



**The sustainable enterprise:
Collaborating across the ecosystem**
March 2021
Event Summary Report

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Executive Summary

The sustainable enterprise: Collaborating across the ecosystem, organised by The Economist Events and sponsored by IBM, was chaired by Vijay Vaitheeswaran, US business editor, The Economist. It convened an intimate group of global leaders from manufacturing, asset-intensive industries and operational and digital-technology companies.

The discussion explored a range of questions: What role do new technologies (AI, IoT, edge computing, cloud computing, blockchain) and digitisation play in the greening of operations and supply chains? How are data improving transparency and fostering new insights? How can tech-enabled platforms improve collaboration among stakeholders? How are businesses transitioning from fossil fuels to renewables and reducing their energy consumption and greenhouse gas emissions? How successfully are the financial implications of climate risk being computed? What are the steps to harmonising disclosure and reporting standards? How are companies re-thinking the products they design and their life cycles? How quickly are ethical production standards being adopted?

It was against this backdrop that Manish Chawla, global managing director, energy, resources and manufacturing industries, IBM, kicked off the discussion with his opening remarks, followed by Sonia van Ballaert, director, energy transition, chemicals and petroleum industry, IBM.

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The pandemic’s legacy:

There is now deep recognition that covid-19 is not solely a health crisis. Companies are successfully applying this crisis lens to other imperatives and accelerating their digital transformation. As always, there is opportunity in crisis, and the post-covid-19 global economic stimulus is already being dubbed the first green recovery. That said, the pandemic has been a stark reminder of the herculean task ahead. An unprecedented global shutdown led only to a 7% reduction in global emissions. Operationalising the sustainability agenda will clearly be unlike any other business imperative faced thus far. Nonetheless, industry is more primed than ever to take action and understands the now self-evident link between digitisation and sustainability.

Framing the challenge:

There are three horizons (each with different timescales of outcome) that companies must address simultaneously to make progress on their sustainability goals. To begin with, companies need to understand the risk around their assets and businesses and the financial implications. They must then look beyond this to create ecosystems that foster public-private collaboration across the value chain. This could happen through platforms like the Alliance to End Plastic Waste or the World Business Council for Sustainable Development. Finally, scope-three emissions are invariably the hardest to tackle, as they encompass all indirect emissions that occur in a company’s value chain. They are a source of great debate—and overcoming the “blame game” that pushes the onus for action upstream needs to be a priority.

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Mad about data:

The basic rule of business is that what matters gets measured and what’s measured gets managed. That said, the digital age is synonymous with a huge data deluge. Operationalising this effectively is tricky, and it falls to technology to help. A range of “smart” solutions are being embedded to monitor the way energy is consumed and optimised. Data have long been used to drive efficiencies. Manufacturers integrate plants technically in order to pool the data and drive operations based on these insights. Increasingly, however, the mandate of data is being extended to making the invisible visible when it comes to demonstrating industry’s abatement towards decarbonisation. This is especially relevant for those upstream whose breakthroughs—like catalysts and lightweight materials—contribute to improvements downstream. There is huge potential for tracking and tracing systems to quantify these gains.

The circular economy:

For companies the entire value chain needs to be made sustainable: from responsible sourcing and using plastic alternatives, to recycling and waste management. The challenge when thinking about process circularly versus a sequential chain is that it’s often hard to identify the root cause of the problem. Additionally, regulators and auditors are lagging when it comes to standards specific to the circular economy. The Global Battery Alliance and its use of materials passports for batteries is a great example of being able to uniformly guarantee the sustainability and sustainable use of a product. Materials science will increasingly come under pressure to improve the quality of inputs that generate environmental benefits but that are also inherently polluting.

Government versus markets:

The need for government intervention is due to the gap that arises when markets are left to their own devices but simultaneously expected to meet world emissions targets. It’s a very contentious issue, maybe best exemplified by the debate around the carbon tax. This ties into what Bill Gates dubs the green premium: the additional cost associated with choosing a clean technology because we don’t properly factor in the negative externalities in sticking with the status quo. That said, the economics are looking up as the price of renewables falls. There was consensus among participants around the need for regulators to spearhead consistent standards.

Spotlight on the consumer:

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Interestingly, in any life-cycle analysis 75% of total resource use falls on the end user. This issue of personal responsibility can't be overstated, and there is a real need to educate consumers to better inform their choices. The likes of the Alliance to End Plastic Waste do a lot of heavy lifting to shed light on the nuances. Popular belief often oversimplifies one-size-fits-all solutions, especially as they're applied at scale. For example, many people would be surprised to learn that subject to the specific context, a biodegradable is more often than not less beneficial to the environment than something with a half-life of 100 years.

The discussion made it resoundingly clear that industry understands the role it has to play in helping the world meet the targets set by the Paris agreement. It sees this journey towards the sustainable enterprise as transformational, rather than a question simply of compliance or optimisation. Industry therefore understands how far-reaching the implications will be for everything from business models to revenue streams. It is clear that this green imperative cannot be solved by working in silos. The road ahead will hinge on collaborative problem-solving among businesses across the value chain and governments, with buy-in from the general public.

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20 Cabot Square, London, E14 4QW, United Kingdom
events.economist.com