To BCG's network around the world,

Last year at this time, I was in Switzerland at the World Economic Forum's annual meeting, where climate was at the center of virtually every conversation. As I get ready to participate in this year's virtual Davos instead, I'm so pleased to be able to share a new publication based on research we've done in collaboration with the Forum about the incredible importance of supply chains in our fight against climate change.

To date, most companies wanting to cut emissions have concentrated on their own operations and offices. But for many—especially those serving end-consumer markets—pushing for decarbonization among suppliers offers a chance for impact that far exceeds what they can accomplish in their own emissions footprint.

For a typical fashion or food retailer, for example, emissions generated in the supply chain can be five to ten times higher than those created in direct manufacturing. Add to this the globalized nature of present-day supply chains, and you see the enormous potential for impact across borders—even in countries where climate action may not yet be high on the political agenda.

Agricultural and heavy industrial inputs account for the vast majority of the emissions embedded in the products we use every day. This means that the burden to decarbonize falls mainly to those upstream producers, which may struggle to fund a net-zero transition alone. End-consumer companies, however, which often have higher margins and a more engaged consumer base, can collaborate with their suppliers to help fund the transition.

In fact, our analysis suggests that when you take an end-to-end supply chain view, full decarbonization is less daunting than you may think. It's possible to reduce about 40% of the emissions across the eight major global supply chains for less than $12 per ton of CO_2 equivalents. In fashion, you can reduce about 70% of end-to-end emissions at these very

low costs. This results in consumer price increases of only 1% to 4% across a vast range of products—less than $1 extra for a pair of jeans.

So why aren't we seeing this at scale today? Engaging a fragmented supplier base, with limited data visibility and seemingly conflicting procurement priorities, can seem like a mammoth task.

The report highlights nine actions for making progress on this front. First and foremost, companies need to gain a clear picture of the emissions from upstream activities by building a comprehensive database using supplier-specific data where possible. This can serve as a basis for defining, aligning on, and committing to clear reduction targets for the years ahead.

With so much at stake and the necessary technologies largely available to us, we should be able to drive the massive collaborations across supply chains that we need. Some leading companies are already setting the pace, and I hope to see many more step forward in the run-up to COP26 later this year.

Rich Lesser
Chief Executive Officer

Supply Chains as a Game-Changer in the Fight Against Climate

Even companies with modest direct-emissions footprints can make a global impact on decarbonization by implementing nine initiatives in their supply chains.

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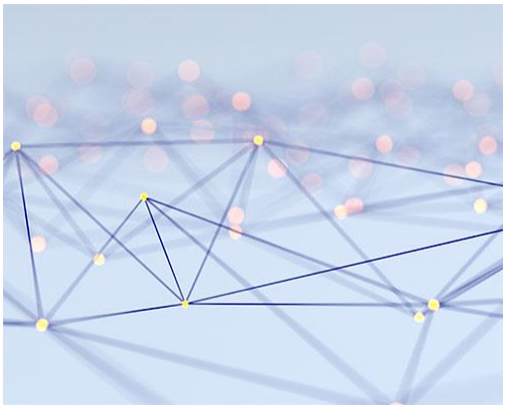

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