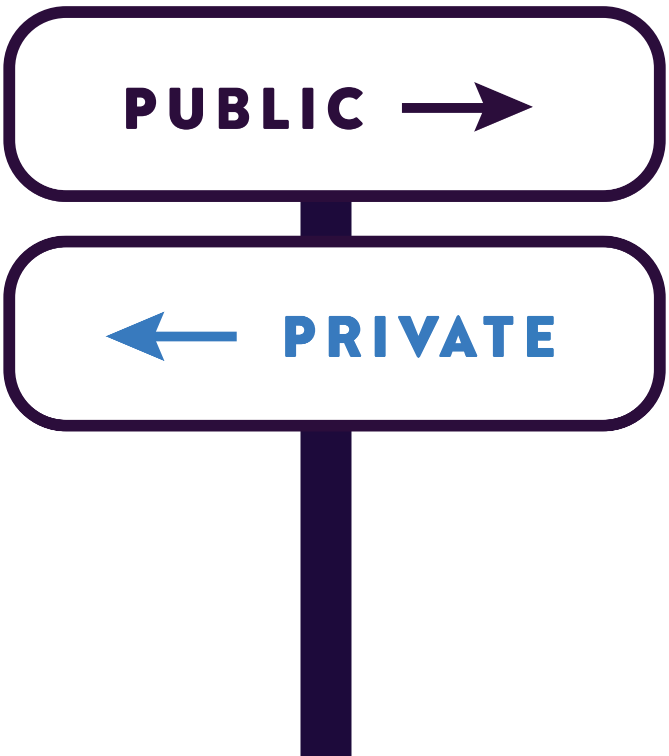
A DISTINCTLY PRIVATE PURSUIT: NOT GOING NET ZERO

Climate regulations are increasingly capturing private companies in their remits, raising risks for those determined to keep their heads in the sand and out of the sunlight.

22 April 2024



A report by:

Energy & Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute and Oxford Net Zero

Authors

This analysis was led by John Lang and Camilla Hyslop. Substantive contributions were made by Frances Green, Frederic Hans, Nick Hay, Nadya Kamenkovich, Takeshi Kuramochi, Diego Manya, Sybrig Smit, and Steve Smith.

The private and publicly-listed firm data collection was led by Camilla Hyslop and Nadya Kamenkovich.

Disclaimer

The views and assumptions expressed in this report represent the views of the authors.

Download

Download the report at www.zerotracker.net/analysis/

Contents

Executive summary

Delivering global net zero greenhouse gas (GHG) emissions later this century is the only way the world can stabilise global average temperatures and achieve the mitigation goals of the Paris Agreement. At the national level, 92% of the global economy intends to achieve net zero by mid-century — but without strong action by companies, the engines of that global economy, temperatures will continue to rise.

The good news is that, weighted by annual revenue, net zero targets now cover nearly 80% of the world's largest 2,000 publicly listed companies, up from less than 20% in 2020. The integrity and clarity of these targets are weak, but voluntary target-setting at the publicly listed level continues to reach new heights.

The not-so-good news is that the picture at the privately-owned company level looks much worse. If 'sunlight is the best disinfectant' for climate inaction, most private companies are operating nocturnally. In October 2022, less than one-third (32) of the world's largest private companies had net zero targets. Eighteen months later that figure has barely budged, up by eight to 40. In this analysis, we compare the net zero ambitions of the world's largest 100 privately owned companies with the world's largest 100 publicly listed companies. We find that:

- **Two-fifths (40) of the world's largest private companies have set net zero targets**, compared with seven-tenths (70) of the world's largest public companies.
- **About half (52) of the world's 100 largest private companies have set either net zero or emission reduction targets**. This compares with four-fifths (82) of the world's largest 100 public companies.

The Net Zero Tracker specialises in assessing publicly available data on net zero target setting and the quality associated with them. Net zero target quality — or 'integrity markers' — include the presence of interim targets, the existence and details of published plans, whether a target covers all company emissions including the full value chain (Scope 3), and transparency on the use of carbon credits (offsets). Of the 40 private companies we found with net zero targets:

- **25 (63%) have interim targets** for near-term emission reductions across at least a portion of their emission profiles.
- **Only eight (20%) have published net zero plans** to achieve their net zero targets, and even most of these lack key details.
- **20 (50%) cover their full value chain (Scope 3) emissions**; the other 20 either do not disclose these details or do not intend to cover all emissions they are responsible for.
- **Only two (5%) — IKEA (Netherlands) and Bechtel (US) — rule out the use of carbon credits** to achieve their net zero goals, compared with four (6%) publicly listed companies. Twenty-four (63%) private companies do not specify whether or how they plan to use carbon credits, compared with 27 (39%) publicly listed companies.

As the corporate world of net zero moves from being defined by bottom-up voluntary efforts to top-down mandatory rules, **private companies not only continue to trail behind their publicly owned counterparts by around half on net zero intent, they trail behind on the integrity of their strategies to get there**. On integrity markers such as published plans and transparency on the use of carbon credits, private companies are performing woefully. Our findings suggest many of those that have chosen to set net zero targets are not credibly pursuing them.

Led by two major new pieces of EU legislation that have extra-territorial dimensions, the regulatory system is ramping up to push private companies out from the shadows. The Corporate Sustainability Reporting Directive (CSRD) — which creates a 'duty to disclose' — does not differentiate between publicly-listed and private companies. Almost 50,000 EU and non-EU companies will ultimately have to report their emissions and climate impacts, including many large private companies from 1 January 2025. Once adopted, the Corporate Sustainability Due Diligence Directive (CSDDD) — which will create a 'duty to act' — requires the largest private companies to adopt climate mitigation plans and ensure their business strategies are compatible with the transition to net zero. These two directives represent new 'rules of the game' for a substantial proportion of the world's largest public *and* private companies. They are especially relevant for, but not limited to, private companies headquartered in the EU.

This report shows that dozens of private companies in the largest markets in the world — the EU, the US and China — still do not have net zero or emission reduction targets in place. As regulatory systems ramp up, staying silent on net zero increases transition risks for themselves, and undermines genuine emission-cutting efforts by nations and other non-state entities.

In the EU, for example, two of the 23 EU-based companies we assessed for this analysis have no emission reduction targets whatsoever, raising questions about whether they are ready for the direct and indirect effects of CSRD and CSDDD. They are:

- E.Leclerc (FRA)
- Mercadona (ESP)

Five EU-based companies have short-term emission reduction targets, but not a net zero target:

- Schwarz Group (DEU)
- Aldi Nord (DEU)
- Auchan Retail (FRA)
- Heraeus (DEU)
- Louis Dreyfus (FRA)

Government-mandated measures on transition planning, public procurement and greenwashing claims are increasing across the G20, 19 of which have net zero targets. In the US, private companies continue to dodge the attention of federal regulators, but in California and other jurisdictions like Singapore, their fortunes will soon change; in these two business hotspots, large private companies will have to report on greenhouse gas emissions from 2027, including from their full value chains (Scope 3). In the UK, Climate-related Financial Disclosure (CFD) regulation already mandates climate reporting requirements for hundreds of large UK-based private companies.

For private companies, the findings of this report underscore the mounting transition risks faced by those neglecting to tackle their emissions and/or ignoring the regulatory landscape that is increasingly seeking to mandate climate action. For policymakers, these findings reinforce that bringing private companies into the shared sunlight with their public counterparts and creating a 'level playing field' on regulations are prerequisites for bolder corporate action on climate change.

Acknowledgements

The Net Zero Tracker would not be possible without the heroic efforts of numerous volunteers. A full list can be found on our Methodology page: https://zerotracker.net/methodology.

For the public company targets in this report, we are particularly grateful for the efforts of: Bethan Adams, Sanyam Agarwal, Ria Aiyer, Aldrick Arceo, Amelia Barnes, Mirte Boot, Amy Booth, Barasha Borthakur, Sophie Brown, Sam Burslem, Gabriel Cairns, Stuart Cassidy, Abigail Chen, John Cort, Kristin D'Agostino, Robert Edge-Partington, Johann Eickenbrock, Adriana Elera, Christophe Etienne, Joshua Fearnett, Andrew Fletcher, Lyndsey Fowks, John Bervin Galang, Olivia Geddes, Julian Gonzales, Mia Hard Af Segerstad-Smith, Lucy Harlow, Matthew Hinton, Isha Hiremath, Shreya Kapoor, Alp Katalan, Jana Konle, Isobel Laughton, Yuin Law, Esmé Layton, Cara Lee, Tash Lutz, Lucy Main, Mario Marset, Nadia Merghani, Kate McKeough, Michelle Midzi, Rose Morley, Purity Njiru, Ewan A Norris, Oghenechovwe Israel Okolosi, Sze Ann Pang, Rosa Parker, Jocelyn Perry, Nolwen Prince, Shannon Ray, Phoebe Reid, Heejung Seo, Kunja Shrestha, Brandon Smith, Emily Speake, Dawn Sullivan, Claudia Tam, Daulet Teginbayev, Nayah Thu, Irene Trung, William Wallock, Cynthia Wang, Katy Wilson and Kun Yan.

For the private company targets in this report, we are grateful for the efforts of: Eloise Elkington, Válter Gouveia, Sharada Kannan, Josefina Lehnen, Kate McKeough and Francesca Raybould.

Thank you all for your tireless efforts tracking net zero targets, week-in, week-out.

1. Context

Weighted by annual revenue, net zero targets now cover nearly 80% of the world's largest 2,000 publicly listed companies (hereafter 'public companies'), up from less than 20% in 2020. The integrity and clarity of these corporate targets remain weak, but target-setting at the public company level continues apace. The rate of new public companies setting net zero targets has been decelerating, yet the overall trend remains one of momentum. The picture at the privately owned companies (hereafter 'private companies') level is strikingly different.

1.1. The dimly lit climate world private companies inhabit

In October 2022, we released *Everybody's Business*, comparing the largest 100 companies in the world (by annual revenue) with their public counterparts. The results were unequivocal. We found:

- On intent to achieve net zero emissions, private companies trailed behind their public counterparts by a huge margin: 32 to 69.
- On markers of integrity of those with net zero targets — measures such as having a detailed plan, pledging credible near-term interim targets, and providing transparency on the use of carbon credits — there was a smaller, though still meaningful, difference between the two cohorts.
- Considered collectively, the net zero performance of major private companies was seriously deficient compared against a benchmark (public companies) that was itself full of shortcomings.

As momentum on net zero target-setting has waned over the last 18 months, the regulatory landscape has waxed. Have private companies been paying attention?

1.2. The torch of net zero regulation is brightening

Since October 2022, several developments aimed at improving the international standards system on net zero have surfaced, including:

- The UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (UN Expert Group)'s recommendations for the net zero emission pledges by non-state entities – including companies, investors, cities, and regions. (UN Expert Group, 2022)
- The International Organization for Standardization's (ISO) 'Net Zero Guidelines' and 'Our 2050 World'.
- The UN Secretary-General's new 'Net Zero Policy Taskforce', established to help coordinate climate regulation across different domains and jurisdictions.
- The Science Based Targets initiative's (SBTi) updated Corporate Net-Zero Standard criteria.[1]

1. For more, see SBTi's Net Zero Standard v1.2 released in March 2024 (Science Based Targets Initiative, 2024a). We do not consider the recent decision made by the SBTi Board of Trustees on 9 April 2024 to allow for undefined levels of offsetting to claim the achievement of Scope 3 emission reduction targets (Science Based Targets Initiative, 2024b). Recent analysis published in the Corporate Climate Responsibility Monitor 2024 shows that allowing for offsetting could effectively nullify the already insufficient commitments by companies (Day et al., 2024).

At the national level, recent analysis by Oxford University showed a four-fold increase in new private-sector regulations across the G20, nineteen of which have net zero targets.[2] In particular, mandatory disclosure and transition planning requirements are domains that governments have been prioritising.

Disclosure

There is still a long way until a single global disclosure framework materialises, but demonstrable progress has been made in the last eighteen months.

In 2023, the International Sustainability Standards Board (ISSB), which is part of the International Financial Reporting Standards (IFRS) Foundation, published its inaugural global standards on climate and sustainability-related disclosures: IFRS S1 and S2. The 'ISSB standards,' which came into effect on 1 January 2024, aim to provide a global baseline of sustainability and climate-related disclosures across different jurisdictions.[3] It is now for nations to decide whether to adopt them. Nations, including the UK, Singapore, Canada, and Japan, have already agreed to base their sustainability disclosure regulations for public companies on the ISSB standards,[4] while several other major nations, including Australia, Brazil, Hong Kong, Malaysia, New Zealand, and Nigeria have expressed interest in adopting them.[5]

In the EU, the Corporate Sustainability Reporting Directive (CSRD) does not differentiate between public and private companies.[6] Of the almost 50,000 EU companies in its remit, many are privately-owned, and, from 1 January 2025, will have to report their climate impacts and emissions, including from their entire value chain (Scope 3). Notably, the impact of the CSRD will not be limited to EU companies; it also applies to non-EU based companies that have a large operational presence in the EU. This has significant implications for private non-EU companies operating in the EU or with major supply chains there.[7] Furthermore, from 2028, EU companies that are in scope of the CSRD, and whose ultimate parent company is outside the EU, must produce a sustainability report at the group level of the ultimate parent company, provided the group as a whole generates more than €150 million of annual revenue in the EU.

In March 2024, the US Securities and Exchange Commission (SEC) finally unveiled its first ever mandatory climate reporting rule for public companies: The Enhancement and Standardization of Climate-Related Disclosures for Investors (SEC climate rule). Assuming the already-watered-down rule becomes effective,[8] 2026 will be the first year many US public companies will have to contend with it. In a significant departure from the proposed rule, disclosure of Scope 3 emissions was excluded, but registrant companies will still be required to disclose governance, oversight and risk management of material climate-related risks.

2. A fourfold increase since 2020. For more, see (Hale et al., 2024).

3. IFRS S1 requires companies to communicate the sustainability-risks and opportunities they face over the short, medium, and long term. The requirements are designed to ensure that companies provide investors information relevant to decision-making. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. Both Standards are based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

4. Scope 3 reporting by companies will only begin in 2029, two years after large private companies are required to begin disclosing emissions and climate risks.

5. In October 2023, the Financial Stability Board's (FSB) latest progress report on climate-related disclosures shows 20 of its 24 member jurisdictions have taken additional actions since the last stocktake in 2022. These include setting requirements, guidance, and expectations for climate risk and opportunity disclosure.

6. The European Sustainability Reporting Standard (ESRS) provides the roadmap for compliance, while the CSRD sets the legal framework and reporting obligations.

7. For more on the CSRD, see (European Commission, 2024).

8. There is no guarantee it will become effective. On 4 April 2024, the SEC Climate Rule was officially put on pause as several lawsuits challenging the climate disclosure requirements were consolidated in the 8th Circuit United States Court of Appeals. Plaintiffs ranging from companies to the US Chamber of Commerce to environmental NGOs, filed lawsuits.

In contrast to the SEC's approach, California's Climate-Related Financial Risk Act (SB 261) requires private companies to report on their climate-related risks.

In early 2024, China's three major stock exchanges[9] announced the publication of new climate and sustainability disclosure guidelines for more than 400 companies. The information sought includes mitigation targets, emissions, intended use of carbon credits, transition plans, and internal systems for managing climate risks. Notably, the new rules mandate 'double materiality'[10] and the disclosure of value chain (Scope 3) emissions, a key point of controversy over the SEC climate rule in the US.

Transition planning

As the UN Expert Group's fourth recommendation outlines, net zero transition plans are fundamental to driving corporate climate action. They should include, for example: how companies plan to meet short, medium and long-term absolute emission reduction targets; references to credible sector pathways consistent with limiting warming to 1.5°C; how specific actions across all parts of companies' value chains will meet different targets; and details on third-party verification.[11]

In December 2023, the European Parliament and Council reached provisional agreement on the EU Corporate Sustainability Due Diligence Directive (CSDDD). Set to be adopted imminently[12] and phased in depending on company size,[13] it will introduce a mandatory duty on large companies to *adopt* and *put into effect* transition plans compatible with net zero emissions. In its current form, CSDDD will ask questions of the integrity of companies' climate strategies, such as whether a firm has interim targets, covers all emissions it is responsible for, and has a plan to implement emission reductions. CSDDD is likely to directly impact more than 5,000 companies within the EU, and thousands more outside through its extra-territorial reach.[14] Its ripple effects will likely be profound because it establishes obligations that are not restricted to a company's operations, but also to those of its subsidiaries and suppliers.

Transition plans are not purely an EU exercise. In 2022, the UK's Transition Plan Taskforce (TPT) launched with a mandate to develop the 'gold standard' for private sector climate transition plans. The TPT's work has attracted the interest of governments in Australia, Brazil, the EU, France, Germany, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Thailand, and the US. It has engaged with international coalitions of central banks, regulators as well as multilateral processes such as the G7, G20 and UNFCCC. Sector-specific transition plan guidance has been published for Asset Owners, Asset Managers, Banks, Electric Utilities & Power Generators, Food & Beverage, Metals & Mining, and Oil & Gas.

9. The Beijing Stock Exchange, Shanghai Stock Exchange, and Shenzhen Stock Exchange.

10. Double materiality requires an entity, such as a company, to report on the impact their activities have on the environment as well as the risks and impact of environmental factors on their business.

11. For the full list, see Recommendation 4 of the UN Expert Group's report (High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, 2022).

12. On 15 March 2024, a revised text of CSDDD was endorsed by the European Council. Subject to approval by the European Parliament and sign off by the European Commission, it will be formally adopted.

13. Companies with (i) 5,000+ employees and annual revenues of €1.5bn+ will be impacted three years from entry into force; (ii) 3,000+ employees and annual revenues of €900mn+ will be impacted four years from entry into force; and (iii) 1,000+ employees and annual revenues of €450mn+ will be impacted five years from entry into force.

14. The latest proposed Directive applies to companies meeting one of the following criteria: (i) EU companies with more than 1,000 employees and a global turnover of €450mn; (ii) non-EU companies with a turnover of €450mn+ generated in the EU market.

Nowhere to hide

For those private companies that have no net zero or mitigation target, mandatory regulation is beginning to knock at their doors. For large EU-based private companies, the door is effectively being beaten down. And for large non-EU-based private companies with substantial operations in the EU, that will become the case.

Even in the absence of significant operations in the EU, a large private (or public) company could still be affected. Reporting requirements in CSRD mandate that companies disclose their full value chain emissions, which means non-EU private companies caught in the supply chains of EU-based public or private companies will need to provide the requisite information, or risk repercussions. Similarly, through the forthcoming CSDDD, private companies caught in the supply chains of those EU-companies that have mandatory transition plan obligations will need to show how they are reducing emissions in line with sectoral trajectories for net zero.

Pressure is not just being applied from the top down. Many of the world's largest public companies are voluntarily implementing measures to slash emissions across their value chains. For instance, although the company has not committed to a Scope 3 value chain target, Walmart claims to have engaged more than 5,000 upstream suppliers on emissions reporting, target-setting and delivery with its Project Gigaton. The company describes that the project can avoid a billion tonnes from its Scope 3 emissions, which account for 94% of its total carbon footprint.[15] In terms of target-setting, the Net Zero Tracker database shows that 61% of the public companies with net zero targets on it either cover their Scope 3 value chains in full or partially.

It is no secret that private companies still lack several disciplining mechanisms that influence public company behaviour, such as institutional investor engagement, corporate governance arrangements, and transparency through regular disclosure obligations. But to do business and stay competitive, private companies will increasingly have to answer public companies' demands for more transparency on decarbonisation and emission reductions.

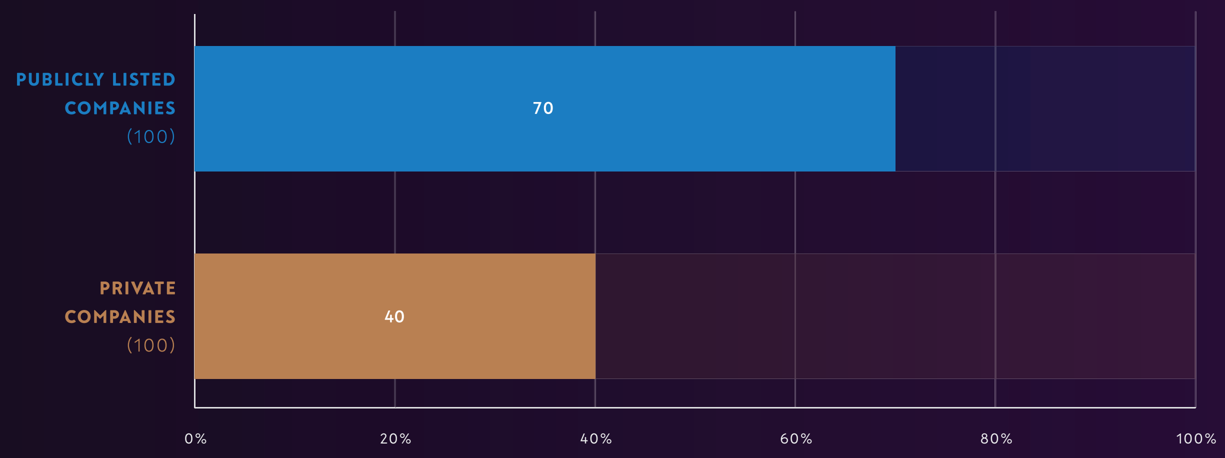
With regulators and supply chain demands already knocking on the door of private companies, those choosing not to measure, plan and reduce their emissions are already in risky territory.

15. Although Project Gigaton is presented as a central element of Walmart's sustainability strategy, the company did not commit to any targets for Scope 3 emissions. Walmart claims Project Gigaton can avoid a billion tonnes of GHGs, compared with a business-as-usual scenario. See New Climate's Corporate Climate Responsibility Monitor for more information on Walmart's Scope 3 approach (Day et al., 2024).

QUANTITY

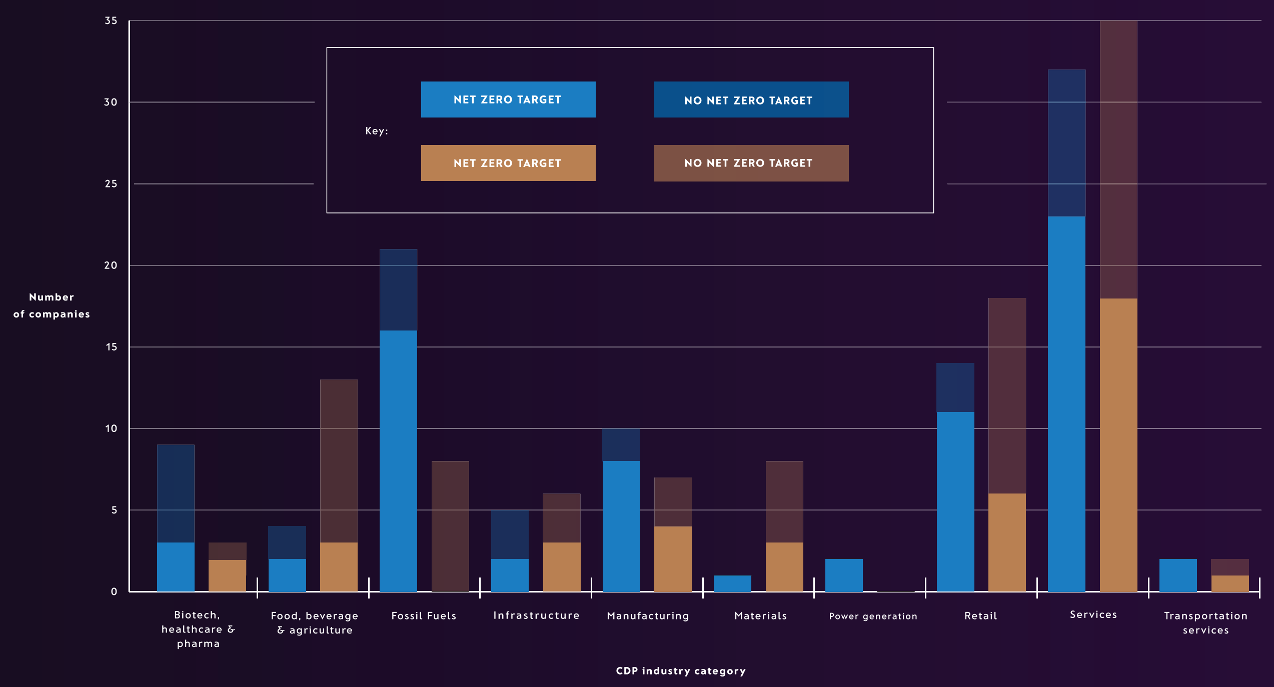
COMPANIES BY NUMBER

The number of publicly listed companies with net zero targets compared with the number of private companies with them



INDUSTRY SECTOR DISTRIBUTION

The number of publicly listed companies and private companies, broken down by CDP industry sectors



2. Analysis

2.1. Scope and methods

For this analysis, we limited scope to the world's largest 100 public companies and the largest 100 private companies, by annual revenue, and compared the two cohorts against one another. The public companies were drawn from the existing Net Zero Tracker database. For private company selection, we used a publicly available list, produced by Eqvista, to identify the largest 100 by annual revenue (Sarath, 2022). If any of the companies were found to have mitigation targets, we used the Net Zero Tracker Codebook to analyse key components of any net zero targets or emission reduction pledges.

To note:

- Our data collection relies on the availability of publicly-facing documents and press releases of pledges, plans and strategies to reduce greenhouse gas emissions.
- We found that one private company on the Eqvista list, Aldi, is legally split into two: Aldi Süd and Aldi Nord. We chose to code Aldi Nord, the less ambitious of these two targets.
- We found that one private company on the Eqvista list, Auchan Holding, was renamed Elo, which has majority ownership of two companies: Auchan Retail and New Immo Holding. We chose to code Auchan Retail, the less ambitious of these two targets.
- State-owned companies were out of scope for this analysis, but as other analyses have consistently shown, these companies demand more attention from international organisations, civil society and independent analysts.[16]
- For further details about how the Net Zero Tracker collects data, see our methodology (Net Zero Tracker, 2024).

The combined annual revenue of the assessed 200 public and private companies is about **$23 trillion**, equivalent to roughly 23% of the global economy.[17]

- The aggregate annual revenue of the 100 public companies amounts to more than **$18 trillion**, or 18% of the global economy.
- The aggregate annual revenue of the 100 private companies amounts to almost **$5 trillion**, or 5% of the global economy.

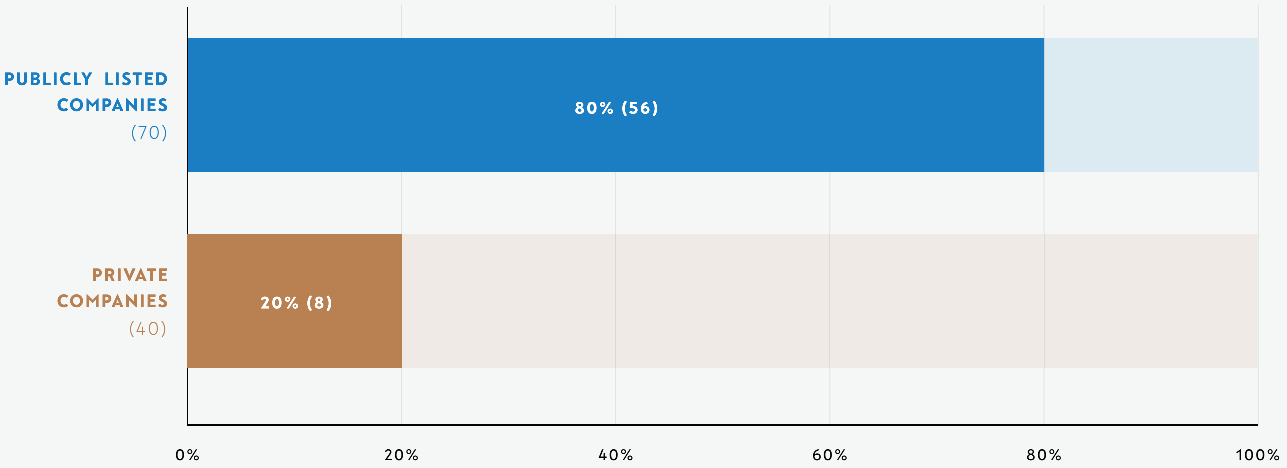
16. The Carbon Majors Database usefully divides 'Carbon Majors' into 'investor-owned companies' (privately-held and publicly-listed companies) and 'state-owned companies.' In its latest analysis in April 2024, it showed that while investor-owned companies accounted for 31% of all emissions tracked by the database, 'state-owned companies' are linked to 33%. The Net Zero Tracker database tracks some companies that are majority state owned (e.g. Saudi Aramco and Gazprom) but not all (e.g. the National Iranian Oil Company and Petroleos de Venezuela). For more, see (InfluenceMap, 2024).

17. The combined nominal gross domestic product (GDP) globally in 2022 in current US dollars was $100.88 trillion, according to the World Bank.

QUALITY

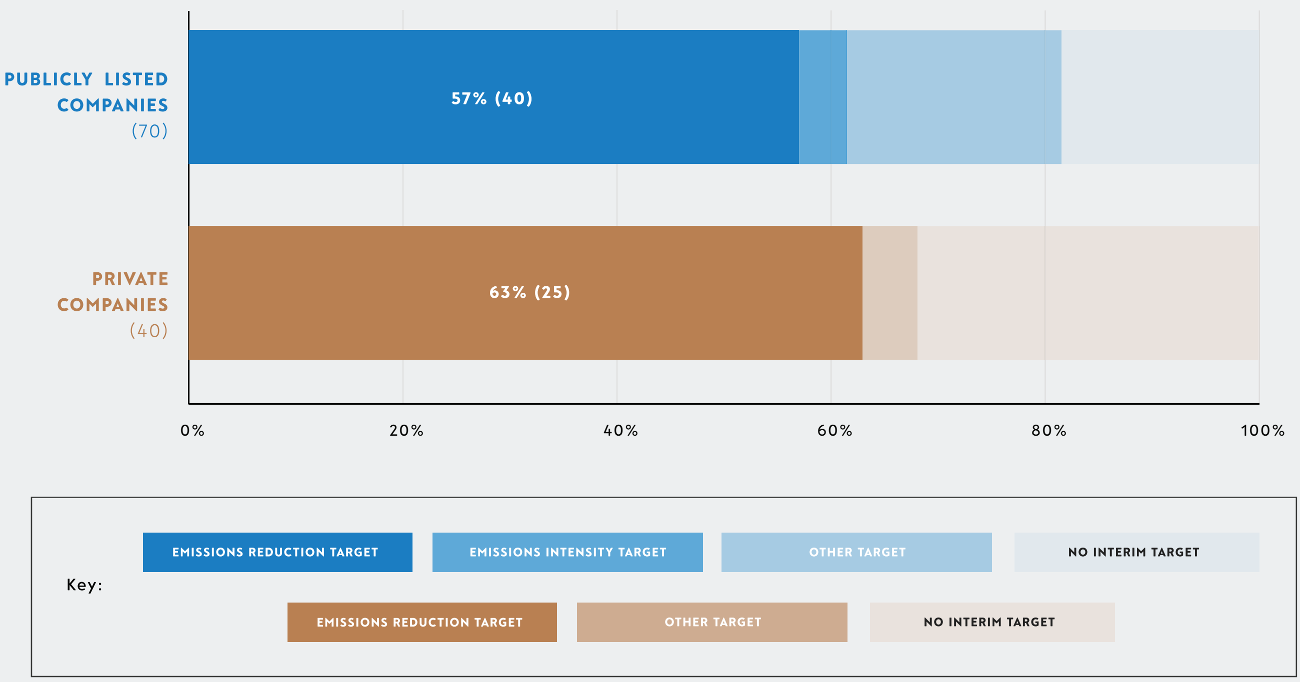
PLANNING DOCUMENT

Of those companies with net zero targets, the proportion that have published a planning document.



INTERIM TARGETS

Interim target types for publicly listed companies and private companies with net zero targets.



2.2. Findings

Of the 100 private companies investigated, we found:

- 40 have set net zero targets, up from 32 in October 2022. This compares with 70 of the largest 100 public companies.
- The combined annual revenue of those with net zero targets is $2.2 trillion (the figure for public companies is more than $13 trillion). The combined revenue of those without any mitigation measures is $1.7 trillion. For those without net zero targets, it is $2.8 trillion.
- Only eight (20%) of the 40 with net zero targets have published plans to deliver on their pledges, compared with 80% (56) of the 70 public companies with net zero targets.
- None of the fossil fuel companies investigated (8) has pledged net zero targets, compared with 13 of 17 (76%) public companies in this sector.
- Only four of the world's largest 10 private companies have set net zero targets, compared with nine of the world's largest 10 public companies. The four with net zero targets are **Vitol**, **TATA Group**, **ByteDance** and **Robert Bosch**.

Looking at the 29 private companies in the list of 100 that are in sectors we regard as 'high emitting' (fossil fuels, infrastructure, power generation, manufacturing and materials), we found:

- 10 (34%) have set net zero targets, double the five (17%) we found in 2022. This compares with 29 of 39 (74%) of their public counterparts.
- Net zero targets cover 49% ($967bn / $1,959bn) of the combined annual revenue in these sectors across the companies in our sample (up from just 14% in 2022). This compares with 77% ($4,768bn / $6,198bn) in high emitting public companies that are covered by net zero targets.
- Only two, **INEOS** and **TATA Group**,[18] have published plans for how they intend to reach net zero, and even these plans are inadequate because they do not contain sufficient detail.[19]
- The world's largest high-emitting private companies without net zero targets are **Trafigura Group** (annual revenues of $231bn, headquartered in Singapore); **Koch Industries** ($125bn, US); **Amer International Group** ($90bn, China); and **Pacific Construction Group** ($79bn, China).

18. TATA Group has multiple subsidiary companies, most of which are in high emitting sectors. Some, however, are not, such as Tata Consultancy Services

19. The Net Zero Tracker considers a plan to be 'complete' if it contains (i) measures or steps that will be taken for all emission scopes that are covered by the target; (ii) information on the emission reductions expected from these measures within a certain time period; (iii) information on the extent to which measures or steps will be taken; (iv) a schedule for regular review of measures.

From a geographic perspective across all 100 private companies:

- Of the 50 largest headquartered in the US, only 11 (22%) have net zero targets, substantially less than US-based public companies, where 28 of 43 (65%) have net zero targets.
- Of the 16 headquartered in China, four (25%) have net zero targets, up from one (6%) in 2022. This compares with five of 17 (29%) China-based public companies with net zero targets. The four China-based private companies with net zero targets are **Pacific Construction Group**, **ByteDance**, **Shandong Weiqiao Pioneering Group**, and **Zheijiang Geely Holding Group**.
- Of the 28 headquartered in the EU and the UK, 21 (75%) have net zero targets, but only three have published plans describing how they will achieve them. This compares with 22 (92%) of the 24 EU and UK-based public companies with net zero targets, 21 of which have published plans describing how they will achieve them.

Across the 40 private companies with net zero targets, we found for:

Interim emission reduction targets:[20]

- 63% (25) include them, up from 34% in 2022. This compares with 50% (35/70) of public company net zero pledges that include interim targets.

Value chain (Scope 3) coverage:[21]

- 58% (23/40) include full or partial coverage. This percentage is up from 53% in 2022 and compares with 69% (48/70) of public companies with net zero targets.

Carbon credits:[22]

- 58% (23/40) do not specify whether or how they plan to use them, compared with 39% (27/70) of public companies. Of the 14 private companies that are transparent on the use of carbon credits, only six apply at least one condition on their use.
- Just two (5%) — **IKEA** (Netherlands) and **Bechtel** (US) — rule out the use of carbon credits entirely to achieve their net zero goals, compared with four (6%) public companies.

20. The presence of interim targets is essential if companies wish to deliver near-term emission reductions on their way to longer-term net zero targets.

21. Full coverage of value chain emissions (Scope 3) is essential. In many sectors, these emissions make up more than three-quarters of a company's emissions profile.

22. Transparency on the use of carbon credits (offsets) is essential. Carbon credits should not be used for near-term emission reduction targets or overly relied on to meet longer-term deep decarbonisation targets.

3. Discussion

On both net zero intent (target setting) and integrity markers (target quality), the world's largest private companies are trailing their public counterparts.

On target-setting intent, a small uptick does not distract from the fact that public companies have almost double the number of net zero targets. While more than half (52) of the assessed private companies have now pledged to reduce emissions, a milestone of sorts, 12 are not long-term net zero or deep decarbonisation targets. Of the 12 companies with emission reduction pledges (but not net zero targets), none have set targets for after 2032 and none aim to reduce emissions by more than 55%.

On some important integrity markers, the private-public gap has closed. For example, we have seen progress on **the existence of near-term interim targets** and **coverage of value chain emissions (Scope 3)**, but marginal improvements on some indicators do not equate to collective improvement as a whole.

In particular, the conspicuous **lack of published plans** to reach net zero targets and the **lack of transparency on the use of carbon credits** raises serious questions about the credibility of those private companies with net zero targets. The fact that only 20% of private companies with net zero targets have published plans to meet their pledges (compared with 80% of public companies) highlights that even those with targets are not genuine about delivering them.

A pledge without a plan is not a pledge, it is a naked PR stunt. Similarly, an incomplete or deficient 'plan' is not a plan. Emission reduction plans should — at a minimum — be specific, measurable, time-bound and cover the largest emitting areas of a company's value chain.

Other facts support the finding that a lack of integrity pervades private firm efforts on net zero:

- Just four of the largest 10 private companies have pledged net zero targets, a sharp disparity compared with public companies, where nine of the largest 10 have pledged.
- Higher-emitting private companies — the ones that really matter for deep decarbonisation — are not aligning with net zero goals either. About one-third (10/29) of private companies in sectors we regard as 'high emitting' (fossil fuels, infrastructure, power generation, manufacturing and materials) have set net zero targets, compared with about three-quarters (29/39) of their public counterparts.
- In the US, the nation with the largest historical cumulative emissions and therefore the largest responsibility for taking climate action, only one-fifth (11/50) of private companies have net zero targets.

3.1. The road to regulation

The countdown is on for all nations to submit new emission-cutting plans (NDCs) in early 2025. The reluctance of private companies to sign on to net zero or strengthen the integrity of their often-vacuous emission reduction strategies hamstrings the ability of governments to deliver on their own decarbonisation goals.

The UN Secretary-General commissioned UN Expert Group's recommendations were clear:

> *"In order to ensure rigour, consistency and competitiveness, regulators should develop regulation and standards in areas including net zero pledges, transition plans and disclosure, starting with high-impact corporate emitters, including* ***private*** *and state-owned enterprises and financial institutions."*[23]

The public-private disparity on net zero represents a roadblock to 'whole economy' decarbonisation. But few regulators besides the EU have addressed the disparity head on and with urgency. The development of standardised global disclosure rules, of which ISSB is at the vanguard of, should help address the disparity if implemented by a critical mass of jurisdictions. Mandatory disclosure is a necessary step to compel private (and public) companies to engage with their emissions, but not sufficient to compel them to deliver on net zero in a timely fashion. Disclosure rules are but one step on 'the road to regulation.'

The benefits of governments moving from a reliance on voluntary efforts to mandatory rules across private and public listed domains are well canvassed. These include making targets and implementation less likely to be reversed, introducing legal avenues of enforcement, levelling the playing field so that incentives for decarbonisation are balanced across society. Moving to mandatory rules could also help prevent 'fossil-spinning,' which describes the perverse practice of public companies selling polluting assets to private companies (Gözlügöl and Ringe, 2022). A form of 'emissions leakage' between asset classes, fossil-spinning produces no overall reduction in emissions and simply makes it more likely that polluting assets will escape regulatory scrutiny for longer.[24]

3.2. Risky business

By peering into the emerging climate regulatory regimes of the three biggest markets for private companies — the **EU**, the **US** and **China** — we see a risky environment for a company with its head in the sand.[25] Regulation, be that by domestic or by extra-territorial means in the case of the EU's CSRD and CSDDD, is either upon them or imminent.

23. Recommendation 10: Accelerating the Road to Regulation (High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, 2022).

24. For example, private UK-based petrochemical company INEOS recently acquired public company Hess Corporation's oil and gas assets and bought public company BP's global petrochemical business (INEOS Group, 2021b, 2021a)

25. The EU, US and China markets account for 89% of the private companies in scope for this analysis.

Large EU-based private companies

More than 90% (21/23) of EU private companies in this analysis have an emissions reduction target, but only 70% (16/23) have set long-term net zero targets (or similar deep decarbonisation targets).

As discussed above, CSRD now sets the standard by which nearly 50,000 EU public and private companies will have to disclose climate information, including full value chain emissions. When the forthcoming CSDDD goes into effect, about 5,000 of these companies will also be expected to have transition plans to drive down emissions to net zero later this century.

The two EU-based companies without any emission reduction measures are most at risk, but even foreign-based companies without major operations in the EU should be on notice. What goes on in the EU does not stay in the EU. And, increasingly, what goes on in a public company will not stay in a public company — one private company's Scope 1 and 2 emissions could be a public company's Scope 3.

Table 1: EU-based private companies without net zero targets

Company	Headquarters	Emission mitigation target?	Annual revenue ($USD, bn)
E.Leclerc	FRA	No target	$114
Mercadona	ESP	No target	$38
Schwarz Group	DEU	Emissions reduction target	$162
Louis Dreyfus	FRA	Emissions reduction target	$60
Auchan Holding	FRA	Emissions reduction target	$36
Heraeus	DEU	Emissions reduction target	$31
Aldi Nord	DEU	Emissions reduction target	$28

Large US-based private companies

Only 11 (22%) of the US's largest private companies have set net zero targets.

Although the newly announced SEC climate rules will not apply to private companies, in California, the world's fifth-largest economy by gross domestic product, they will from 2027 according to two new laws.

The first, the Climate Corporate Data Accountability Act (SB 253), mandates that companies with at least $1bn in annual revenue report their Scope 1, 2 and 3 emissions. The second, the Climate-Related Financial Risk Act (SB 261), requires organisations with over $500 million in annual revenue to publicly disclose their financial risks associated with climate change. SB 261 even directs the California Air Resource Board to contract with a climate reporting organisation to publish a report every two years reviewing companies' climate-related disclosures and the 'systemic and sector-wide climate-related financial risks facing the state.' As with the EU's CSRD, SB 253 and SB 261 will require many large companies that do business in California to report both their emissions and climate-related financial risks.

California is the first US state to pass climate disclosure legislation. It will not be the last. New York and

Illinois, for instance, are considering similar legislation.

US private companies should be cognisant of not just disclosure legislation, but also of the global trend towards mandatory transition planning. Many of the private US companies in scope for this analysis primarily serve domestic markets. But for those that have significant operations abroad (or intend to in the future), moving into alignment with climate disclosures and transitioning to net zero will soon become prerequisites for doing business in Europe.

Table 2: US-based private companies without net zero targets

Company	Headquarters	Emissions mitigation target?	Annual revenue ($USD, bn)
Koch Industries	USA	No target	$125
Publix Super Markets	USA	No target	$55
CHS Inc.	USA	No target	$46
H-E-B	USA	No target	$44
Reyes Holdings	USA	No target	$40
Tech Data	USA	No target	$36
USAA	USA	No target	$36
Northwestern Mutual	USA	No target	$36
Enterprise Holdings	USA	No target	$35
C&S Wholesale Grocers	USA	No target	$35
Pilot Flying J	USA	No target	$30
Love's Travel Stops & Country Stores	USA	No target	$27
Southern Glazer's Wine & Spirits	USA	No target	$25
Fidelity Investments	USA	No target	$25
Medline Industries	USA	No target	$22
Gordon Food Service	USA	No target	$21
Racetrac	USA	No target	$20
Wawa	USA	No target	$19
Wakefern Food Corporation	USA	No target	$19
ABC Supply	USA	No target	$19
JM Family Enterprises	USA	No target	$18
Trader Joe's	USA	No target	$17
Subway	USA	No target	$16
Kingston Technology	USA	No target	$16

Company	Headquarters	Emissions mitigation target?	Annual revenue ($USD, bn)
Allegis Group	USA	No target	$16
Inspire Brands	USA	No target	$15
Chick-fil-A	USA	No target	$14
Kiewit Corporation (Peter Kiewit Sons')	USA	No target	$14
Republic National Distributing	USA	No target	$13
The Guardian Life Insurance Company of America	USA	No target	$13
Jones Financial (Edward Jones)	USA	No target	$12
Hy-Vee	USA	No target	$12
Farmers Insurance Exchange	USA	No target	$12
Cargill	USA	Emissions reduction target	$177
State Farm	USA	Emissions reduction target	$104
New York Life Insurance	USA	Emissions reduction target	$58
Liberty Mutual Insurance Group	USA	Emissions reduction target	$49
Meijer	USA	Emissions reduction target	$21

An example from another planet? Not quite

Mars, a US snack and pet food company, is one of only 11 of 50 US private companies with a net zero target and has been particularly vocal about its efforts to reduce emissions — in stark contrast to most of its private peers. Set for 2050, it includes an emission reduction commitment of 80%. In 2023, it pledged to invest $1bn over three years in an effort to achieve its net zero target, after disclosing limited progress in meeting a previous emissions reduction target.

Mars provides an interim emission reduction target of 50% for 2030 and its net zero target fully covers upstream and downstream value chain emissions (Scope 3). Almost three-quarters of Mars' emissions are produced from its upstream value chain, mainly from agriculture and land-use change.

Recent analysis by the NewClimate Institute shows that Mars' ambition in the short-term is in line with 1.5°C-benchmarks (Day et al., 2024).[26] It provides near-term details on reducing emissions and rules out the use of land sequestration carbon dioxide removal for meeting its 2030 targets, but Mars has not published a plan for after 2030. While Mars voluntarily reports annually to CDP, it does not produce public-facing annual emission disclosures and sustainability reports.

More details on its medium to longer-term net zero strategy, as well as more regular reporting, would improve the transparency and integrity of Mars' net zero target.

26. For example, it presents the emission reduction potential of seven emission sources and divides them into 21 emission reduction measures. For more, see the company's Net Zero Roadmap (Mars, 2023).

Large China-based private companies

Only 4 (25%) of China's largest private companies have set net zero targets.

As discussed above, China's government has now joined regulatory efforts to mandate the provision of climate information for more than 400 public companies. China-based private companies will be watching this trend. Government moves to mandate climate disclosure is unlikely to be the only reason behind the uptick of private companies pledging net zero targets (a rise from just one in October 2022 to four today), but it may have contributed.

Table 3: China-based private companies without net zero targets

Company	Headquarters	Emissions mitigation target?	Annual revenue ($USD, bn)
Hengli Group	CHN	No target	$100
Amer International Group	CHN	No target	$90
Tsingshan Holding Group	CHN	No target	$55
HNA Group	CHN	No target	$53
Jiangsu Shagang Group	CHN	No target	$43
Yango Longking Group	CHN	No target	$36
Taikang Insurance Group	CHN	No target	$35
Cedar Holdings Group	CHN	No target	$34
Wanda Group	CHN	No target	$32
Hailiang Group	CHN	No target	$31
Xinjiang Guanghui Industry Investment	CHN	No target	$31
Huawei	CHN	Emissions reduction target	$99

Transition risks for private companies are mounting, but opportunities are too.

Standardising disclosures and transition planning can help private companies gain competitive advantages. With the world's largest public companies expected to align to the ISSB standards and/or domestic rules, they will expect their suppliers and other companies in their value chain to report using the same standard. Early adopters signal to the rest of their value chain and investors that they are willing to make a commitment to climate action and help them achieve their own net zero goals. Also, if a private company wants to go public in the future, or wants the option to do so, prior alignment with the mandatory rules covering major stock exchanges may be desirable for 'IPO readiness.'

Alignment with incoming regulatory standards, be that at the ISSB or domestic level can also help identify, assess, and take advantage of climate-related opportunities. Private companies could, for instance, quantify the physical opportunities to create more resilient strategies in a future defined by a warmer planet, as well as economic opportunities in a world increasingly defined by a renewables-led power sector and new net zero industries.

3.3. Levelling the playing field

If decarbonisation needs to be a whole-of-economy enterprise, so do efforts to make it so. As we have outlined above, the challenge is being taken up on multiple fronts, but more should be done.

International organisations

At COP28, UN Secretary-General Antonio Guterres announced the creation of a new Net Zero Policy Taskforce to help coordinate across domains and across jurisdictions, recognising the severity of the 'fragmentation' challenge. Encouraging jurisdictions to apply regulations, such as mandatory climate disclosure and net zero transition planning, across public and private companies should be at the forefront of efforts.

The UN Expert Group is currently focussed on making its 10 net zero recommendations more entity specific, such as for cities and regions, financial institutions, and companies. For companies, it should continue making the case that bridging the gap between private and public companies must be prioritised to help level the playing field in different national jurisdictions.[27]

Voluntary initiatives

Voluntary initiatives, such as the Science Based Targets initiative (SBTi) and CDP, can struggle to catalyse climate action amongst private company laggards. Unlike their public counterparts, private companies do not respond as strongly, or reactively, to reputational or market pressure. But these initiatives can help to develop norms and best practices that then become codified by international standard-setting bodies, such as the ISSB or the Organization for Standardization (ISO). Like a 'conveyor belt' for net zero governance, credible voluntary initiatives help to accelerate the 'frontier of best practice' so upwards pressure is exerted on standard setters and regulators to turn 'good net zero' into mandatory rules, including for private companies (Hale, 2022).

As our Net Zero Stocktake 2023 report found, in the absence of universally binding net zero-related regulation, voluntary initiatives also provide important guidance to corporate entities on how to pursue net zero with integrity. We found that emerging voluntary net zero standards have strongly converged on principles, but more specificity is required to give clarity to public and private companies wanting to set credible strategies (Net Zero Tracker, 2023).

Scaling up and replicating voluntary efforts like the Exponential Roadmap Initiative (ERI), which works *with* ambitious companies, including private company IKEA, could also help. ERI, for instance, enlists member companies to its '1.5°C Business Playbook' and works closely with them to (i) halve emissions including

27. The UN Expert Group provides a checklist of criteria and guidance specific for public and private companies (High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, 2022).

those in their value chain before 2030; (ii) integrate climate action into business strategies; and (iii) influence broader climate action across society.[28]

Analysts (including the Net Zero Tracker)

Independent analysts can only analyse data that is available. This fact has benefited private companies that have, to date, encountered far less civil, investor and regulatory scrutiny vis-à-vis public companies. Analytical efforts such as NewClimate Institute's 'deep dive' Corporate Climate Responsibility Monitor have sought to address this situation by including private companies within their remit and using publicly available data to plug information holes.

Since launching in 2021, the Net Zero Tracker's scope has included publicly-listed companies only — those that are listed on the Forbes' 'Global 2,000'. In light of the results of this analysis and *Everybody's Business* in 2022, **we have decided to increase the scope of the companies we track to include the 100 largest private companies in the world**. Please visit our website for a near-real time view of the 100 private companies in scope for this analysis.[29]

In spite of the data challenges, we encourage other independent analysts to consider doing the same.

Companies themselves

One of the most important actions any public or private company can take on net zero is aligning policy advocacy with ambitious climate action.

Recent InfluenceMap research found that corporate net zero or similar targets are rarely matched by support for government climate policy, with 58% of almost 300 companies from the Forbes' Global 2,000 found to be at risk of net zero greenwash due to their lack of policy engagement. (InfluenceMap, 2023) More positively, it did find that some companies are leading from the front on policy alignment, including Adobe (IT), Enel (Utilities), H&M (Retail) and Orsted (Energy).

Campaigners

Campaigners have traditionally concentrated their efforts on 'charismatic companies,' usually publicly owned and regularly in the public eye. This focus has often come at the expense of scrutiny on large private companies, which have, to date, been notoriously difficult to find credible information on.

Rethinking the current focus on public companies, which may exacerbate fossil-spinning and regulatory arbitrage, could help to even the ledger. The extension of our Net Zero Tracker scope to encompass the world's largest private companies should help make their actions and inactions more transparent so that campaigners can call out dubious integrity when they see it.

28. For more, see https://exponentialroadmap.org/

29. See the company table on the Net Zero Tracker homepage (www.zerotracker.net) and filter on 'private.'

4. The way forward

Despite signs of incremental progress on private companies' net zero target setting over the last eighteen months, the gaping hole between private and public companies on quantity and quality remains. It is worth repeating: the combined annual revenue of those private companies without net zero targets is $2.8 trillion.

As the regulatory landscape develops around them, we have shown that private companies are not responding commensurately — raising regulatory, transition and competitive risks for themselves, and undermining the collective climate efforts of nations and other non-state entities. Private companies have grown too complacent under less civil and government scrutiny than that of their publicly owned peers.

For national regulators, these findings provide yet more proof that action is necessary to 'level the playing field' and bring private companies into the shared sunlight. Two sobering facts stand out, just as they did eighteen months ago:

1. **Private companies are almost half as likely as their public counterparts to have set net zero targets**; and
2. **Where they have set net zero targets, private companies are a quarter as likely to have published plans to achieve them**.

Promisingly, regulatory efforts in jurisdictions such as the EU, California and Singapore are underway to address the public-private disparity and broader climate inaction by the world's largest companies. With regulators now in China (through its three major stock exchanges) and the US (through its SEC climate rule, assuming it is fully adopted) mandating information provision by the private sector, the global direction of travel on disclosure is clear.

But the 'holy grail' of global climate governance for the private sector is mandatory transition planning, which entails a *duty to act* on top of the emerging *duty to disclose*. The UN Expert Group's fourth recommendation outlines that mandatory transition planning is an 'essential tool' for both public and private companies to successfully achieve their net zero pledges. The CSDDD, if adopted by the European Parliament and signed off by the European Commission, should have a profound effect on how far — and how quickly — mandatory transition planning disseminates around the world.

All cohorts of society have a role to play in bringing private companies into the open. But the sooner mandatory transition planning becomes a reality across most of the private sector, the sooner the world can draw down its emissions to achieve the temperature goals of the Paris Agreement.

References

Day, T. et al. (2024) Corporate Climate Responsibility Monitor 2024. NewClimate Institute. Available at: https://newclimate.org/resources/publications/corporate-climate-responsibility-monitor-2024 (Accessed: 18 April 2024).

European Commission (2024) Corporate sustainability reporting. Available at: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en (Accessed: 18 April 2024).

Gözlügöl, A.A. and Ringe, W.-G. (2022) 'Private companies: the missing link on the path to net zero', Journal of Corporate Law Studies, 22(2), pp. 887–929. Available at: https://doi.org/10.1080/14735970.2023.2191779.

Hale, T. (2022) The Net-Zero Governance Conveyor Belt. Philadelphia, PA: Kleinman Center for Energy Policy. Available at: https://kleinmanenergy.upenn.edu/wp-content/uploads/2022/12/KCEP-Net-Zero-Governance-Conveyor-Belt.pdf.

Hale, T. et al. (2024) 'Turning a groundswell of climate action into ground rules for net zero', Nature Climate Change, 14(4), pp. 306–308. Available at: https://doi.org/10.1038/s41558-024-01967-7.

High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (2022) Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. United Nations. Available at: https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf (Accessed: 8 November 2022).

INEOS Group (2021a) BP's global Aromatics & Acetyls business acquisition | INEOS Group. Available at: https://www.ineos.com/news/shared-news/ineos-completes-the-acquisition-of-bps-global-aromatics--acetyls-business/ (Accessed: 16 April 2024).

INEOS Group (2021b) INEOS Energy completes the acquisition of all oil and gas interests from HESS Corporation in Denmark. Available at: https://www.ineos.com/news/ineos-group/ineos-energy-completes-the-acquisition-of-all-oil-and-gas-interests-from-hess-corporation-in-denmark/ (Accessed: 16 April 2024).

InfluenceMap (2023) "Net Zero Greenwash": The Gap Between Corporate Commitments and their Policy Engagement. Available at https://influencemap.org/briefing/The-State-of-Net-Zero-Greenwash-24402 (Accessed: 16 April 2024)

InfluenceMap (2024) The Carbon Majors Database: Launch Report. Available at: https://carbonmajors.org/briefing/The-Carbon-Majors-Database-26913 (Accessed: 18 April 2024).

Lang, J. et al. (2022) Everybody's Business: The net zero blind spot. Energy & Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute and Oxford Net Zero.

Lang, J. et al. (2024) Net Zero Tracker. Energy and Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute, Oxford Net Zero. Available at: https://zerotracker.net (Accessed: 29 November 2023).

Mars (2023) Net Zero Roadmap. Mars. Available at: https://www.mars.com/sites/g/files/dfsbuz106/files/2023-09/Mars%20Net%20Zero%20Roadmap%202050_2.pdf.

Net Zero Tracker (2023) Net Zero Stocktake 2023. NewClimate Institute, Oxford Net Zero, Energy & Climate Intelligence Unit and Data-Driven EnviroLab. Available at: https://zerotracker.net/analysis/net-zero-stocktake-2023.

Net Zero Tracker (2024) Methodology, Net Zero Tracker. Available at: https://zerotracker.net/methodology (Accessed: 18 April 2024).

Sarath (2022) World Largest Private Companies by Revenue, Eqvista. Available at: https://eqvista.com/world-largest-private-companies-by-revenue/ (Accessed: 18 April 2024).

Science Based Targets Initiative (2024a) Explained: Minor Revisions to the SBTi Corporate Net-Zero Standard, Corporate Near-Term Criteria and related resources, Science Based Targets. Available at: https://sciencebasedtargets.org/blog/explained-minor-revisions-resources (Accessed: 18 April 2024).

Science Based Targets Initiative (2024b) Statement from the SBTi Board of Trustees on use of environmental attribute certificates, including but not limited to voluntary carbon markets, for abatement purposes limited to Scope 3, Science Based Targets. Available at: https://sciencebasedtargets.org/news/statement-from-the-sbti-board-of-trustees-on-use-of-environmental-attribute-certificates-including-but-not-limited-to-voluntary-carbon-markets-for-abatement-purposes-limited-to-scope-3 (Accessed: 18 April 2024).

Securities and Exchange Commission (2022) 'Resubmission of Comments and Reopening of Comment Periods for Several Rulemaking Releases Due to a Technological Error in Receiving Certain Comments'. Washington, DC. Available at: https://www.sec.gov/files/rules/proposed/2022/33-11117.pdf.

Transition Plan Taskforce (2024) Sector Deep Dives, Transition Taskforce. Available at: https://transitiontaskforce.net/sector-guidance/ (Accessed: 18 April 2024).

NET ZERO TRACKER

Energy&Climate Intelligence Unit

DATA DRIVEN ENVIROLAB

NEW CLIMATE INSTITUTE

NET ZERO

UNIVERSITY OF OXFORD