NET ZERO COMMITMENTS BY BUSINESSES IN AFRICA A STOCKTAKE

BY DR JESSICA OMUKUTI November 2022





Institute for Science, Innovation and Society University of Oxford



NET ZERO COMMITMENTS BY BUSINESSES IN AFRICA A STOCKTAKE

This report was written by Jessica Omukuti.

Data on the African companies was generated by (in alphabetical order): Ebenezer Dariye, Jullian Gonzales, Barry Lee, Sana Sherif and Nayah Thu.

The data was done by Camilla Hyslop and Jessica Omukuti.

Substantive comments were also made by (in alphabetical order): Alexis McGivern, Anne Cabot-Alletzhauser, Aoife Brophy, Sam Fankhauser and Steve Smith. Report design by George Hope.

This work was funded by the European Climate Foundation. The views and assumptions expressed in this report represent those of the author and not necessarily the funder's. THE NEXT 3 YEARS WILL SEE MORE OF AFRICA'S LARGEST PRIVATE SECTOR ENTITIES SET, REVISE AND IMPROVE THEIR EMISSION TARGETS. HOWEVER, THEY WILL NEED CONTEXT-SPECIFIC GUIDANCE FROM INTERNATIONAL NET ZERO STANDARDS SETTING BODIES AND NETWORKS ON INTEGRATING GREEN GROWTH AND RESTORATION OF NATURE IN THESE TARGETS.

IMAGE: MANGROVES IN GAMBIA



Executive summary 1 1. Introduction 3 2. Net zero commitments by African corporations 5 3. African companies need context-specific guidance on net zero 13 4. Conclusion 14 References 16 Annex: Methodology 19

EXECUTIVE SUMMARY

Africa is at a critical period in its development journey.

Africa has the least historical contribution to greenhouse gas emissions, yet it is disproportionately affected by climate change. Already, past and current climate change has resulted in 10-15% losses in the growth of GDP per capita. Some regions on the continent are expected to experience a further 10% loss in GDP per capita growth by 2050 in a high-warming scenario.

The politics of net zero in Africa underscore the need for just transitions.

The national and regional political landscape on net zero in Africa underscored by concerns about the implications of net zero on the continent's ability to implement equitable and just transitions. Some African governments have expressed concern that net zero commitments ignore historical responsibility, and is likely to exacerbate inequalities between developed and developing countries. Others have also argued that just energy transitions in Africa require investments in fossil fuels in the short term to enable the continent to meet its energy needs.

Overall, just transitions in Africa require investments in renewable energy, achievement of national development goals, and elimination of poverty. As of October 2022, only four African countries had made net zero commitments. Three countries have self-declared as having achieved net zero.

However, beyond these political debates, the climate action policy landscape in Africa is aligned with transitions to low emissions. African countries have long-term net zero targets, all African countries have communicated their (updated) NDCs, which map out emission reduction targets for the whole economy and specific sectors.

The African private sector drives development, economic growth, and innovation, through investments in infrastructure, industrial and value chain development and can therefore accelerate progress towards just transitions.

Half of Africa's 250 largest publicly listed companies have set emission targets. However, those without targets are likely to set them over the next 3 years.

Half of Africa's largest 250 publicly listed companies, representing a total market capitalisation of USD 526 billion (as of March 2022), have set emissions targets. Fifty-one companies have net zero targets while Seventy-four companies have other types of emission targets – twelve companies have carbon neutrality targets, while fifteen companies have emission reduction targets.

Companies aim to meet their emission targets by increasing the efficiency of operations, investments in renewable energy to reduce energy-related emissions from their operations as well as investments in voluntary carbon credits.

Some companies without targets indicate that they are already investing in emission reductions e.g. through renewable energy generation or improvements in energy efficiency. Others indicate that they are or will be working to set science-based targets.

Most emission targets by companies are set to be achieved between 2030 and 2060. The years 2020-2022 saw a rapid increase in emission target setting by Africa's largest publicly listed companies.

More than half of the emission targets set by companies were set between 2020 and 2022. Thirtynine companies set their emission targets in 2021, while sixteen companies had set their emissions targets in 2022. The number of companies setting emission targets from 2020 to 2021.

Companies with emission targets have end years for their emission targets ranging from 2019 to 2060. Eleven companies have targets for 2026-2030, fourteen for 2031-2040, thirty-six have 2050 targets and two have 2060 targets.

Few companies declare their reliance on Nature-based solutions on meeting their emission targets through offsetting and carbon dioxide removal.

Less than a fifth of companies with targets indicate that they will use offsets. More than two-thirds of companies with targets (82 companies) do not indicate whether or not they plan to use offsets. Additionally, nearly a fifth of companies with targets (28 companies) plan to use Carbon Dioxide Removals (CDR). Thirty-six companies explicitly exclude the use of CDR while the majority (61 companies) do not indicate whether or not they will employ CDR approaches.

African companies with and without targets will be looking for guidance from international net zero standard-setting bodies and networks on how to proceed on net zero.

Over the next 3 years, companies with emissions targets will be working on reviewing their targets, as well as identifying and implementing strategies for meeting them. Those without emission targets will begin processes for setting new ones. These companies will refer to guidance provided by international net zero standard-setting bodies and networks. These bodies and networks, therefore, have a critical role in supporting a meaningful adoption of the net zero framework by African corporations.

Guidance from international net zero standard setting bodies and networks should underscore the importance of carefully balancing emission reduction and development, growth, adaptation, and resilience priorities.

Action on net zero by the private sector in Africa should ensure a strong alignment with the continent's growth, development, and resilience priorities. International guidance to companies setting emission targets can begin to support this by ensuring that companies set targets reflect these priorities.

International guidance to companies should highlight the need for net zero commitments to contribute towards Africa's green growth ambitions by encouraging companies to identify and implement orderly transitions that limit or avoid adverse social and economic consequences to countries, generate economic and social benefits to both communities and countries, and are informed by African countries' national contexts and needs.

Guidance should also underline the importance of nature-based solutions that priorities restoration, which involve processes that manage or encourage the recovery of degraded, damaged, or destroyed natural systems to ensure system resilience and biodiversity conservation. Investments in nature-based solutions should also safeguard livelihoods, and protect land rights and natural biodiversity.

1. INRODUCTION

Achieving the Paris Agreement temperature goal of keeping warming to well below 2°C through balancing emissions by sinks and sources, will require a global transition towards low emissions (UNFCCC, 2015). According to the 6th Assessment Report of the International Panel on Climate Change (IPCC AR6), a 50% chance of limiting global warming to 1.5°C requires that global emissions peak by 2030 and reduce rapidly thereafter to net zero by 2050 (IPCC, 2022). Additionally, pathways for staying close to 1.5°C involve global net zero for Carbon Dioxide emissions by the 2050s and global net zero of other Greenhouse Gas (GHG) emissions by the 2070s (ibid). This means that both state and non-state entities globally will need to identify and implement pathways for transitioning to *global net zero* by the middle of the century.

Africa's contribution to the global transition to net zero is an important area of inquiry. Collectively, the African continent has contributed to approximately 7% of historical emissions between 1850-2019 (IPCC, 2022). Excluding South Africa, Sub-Saharan Africa's historical emissions only comprise 4% of total global emissions (AfDB, 2022). Despite its limited contribution to historical emissions, Africa is disproportionately affected by global warming. Estimates show that the continent has already experienced an average of 10-15% loss in Gross Domestic Product (GDP) per capita growth due to historical warming, indicating high levels of vulnerability to climate change risks (Baarsch et al., 2020). Future warming will further slow down economic growth. For instance, in a high-warming scenario, countries in West and East Africa will experience more than 10% of GDP per capita reductions by 2050 compared to the baseline (ibid).¹ Africa's future will therefore not only depend on global success in achieving net zero but also on its capacity to respond to current and future climate change risks.

The politics of net zero in Africa emphasise the need for just transitions. Some African governments have expressed concern that net zero ignores historical responsibility, and is likely to exacerbate inequalities between developed and developing countries, see LMDC (2021)². Others note that just energy transitions in Africa require investments in fossil fuels in the short term to enable the continent to meet its energy needs (Kigali Communique, 2022). Overall, a just transition to net zero in Africa should be driven by investments in renewable energy, achievement of national development goals, and elimination of poverty (AFREC, 2021; WRI, 2022). As of October 2022, only four African countries had made net zero commitments (South Africa, Nigeria, Liberia, and South Sudan). Benin and Madagascar have been declared as having achieved net zero (Lang et al., 2022). However, beyond these political debates, the climate action policy landscape in Africa is aligned toward emission reductions, and may therefore act as an incentive for companies to set emission targets. Although only four African countries have long-term net zero targets, all African countries have communicated their (updated) NDCs, which map out emission reduction targets for the whole economy and specific sectors.³

¹ The baseline used in estimation of these GDP per capita growth values assumes 'intermediate challenges' for the economic growth in Africa. See Baarsch et al., 2020.

² African country members of the Like-Minded Group of Developing Countries are Algeria, Egypt, Sudan and Zimbabwe.

³ The four countries with net zero targets are South Africa, Nigeria, Malawi, Ghana. Three African countries have selfdeclared as having achieved net zero (Madagascar, Comoros, Benin). Three other countries (Seychelles, Cape Verde and

The private sector will be particularly important for enabling Africa to pursue its development objectives and accelerate progress towards just transitions. The African private sector drives development, economic growth, and innovation, through investments in infrastructure, industrial and value chain development. In Africa, the private sector accounts for more than 80% of total production, two-thirds of total investments, and over 90% of formal and informal employment (AfDB, 2021). This group is also important for Africa's climate action, for example through the provision of finance for adaptation and resilience, and through innovations that facilitate the development and adoption of green technology. Therefore, how the private sector on the continent engages with net zero will also determine the continent's path to green growth.

The goal of this brief is to present the results of a stocktake of net zero commitments by companies in Africa, reflect on the drivers of emission target setting (or lack thereof). It will make recommendations on how Africa, through the private sector, can contribute to global net zero. The stocktake extracted and analysed information on 250 of the largest publicly listed companies on an African stock exchange by market capitalisation i.e. the total value of the listed shares as of 31 March 2022, based on a ranking developed by African Business (African Business, 2022). These companies represent a total market capitalisation of USD701 billion. 101 companies (40%) are registered in South Africa, followed by thirty-one companies (12%) in Morocco (fig. 1). By sectors, ninety companies (36%) operate in the financial services sector, while forty-five companies (18%) operate in the commercial and consumer services sector (fig. 2). The assessment presented in this report did not track commitments by private companies and government-owned companies.



Figure 1: Country of listing of Africa's 250 largest publicly listed companies. More than two-thirds of the companies are registered in South Africa, Morocco, and Egypt.

Liberia) have net zero targets in policy documents while 23 countries have either proposed or have a net target in discussion. One country has proposed a carbon neutrality target (see Lang et al., 2022)



Figure 2: Operational sectors of Africa's 250 largest publicly listed companies. More than half of the companies operate in the financial services and commercial and consumer services sectors.

2. NET ZERO COMMITMENTS BY AFRICAN CORPORATIONS

Types of emission targets

The setting of emissions targets is considered by experts in the governance of climate change to be one of the first concrete steps that companies should take to get on pathways for emission reductions. We assessed whether companies have set any of the following emission targets—net zero, emission reduction, carbon neutrality, emission intensity, climate neutrality, absolute emissions, and other types of targets (see Annex).

Half of the companies tracked (125 companies), which represents a total market capitalisation of USD526 billion as of March 2022, have emission targets (fig. 3). Fifty-one companies (20% of tracked companies) have net zero targets. Seventy-four companies (29% of tracked companies) have other types of emission targets. For example, Twelve companies (4.8%) have carbon neutrality targets, while fifteen companies (6%) have emission reduction targets. Most of the companies with net zero targets (51 out of 125) are financial services sector, followed by eleven companies that operate in other materials (e.g. in chemicals, energy, and mining).





Companies with emission targets aim to meet these targets through measures that employ one or several of the following mechanisms: increasing efficiency of operations, investments in renewable energy to reduce energy-related emissions from the companies' operations, and investments in voluntary carbon credits. For example, Naspers, a South African-listed services company, intends to do all of these to meet its carbon neutrality targets (NASPERS, 2022). Poulina Group Holdings, a commercial and consumer services company listed in Tunisia, plans to use a mix of renewable energy generation and energy efficiency measures to achieve its emission intensity target (Poulina Group Holdings, 2022). Tullow Oil, an energy generation company listed in Ghana, plans to become net zero by 2030, via 'a combination of [measures for] decarbonising...operated assets in Ghana and through a nature-based carbon removal programme to offset...hard to abate emissions from power generation' (Tullow Oil, 2021).

Some companies that are without emission targets refer to their sustainability strategies as guiding their pathways to climate action. For example, Dangote Cement, listed in Nigeria, has no emissions target but uses Environmental, Social and Governance metrics to assess emissions from its plans and to inform investments in low-carbon fuels for its plants (Dangote Cement, 2021). SeedCo Limited, a consumer and commercial services company listed in Zimbabwe, has not publicly announced an emissions target, but is already tracking its emissions and recognises that its activities are contributing to emissions capture and storage through the agricultural practices it supports (SeedCo, 2022).

More than half of companies' emissions targets were set between 2020 and 2022 (fig. 4). Specifically, thirty-nine companies (representing 31% of companies with emission targets) set their emission targets in 2021, while sixteen companies (representing about 13% of companies with emission targets) set their emissions in 2022. The number of companies setting emission targets tripled from 2020 to 2021. This increase in emission target setting coincides with the increased international activity on net zero, particularly in the run-up to the 26th Conference of Parties (COP26).



Figure 4: Year when emission targets were set by companies. More than two-thirds of companies' emission targets were set between 2020 and 2022.

Target timelines

Timelines of targets indicate ambition towards the Paris Agreement temperature goals, including when companies aim to peak their emissions. However, due to the principle of common but differentiated responsibilities and capabilities, the Paris Agreement notes that peaking of emissions will take longer for entities in developing countries.

Out of the 125 companies with emission targets, only ninety-six indicate the target end year. Companies with emission targets have target dates ranging from 2019 to 2060 (fig. 5). Specifically, eleven companies have targets for 2026-2030, fourteen for 2031-2040 while thirty-six have 2050 targets (fig. 3). Two companies with net zero targets list 2060 as an end year. Qatar National Bank ALAHLI, listed in Egypt, set a 2022 carbon neutrality target by achieving a 20% reduction in emissions by 2022 against a 2017 baseline (QNB, 2021). MCB Group in Mauritius also set a 2023 carbon neutrality target, which would mainly be achieved by compensating for its residual emissions through offsetting (MCB Group, 2021). The two companies with 2060 targets are United Bank for Africa and Union Bank Nigeria, both of which are financial services sector companies listed in Nigeria.



Figure 5: End years of companies' emission targets. Over a third of companies' end-year targets fall between 2031 and 2060.

GHG and emissions scopes coverage

The types of GHG and Scopes of emissions coverage are important when setting emission targets. The IPCC notes that limiting warming to 1.5°C by 2050 requires a transition to net zero emissions for carbon dioxide (IPCC, 2022). However, rapidly deploying methane mitigation measures can accelerate pathways to net zero by 2050 due to its high Global Warming Potential (Ocko et al., 2021). Additionally, companies making net zero commitments are expected to set comprehensive emission targets that cover Scopes 1, 2, and 3, which would result in a whole-of-economy reduction in emissions.⁴

GHG emissions coverage

Forty-five companies, representing 36% of companies with emission targets, set these targets to cover carbon dioxide and other GHGs. The targets of twenty-seven companies (representing 21% of companies with emissions) cover carbon dioxide only (fig. 6). The targets of forty-three companies, which are 34% of companies with targets, do not indicate which gases are included in their emission targets.

⁴ Scope 1 emissions are from a companies' direct operations on site, including emissions from staff and food consumption. Scope 2 emissions are from the purchase of electricity for site use while Scope 3 emissions are those generated from upstream and downstream supply chains.





Scopes of emissions

Of the 125 companies with emission targets, eighty-seven (representing 69% of companies with targets) indicate that their targets cover Scope 1 and 2 emissions, while thirty-eight companies do not specify whether or not their emission targets include Scope 1 and 2 emissions (fig. 7). The emission targets from twenty-four companies (representing 19% of companies with targets) cover Scope 3 emissions. The targets of 32 companies have partial coverage for Scope 3 emissions, forty-one companies do not specify whether they include Scope 3 emissions or not, while twenty-eight companies outrightly exclude the inclusion of Scope 3 emissions in their targets. The limited inclusion of Scope 3 emissions in targets means that companies expect to meet their emissions targets mainly through their own operations and not through influencing supply chain emission reductions.

Econet Wireless, a telecommunications company listed in Zimbabwe, has a target that includes Scope 3 emissions. Its strategy is to assess suppliers for their environmental impacts in their business operations and communities in which they operate to enable it to manage its Scope 3 emissions (Econet, 2021). Ninety One, an investment firm, has a target that covers only Scope 1 and Scope 2 emissions and notes that 'while we are not focusing on short-term portfolio decarbonisation, we recognise the importance of recording and monitoring our total emissions' (Ninety One, 2022, p. 13).



Figure 7: Companies' scope of emission covered in their targets. Over two-thirds of companies' targets cover Scope 1 and 2 emissions while less than a fifth of targets cover Scope 3 emissions.

Use of credits/offsets and CDR

The use of offset credits provides an indication of the extent to which companies plan to rely on external effort rather than reducing their own emissions and scaling up their own removals. International guidance on net zero target setting encourages companies to limit the use of offsets to residual emissions (Race to Zero, 2021). Companies that plan to use offsets are encouraged to communicate, through their plans, the quantity of emissions that they will remove through voluntary offsetting mechanisms (ibid). Any voluntary offsets used are also expected to be of the highest environmental and social integrity (Allen et al., 2020).

Carbon dioxide removal (CDR) has also emerged as important for the global transition to net zero. The IPCC 6th Assessment report indicates that pathways for limiting emissions to 1.5°C by 2050 involve rapid and deep emission cuts that leverage strategies for emission reduction such as the deployment of renewable energy, as well as deployment of carbon removal methodologies for residual emissions (IPCC, 2022).

Credits

Of the 125 companies with emission targets, only twenty-three (18%) indicated their plans to use offsets, while twenty companies (16% of companies with emission targets) explicitly excluded the possibility of using offsets to meet their emission targets (fig. 8). However, the majority (eighty-two companies, accounting for 65% of total companies with targets) did not indicate whether (or not) they would use offsets.



Figure 8: Companies' plans for use of offsets. Over two-thirds of companies did not specify whether (or not) they would use offsets to meet their emission targets.

Seven of the companies that plan to use offsets are from the financial sector, while eight are from the services and materials sector. Only two fossil fuel companies with emissions targets intend to use offsets. The majority of those companies that exclude the use of offsets are also companies operating in the financial services sector (ten companies), followed by three companies from the food, beverage, and agriculture sector. Some companies e.g. Copperbelt Energy Corporation, (CEC), an energy infrastructure, and power production company based in Zambia, and indicate that natural solutions, such as planting trees for offsetting will be used (CEC, 2021). CEC also reported that they had offset 52% of their carbon emissions in 2022 (ibid). Impala Holdings, a mining company, plans to offset its

emissions through land-based carbon sinks generated through reforestation programs (Implats, 2021).

Although some of the tracked companies indicate plans to offset their emissions, all (except Nedbank) do not provide information on whether they will apply specific conditions on the types of offsets they purchase. Specifically, they do not indicate whether they will purchase offsets with high environmental and social integrity. Nedbank, a financial institution, indicates, indicate that it will offset residual emissions 'from African projects that have positive social and environmental benefits (Nedbank Group, 2021, p. 28).

CDR

Twenty-eight companies (over a fifth of companies with targets) indicated that they would use CDR to meet their targets (fig. 9). However, thirty-six companies, representing 28% of companies with emission targets, excluded the use of CDR in meeting their targets. Many of the companies with plans for CDR (twenty-two companies) intend to use nature-based removals, with only one company planning to use a combination of nature-based and carbon capture and storage mechanisms.



Figure 9: Companies' intentions to use CDR. Nearly half of companies with emissions targets did not specify whether (or not) they would use CDR approaches.

Anglo-American, a mining company, plans to use CDR through the 'development of nature- and mineral-based carbon negative projects', which it plans to deploy by 2029 to reach a carbon neutrality target for its operations by 2040 (AngloAmerican, 2021, p. 9). East African Breweries also plan to generate removals by planting trees (EABL, 2021). The only company planning to use Carbon Capture and Storage is Distell Group (listed in South Africa). In the 2021 report, Distell notes that it reduced its emissions by 'capturing, purifying and using CO2 released during the fermentation of apple juice for cider production and fermentation of grain for whisky production to carbonate...products' (Distell, 2022, p. 88).

Status of targets and plans for implementation of targets

The status of a target represents the extent of integration of the target into the companies' governance structure. Those that are embedded in companies' legal documents can be used to hold companies' leadership accountable to meeting these targets. Beyond setting emission targets and

embedding them in company governance structures, companies are also encouraged to develop and communicate implementation plans for meeting these targets, to enable accountability.

Status of targets

Fifty-nine companies, representing 47% of companies with emission targets have these targets set in corporate strategies (fig. 10). Twenty-eight companies, representing 22% of companies with emission targets have made a declaration or pledge for their emission targets. Seven companies have self-declared that they have already achieved their net zero targets. These include five companies in the financial services sector, one in the services sector, and one in telecommunications. The companies that have self-declared as having achieved their emission targets have end years of between 2010 and 2020. Investec, a financial services sector institution listed in South Africa, with an emission target date 2019 has declared as having achieved 'net zero carbon emissions, attributable to its low operational emissions and efforts for avoiding and minimising these direct emissions (Investec, 2020).





Plans for meeting emission targets

Of the 125 companies with emission targets, only fifty-eight companies (56% of companies with emission targets) communicate their plans for the implementation of these targets (fig. 11). Sixty-nine companies do not present plans for the implementation of these targets. Companies that communicate plans provide information on: (i) the emission reductions expected from these measures within a certain time period, or (ii) the extent to which measures will be applied, or (iii) measures for all emission scopes that are covered by the target.

Details of companies' plans vary. For example, Oceana Group, a Commercial and Consumer Services company registered in South Africa, plans to meet its 2050 carbon neutrality target through investments in the use of renewable energy, coal conversion to natural gas, switching to electric vehicles, and incorporating the use of Hydrogen for energy (Oceana Group, 2021). However, Oceana does not indicate the proportion of its energy needs that will be met by different sources, or where these renewable energies will be sourced. This is in comparison to Sasol, a South African listed company, which provides a detailed plan for how emission reductions of different scopes will be achieved across the short and long term (Sasol Limited, 2022).



Figure 11: Whether companies have plans for meeting targets. More than half of the companies with emissions targets do not communicate their plans for meeting their emission targets.

Links with international net zero standard-setting bodies and networks

Membership to international networks and bodies help companies to obtain guidance on how to set and implement net zero targets and transition plans, and to monitor, report, and disclose progress. Only eighteen companies, all of whom have emission targets, indicate that they are members of international net zero standard-setting bodies and networks. Specifically, 10 companies indicate that they are members of Race to Zero while eight are members of the Science Based Targets Initiative.

A few other companies are part of sector-based bodies. For example, Ecobank Nigeria is part of the Partnership for Carbon Accounting Financials (PCAF), which enables institutions in the financial services sector to assess and disclose greenhouse gas emissions of loans and investments. In 2021, Investec joined the Net Zero Insurance Alliance, which is a voluntary network for institutions in the financial services sector working on insurance (UNEP, 2021). The KCB Group, a financial services company registered in Kenya, is part of the Net Zero Banking Alliance, through which it has committed to transitioning 25% of its loan portfolio to green investments by 2025 (KCB Group, 2021).

Six companies that have no targets indicate that they plan to refer to internationally recognised science-based approaches for setting emission targets. For example, in their 2021 annual report, Reunert, which is a light manufacturing company listed in South Africa, indicated that it would develop a roadmap to guide its business units to set science-based targets for emissions in line with the Task Force on Climate-Related Financial Disclosures (TCFD) guidance (Reunert, 2021).

Overall, the limited clarity in plans by companies for meeting set targets, and the reliance on the international mechanisms for setting science-based targets amongst companies with and without net zero targets highlight the important role that international net zero standard-setting mechanisms and networks can play in providing guidance to companies on how to proceed on their net zero journey. Below, the report discusses how international net zero standard-setting institutions and networks can provide this guidance.

3. AFRICAN COMPANIES NEED CONTEXT-SPECIFIC GUIDANCE ON NET ZERO

Our findings show that despite the complex political landscape of net zero in Africa, at least half of the 250 largest publicly listed companies on the continent have set emission targets. Some that do not have targets are either already working on reducing their emissions and/or plan to set targets in the future. However, the stocktake also finds that existing targets lack detailed plans for the implementation of commitments to emission reductions through short and long-term targets. Over the coming 2-3 years, companies with targets will likely be looking to review their emission targets and develop and implement strategies for meeting them. Companies without targets will also likely be looking to set emission targets and then implement strategies to meet them. Increasing meaningful adoption of the net zero framework by African corporations will need guidance that encourages companies to *carefully balance between emission reductions and Africa's development, adaptation, and resilience priorities.*

Below are two overarching principles that international net zero standard-setting bodies and networks should (re)design their guidance to focus on to support African companies on their net zero journeys. These principles recognise Africa's limited contribution to historical emissions, disproportionate effects of climate change risks, and the need for transition pathways that ensure that the continent achieves its development, growth, and climate resilience goals.

Net zero as equitable green growth

Economic growth remains important for Africa. Although Africa has historically contributed the least to cumulative greenhouse gases, green growth or low emissions development pathways will be more cost-effective both in the short and long term (African Union, 2015). However, green growth, which refers to improved economic production that is based on technological processes and environmental policies that work to keep emissions low and reduce inequalities, does not emerge on its own (see Capasso et al., 2019). Instead, it is a result of a deliberate choice of low emission pathways that have the greatest benefit for countries. An important component of green growth for Africa is the availability of clean energy sources that can be used to power industrialisation, coupled with investments in social and ecological systems that promote the well-being of populations. The African private sector, particularly large corporations, can support African countries to follow development pathways that are both low in emission and promote economic growth, climate resilience, and adaptation. This is through direct investments in low-carbon technology and clean energy towards priority sectors for the continent, such as agriculture, transport, manufacturing, and infrastructure.

Most companies with emission targets already intend to invest in renewable energy to decarbonise their operations. This is a good start towards green growth. International guidance on divestment from fossil fuels should also recognise the critical role that fossil fuels already play in development on the continent. Guidance should therefore encourage companies to identify and implement orderly transitions from fossil fuels in ways that limit or avoid adverse social and economic consequences (Oramah, 2022). These should be informed by countries' contextual conditions, such as the fossil fuel or renewable energy mix of countries' energy systems, levels of access to electricity, availability of renewable energy resources, and availability of resources to invest in renewable energy infrastructure (Mulugetta et al., 2022). Country needs are also central to green growth, where investments are driven by national development objectives and priority areas.

Restoration through nature-based solutions

Africa has significant natural capital holding 17% of the world's forests and 31% of woodlands globally . However, this natural capital is undergoing rapid degradation due to climate change and other anthropogenic drivers (Mansourian and Berrahmouni, 2021). 65% of productive land in Africa is degraded, 45% of the continent is affected by desertification and over 3 million hectares of forests in Africa are lost annually, which affects rural smallholder farmers and countries' GDP and growth (ibid). Investments in restoration in Africa can generate both short- and long-term social and economic benefits for countries and communities (Mirzabaev et al., 2022).

Many of the companies that have set emission targets (will) rely on nature-based solutions for the removal of emissions and for the acquisition of offsets. Given the centrality of nature to green growth, companies investing in nature-based solutions should be guided to prioritise nature restoration. Restoration involves processes that manage or encourage the recovery of natural systems that are degraded, damaged, or destroyed to ensure ecosystem resilience and biodiversity conservation (Strassburg et al., 2020). Restoration interventions use nature as a means of achieving both social (e.g. protecting cultural values of forests), ecological (e.g. capturing carbon), and economic benefits (e.g. protecting livelihoods).

Guidance to African companies on the use of nature-based solutions for offsetting and removals of emissions should also encourage investments in nature-based solutions that have the highest social and environmental integrity for local communities, for example, those that safeguard livelihoods, protect land rights and natural biodiversity (Rietig et al., 2022), while also being informed by locally-led systems of resource governance. Nature-based solutions oriented toward restoration should also identify and work to address the drivers of degradation (Osborne et al., 2021).

4. CONCLUSION

This report presented a stocktake of net zero commitments by Africa's 250 largest publicly listed companies and found that 250125 of Africa's 250 largest publicly listed companies have emission targets, most of which have been set over the past 3 years. Most emissions targets set by 125 of the largest 250 publicly listed companies in Africa were set between 2020 and 2022, which corresponds to a period when the net zero agenda gained traction at the international level, indicating a possible interest by these companies to align themselves with the international community on emission reductions.

Africa is at a critical juncture, where it has to carefully consider just transition pathways that enable it to achieve growth, development, and its climate objectives. The private sector can accelerate progress towards achieving these goal, through investments and innovation. Over the next three years, African companies with emission targets will be looking to review these targets and identify clear strategies for meeting them. Those without targets will be looking to set new ones, as well as begin the journey to .implementation. African companies will seek guidance from international net zero standard-setting bodies and networks on emission target setting and implementation. This means that these international organisations have a critical role in ensuring that net zero in Africa meaningfully contributes to enabling the continent to meet its development, growth, adaptation, and resilience objectives.

International guidance on net zero to African companies should therefore emphasise the importance of net zero commitments that put Africa on pathways towards green growth, for example by encouraging companies to prioritise investments in renewable energy generation for both domestic and industrial use. Net zero pathways that contribute towards green growth should also implement measures that result in divestments from fossil fuels that carefully balance between economic needs and climate objectives. Lastly, guidance on net zero to African companies should encourage companies to invest in nature-based solutions that support ecosystem restoration and deliver addition economic and social co-benefits.

The assessment presented in this report did not track commitments by private companies and government-owned companies. It also did not focus on the smaller companies, some of which have set and disclosed emissions targets with international standards bodies and networks. These are equally important in mapping the net zero landscape in Africa, and in understanding Africa's contribution to global net zero. Future analysis can perhaps focus on generating insights on these sets of institutions.

REFERENCES

- AfDB. (2021). Leveraging Private Sector Engagement for the Africa we Want. [Press release]. Retrieved from <u>https://au.int/en/pressreleases/20211108/leveraging-private-sector-engagement-</u> <u>africa-we-want</u>
- AfDB. (2022). African Economic Outlook 2022. Retrieved from https://www.afdb.org/en/documents/african-economic-outlook-2022
- AFREC. (2021). What will it take for Africa to reach net-zero [Press release]. Retrieved from <u>https://au-afrec.org/en/news-and-media-events/latest-news/what-will-it-take-africa-reach-net-zero-emissions</u>
- African Business. (2022). *Africa's top 250 companies in 2022* Retrieved from <u>https://african</u>.business/dossiers/africas-top-companies/
- African Union (2063). Agenda 2063: The Africa we want. Retrieved from https://au.int/sites/default/files/documents/36204-docagenda2063 popular version en.pdf
- Allen, M., Axelsson, K., Caldecott, B., Hale, T., Hepburn, C., Hickey, C., . . . Smith, S. (2020). *The oxford* principles for net zero aligned carbon offsetting. Retrieved from <u>https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-</u> 2020.pdf
- AngloAmerican. (2021). Climate change report 2021. Retrieved from <u>https://www.angloamerican.com/~/media/Files/A/Anglo-American-</u> <u>Group/PLC/sustainability/approach-and-policies/environment/climate-change-report-</u> <u>2021.pdf</u>
- Baarsch, F., Granadillos, J. R., Hare, W., Knaus, M., Krapp, M., Schaeffer, M., & Lotze-Campen, H. (2020). The impact of climate change on incomes and convergence in Africa. *World Development*, *126*, 104699. <u>https://doi.org/10.1016/j.worlddev.2019.104699</u>
- Capasso, M., Hansen, T., Heiberg, J., Klitkou, A., & Steen, M. (2019). Green growth–A synthesis of scientific findings. *Technological Forecasting and Social Change*, *146*, 390-402. https://doi.org/10.1016/j.techfore.2019.06.013
- CEC. (2021). Annual report 2021. Retrieved from https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf
- Distell. (2022). Sustainability report 2022. Retrieved from https://docs.publicnow.com/viewDoc?hash_primary=84EBA03995F90A8AC3ACDBDB8EBFF0 6611CC186D
- EABL. (2021). Sustainability report 2021. Retrieved from https://www.eabl.com/sites/default/files/inlinefiles/EABL Sustainability Report 2021 1.pdf
- Econet. (2021). Towards carbon neutrality and beyond Econet Wireless. Retrieved from https://www.econet.co.zw/sustainability/towards-carbon-neutrality-and-beyond-econet-wireless/
- Implats. (2021). *ESG report 2021*. Retrieved from <u>https://www.implats.co.za/pdf/annual-reports/annual-integrated-report/2021/esg-report-2021.pdf</u>
- IPCC. (2022). Summary for Policy Makers. In P. R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, S. Pathak, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, L. S., & J. Malley (Eds.), Climate Change 2022: Mitigation of Climate Change. Contribution of

Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge, UK and New York, NY, USA: Cambridge University Press.

- KCB Group. (2021). 2021 KCB Group sustainability report. Retrieved from <u>https://kcbgroup.com/wp-content/uploads/2022/08/KCB-Sustainability-Report-2021.pdf</u>
- Kigali Communique. (2022). Ensuring a just and equitable energy transition in Africa: Seven transformative actions for SDG 7. Retrieved from <u>https://www.mininfra.gov.rw/index.php?eID=dumpFile&t=f&f=44024&token=c9d8a3e4e9a</u> <u>d4d22aa3c3b883055c9426760c584</u>
- Lang, J., Hyslop, C., Yi Yeo, Z., Black, R., Chalkley, P., Hale, T., Hans, F., Hay, N., Höhne, N., Hsu, A., Kuramochi, T., Smith, S. (2022). *Net Zero Tracker. Energy and Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute, Oxford Net Zero*. <u>https://zerotracker.net</u>
- LMDC. (2021). LMDC Ministerial Statement. Retrieved from https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/oct/doc2021101821. pdf
- Mansourian, S., & Berrahmouni, N. 2021. Review of forest and landscape restoration in Africa. Accra. FAO and AUDA-NEPAD. <u>https://doi.org/10.4060/cb6111en</u>
- Mirzabaev, A., Sacande, M., Motlagh, F., Shyrokaya, A., & Martucci, A. (2022). Economic efficiency and targeting of the African Great Green Wall. *Nature Sustainability, 5*(1), 17-25. <u>https://doi.org/10.1038/s41893-021-00801-8</u>
- Mulugetta, Y., Sokona, Y., Trotter, P. A., Fankhauser, S., Omukuti, J., Somavilla Croxatto, L., . . . Yussuff,
 A. (2022). Africa needs context-relevant evidence to shape its clean energy future. *Nature Energy*. <u>https://doi.org/10.1038/s41560-022-01152-0</u>
- NedBank Group. (2021). Task force on Climate-Related Financial Disclosures (TCFD) report for the year ended 31 December 2020. Retrieved from <u>https://www.nedbank.co.za/content/dam/nedbank/site-</u> <u>assets/AboutUs/Information%20Hub/Integrated%20Report/2021/2020%20Nedbank%20Gro</u> <u>up%20TCFD%20Report%20(single%20page).pdf</u>
- Ninety One. (2022). *Sustainability and stewardship report*. Retrieved from <u>https://ninetyone.com/-</u> /media/documents/sustainability/91-sustainability-and-stewardship-report-2022-en.pdf
- Oceana Group. (2021). 2021 Sustainability Report for the year ended 30 September 2021. Retrieved from <u>https://oceana.co.za/pdf/Sustainable_development_report_2021.pdf</u>
- Ocko, I. B., Sun, T., Shindell, D., Oppenheimer, M., Hristov, A. N., Pacala, S. W., . . . Hamburg, S. P. (2021). Acting rapidly to deploy readily available methane mitigation measures by sector can immediately slow global warming. *Environmental Research Letters*, 16(5), 054042. https://doi.org/10.1088/1748-9326/abf9c8
- Oramah, B. (2022). Transiting to green growth in fossil export-dependent economies: A pathway for Africa. *Global Policy*, *13*(4), 542-6. <u>https://doi.org/10.1111/1758-5899.13139</u>
- Osborne, T., Brock, S., Chazdon, R., Chomba, S., Garen, E., Gutierrez, V., Lave, R., Lefevre, M. and Sundberg, J., 2021. The political ecology playbook for ecosystem restoration: Principles for effective, equitable, and transformative landscapes. *Global Environmental Change*, *70*, p.102320. <u>https://doi.org/10.1016/j.gloenvcha.2021.102320</u>

- Poulina Group Holdings. (2022). Communication Financière de PGH. Retrieved from <u>http://www.poulinagroupholding.com/wp-content/uploads/2022/06/Communication-</u> <u>Financière-08 06 2022-PGH-VF.pdf</u>
- Race to Zero. (2021). *Starting Line and Leadership Practices 2.0 In force from 1 June 2021*. Retrieved from <u>https://racetozero.unfccc.int/wp-content/uploads/2021/04/Race-to-Zero-Criteria-</u>2.0.pdf
- Reunert. (2021). Integrated Report 2021. Retrieved from <u>https://reunert.co.za/downloads/results/2021/reunert-ir-2021.pdf</u>
- Rietig, K., Cashore, B., Clough, E., Long, G., Nathan, I., Peringer, C., . . . Muggleton, E. (2022). The 'net' in net-zero greenhouse gas emissions: Achieving just transitions in the forestry sector through climate policy integration and learning. <u>https://eprints.ncl.ac.uk/file_store/production/282163/EAEE4748-C737-49B2-BD3B-6DEBBA4952B3.pdf</u>
- Sasol Limited. (2022). Climate change report for the year ended 30 June 2022. Retrieved from https://www.sasol.com/sites/default/files/2022-08/2022%20Sasol%20Climate%20Change%20Report 5.pdf
- SeedCo. (2022). 2022 Annual Report. Retrieved from https://www.seedcogroup.com/sites/default/files/SEED%20CO%20LIMITED%20REPORT%20 2022%20-%20WEB 1.pdf
- Strassburg, B. B. N., Iribarrem, A., Beyer, H. L., Cordeiro, C. L., Crouzeilles, R., Jakovac, C. C., ...
 Visconti, P. (2020). Global priority areas for ecosystem restoration. *Nature*, *586*(7831), 724-9. <u>https://doi.org/10.1038/s41586-020-2784-9</u>
- Tullow Oil. (2021). Tullow's 2030 net zero commitment. Retrieved from <u>https://www.tullowoil.com/media/case-studies/tullows-2030-net-zero-commitment/</u>
- UNEP. (2021). Net-Zero Insurance Alliance breaks ground in Africa and Asia as it expands in Europe. Retrieved from <u>https://www.unepfi.org/industries/insurance/net-zero-insurance-alliance-breaks-ground-in-africa-and-asia-as-it-expands-in-europe/</u>
- UNFCCC. (2015). *Paris Agreement*. Retrieved from <u>https://unfccc.int/sites/default/files/english paris agreement.pdf</u>
- WRI. (2022). STATEMENT: South Africa Outlines Priorities for a Safe, Inclusive and Sustainable Future. Retrieved from <u>https://www.wri.org/news/statement-south-africa-outlines-priorities-safe-inclusive-and-sustainable-future</u>

ANNEX: METHODOLOGY

The methodology in this report is informed by previous studies by Black et al. $(2020)^5$ and Hans et al. $(2022)^6$ that tracked net zero commitments by national governments, businesses, cities and regions globally. The data was generated based on a framework developed for the Net Zero Tracker, which captures State and Non-State Actors' (NSAs) commitments to transitioning to net zero. The Tracker does not capture information on whether these entities implement their commitments.

We extracted and analysed information on 250 of the largest publicly listed companies in stock exchanges in Africa by market capitalisation i.e. the total value of the listed shares as of 31 March 2022, based on a ranking developed by African Business.⁷ These included both financial and non-financial companies. The list excludes:

Government-owned companies such as state commercial banks,

- Companies with an African heritage but who do not earn at least 50% of their revenue in Africa as of 31 March 2022.
- Companies that earned more than 50% of their revenue in Africa but were not listed on an African stock exchange, e.g. mega-mining companies such as Canada's Ivanhoe mines which runs mines in the Democratic Republic of Congo
- Real Estate Investment Trusts and other real estate investment and finance companies.
- This also excludes smaller companies (outside of the 250 largest list of companies) and private companies have emission targets.

Tracking of the net zero commitments of these corporations followed guidelines set out in the Net Zero Tracker (Lang et al., 2022), based on publicly available information on the companies of interest. The database includes all targets that use one of the following terms: carbon negative, carbon neutral(ity), climate neutral(ity), climate positive, GHG neutral(ity), net zero, zero carbon, zero emissions, 1.5°C compatible and science-based targets. Commitments relating to all GHGs other than carbon dioxide are also tracked, alongside timelines for the targets (target maturity and interim targets).

The indicators assessed are summarised in the table below.

Indicator Description	How indicator is coded in Net Zero Tracker
-----------------------	--

⁵ https://eciu.net/analysis/reports/2021/taking-stock-assessment-net-zero-targets. ⁶ https://zerotracker.net/analysis/net-zero-stocktake-2022

⁷ <u>https://african.business/dossiers/africas-top-companies/</u>

Target type	Companies must set an emission target that contributes towards achieving net zero emissions	Companies can have any of the following to qualify as having an emissions target: (a) carbon negative (b) carbon neutral(ity) (c) climate neutral(ity) (d) climate positive (e) GHG neutral(ity) (f) net zero (g) zero carbon (h) zero emissions (i) 1.5°C compatible (j) science-based targets.
Target timeline	Companies should indicate when they plan to achieve the emissions target.	Any year that is explicitly mentioned as the maturity of the target. Companies without an end-year target are coded as "Not Specified".
Target status	Captures information on extent of integration of emission targets into companies' governance mechanisms.	 Targets can have any of the following statuses: (a) Proposed or in discussion (b) Publicly declared or pledged (c) Included in official company documentation (d) Self-proclaimed as achieved (e) Externally validated as achieved
Emission coverage – type of gasses	Indicates whether companies specify what types of emissions their targets cover.	Emission targets can cover the following gasses: (a) Carbon Dioxide only (b) Carbon dioxide and other GHGs
Emission coverage – scopes	Companies must indicate the scopes of emissions that are covered by their emissions targets.	Emissions targets can cover any of the following scopes: (a) Scope 1 and 2 emissions (b) Scope 3 emissions
Use of offsetting	Indicates whether companies plan to use offsetting mechanisms to meet their emission targets, and whether there are any conditions to the use of these offsets.	For offsetting, companies are either coded as: Yes, in which case they have indicated that they will use offsets No, No, in which case they have explicitly excluded the use of offsets Not specified, where there is no information on whether (or not) offsets will be used.
Use of Carbon Dioxide Removal (CDR)	Indicates whether companies plan to use carbon dioxide removals to compensate for their emissions.	Use of CDR can be: A0





Institute for Science, Innovation and Society University of Oxford

