

DRIVERS TO ZERO

Inside the Energy Transition Across the Value Chain

I. Government

Objective: reduce carbon emissions

● Governments aim to lower emissions by setting Nationally Determined Contributions (NDCs). They use policies to address market failures; they invest to adapt to global warming; they signal markets to deliver favourable outcomes.

- CO₂ pricing
- Land use/planning
- Taxation/Subsidies
- Regulation

Mitigation & Adaptation

- Mining
- Commodity processors, recyclers and traders
- Energy, Manufacturing, Transport and Construction
- Final consumers

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II. Markets

Carbon market

Objective: facilitate efficient transition to low carbon economy

● Carbon markets offer national and cross-border carbon offsets and credits.

Financial market

Objective: maximise risk-adjusted returns

● Capital markets want to maximise their risk-adjusted returns by managing climate risk (e.g. exposure to stranded assets).

- Carbon credits/offsets
- Insurance
- Balance sheet/Loan-books
- Portfolio and capital allocation

● Market and Government forces will push corporates to implement the energy transition (shift away from fossil fuels to renewable sources of energy). This will be enabled by technological progress.