

10 Things Every Investor Should Know About Net Zero

1. Net zero initiatives essentially encourage 'divesting emissions', which [moves them to someone else's portfolio](#), not from the atmosphere. Larry Fink: "[Nothing is more greenwashing than divestiture.](#)"

"Net Zero" is a useful summary of what needs to happen to reach carbon neutrality by 2050: reduce emissions as much as possible and remove or offset whatever remains or cannot be decarbonized. However, many investors are confusing (1) what is needed to make the equation work **on paper, today** with (2) what is needed to make the equation work **in the real world, in 2050**. Here are 10 things every investor thinking about net zero should know, with links to research or further reading.

8. Scientists have called the net zero concept a '[dangerous trap](#)' and warned that without clarification it becomes an [empty slogan](#).

2. Net zero initiatives encourage engaging with companies in order to reduce emissions. Great! But, while companies can often reduce Scope 1 & 2 emissions, reducing [Scope 3 emissions is much more difficult](#), and that is the [crucial part](#).

$$\text{EMISSIONS} - \text{OFFSETS / REMOVALS} = 0$$

(minus)

9. Even if you can find a credible way to get your portfolio to zero, that doesn't mean you got the economy to zero. Investors or companies can do little to change the bigger system – but [governments can](#) do a lot.

4. The emphasis in net zero commitments tends to be on [the right side](#) of the equation, which [scientists](#) say diverts attention from the [the left side](#): reducing emissions, which is the crucial part.

3. Experts seem agreed that reducing emissions (especially Scope 3) will primarily require government action: [carbon taxes](#) or [pricing](#), [industry policy](#) (or [industrial policy](#)) & [stimulating innovation in green tech](#). Most net zero initiatives don't mention this, or don't recommend companies and investors contribute to effective government action e.g. through blended finance or PPPs.

5. Studies routinely show that most offsets (e.g. planting [lots of trees](#)) in fact [do not 'offset'](#) – that is, they are [ineffective](#). This makes most net zero commitments meaningless. Some academics have recommended [abolishing offsets](#).

6. Often net zero investor commitments are (also) made for PR purposes. However, ["Only 4% of the UK population believe that when a CEO makes a public commitment to net zero this means the company is serious about climate change,"](#) i.e. this could be more of a liability than a benefit.

7. [Removal technologies](#) ("negative emissions tech" or NETs) are non-existing, in their [infancy](#), or have [other limitations](#). Some scientists call for [significant investment](#) in NETs; others [argue](#) this side should be left out of the equation.

10. "Net zero aligned" means investments aligned with plans to do things in the future but most [country](#) and [company](#) plans are [vague](#) or infeasible.

(Bonus) 11. Data, metrics and methodologies used to measure a portfolio's 'temperature' are shaky. [Experts have cautioned](#) about basing investment decisions on them, saying they may ["give a false sense of certainty"](#).