



IKEA'S SUPPLIER TRANSITION TO 100% RENEWABLE ELECTRICITY PROGRAM

YEAR STARTED:

2021

MARKETS TARGETED:

**China, India
and Poland**

TARGET:

- By financial year 2030 (FY30)*, reduce the absolute greenhouse gas emission from production by 80% compared to financial year 2016
- Suppliers in top 10 electricity consuming countries reach 100% renewable electricity by 2025

2030 LET'S HALVE
GLOBAL
EMISSIONS BY

*The financial year 2030 runs from 1 September 2029 to 31 August 2030.

SUMMARY:

Almost two-thirds of the IKEA climate footprint is directly connected to the supply chain, including production at suppliers.

To drastically reduce greenhouse gas emissions, and contribute to limiting global temperature increase to 1.5°C, a programme was introduced in June 2021 to enable suppliers to purchase renewable electricity as a complement to the financing of on-site generation of renewable energy.

- **The programme enables direct suppliers to purchase 100% renewable electricity.**

IKEA will provide local solutions, such as bundled framework agreements and Power Purchase Agreements to purchase renewable electricity from the grid, thus enabling its direct suppliers to consume 100% renewable electricity in their production. This can cover the electricity demands of the supplier, which cannot be generated on-site.

- **This offer can be combined with the previously announced offer to finance renewable energy generated on-site (electricity, heating & cooling).**

All heating and about 15% of the electricity consumption of the suppliers can be addressed by on-site investments with installations of solar panels and boilers for example. This is achieved through the 100 million EUR financing of renewable energy announced in Dec 2019.

PROGRESS:

The initial focus of the programme was on the three markets where the climate footprint from electricity consumption was the highest – China, India and Poland. Mainly driven by the programme, the renewable electricity share for production in China increased from 32% in FY21 to 64% in FY22. Offers for affordable renewable electricity contracts in India and Poland have been successfully finalised and will come into effect during FY23. In Poland, Power Purchase Agreements (PPAs) from wind and solar, with 50% cheaper electricity compared to the market price, were secured.

Due to the good progress, IKEA has decided to include 10 additional markets in the programme: the Czech Republic, Germany, Italy, Lithuania, Portugal, Romania, Slovakia, Sweden, Türkiye, and Vietnam. The combined electricity consumption for production in these markets stands for 0.27 million tonnes CO2 eq, or 13% of the climate footprint from production. The rollout starts during calendar year 2023.

KEY SUCCESS DRIVERS:

- Researching the supplier landscape to understand interested parties and differing supplier profiles.
- Dedicated project managers have been assigned to take suppliers through a step-by-step approach and handle questions or concerns. Project managers work closely with country project teams to provide in-depth local knowledge, delivering the most effective solutions.
- Establishing close relationships with suppliers and framing these as long-term business partnerships. IKEA is often a large share of a supplier's annual turnover so developing long-term relationships helps build trust and improve knowledge sharing. The average length of IKEA's collaboration with home furnishing suppliers is 11 years.

MAJOR BARRIERS:

- Challenges around getting suppliers to engage in the programme, as electricity purchase is not always a top priority at the suppliers.
- Market for Power Purchase Agreements (PPAs) not mature in all countries.
- Market complexity and regulatory barriers.
- A lack of public market data on e.g. prices of Energy Attribute Certificates.

50%

cheaper electricity from wind and solar secured in Poland by Power Purchase Agreements

“To limit climate change to 1.5°C, we must strive towards 100% renewable energy. We know that many of our supply partners struggle to purchase 100% renewable electricity and that only a part can be generated on-site. By working together, we have shown that it’s possible to make renewable electricity both accessible and more affordable. We hope this also inspires other businesses to support their suppliers in the same way.”

Andreas Rangel Ahrens,
Head of Climate, Inter IKEA Group

LESSONS LEARNED:

- Concerns around potential increase in costs, and ways to mitigate the increase, needs to be addressed early on. This is essential to bringing suppliers onto the programme.
- Greater awareness and education of suppliers to ensure renewable electricity in their supply chain is on their radar and have adequate resources from IKEA and the wider industry to address the challenges.
- A clear internal focus and commitment to guide the project, with measurable success indicators to track supplier’s work.



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The Exponential Roadmap Initiative is for innovators, transformers and disruptors taking action in line with 1.5°C, with the mission to halve emissions before 2030 through exponential climate action and solutions.

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