An Entrepreneur’s Guide to Achieving a Net-Zero Business



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Around the globe, companies and their green entrepreneurs are rapidly shifting focus to mitigating the effects of climate change, through both regulation and a variety of innovative solutions. The International Energy Agency estimates that global energy investment will need to more than triple to approximately $4 trillion for the world to achieve net-zero emissions by the year 2050. And although large organizations will likely lead the way, small businesses have a significant role to play in building a cleaner and more sustainable future. So, it’s important for all owners, as well as other leaders, to understand what steps they need to take to address this existential challenge.

What is “net zero?”

Greenhouse gases in the Earth’s atmosphere are widely considered to be the primary driver of climate change. They thicken the atmosphere, prevent heat from escaping and so ultimately warm the planet. While these gases occur naturally, increased human activity since the industrial revolution has significantly elevated their levels. And, according to the EPA, nearly 80% of greenhouse gas emissions consist of carbon dioxide.

The term net zero refers to the ability to balance the amount of greenhouse gasses emitted by removing an equal (or greater) amount from the atmosphere. A company that removes more such gases through environmentally friendly practices than it produces is said to be net zero.

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For entrepreneurs looking to transition their companies in this way, it’s essential to understand the sources of harmful emissions. Generally speaking, there are three main categories:

- **Scope 1:** This type is generated as a direct result of company operations, including a fleet of company-owned vehicles or operating a manufacturing facility.
- **Scope 2:** These are associated with the energy consumed by a business, such as purchased electricity, heating or cooling.
- **Scope 3:** Emissions of this type are indirect, occurring throughout a business’s value chain, including the extraction and production of raw materials, employee commuting and the use or disposal of sold products.

While the road to net zero may seem daunting, small businesses *can* take incremental, innovative and practical steps to

address all three of these tiers.

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Net zero benefits

Beyond the positive environmental impacts, net-zero status can enhance a brand's reputation, attract environmentally-conscious customers, yield cost savings, ensure regulatory compliance and future-proof a business. It is, then, not only an environmental imperative but also a strategic opportunity.

A deeper dive into those benefits:

- **Brand recognition and customer loyalty:** A 2020 IBM study found that 57% of all consumers were willing to change their buying habits to help the environment.
- **Access green funding and investment:** Investors and financial institutions increasingly prioritize businesses that are committed to sustainability. This can include loans, grants or venture capital investments specifically designated for environmentally responsible businesses.
- **Cost savings:** Net zero often goes hand in hand with implementing energy-efficient technologies, optimizing resource usage and reducing waste. This can lead to significant financial savings over time.
- **Legal compliance:** Governments and regulatory bodies worldwide are implementing stricter environmental regulations. By proactively adopting net-zero goals, entrepreneurs can ensure compliance with current and future requirements.
- **Fostering innovation:** The net-zero endeavor encourages entrepreneurs to think innovatively and seek new solutions to reduce both emissions and resource consumption.

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Getting started on your journey

- **Conduct a carbon footprint assessment:** This is a vital first step, and a comprehensive inventory will include both direct (Scope 1) and indirect (Scope 2 and 3) emissions. By quantifying them, executives can identify areas of high impact and prioritize efforts for reduction.
- **Set emissions reduction goals:** Setting targets for this task provides a roadmap for action and allows businesses to track progress. It's critical for goals to be science-based, as having the right ones will help prioritize investments and reap ongoing benefits in efficiency measures and resulting cost savings.
- **Invest in energy-efficient equipment and other infrastructure:** Energy efficiency is a crucial aspect of the net-zero journey. Enterprises and organizations can start by identifying opportunities to reduce consumption within their operations, including upgrading to energy-efficient equipment.
- **Transition to renewable energy:** Sources such as wind, solar, geothermal and hydro typically produce significantly fewer emissions than traditional energy sources. For example, according to the World Resources Institute, electricity generated from coal produces eight times the amount of carbon dioxide as that from solar energy.
- **Carbon offsetting:** In many cases, businesses will have emissions that are essentially impossible to eliminate. Carbon offsetting can be a tool to compensate — including investing in projects that remove or reduce greenhouse gases elsewhere, such as carbon-storing agricultural practices and reforestation.
- **Continuously measure progress:** Measuring success is essential, and one way to do that is through key performance indicators (KPIs) that align with your

emission reduction targets.

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Achieving net zero can be complex and confusing, and guidance from sustainability experts or coaches can help make it more attainable, including helping you set the right goals in the first place, then offering tailored solutions and holding entrepreneurs accountable.

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