The MSCI Sustainability Institute
Net-Zero Tracker | COP29 Edition

MSCI Sustainability Institute

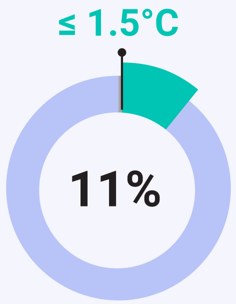
Key findings

National climate plans due next year offer governments an opportunity to incentivize corporate climate ambition.

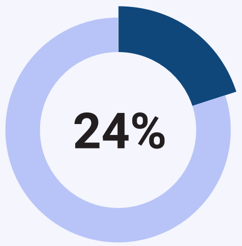
- Listed companies are on track to put 11 gigatons (Gt) of Scope 1 GHG emissions into the atmosphere this year or nearly 20% of global greenhouse gas (GHG) emissions.[8]
- The pace of decarbonization by listed companies in the biggest developed economies is expected to slow overall between now and 2030. Emissions of listed companies in the U.S., for example, are projected to fall by 1.8% annually over the period 2023 to 2030 based on their latest climate targets, after falling 3.7% per year in the six years ending in 2022.
- The picture differs in the largest emerging economies. The emissions of listed companies in China are projected to rise 1.2% annually between 2023 and 2030, provided that companies meet their climate targets, after increasing 6.9% per year between 2016 and 2022.
- The emissions of listed companies in India are not expected to grow at all if companies meet their climate commitments but to fall by 1.2% annually between 2023 and 2030 after rising 9.1% per year in the six years following the Paris Agreement.
- The carbon efficiency of companies in the emissions-heavy oil and gas, power, coal, steel and cement industries varies significantly, an analysis of their production-based GHG intensities shows.
- Unlisted companies' Scope 1 emissions total an estimated 7.3 Gt annually, highlighting the importance of decarbonization in private markets.

Market-based mechanisms such as carbon trading, a key focus for COP29, could advance the net-zero transition globally by improving the flow of capital from north to south.

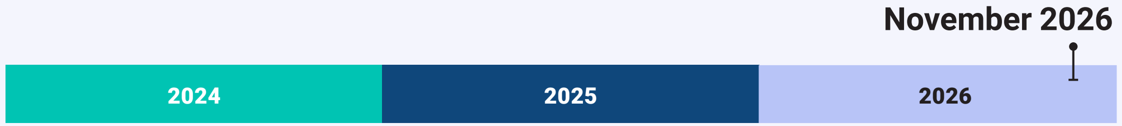
- There's plenty of climate capital being deployed but it skews overwhelmingly toward developed countries, reflecting the availability of investable opportunities and the challenge for fiduciaries of absorbing outsize investment risk.



Share of listed companies that align with the goal of holding the rise in average global temperatures to 1.5°C above preindustrial levels



Share of listed companies that have set science-based climate targets



Date by which the world's listed companies are expected to burn through their remaining 1.5°C carbon budget

- The lion's share of assets in climate funds are invested in developed markets, with nearly three-quarters invested in U.S.-listed companies alone, as of Sept. 30, 2024.
- Companies in the energy, industrials, materials and utilities sectors in emerging markets outside the G20 account for just 2% of capital raised in public markets since 2010.
- Though steps by governments and development finance institutions designed to reduce investment risk have succeeded in attracting private-sector climate finance, such approaches may not support the fast scaling of trillions of dollars in finance that will be needed to achieve global climate goals.

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The world's listed companies are on course for a rise of 2.8°C (5°F) above preindustrial levels in average global temperatures this century.

- The decarbonization pathways of 11% of listed companies align with projected warming of 1.5°C (2.7°F), as of Aug. 31, 2024, based on MSCI's ITR metric, while 27% of companies align with warming between 1.5°C and a 2°C (3.6°F) temperature rise.
- 62% of listed companies align with warming greater than 2°C, including nearly one-quarter (24%) of companies whose trajectories would exceed 3.2°C (5.76°F).
- Listed companies are likely to burn through their share of the global carbon budget for keeping the rise in global temperatures below 1.5°C by November 2026.

The number of companies that have set science-based climate targets is ticking up, but the overall share remains low.

- Nearly one-quarter (24%) of listed companies have set a decarbonization target that aims to reduce their financially relevant GHG emissions to net-zero by 2050 in line with a science-based pathway, as of Sept. 30, 2024, an increase of two percentage points from a year earlier.
- 41% of companies have set a target that aspires to reduce emissions to net-zero (though not necessarily in line with climate science), up one percentage point over the same period. Overall, 58% of listed companies have published a climate commitment, up two percentage points from a year ago.

The delay in climate disclosure for U.S.-listed companies shows.

- Nearly-three quarters (73%) of companies listed outside the U.S. disclosed their Scope 1 and/or Scope 2 emissions, as of Aug. 31, 2024, compared with just under half (49%) of listed companies in the U.S.
- Overall, nearly half (47%) of companies globally disclosed at least some of their upstream Scope 3 emissions, as of Aug. 31. 2024, up eight percentage points from a year earlier, while 28% disclosed at least some of their downstream Scope 3 emissions, up six percentage points over the same period.

Tracking the voluntary carbon market

- Monthly volume-weighted average spot prices for carbon credits across all project types fell to USD 4.8 per ton of carbon dioxide equivalent (CO2e) in the three months ended Sept. 30, 2024, down 18% from the second quarter and roughly flat with their level in the same quarter a year ago.
- Issuances of carbon credits in the third quarter of 2024 totaled 78 million ton (Mt) of CO2e, up 20% from the same period a year earlier.
- The number of carbon credits retired during the third quarter totaled 35 Mt of CO2e, up slightly from the same period last year.

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