

ADVERTISEMENT

McKinsey
& Company

Why do we serve high-emissions companies? Because that is where the emissions are.

With the COP26 climate change conference on the horizon, should McKinsey be working with companies whose operations add considerable amounts of greenhouse gases to the atmosphere? That's a fair question. And to give away the punchline up front—our answer is yes.

To lay the groundwork, we do serve large emitters, including utilities, mining, oil and gas, as well as aviation, automotive, shipping and logistics, cement, chemicals, agriculture, waste management, aluminum, and steel.

And no, there is no contradiction between working in these sectors and our commitment to the transition.

Our research shows that failing to put the global economy on a path to net zero poses an existential threat to humanity; and that the net-zero equation has not been solved. Hard-to-abate sectors represent 81 percent of the global economy's carbon footprint. Like it or not, there is no way to deliver emissions reductions without working with these industries to rapidly transition.

At the same time, the world economy needs to keep going and growing, and fossil fuels (more than 80 percent of primary energy demand) and non-electric cars (99 percent of the global fleet) are what moves it today. That will change significantly over the next decade, as 50 percent of global emissions must be removed by 2030 to keep global warming within 1.5°C. However, the energy and industrial systems are complex, and the scale of the transition implied by net zero is colossal, requiring changes in everything from capital allocation to product design to public policy and land use. These sectors today employ at least 30 million people, or some 22 percent of all the jobs in the US alone, and hundreds of millions more people around the world, and we are proud to work side by side to both transition *and* ensure our economy thrives at the same time.

We are actively engaged with this challenge every day, and have completed some 600 engagements in the past 2 years alone focused on helping our clients with climate transitions. Examples of our work include helping a chemical company reach net zero, working with a global oil major to pivot its portfolio and track and reduce carbon systematically across its value chain, helping a bank to better price climate risk, and working with a consortium of automotive companies and utilities to create end-to-end electric vehicle solutions. At the same time, we are working with incumbents and investors to

build tomorrow's new green businesses and technologies. These aren't easy problems. But no one said this would be easy.

We are also walking our talk: McKinsey is well on the way to being net zero in our own operations by 2030, and we have allocated substantial resources—partnerships, talent, and acquisitions—to our Sustainability platform. And this is not just now; our carbon emission abatement cost curves were first published in 2007.

To us, the practical case then is straightforward: cutting emissions requires cutting emissions. Abandoning the hard-to-abate sectors does not advance the cause.

McKinsey won't always get this right, and we recognize that we are also a work-in-progress ourselves. This is the largest economic transformation ever; we estimate that getting to net zero requires as much as \$3.5 trillion of additional annual investment for the next three decades, significant new green business building, exponential technological innovation as well as collaboration among nations, companies, and citizens. That makes net zero a core business issue, and one that will likely disrupt the basis of competition across many regions and industries. So, we think it is important to be in the arena, not on the outside looking in, and to work with companies to deliver the access to energy and other basic services that are essential to improving people's lives, while also helping create and redeploy the capital necessary to drive an orderly, just, and inclusive transition. Not all companies share our approach. But, by working with those who do, I think we are on the right path. Our goal is ambitious and clear: to be the world's largest force for decarbonization in the private sector.

Companies can't go from brown to green without getting a little dirty. And if that means some mud gets thrown at McKinsey, we can live with that.



Bob Sternfels
Global Managing Partner

Contact us at mck.co/mediacenter

Paid for by McKinsey & Company