

Deadline for averting 1.5°C rise decreases by two months as listed companies continue to exceed climate budgets

- *Listed companies are currently on track to make the planet 2.9°C warmer by 2100*
 - *Only 36% of listed companies have set a decarbonization target*
 - *The drivers and solutions to the climate and biodiversity crises are connected*

NEW YORK – October 31, 2022 – As world prepares for the COP27 climate conference, the latest [MSCI Net-Zero Tracker](#) reveals that listed companies continue to exceed their climate budgets, reducing the time available to avert a 1.5°C temperature rise.

According to the latest data, listed companies will deplete their share of the global emissions budget for limiting temperature rise to 1.5°C by December 2026, two months earlier than was previously estimated in the [Q2 2022](#) Net-Zero Tracker¹.

The Net-Zero Tracker published by MSCI, a leading provider of critical decision support tools and services for the global investment community, revealed listed companies are on track to emit 10.9 gigatons* of direct Scope 1 greenhouse gas emissions into the atmosphere this year. This is up 1% from 2021, but down 4.4% from their pre-pandemic high. At this rate, listed companies are on track to make the world 2.9°C warmer by the end of the century, significantly missing the Paris Agreement targets.

The decarbonization investor challenge

With only over a third (36%) of listed companies having set a decarbonization target and less than half (46%) declaring a net-zero target, the report from MSCI highlights the challenge investors face to align their strategies and portfolios with a 1.5°C decarbonization pathway.

This is further complicated as self-declared corporate net-zero targets vary broadly. Analysis from MSCI shows some targets aim to balance carbon emissions with carbon removal, while others plan to reduce direct emissions but not from the company's suppliers or customers. On the other hand, some intend to simply boost the company's use of energy from renewable sources.

Only 41 listed companies in the Net-Zero Tracker - a quarterly gauge of 9,300 public companies climate change progress based on the MSCI All Country World Investable Market Index (ACWI IMI) - have set a net-zero target approved by the Science Based Targets initiative (SBTi). While 577 companies have committed to set one in the future.

Sylvain Vanston, Executive Director, Climate Change Investment Research, MSCI, comments: "The MSCI Net-Zero Tracker shows that 1.5°C waits for no one and our analysis reveals that not all targets are equal. With major inconsistencies across all sectors and regions, investors are presented with a major challenge at a crucial point where transparency of data is critical.

“While investors need to hold companies accountable, the full burden of the net-zero transition cannot fall solely onto them. Policymakers need to set mandatory reporting of climate data that is consistent across the globe, enabling investors to then drive significant action.”

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About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data, and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

Notes to Editors

*Gigaton is equal to a billion tons

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ⁱ The June edition of the Net-Zero Tracker reflected listed companies' greenhouse gas emissions as of May 31. The time remaining before companies use up their share of the global carbon budget shrank by five months between May 31 and Aug. 31, a period of only three months, hence our reporting here that companies could deplete their current share of the budget two months sooner than we reported in June.