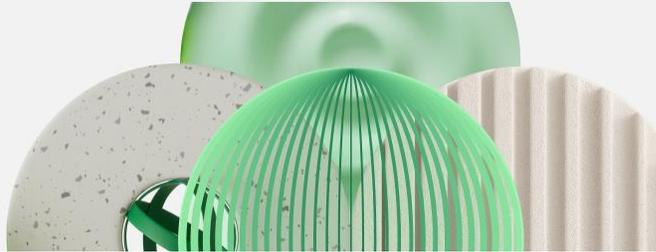


BCG at Davos 2023

To BCG's network around the world,

As this year's World Economic Forum Annual Meeting in Davos gets underway, I'm feeling energized about the chance to connect with other leaders on so many critical topics—resilient businesses, the power of AI, sustainability, talent, and more. We'll be sharing our insights throughout the week on our [BCG at Davos page](#), but I wanted to focus this email specifically on the huge opportunity to win in “green” markets.

Green markets are broadly defined as goods and services exchanged that are lower in carbon than their traditional alternatives and are based on the use of sustainable materials, such as biogas and low-carbon hydrogen, biofuels and synthetic low-carbon fuels, low-carbon steel, and cement produced with renewable energy and carbon capture and storage.

My colleagues just authored a [great new report](#) on this topic with the WEF Alliance of CEO Climate Leaders. The bottom line: early movers—companies that identify, create, and scale green businesses through the rest of this decade—will thrive. Costs may look high for those jumping in now, but demand for green materials will likely outpace supply sooner than we think.

A few of the highlights from our analysis:

There's a growing willingness to pay a green premium. While downstream

companies are often the driver, upstream segments of key value chains are also beginning to gain price premiums on green products. As shared in my weekly brief last September, BCG [research](#) has found that 20% to 43% of consumers would make green choices when sustainability is linked to other benefits, such as health, safety, and quality. It's a market that will only continue to grow.

Cost challenges depend on sector and technology. Some green technologies have reached cost parity already. In most regions, renewable electricity production from solar and onshore wind is already cheaper than fossil-based electricity production based on coal and gas. But others, including recycled plastics and blue ammonia, still come at a premium of 50% or more. Sectors such as electric vehicles have shown the importance of investing long before cost parity is achieved.

Companies need to adjust expectations about the pace of change. Forecasts for new climate technologies have often been far too conservative. For example, forecasts of solar photovoltaic (PV) capacity in 2030 increased by a factor of 36 between 2002 and 2020, while projected unit costs dropped by a factor of three. By following overly conservative forecasts such as these, many organizations have not been well equipped to deal with change.

There will be opportunities amid scarcity. Today, downstream companies' decarbonization commitments are far bolder than those of their upstream suppliers. Demand for several green materials could soon outpace supply, particularly for plastics, chemicals, aluminum, glass, concrete, and steel. Companies in downstream markets that want to avoid overpaying for inputs as they work toward decarbonization targets should start reviewing their procurement strategies and processes now.

On the journey to net zero, we're headed in the wrong direction. At the rate we're going, emissions will likely rise nearly 11% by 2030, while we need a 43% decline if we're going to reach the Paris Agreement goal of limiting warming to 1.5°C. We face a daunting task, but the private sector—with policy progress from governments—needs to play the decisive role.

Please see below for more on this and related topics.

Until next time,



Christoph Schweizer
Chief Executive Officer

Further Reading



Winning in Green Markets: Scaling Products for a Net-Zero World

The race to net-zero emissions will forever change the way many companies do business. The immediacy, pace, and extent of change are still widely underestimated. Early movers can seize significant advantage.

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BCG at Davos

BCG contributes to the World Economic Forum's Annual Meeting as a Strategic Partner. Explore key insights and the 2023 agenda.

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What's Top of Mind for CEOs

BCG CEO Christoph Schweizer shares the four key themes he believes CEOs will focus on at Davos 2023.

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