consider policy on financing and incentive schemes for net zero technologies**

Many decarbonisation technologies require further maturing before they breakeven with incumbent, therefore incentives are required to grant technological advancement and implementation.

4. **Promote net zero action among corporates**

Only 41% of surveyed companies have active net zero strategies. Of the rest, a majority claim to have strategies without targets or resources deployed – we risk that these are engaged in sustainability marketing sans action (e.g. greenwashing).

5. **Promote support available to companies under existing policies**

44% of respondents were unaware of available government support, despite useful policies and toolkits in public domain.

6. **Support advancement of technologies needed for net zero**

Survey respondents listed many technologies required for net zero but still not commercially available, particularly in the areas of carbon capture and storage, hydrogen and green mobility.

Survey results indicate **six takeaways for corporate leaders**

1. Net zero readiness is increasingly important to maintain license to operate

Regulatory pressure, investor expectations, customer demands, and financing requirements increasingly revolve around corporate sustainability.

2. Ensure that sustainability strategy is supported by adequate commitment and resources

Sustainability action increasingly has real benefits (e.g., efficiency, market access, financing). Stakeholders may not be savvy today, but will increasingly favor action over commitments, as in more developed markets.

3. Ensure GHG emissions measurement and reporting

One cannot manage what one does not measure. There is a broad range of public domain guidance on emissions reporting, but more awareness is required.

4. Consider all 3 emissions scopes in your decarbonisation strategy

Scope 1 and 2 (direct and indirect) emissions are easily understood and targeted. Scope 3 (supply chain emissions) are often overlooked despite their significant contribution to the carbon footprint of the product.

5. Raise awareness internally about available public resources and mechanisms

There are useful resources available in the UAE market, like policies or guidelines, but awareness is low. Corporate staff at all levels are encouraged to gather and share information on available support with their leaders.

6. Support R&D on technologies needed for net zero

Some technologies required for net zero are still unavailable in the UAE. Industries are encouraged to research new technologies or adopt technology from other places. Those that adopt technology first are likely to gain advantage.

Survey results lead us, at ANZ Team, towards 5 next steps to promote net zero in UAE's industry



1. **Distribute this report and its findings** among government stakeholders and industries.
2. **Advocate for on-site renewables and GHG disclosure policy mandates.**
3. **Plan an awareness and capacity building campaign on emissions inventory and reporting** (including scope 3), to address the emissions reporting gap.
4. **Conduct a policy awareness campaign** about policies and support already available for industry.
5. **Repeat the survey annually** to help policymakers track progress towards net zero and allow corporate leaders to benchmark their organisations against peers.

Thank you

