Transition Pathways: Industrials & Chemicals

Material progress: How are companies in the sector approaching the low-carbon transition?

We asked 375 industrials and chemicals businesses in 22 markets how they are steeling themselves for the net zero transition and what the formula for change looks like.

"The net zero pathway for the industrials sector will require collaboration and cooperation across the entire ecosystem. Companies that fail to move quickly enough risk losing their place in the value chain."

Seb Henbest
Group Head of Climate Transition, HSBC

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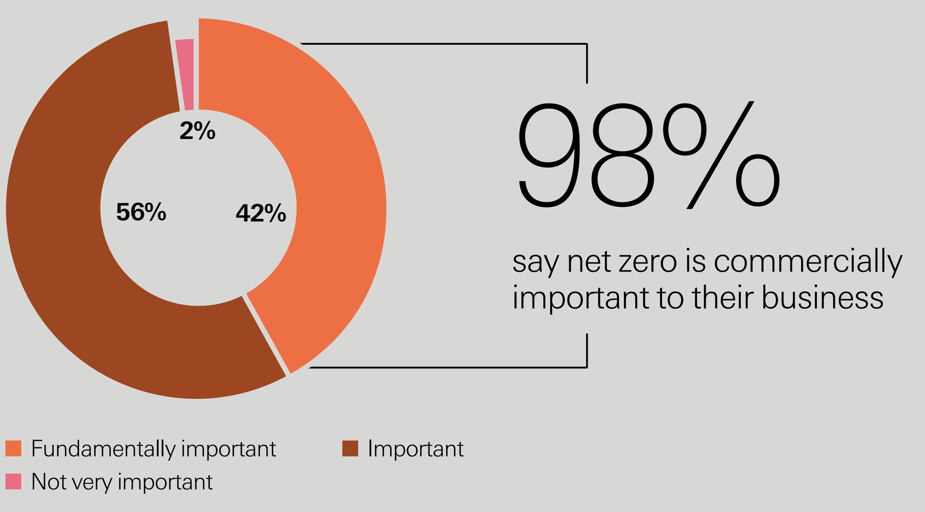
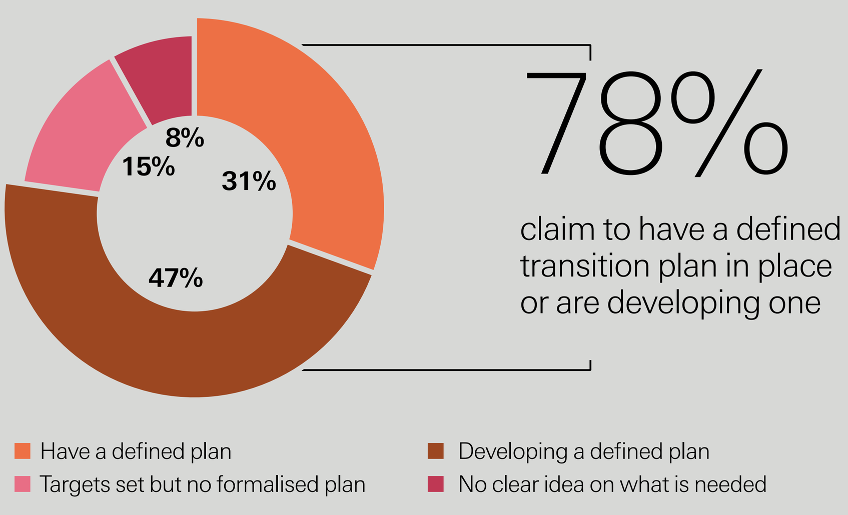
Business sentiment and strategy

Industrials and chemicals companies see the transition as a strategic priority and are committing to reporting on their progress.

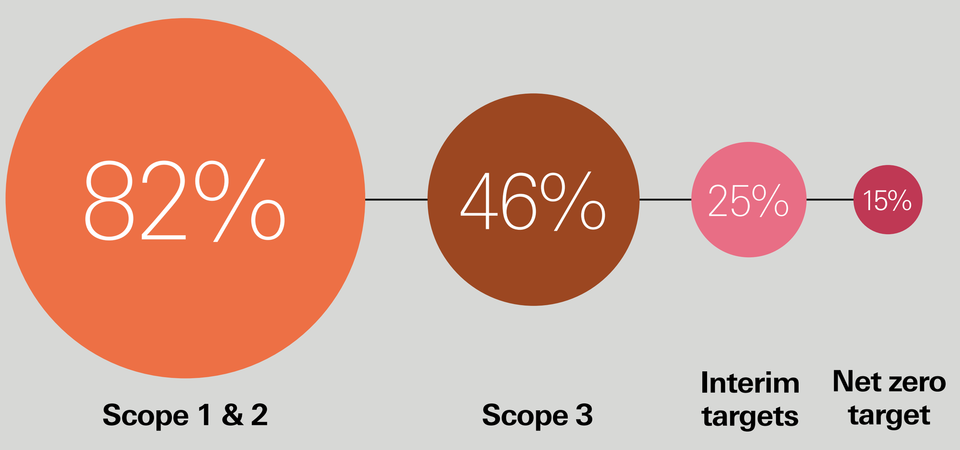
Net zero is **commercially important** to almost all companies in the industrial sector.



Over three quarters are formalising their transition plans[1].

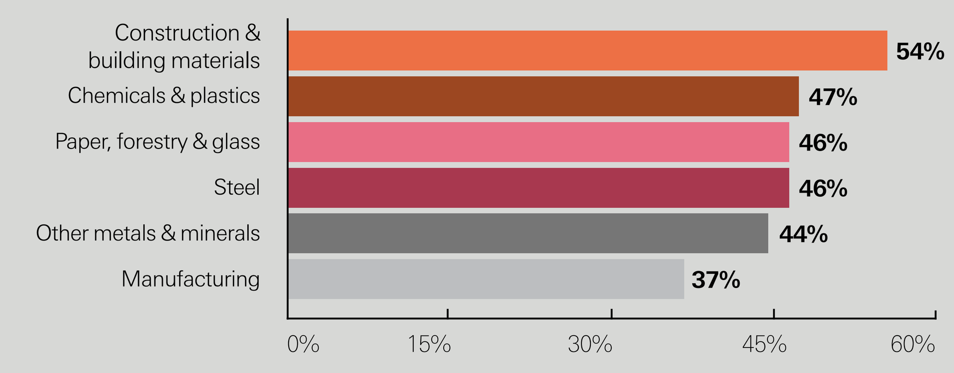


More than 8 out of 10 are already reporting their emissions.



Scope 3 reporting **differs markedly** between industry sectors

% reporting on scope 3 emissions



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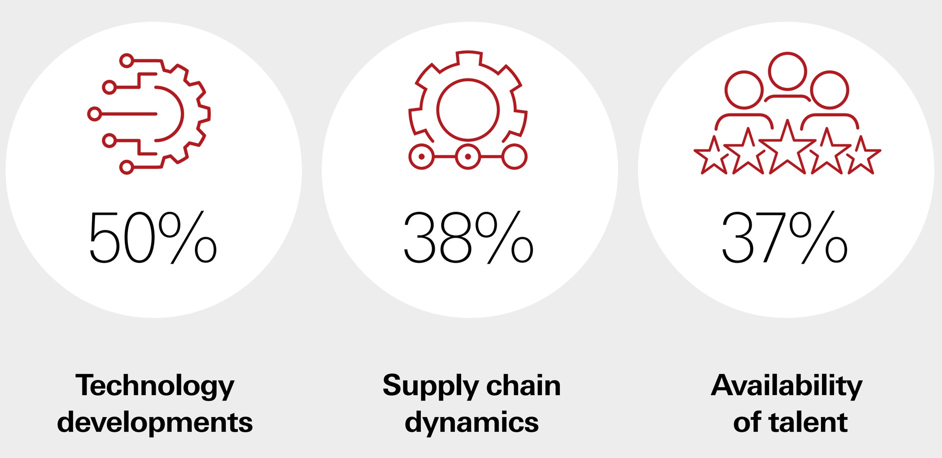
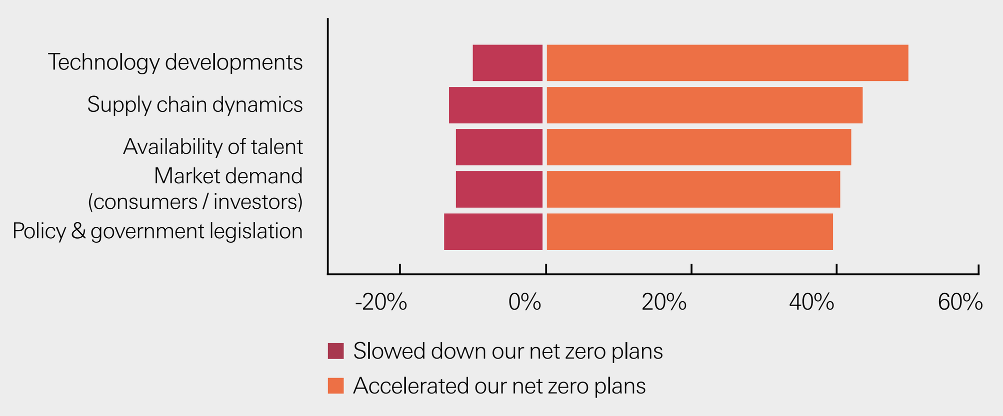
Catalysts for change

Regulation is an important driver of progress, but companies also see a range of opportunities in their transition.

Most important accelerators of progress towards transition.

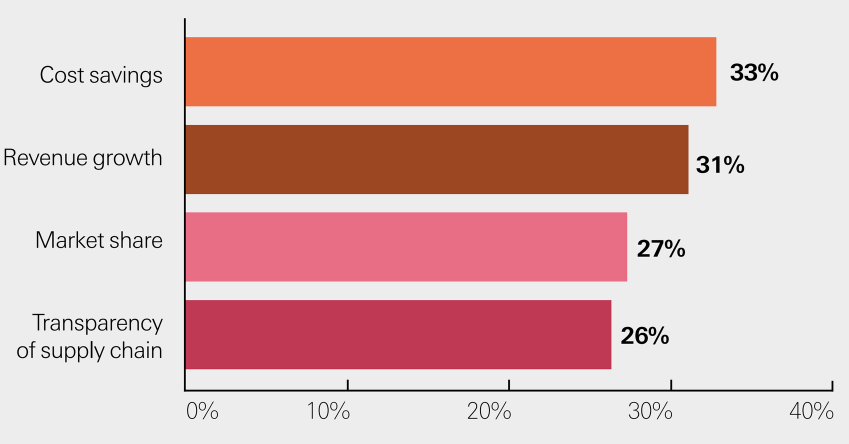


Impact of selected macro factors



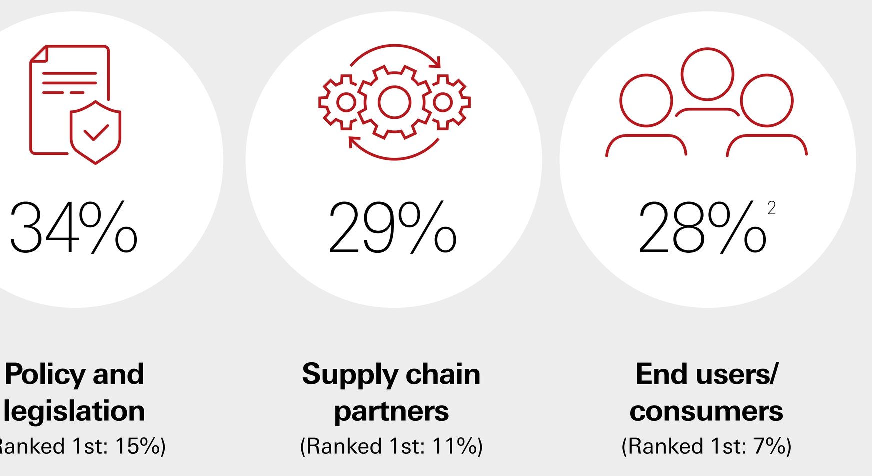
Industrials companies see a broad range of **opportunities** in the transition, including **cost savings, business growth** and **supply chain transparency**.

Key opportunities



Policy and legislation is the **leading external influence** on net zero strategy, ranked 1st by 15% and in the top 3 by 34%.

Top three external influences



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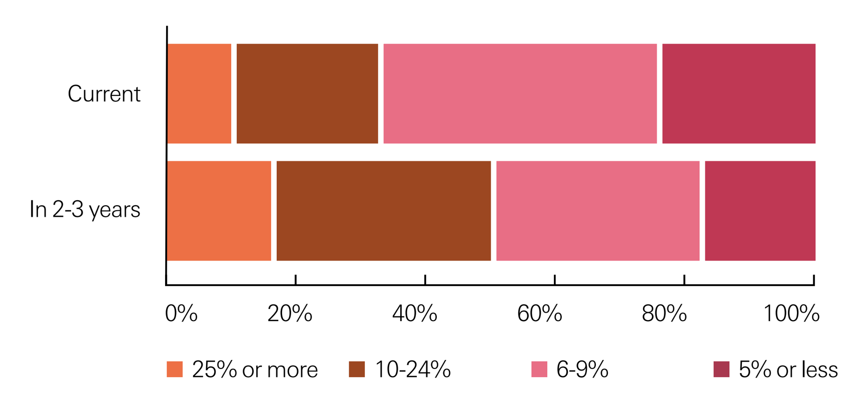
Actions and investment

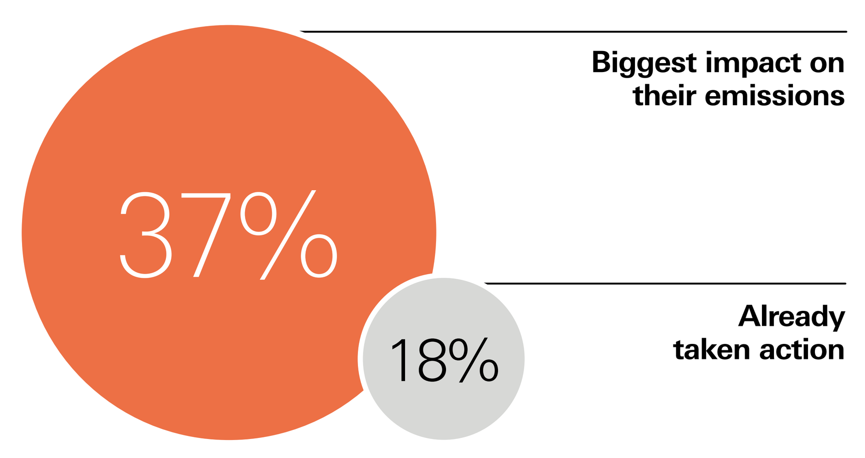
Companies are investing in a range of decarbonisation initiatives, and capex spending is rising. The most significant steps, however, are a challenge for many.

Capex spending is rising. More than a third (35%) are spending **more than 10%** of their capex on the net zero transition, and 54% plan to do so in 2-3 years' time.

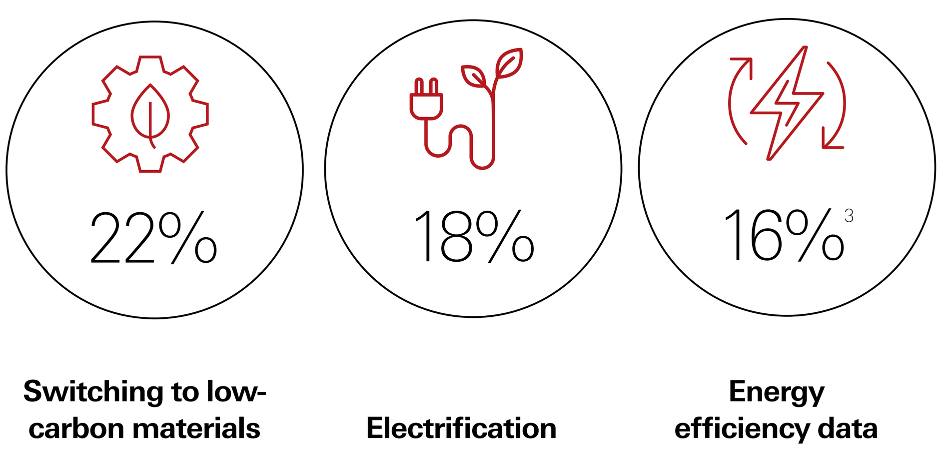
Proportion of capex allocated to net zero transition



Almost four out of 10 industrials and chemicals companies **recognise electrification as the most important step in their transition,** but far fewer have been able to electrify their operations.

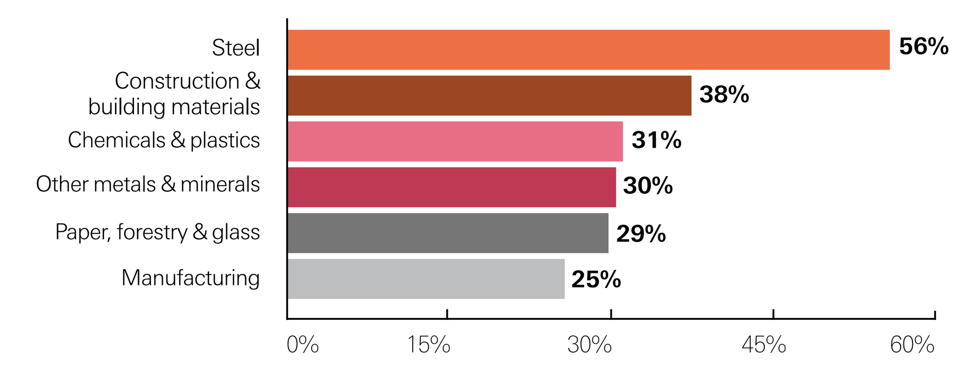


Top priorities for **current capex** allocation.



Current net zero **capex yield**

% seeing a higher yield vs non-sustainability related spending



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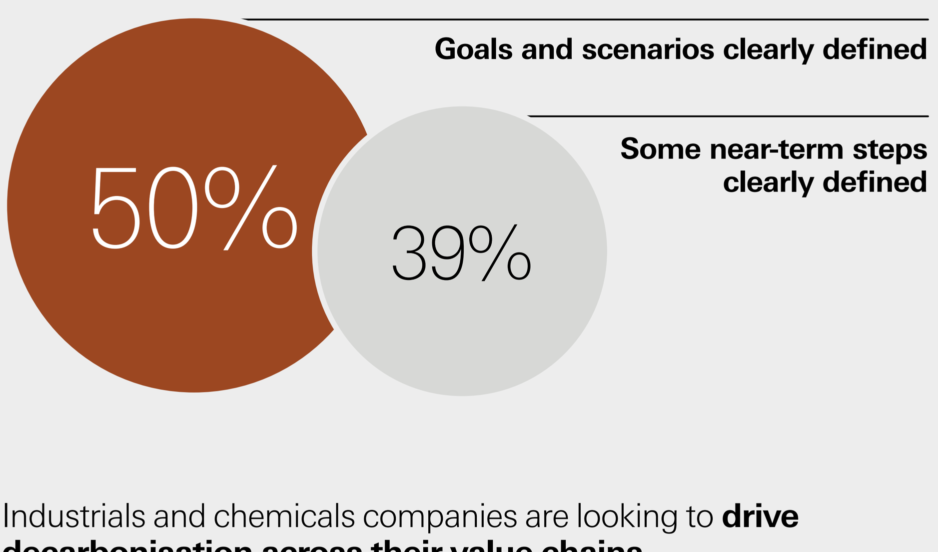
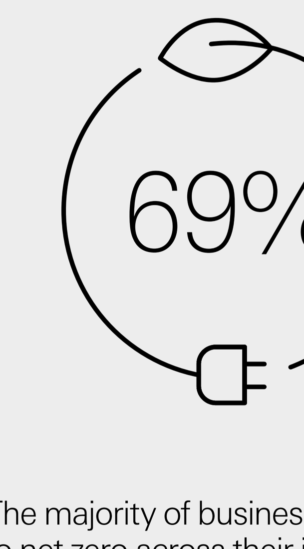
Influencing the future

Industrials and chemicals companies are confident about the transition pathways for their sector, and are looking to work with their partners to implement technologies and develop new standards.

Overall, half of businesses think that their industry has **a clearly defined pathway to net zero**, and a further 39% think that the short-term steps are in place.



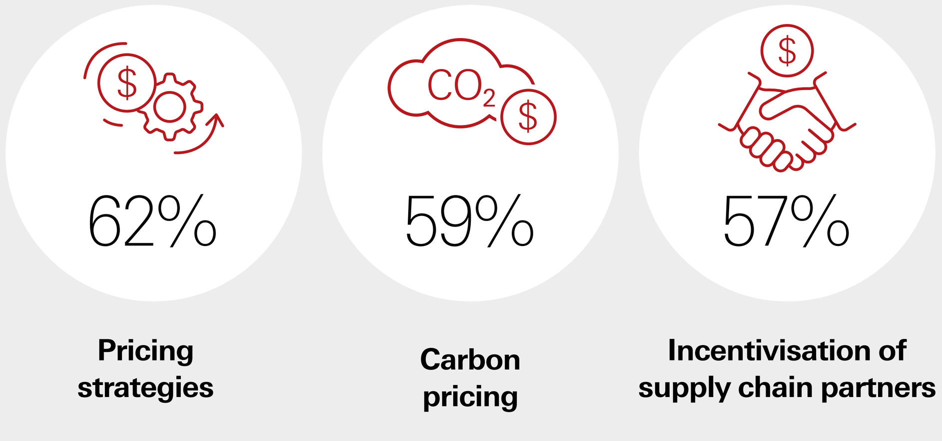
Most businesses believe the technology exists to support their transition towards net zero and are working on adopting it. However, the biggest constraints on adopting new technology are limited availability (15%) and cost (10%).



The technology exists and we are already adopting it	18%
Technology exists and we are in the process of seeing how this might work for our business	51%
Technology exists but there is no or limited supply / availability	15%
Technology exists but is too expensive	10%
Some technology exists but there are still gaps to fill	5%
Technology does not exist / Don't know	1%

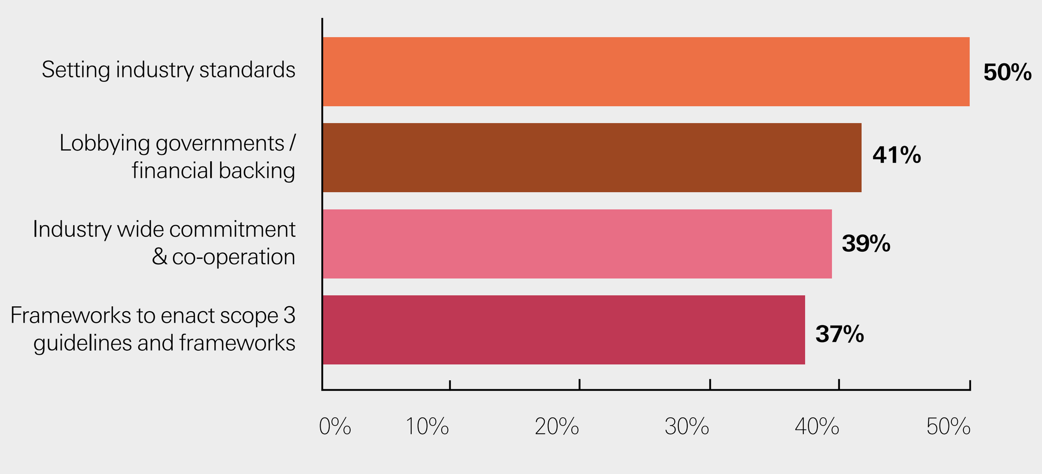
Industrials and chemicals companies are looking to **drive decarbonisation across their value chains.**

How companies are influencing scope 3 emissions



The majority of businesses are looking for **a consistent approach** to net zero across their industry.

The biggest benefits of a consistent industry stance



1 based on respondents who answered 'we already have already published a clearly defined transition plan' in the Kantar survey questionnaire, this is not based on HSBC assumptions or information we have available from our client base.
2 28% also for financial institutions and pressure groups / activists
3 16% also for production or sourcing of more sustainable products / materials

Methodology
For HSBC's Transition Pathways survey, HSBC has worked with Kantar, a data, insights and consulting company. The survey is not wholly-representative of HSBC's customer base and covers respondents across 375 key financial decision makers from businesses operating in the chemicals and industrials sector, comprising Discovery and Extraction (138 businesses), Processing (166 businesses) and Manufacturing (71 businesses). Key sub-sectors that were further identified were Chemicals and Plastics (74), Construction and Building Materials (68), Paper, Forestry and Glass (65), Steel (54) and other metals and minerals (43). Businesses were located in Europe (91), Asia (102), the Middle East (67) and North/Central America (115). Overall, 71 had a turnover below $50m, 87 had a turnover between $50 and $499m, 84 had a turnover between $500m and $2.5bn and 133 turnover in excess of $2.5bn. 110 had been established for less than 10 years and 265 for more than 10 years.

Data was collected through an online questionnaire and the survey ran from 14 July to 1 August 2023.

In preparing this survey, HSBC has relied upon available data, information and responses given at the time of writing. This report should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. Neither HSBC nor Kantar accept any duty of care, responsibility or liability in relation to this research or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same.

Find out more
For more information about this research and to explore industry insights from the Industrials and Chemicals sector click here.

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability.

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