Executive summary for corporates

Bridging the Ambition Gap: A framework for scaling corporate funds for carbon removal and wider climate action

How should corporate sustainability professionals think about funding carbon removal and other external climate projects? In this report, we show how companies can become climate leaders and raise their ambitions to have the most impact.

Companies with lower emissions, for example in the tech and finance sector, can play **a pioneering role** in the development of carbon removal.

We analyse a sample of the world's largest companies, showing that **low-emitting industries are the ones with the greatest potential to catalyse carbon removal.** In our dataset, firms responsible for 15% of the emissions generate 85% of total corporate earnings. Many of them have profits per ton emitted in the $10k-100k range, making it possible to support high-durability carbon removal at a high price range.

However, it is essential to note that internal climate investment needs differ – Companies that can **reduce their own emissions** through investment or purchase decisions should do so as a first priority. Typically, companies with high profits and a low emission intensity have fewer such opportunities and could instead spend on external climate projects like carbon removal.

Companies have the opportunity to be climate leaders by setting pioneering standards for their climate contributions

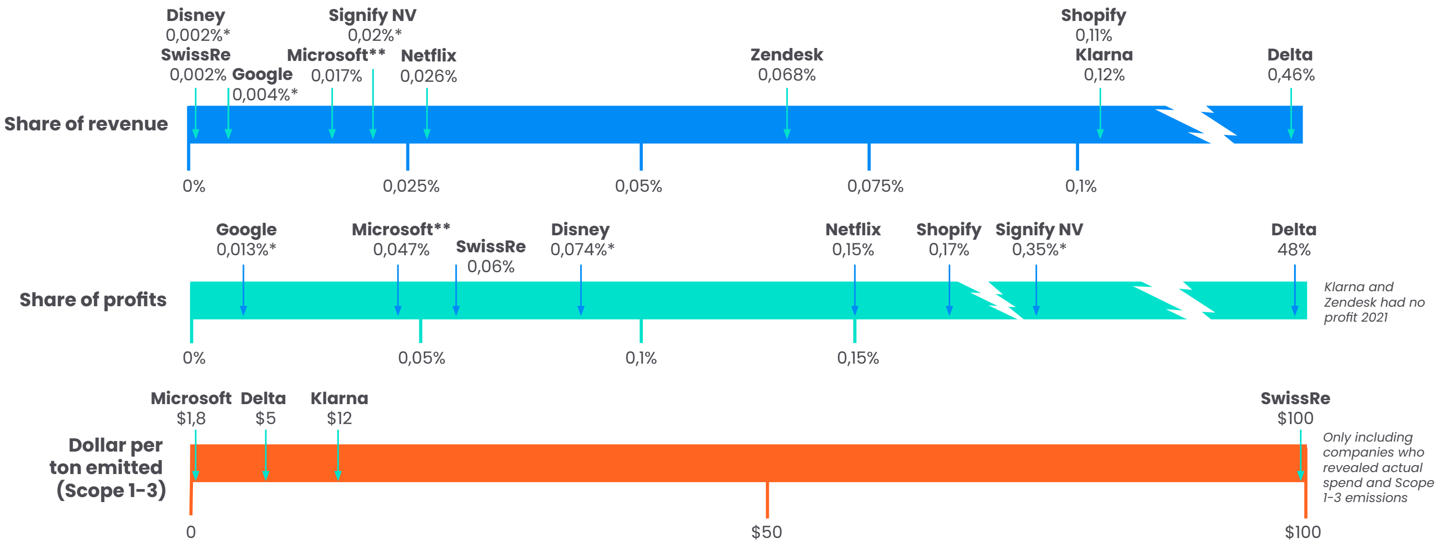
Corporates' fair share contribution to climate is context-dependent – To be able to compare climate efforts, contributions can simultaneously be evaluated as a percentage of revenues, percentage of profits, and absolute dollar amount per ton of CO_2 emitted.

What looks ambitious from a particular angle (for example looking at a high internal carbon price) might look more modest when viewed as a share of profits. And inversely, a company with low spend per ton they emit might be a market leader when viewing it as a share of revenue.

Companies should benchmark against their peers and participate in a race to the top.

Three Perspectives on Corporate Capability for Climate Spending

Figure 5: A sample of companies' spending on carbon removal, carbon credits and other climate projects. Three different perspectives for comparing corporate climate spending are shown, including as a share of revenue, as a share of profits and on a per ton CO_2 emitted basis (2021 data).



** Company only disclosed number of carbon credits purchased. A price of $5 per credit is assumed.*
*** If the Microsoft 2021 grant to Breakthrough energy catalyst of $100 million is included the numbers is 4.5x higher. 0,08% of revenue and 0,21% of profits.*

Carbon removal is a necessary component of net zero targets

Any company with a net zero target is implicitly planning to use carbon removal, it is just a question of how much and when. It is not feasible for more than a tiny fraction of companies to reach net zero with permanent carbon removal today. The supply is tiny and we are still exploring which CDR methods are feasible to use. There are also many scientific uncertainties left to be solved around the permanence and ecological safety of many methods.

Accelerating new solutions

Instead of focusing on purchasing enough credits to make a net zero claim today, corporates' support for carbon removal should mainly focus on helping accelerate new solutions for tomorrow. This will allow us to get more shots on goal and grow the sector in the most effective way.

The report also details **ways that companies can support carbon removals** including:

- Ex Post Purchases
- Upfront Pre-Purchases
- Carbon Offtake Agreements
- Corporate R&D Philanthropy
- Equity Investments

Carbon removal is one of the solutions required to meet global climate goals, but **other alternatives should also be supported.** Nature restoration and protection, decarbonisation initiatives, and organisations advocating for impactful climate legislation, for example, could be financially supported by company donations.

Recommendations include

1) Companies that can **reduce their own emissions** through investment or purchase decisions should do so as a **first priority.**

2) Companies with high profits per ton emitted should **implement an ambitious carbon fee that covers the future cost of removing the carbon, and use the money to support external climate projects.** The level of the funds generated will differ between sectors and companies depending on the Ability to Pay.

3) Companies should **disclose their total spend** on internal and external climate projects including what projects were supported.

4) All companies, even those prioritising internal abatement, could **still contribute some money to carbon removal** starting now, so that affordable solutions will be available at scale in time.

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