



# Can renewable energy companies improve sustainable growth ambitions?

Thought leadership: Renewable energy

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# Thought leadership

## Renewable Energy



As one of the United Nation's Sustainable Development Goals (SDGs), affordable and clean energy is seen as a fundamental human right. Yet while progress has been made on improving access to energy, around one billion people, representing 13% of the global population, still lack access to electricity<sup>1</sup>.

With the prime purpose of providing sustainable energy solutions, renewable energy companies have been leading the way in using innovative wind, solar, water and hydrogen initiatives to improve access to energy in often remote and undeveloped parts of the world.

Renewable energy companies are also seen as a catalyst in the battle against climate change. We know that energy accounts for around 60% of global greenhouse gas emissions<sup>2</sup>. This has seen major economies focus on transitioning from fossil fuels for energy to greener alternatives. Equally, the pressure to decrease emissions and decarbonise has seen big businesses and consumers gravitate towards renewable energy.

The result of this twin focus of societal purpose and the transition to greener energy has witnessed a growth phase for the renewable energy sector as it scales up to meet greater global demand. This presents a range of challenges, including pressure on the supply chain that can delay projects and impact operability and performance, the cost pressures of the rising price of raw material, as well as the technical challenges of exploring innovative solutions to our energy problems.

Additionally, there will be scrutiny on how companies conduct business as the sector becomes more mainstream and finance providers demand more performance indicators in line with regulatory and investor needs. So how can renewable energy companies deal with the opportunities and challenges of being in a growth sector and still keep a line of sight on business sustainability?

### Raising sustainability standards

Due to their purpose, sustainable business is not an entirely new concept for renewable energy companies where environment, societal and governance (ESG) assessments can naturally flow into projects as part of risk mitigation. This is supplemented by the fact that there are global sustainability frameworks that companies work to already. Yet as more companies enter the sector and competitive forces begin to bite, companies will need to be able to articulate how sustainability is embedded in their business model in a way that differentiates and resonates clearly with governments, financial sponsors and consumers alike.

As the sector matures, there will be more focus from stakeholders on operational issues linked, for example, to the workforce, safety and sustainability within the supply chain. Equally, decarbonisation efforts and the reuse of materials will be put under the spotlight. While renewable energy companies have the resilience gained from working in a fast-growing, purpose-driven and innovative sector, those companies that can clearly demonstrate their sustainable business credentials will help raise standards overall and give additional credibility to how the sector is ready to capture opportunities and meet the challenges ahead.

**"According to the World Economic Forum, up to 85% of an existing wind turbine can be recycled. Yet turbine blades, which already account for 10% of Europe's fibre-reinforced composite material waste, cannot be recycled."**

<sup>1</sup> <https://www.un.org/sustainabledevelopment/energy/>

<sup>2</sup> [https://www1.undp.org/content/seoul\\_policy\\_center/en/home/sustainable-development-goals/goal-7-affordable-and-clean-energy.html](https://www1.undp.org/content/seoul_policy_center/en/home/sustainable-development-goals/goal-7-affordable-and-clean-energy.html)

### **Bridging the gap between regulatory drivers and innovation**

Alongside regulatory initiatives on global reporting and climate-related disclosures, there is the EU Taxonomy, which will act as a green classification system that will act as a benchmark for investment purposes. In addition, the introduction of legislation by several EU member states to improve the reuse and recycling of materials and components used by companies is putting the focus on end-of-life management and circularity in general. According to the World Economic Forum, up to 85% of an existing wind turbine can be recycled. Yet turbine blades, which already account for 10% of Europe's fibre-reinforced composite material waste, cannot be recycled. As a demonstration of high levels of innovation in the sector, we are beginning to see examples of renewable energy companies developing the technology to enable more efficient recycling of wind turbine blades.

Yet while the technology is progressing, there is currently no consolidated recycling market in which renewable energy companies can participate. Building partnerships and encouraging investment in the early development of recycling systems can help bridge the gap between regulatory requirements and recycling ambitions.

A further trend that is helping improve sustainability ambitions is the use of data analytics to extend the life of materials by predicting maintenance interventions, reducing downtime, and retrofitting equipment to improve operational efficiency to reach sustainability goals. This focus on improving the efficiency, adaptation and lifecycle of materials in the renewable energy sector also reduces the need to install more pipes, solar farms or wind turbines in locations where there may be community resistance or disruption of natural habitats. Fewer installations can help reduce any negative impact on biodiversity and improve consumer relations.

**"The renewable energy sector must engage meaningfully in the global imperative to preserve biodiversity and protect natural capital through resource management, impact measurement, stakeholder engagement, land use and project siting."**



### **Can green be greener?**

While renewable energy companies are working hard on innovative solutions, sustainability disclosures and impact reporting offer ways to showcase their sustainability credentials even further. As the transition from brown to green energy gathers pace, the pressure to deep dive on disclosures related to end of life product recycling or local community issues will increase. This is an extra factor for renewable energy companies to consider when differentiating themselves in a highly regulated market.

Initiatives such as the Science Based Targets campaign to mainstream 1.5°C as the new normal for business emphasise the role of renewable energy companies as part of the solution in reducing emissions and helping businesses decarbonise their processes. However, industry leaders are demanding more stringent sustainability standards and action from their suppliers, including renewable energy procurement programmes that facilitate shared goals and the exchange of best practices. This focus will require renewable energy companies to ensure their sustainability ambitions are fully aligned with customers as industry leaders look to cherry-pick suppliers.

At the same time, the growth in demand for renewable energy is increasing the sector's own carbon footprint. With regulations tightening up, green credentials will be scrutinised. Clear evidence that renewable energy companies are operating ethically and taking their environmental impact seriously will add resilience to business models and growth strategies.

In addition, renewable energy companies should increase efforts to engage with stakeholders, regulators, associations and partner firms to ensure sustainability challenges are fully understood and recognised as the regulatory landscape progresses.

## Widening the lens

As we advance, there's a strong case for renewable energy companies to widen the lens in terms of conversations around impact, particularly on efforts to measure and report on impacts when looking to access capital markets. Such conversations have extended well beyond the positive impacts of low-carbon energy sources and now require consideration across the supply and value chains. A deeper analysis of impacts will improve risk management and value creation through R&D, materials innovation, waste management, and circularity, which give the tools to compete for investment capital.

Similarly, conversations about workforce and job creation must focus on diversity, equity and inclusion (DEI) and opportunities for wealth creation and equity in rural and underserved communities as a prerequisite to access impact capital and public subsidies. In addition, the renewable energy sector must engage meaningfully in the global imperative to preserve biodiversity and protect natural capital through resource management, impact measurement, stakeholder engagement, land use and project siting.

As the sector matures, increased visibility on how renewable energies companies operate will help provide a fresh vision of what we mean by sustainable business. This is not just about producing a sustainable product, but whether that product is being made in a way that is completely aligned with environmental and societal needs. Equally, that company culture, leadership and governance clearly support that journey.

At the same time, whether it's workforce considerations, improving health and safety or greater stakeholder engagement, the benefits of looking at sustainability through a wider lens give visibility on helping renewable energy companies build capabilities in a more efficient and resilient way and shines a light on added value required to differentiate and give a competitive advantage.

**"Creating a sustainable product lacks credibility without a sustainable company strategy behind it that improves safety, respects the environment and prioritises stakeholder engagement."**

## Developing and aligning clear metrics and methodologies

Renewable energy companies that can produce clear metrics that align with investors' needs when looking to attract capital will become increasingly important. In particular, pension funds and impact investors are under pressure to demonstrate their investments perform to sustainable guidelines. Renewable energy companies developing a rigorous and granular impact reporting strategy will be more attractive to investors.

A company culture that acknowledges the business benefits of sustainability is also a way to improve engagement and buy-in internally and externally. Sound environmental practices by emitting less carbon and reducing waste products that impact the environment enhance brand value and customer loyalty which are attractive features for investors. In addition, using less or recycled materials that are often cheaper also reduces operational costs.

Importantly, it's about renewable energy companies aligning and integrating sustainability initiatives with doing business in a sustainable way; the two are inextricably linked. Creating a sustainable product lacks credibility without a sustainable company strategy behind it that improves safety, respects the environment and prioritises stakeholder engagement.

Strong leadership that encourages sustainable solutions before they become mandatory by law highlights foresight and agility. It also demonstrates a market-leading company serious about its sustainability ambitions, which is an additional advantage when seeking finance to kick start projects. Teaming up with like-minded partners and companies can scale up sustainability projects and help transform whole industries.

Renewable energy companies that can join the dots on their sustainability ambitions will unlock the potential of sustainable business growth. Such companies will not only blaze a trail as role models for the sector but, as studies prove, are more likely to outperform financially.

## Business leaders



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