Path to decarbonization ‘a race of two halves’ as deadline to 1.5°C looms

- Global listed companies are on track to breach the emissions limit to keep temperature rise below 1.5°C in April 2026, as progress slows.
- Governments in 13 of the G20 nations are expected to accelerate their pace of decarbonization this decade, up to an average 4.5% a year from only 0.8% in the five years after the Paris Agreement.
- A fifth of public companies now align with a 1.5°C pathway – the threshold above which the effects of climate change would become far more severe.

NEW YORK – November 14, 2023 – As delegates from nearly 200 countries, policymakers, and business leaders prepare to gather in Dubai for the COP28 climate change conference, the latest MSCI Net-Zero Tracker reveals that the pace of decarbonization by global listed companies is expected to slow this decade, while that of their respective home countries is set to accelerate. The slowing decarbonization rate from companies suggests that further results in the lead up to the 1.5°C deadline will be harder to achieve.

Listed companies in nine of the G20 nations examined in the report will decarbonize at a slower rate between 2022 and 2030 than the five years after the Paris Agreement.¹ On this trajectory, listed companies are set to exceed the carbon emissions limit that would keep the global temperature rise below 1.5°C by April 2026, three months earlier than projected in July 2023. Half of all companies (55%) are on track to keep warming below 2°C and 22% are aligned with a 1.5°C temperature rise (an increase of 12 percentage points from two years ago).

Public companies are now projected to emit 11% more direct (Scope 1) greenhouse gas emissions this year than in 2022. This would need to instead fall by 43% this decade to limit the temperature rise to 1.5°C.

The increase comes despite meaningful steps by the listed sector to decarbonize that have seen the warming associated with their emissions drop by half a degree in two years, from a projected 3°C in October 2021, to 2.5°C, based on MSCI’s ‘Implied Temperature Rise’ metric. In addition, more than one third (34%) have set a climate target that aspires to reach net-zero, a 50% increase from two years earlier.

Looking ahead, the pace of decarbonization of many countries is set to overtake that of the listed companies based within them. Governments in 13 of the G20 nations are projected to reduce domestic greenhouse gas emissions from agriculture, energy and industrial activity by an average of 4.5% each year between 2022 and 2030, up from just -0.8% annually in the five years after the Paris Agreement.²

There will likely be exceptions, however, with annual domestic emissions in India, Turkey and Indonesia expected to rise 3.6%, 1.2% and 0.8% respectively by 2030. In China, domestic emissions are expected to fall slightly each year to 2030 (-0.3%), but the greenhouse gases output of its listed companies are projected to continue to increase (+0.5%).
Linda-Eling Lee, Founding Director and Head of the MSCI Sustainability Institute, comments: “Despite progress, the world has not moved the needle enough to be on track to achieve 1.5°C. Following a strong start, progress from listed companies in the remainder of the decade is set to slow now that the low hanging fruit has been picked. This makes it imperative to focus on policy innovation and technological advancements to help limit the cost of low-carbon energy.

“Climate change and sustainability, however, are everybody’s business. The risks to society, the global economy and our planet require urgent action from the inextricably linked private and public sectors, particularly if the ambition and effectiveness of commitments varies globally and existing measures are falling short.”

-Ends-

1 Based upon G20-member countries and that were constituents of the MSCI ACWI Investable Markets Index (IMI) at the end of both December 2016 and December 2021.
2 MSCI ESG Research estimates of country emissions based on data from the International Monetary Fund (IMF).

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