



Analytical Brief on Climate Ambition and Sustainability Action

January 2020

Session Brief for WSDF 2020

Low Carbon Options for Business and Industry

Encouraging signs. But are responses holistic?

Shailly Kedia

Key Questions >>>

- How can companies adopt global norms related to environment, labour, human rights and corporate governance beyond immediate company operations?
- What new initiatives can the business and industry sector take with respect to resource efficiency and environmental management?
- How can new markets, products and services be promoted? What would be the role of governments (example through public procurement, labels, and regulatory measures)?
- How can businesses influence policies related to investment, new markets and value chains?

Encouraging signs

At COP25 in Madrid, 177 companies—collectively representing over 5.8 million employees, spanning 36 sectors, with headquarters in 36 countries, having a combined market capitalization of over USD 2.8 trillion, and contributing direct emissions equivalent to the annual total CO₂ emissions of France— committed to setting science-based targets through the Science Based Targets initiative for limiting global temperature rise to 1.5°C above pre-industrial levels and reaching net-zero emissions by no later than 2050 (UNGC 2019a). The Global Compact 100 stock index showed a total investment return of 21.8 percent by the end of its first year, surpassing the S&P global mid and large-cap benchmark over this period (UNGC 2020). This suggests that companies with enhanced commitment to environmental, social and governance (ESG) issues have the potential to

perform better in financial markets. According to the United Nations Conference on Trade and Development, investments of USD 5 to 7 trillion are needed each year to realize the sustainable development goals by 2030. Apart from the public sector and public finance, private sector and capital markets must also play a crucial role (UNGC 2019b).

Increasing viability of low carbon options

It would be fair to say that there is significant awareness among business and industry as well as policy makers on financially viable low carbon measures related to energy efficiency and renewable energy. According to a report by the We Mean Business Coalition, globally, the average Internal Rate of Return (IRR) for improving the energy efficiency of industrial processes is 23 per cent (WMB 2014). According to the report, for process energy efficiency measures, the IRR as

calculated for companies in South Africa is about 46 per cent and for the United States, process energy efficiency measures can get an IRR as high as 81 per cent. Many businesses have made efforts at the operational level in their own organizations and have implemented measures related to technology upgrading, corporate responsibility and sustainability reporting. However, when it comes to engaging with business value chains, markets, investment environment and policy environment, business and industry stand at risk of taking token action. It is hence essential to expand the menu of low carbon options for businesses beyond the

immediate company ecosystem to the surrounding environment.

Going beyond immediate operations

An illustrative table depicting different levels of a company’s ecosystem with examples of potential low carbon measures is provided below. To promote low carbon measures across all levels, both private and public sector action is essential. While private sector action is critical, the public sector also has a crucial role to play to nudge the private sector and provide an enabling environment for accelerated action.

Exhibit: Levels for business and industry measures on low carbon development

Levels →					
	Operational	Value chain	Markets	Investment Environment	Policy environment
Examples →	Technologies Sustainability reporting Corporate Social Responsibility	Due diligence Sustainable procurement	New products Labelling New market development Sustainable public procurement Consumer awareness	Addressing barriers to ESG investments Directing investments to SDG sectors	Incentives Disincentives Regulatory measures Market development

Role of the public sector

The public sector can take the following actions:

- Put in place policy frameworks, guidelines and action plans around global norms concerning business action related to environment, human rights, labour and corporate governance
- Address regulatory, implementation and behavioural barriers to ESG investments
- Invest in infrastructure that is environmentally sound, resource efficient and low carbon
- Support standards, labelling and certification for sustainable products
- Increase consumer awareness on sustainable products
- Build new markets for green and low carbon products through sustainable public procurement
- Encourage public availability of information on ESG performance by companies to promote transparency, accountability and public debate
- Phase out subsidies that incentivize high carbon technologies
- Enact pricing of carbon at least in the large industries
- Put in place resource efficiency, environmental management and energy efficiency standards in manufacturing and services sectors (such as tourism)
- Have a supportive fiscal, energy, industry and trade regime that incentivises low carbon transitions

References

UNGC (United Nations Global Compact) (2019a), “At COP 25, corporate climate movement grows exponentially as new companies announce plans to align with a 1.5°C future”, New York: UNGC.

UNGC (United Nations Global Compact) (2019b), “First SDG-linked bond raises US\$ 1.5 billion”, New York: UNGC.

UNGC (United Nations Global Compact) (2020), “Global Compact 100”, New York: UNGC.

WMB (We Mean Business) (2014), *The Climate Has Changed, We Mean Business*. García-Mira, Ricardo (2018), *Climate Change and Sustainable Lifestyles*, University of Bath, [Online: web] Accessed 12 February 2020 URL: <https://phys.org/news/2018-01-climate-sustainable-lifestyles.html>

Photo credits: Images available via [Canva](#)

Analytical Brief on Climate Ambition and Sustainability Action

The brief series, brought out jointly by the World Sustainable Development Forum and the Protect our Planet Movement, seeks to highlight a topical issue relevant to the realization of the sustainable development goals and ambitious climate actions. This brief is to feed into the discussions of the Second World Sustainable Development Forum to be organized in Durango, Mexico (5-7 March, 2020).

About WSDF

The World Sustainable Development Forum (WSDF) is a not-for-profit organization incorporated separately in Europe, Norway and the U.S. Its North American arm WSDF-NA, headquartered in Washington, DC carries 501c3 tax exempt status. WSDF is a global initiative to promote and mobilize global action for effective implementation of both the Paris agreement on climate change and the Sustainable Development Goals (SDGs) adopted by the UN General Assembly. WSDF's relevance and role lies in acting as a facilitator for helping with implementation of actions required under these two sets of agreements.

About POP Movement

Protect our Planet (POP) Movement believes that the impacts of climate change will not affect a single country but the planet, in its entirety. POP believes that the power of the youth of the world will unite and to address this challenge. POP believes that the time to act is now and that knowledge is the true currency of changing the future.



www.worldsdf.org



www.thepopmovement.org