

Main findings of our climate change scenario analysis

Categories		Levers	Net Zero	Current policies	
Energy and emissions	RISKS	Electricity prices	Electricity costs increase 60% by 2050, peaking in 2040 at 85% above 2020 levels	Electricity costs increase 12% by 2050	Combined, planned energy efficiency measures, switching to renewable heating and cooling, and generation of renewable electricity fully mitigate the electricity and carbon price risk under both scenarios.
		Carbon costs across Ingka markets (based on projected carbon taxes)	14x increase in carbon prices by 2050 in Ingka markets to achieve net-zero across the economy, resulting in additional costs for Scope 1 emissions	4x increase in carbon prices by 2030 reflecting current policies, then flatten out afterwards	
		Building energy efficiency	Significant investments in capital investment required to achieve commercial building energy intensity required under this scenario	Minor investments in capital investment required to achieve commercial building energy intensity requirements under EU Fit for 55 policies	
	OPPORTUNITIES	Maximized energy efficiency	Planned initiatives would fully mitigate the electricity and carbon price risk by saving up to EUR 130 million* in energy costs in 2050	Planned initiatives would fully mitigate the electricity and carbon price risk by saving up to EUR 75 million* in energy costs in 2050	
		Revenue from existing and future renewable energy generation (wind farms and solar)	Revenue expected to increase with electricity price rise	Revenue expected to increase with electricity price rise, a lower rise than in Net Zero scenario	
Transportation	RISKS	Carbon price	EUR 35 million* in carbon costs by 2050 if fleet is not zero emission	EUR 10 million* in carbon costs in 2050 if fleet is not zero emission	Transport-related carbon costs can be mitigated by the transition to zero emission deliveries initially come at a higher price, but costs fall over time.
		Fleet electrification costs	Ingka pays a premium for near-term zero emission delivery, resulting in higher annual operating costs in most locations. However, between 2025 and 2035, projections are that costs of zero emissions vehicles fall, making them cheaper than diesel/petrol vehicles		
	OPPORTUNITIES	Fleet decarbonisation	EUR 35 million* in carbon costs avoided in 2050 since fleet will be zero emission	EUR 10 million* in carbon costs avoided in 2050 since fleet will be zero emission	

* Based on our current business footprint.

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Evolving business models	RISKS	Consumer buying habits	Between 6% and 18% of surveyed consumers ¹ are already taking a lot of action to reduce climate change, or are willing to do so. If they perceive the IKEA offer to be unsustainable or if they find competitors to have a more relevant offering, we risk losing part of our customer base.		Circular services have potential to grow our business. 19% of customers state that they already buy second-hand all or most of the time ² . The market growth rate for furniture leasing services is high.
		Product carbon track and trace	Requirements related to product transparency, such as product carbon track and trace, could mean increased costs for retailers.		
	OPPORTUNITIES	Circular business models	Development and expansion of second-hand furniture sales and circular Furniture as a Service offerings enables participation in a new market that targets new customer segments. If market share and profitability in these markets could match Ingka's FY21 market share and profitability, this could generate significant profits in 2030 and beyond .		
		Clean energy services	A Net Zero scenario shows strong residential solar PV capacity additions peaking in 2030 , potentially leading to significant revenues.	Market growth less important than Net Zero scenario with potential revenue peaking in 2030.	
Physical risks	RISKS	Damage to Ingka property	Riverine and coastal flooding ³ due to climate change could cause a rise in building damages, estimated at just under EUR 30 million* in 2050	Riverine and coastal flooding due to climate change could cause a rise in building damages, estimated at over EUR 30 million* in 2050. Effects expected to worsen post-2050. In addition, unquantified impacts from extreme weather events like heatwaves and storms would be worse in Current Policies than in Net Zero scenario.	
Supply chain risks (not yet quantified)	RISKS AND OPPORTUNITIES	Raw material prices	Global wood and cotton prices may face upward pressure from increased regulation, high demand and climate impacts on yields, which might be partly mitigated by innovation e.g. smart crop production practices. Steel prices will likely be impacted by carbon pricing. The financial impact for Ingka of any global commodity price increases will be a function of our ongoing product and materials innovation and broader Circular IKEA transformation.		

* Based on our current business footprint. ¹ According to our [2021 Climate Action Research](#), 6% of surveyed consumers are already taking 'a lot' of action in their daily lives to help reduce climate change, in 2021 and 18% are willing to make a 'strong effort' to make future changes to their behaviour to help reduce climate change, in 2021. ² According to our [2021 Climate Action Research](#). ³ Pluvial flooding, heat waves and storms were not quantified as part of the scenario analysis.