



Press Release

Carbon Dated: UAE-based suppliers are risking almost USD120bn in exports if they don't cut carbon emissions in line with their biggest clients' net zero plans

14 June 2021, Dubai, UAE – A new study by Standard Chartered reveals that multinational companies will cut suppliers for failing to curb carbon emissions, with 78 per cent of multinationals (MNCs) planning to remove suppliers that endanger their carbon transition plan by 2025.

For UAE-based suppliers who fail to transition alongside their MNC partners, this could mean a loss in export revenue of USD119.6bn. However, the study also reveals a USD1.6tn market opportunity for suppliers who decarbonise in line with MNC net zero plans.

According to Carbon Dated, which looks at the risks and opportunities for suppliers in emerging and fast-growing markets as large corporates transition to net zero, 15 per cent of MNCs have already begun removing suppliers that might scupper their transition plans. In total, MNCs expect to exclude 35 per cent of their current suppliers as they move away from carbon.

The study also found that:

- Supply chain emissions account for an average of 73 per cent of MNCs' total emissions
- More than two thirds (67 per cent) of MNCs say tackling supply chain emissions is the first step in their net-zero transition, rather than focusing on their own carbon output
- Suppliers in 12 key emerging and fast-growing markets can share in USD1.6tn worth of business if they can remain part of MNC supply chains
- 89 per cent of MNCs with a supply chain in UAE have set emission reduction targets for their suppliers, asking for an average reduction of 31 per cent by 2025

The net-zero supply chain revolution

Racing against the clock to hit their net-zero carbon goals, MNCs are increasing the pressure on their suppliers to become more sustainable, with companies based in emerging and fast-moving markets facing the biggest challenge.

Some 64 per cent of MNCs believe emerging market suppliers are struggling more than developed market suppliers with their net-zero transition, and 57 per cent are prepared to replace emerging market suppliers with developed market suppliers to aid their transition.

MNCs are concerned that emerging market suppliers are failing to keep pace with for two key reasons; insufficient knowledge and inadequate data. Some 56 per cent of MNCs believe that the lack of knowledge among emerging market suppliers (41 per cent for developed market suppliers) is a barrier to decarbonisation.

With MNCs struggling with the quality of data, two-thirds are using secondary sources of data to plug the gap left by supplier emissions surveys and 46 per cent say that unreliable data from suppliers is a barrier to reducing emissions.

Risks and rewards

The study also reveals that the current approach taken by MNCs could create a USD1.6tn opportunity for the net-zero club: those businesses reducing emissions in line with MNC net-zero plans.

This represents a major opportunity for net-zero-focused suppliers across the 12 markets in this study, but also quantifies the potential losses to companies not embracing net-zero transition.

| Market | Annual export revenue at risk |
|--------------|-------------------------------|
| China | USD512.3bn |
| India | USD273.7bn |
| Hong Kong | USD205.5bn |
| Singapore | USD146.6bn |
| South Korea | USD142.5bn |
| The UAE | USD119.6bn |
| Malaysia | USD65.3bn |
| Nigeria | USD34.3bn |
| South Africa | USD33.7bn |
| Indonesia | USD25.6bn |
| Bangladesh | USD18.7bn |
| Kenya | USD3.9bn |

MNCs are also willing to spend more on net-zero products and services. Some 45 per cent said they would pay a premium, of 7 per cent on average, for a product or service from a net-zero supplier.

Carbon, collaboration and compromise

MNCs are exploring other ways to help their suppliers' transition to net zero. Some 47 per cent are offering preferred supplier status – a sales advantage – to sustainable suppliers, and 30 per cent are offering preferential pricing.

Some MNCs are going further, offering grants or loans to their suppliers to invest in reducing emissions (18 per cent) or data collection (13 per cent).

| How are MNCs supporting their suppliers to reach net-zero? | Percentage |
|---|-------------|
| Offering preferred supplier status to sustainable suppliers | 47 per cent |
| Investing in new technologies on behalf of their suppliers | 46 per cent |
| Helping educate them on effective energy efficiency strategies | 37 per cent |
| Helping educate them on reducing waste from their operations | 36 per cent |
| Providing access to industry specialists who will help suppliers reduce emissions | 35 per cent |
| Investing in clean energy infrastructure in key suppliers' local markets | 31 per cent |
| Preferential pricing for measurably sustainable suppliers | 30 per cent |

| | |
|---|-------------|
| Grants or loans to invest in reducing emissions from operations | 18 per cent |
| Grants or loans to invest in data collection | 13 per cent |

Rola Abu Manneh, Chief Executive Officer for Standard Chartered Bank in the UAE said:

“The global push for net-zero is a critical opportunity for industry to re-assess the impact of their emissions including those that originate from their supply chain. The UAE is a vital global trading and supply chain hub. Utilising Standard Chartered’s position as a leading global bank with a prime commitment to sustainable development, we will continue to work closely with our partners in the private and public sectors to put into place effective systems and regulations that will drive the UAE’s sustainability leadership and achieve net-zero.”

Carbon Dated surveyed 400 sustainability and supply chain experts at MNCs across the globe.

www.sc.com/carbon-dated

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