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The green economy: how sustainable business management becomes a competitive advantage

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- **The price of CO2 would have to rise to up to 150 euros per metric ton by 2040 to achieve the Paris climate targets**
- **Companies that do not actively pursue sustainability risk losing from 5 up to 50 percent of their profits**
- **Cuts in emissions will become a competitive factor**

Munich, April 2021: Companies have to become greener and more sustainable, or else they will face massive losses in profits – in energy-intensive sectors, earnings could even drop by almost one-half. However, the requirement to operate sustainably also presents opportunities. “Companies that act now can gain a clear advantage in the reimagined competitive environment,” says Stefan Schaible, Global Managing Partner at Roland Berger. The key lies in the pricing of carbon dioxide.

In the study, “The new competitiveness paradigm: Decarbonization as an opportunity for companies,” Roland Berger’s experts call for a change of perspective and encourage companies to recognize the unavoidable transformation as a new aspect of competition that offers great potential. “There is no doubt that there is an urgent need for far-reaching change. The pressure to act, which we already see today, will continue to grow,” says Yvonne Ruf, Partner at Roland Berger.

ESG gaining strength, sustainable investments growing by 13.5 percent
Investors, too, are increasingly focusing their investment decisions on

sustainable companies that take ESG criteria into account and are pulling out of sectors with a less positive environmental track record. In 2018, 28 trillion euros went into sustainable investments, whereas four years earlier green investments had attracted 11 trillion euros less. This is equivalent to a growth rate of 13.5 percent. Furthermore, policymakers will impose stricter measures to implement the multinational emissions agreements already reached.

The key to business success lies in the interpretation of the CO₂ price as a market instrument. Instead of viewing carbon emissions merely as a cost driver, business executives should also treat CO₂ prices like a new currency component – one that is currently still massively undervalued. “To achieve the Paris climate targets, the carbon dioxide price would need to be between 80 and 120 euros per metric ton by 2030, and between 90 and 150 euros per metric ton by 2040,” Ruf says. “At present, these levels are being already achieved by the pioneering nations of Sweden (123 euros per metric ton) and Switzerland (96 euros per metric ton).”

New opportunities, rules, and business models

“Competitiveness is reflected through a company's climate-protection activities, that increase innovation,” Schaible says. “The volume of cut emissions becomes a competitive factor and forms a new revenue source. As the price of carbon rises, so too does the value of this new 'currency', if competitive advantages are actually generated.”

As a result, the rules of competition are also changing. New possibilities and business models are being discovered. They bring with them a new form of transparency. The player who becomes climate-neutral first or cuts their company's carbon dioxide emissions fastest can generate value for their business. A growing number of firms have seized this opportunity and made their own CO₂-footprint public.

More than 1,500 companies are seeking “net zero”

The market value of the companies that are communicating their emissions transparently through the Carbon Disclosure Project is now equivalent to 50 percent of global market capitalization. More than 1,500 companies with a turnover of 10 trillion euros are even seeking to achieve complete CO₂-neutrality.

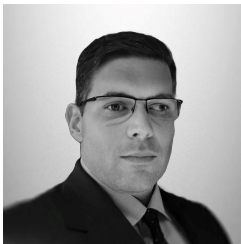
Roland Berger offers companies four strategic recommendations for securing

a competitive advantage now:

1. Assess your own risk
2. Estimate the impact on your own business model
3. Establish your own aspiration level
4. Define – or redefine – your own climate-protection strategy

Roland Berger is the only management consultancy of European heritage with a strong international footprint. As an independent firm, solely owned by our partners, we operate 50 offices in all major markets. Our 2400 employees offer a unique combination of an analytical approach and an empathic attitude. Driven by our values of entrepreneurship, excellence and empathy, we at Roland Berger are convinced that the world needs a new sustainable paradigm that takes the entire value cycle into account. Working in cross-competence teams across all relevant industries and business functions, we provide the best expertise to meet the profound challenges of today and tomorrow.

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