

## 2016 STATUS REPORT

# Business Contribution to Global Climate Action

*Pathways to Low-Carbon and Resilient Development*

## Executive Summary

**This Status Report presents a first attempt at assessing the contribution of key business initiatives to achieving the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development.** The signing of the Paris Climate Agreement and the adoption of the Sustainable Development Goals (SDGs) in 2015 were celebrated as watershed moments in the history of international co-operation to address global challenges. They seek to fundamentally transform the way we think about development — ensuring that all have a role to play, and recognising the intimate links between the social, economic and environmental dimensions of development. The focus now turns to delivering on this ambitious agenda. There is widespread acknowledgement that this requires scaled-up and urgent action by the business and investor community.

**A myriad of businesses and investor groups have started to join a range of private sector-focused climate action initiatives that also support sustainable development.** There are now 30 business-led initiatives registered on NAZCA,<sup>1</sup> a more than threefold increase in the past three years, collectively accounting for more than 3,300 participants. The private sector participant base is increasingly global: the 20 initiatives that responded to a questionnaire formulated for this study have more than 1,900 private sector participants; since COP 21, the number of businesses participating in these initiatives has increased by 17 per

cent. And 27 per cent of the business participants have their headquarters in developing or transition economies. The broad coverage means that the initiatives support all three of the objectives of Article 2 of the Paris Agreement. They also exhibit links beyond SDG 13 on climate action and connect to all seventeen of the SDGs. Particularly strong ties exist with goals such as SDG 7 on ensuring access to affordable, reliable, sustainable and modern energy; SDG 12 on ensuring sustainable consumption and production processes; and SDG 17 on strengthening the global partnership for sustainable development.

**The potential collective impact of the initiatives on emissions is substantial.** A number of individual initiatives suggest that delivering on their goals implies emission reductions of several gigatonnes per year, either relative to a specific year when the initiative was established, or compared to a business as usual baseline. As these reflect the voluntary contributions of non-state actors, which have typically been formulated without a formal link to countries' Nationally Determined Contributions (NDCs), it is unknown if these reductions are additional to those identified in the NDCs. Nonetheless, at the very least, these reductions can support countries in both delivering their current NDCs and facilitating a scale up of ambition over time. They will therefore contribute to ensuring that the most damaging impacts of climate change can be avoided.



## Caring for Climate



**A number of initiatives have other specific quantitative goals.** Beyond emission reductions, individual initiatives identify quantitative targets in relation to renewable energy capacity (1.5 terrawatts of additional renewable power capacity by 2025); energy savings (1,600 TWh of electricity by 2030) and the restoration of forest land (350m hectares by 2030). All of these will support attainment of specific SDG goals and indicators. Further, the Montréal Carbon Pledge has set a goal to undertake carbon footprinting on \$62 trillion of assets and the Portfolio Decarbonization Coalition to decarbonize portfolios with a value of at least \$100 billion.

**Although it is too early to assess quantitative progress in detail, there are encouraging early signs of progress.** Most of the initiatives with specific targets or quantified potential only launched in 2014 and are unable to provide substantive progress update. However, there are some promising early signs:

- Refrigerants, Naturally!, which launched in 2004, is more than halfway to its 2020 target number of HFC-free refrigerant units, and hence estimates to be contributing annual emissions savings of 33 MtCO<sub>2</sub> per annum relative to a business as usual baseline
- The Portfolio Decarbonization Coalition (PDC) surpassed its target for decarbonizing \$100 billion of assets and, at the time of writing, had succeeded in decarbonizing \$610 billion of assets.
- The Montréal Carbon Pledge has secured signatories with \$10 trillion assets under management, putting it well on its ways to its \$62 trillion target.
- The New York Declaration on Forests has secured commitments towards restoration of 124 million hectares of forest, more than one third of its 2030 target.

**Initiatives also cite their rapidly growing participant base as key evidence on progress.** Most of the 20 initiatives responding to our survey are more than halfway towards their 2017-2020 participant targets, with the Montréal Carbon Pledge having already met its membership objectives. The initiatives

that have been most successful in attracting and engaging business participants have been those that:

- demonstrate how participation leverages business opportunity and/or drives competitive advantage while also supporting societal goals;
- encourage peer-to-peer exchanges and experience sharing; and
- keep the messages simple – and communicate progress.

**An enhanced procedure to track and communicate on progress, while respecting the voluntary nature of the initiatives, would be hugely beneficial in allowing stakeholders to better understand the contributions that initiatives are making, enhance their credibility and generate important learnings for the global community.** At present, it is difficult for stakeholders to make an evidence-based assessment of progress to date; and while this report aims to help fill this gap, it has only been able to collect responses from a sample of initiatives. The procedure might focus both on the extent to which initiatives are making progress towards their goals, the extent of their contribution to support countries in delivering their NDCs and the SDGs, and, as such, whether, overall the initiatives are moving forward in a manner consistent with the collectively agreed objectives of the international community. Ultimately, it is only possible to manage what is measured.

**There is no room for complacency.** While this report identifies early signs of encouraging progress, much more needs to be done. The report identifies a number of gaps in the coverage of initiatives, while the existing initiatives report a number of crucial challenges that they need to overcome to reach their goals. Moving forward, the task is to build on these encouraging early signs to ensure that the business and investor community, working in conjunction with policymakers providing an appropriate enabling environment, can scale up their role and help deliver on the ambitious goals agreed upon by the international community.