

What the Paris Agreement means for business

ERM's views on the outcome of COP21



Agenda

- The Paris Agreement overview
- The 2 degree trajectory and the INDCs/NDCs
- Key elements of the Agreement
- What does it mean for businesses – across the economy?
- Q&A



The COP21 Paris Agreement - overview

On December 12, 2015, 196 countries unanimously adopted the 'Paris Agreement'

The Paris Agreement was negotiated under the 1992 UNFCCC and will come into force before 2020; every country has Nationally Determined Commitments going beyond the Kyoto Protocol where only developed countries had such commitments

Agreed goal is to limit warming to 2°C with an ambition to limit warming to 1.5°C, but sum of commitments made at COP21 only achieves 2.7°C so more action needed



Time line for implementation

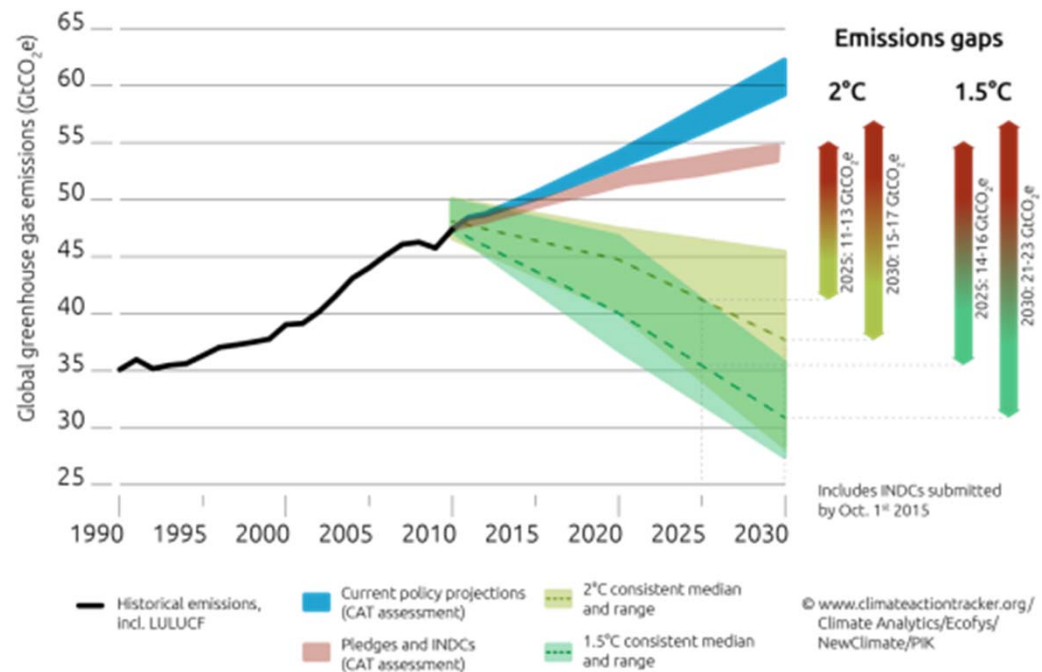


2 degree trajectory

Current research references limiting global warming to 2 degrees Celsius or less, above pre-industrial levels, (“at risk” nations believe 1.5 degrees Celsius is a better upper limit)

The 2 degree limit / target has been agreed upon by countries as a threshold beyond which climate change risks become unacceptably high

If achieved in full, the INDCs submitted have the capability of limiting global temperature rise to around 2.7°C above pre-industrial levels by 2030. **Further commitment and action would be required to achieve the 2°C rise.**



INDC/NDC regional context

160 INDCs submitted,
representing 187 countries

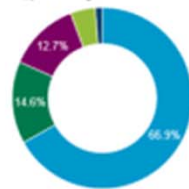
Source: <http://cait.wri.org/indc/>

Global emissions covered by countries that submitted an INDC

98.6%



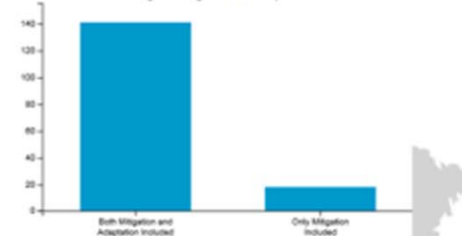
Types of Mitigation Contribution



Legend for Types of Mitigation Contribution:

- Blue: GHG target
- Dark Blue: Non-GHG target only
- Green: Actions only
- Purple: GHG target and non-GHG target
- Yellow: Non-GHG target and actions

Coverage of Mitigation and Adaptation

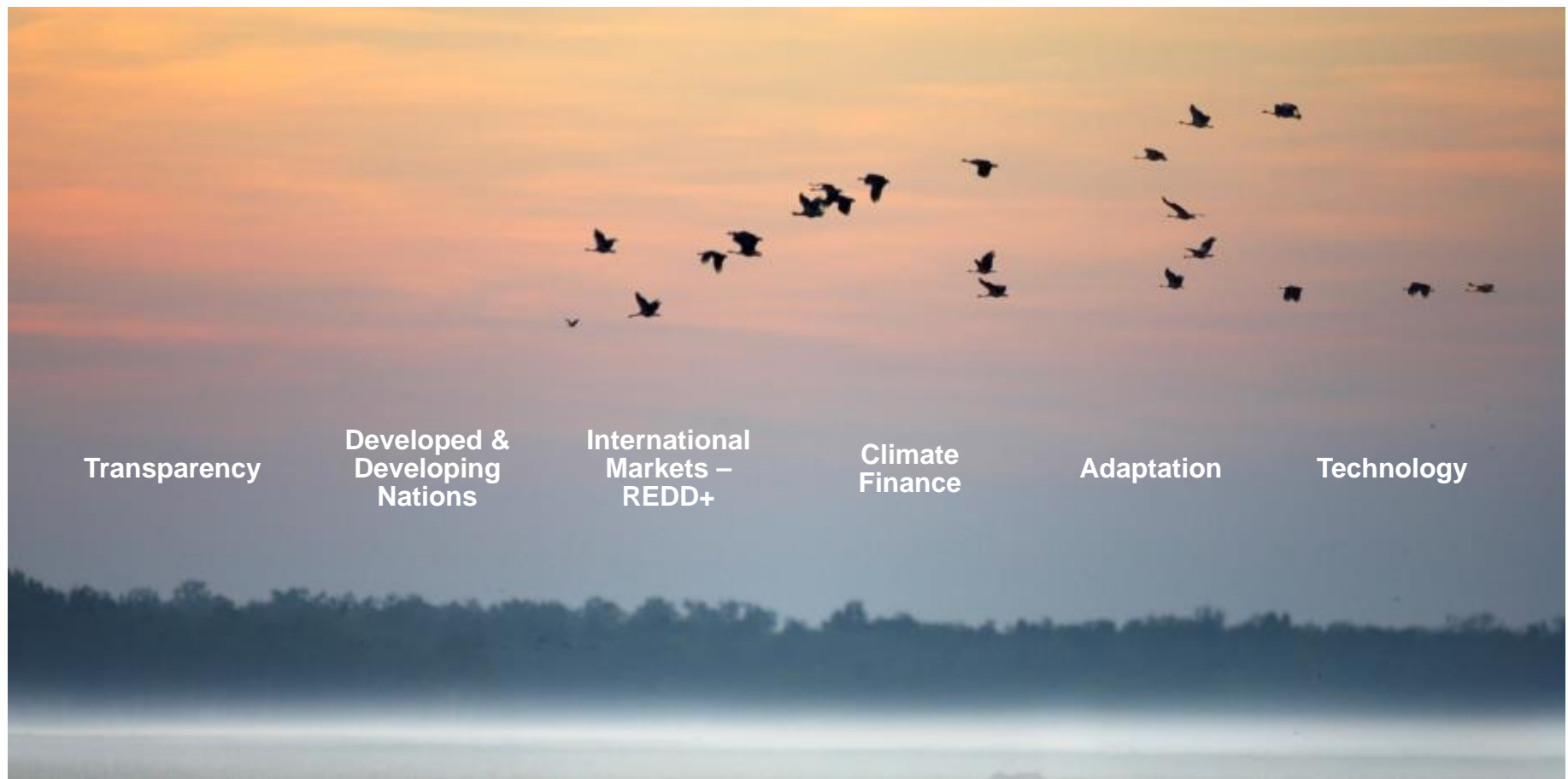


Nationally Determined Contributions (NDCs)

- With all countries defining their own mitigation measures through NDCs, the Paris Agreement has created greater "buy-in" into the process
- All major economies are planning to reduce emissions by at least 25% over the period 2005 – 2030
- Each NDC is also to be revised every five years "with a view to enhancing its level of ambition"
- NDCs will also be made publically available, enabling civil society to review, analyze and hold country governments to account for those pledges

| Country | Emission reduction target by 2030 | Base Year / Baseline |
|--|--|---|
| The 'Base Year Target' countries | | |
| Australia | 26 – 28% | 2005 |
| Canada | 30% | 2005 |
| European Union | 40% | 1990 |
| Japan | 26% | 2005 |
| Norway | 40% | 1990 |
| Russia | 70 – 75% | 1990 |
| Switzerland | 50% | 1990 |
| USA | 26 – 28% (by 2025) | 2005 |
| The 'Base Year Intensity Target' countries | | |
| China | 60 - 65% per unit of GDP. <i>*with best efforts to peak before 2030</i> | 2005 |
| India | 33 - 35 % per unit of GDP | 2005 |
| The 'Baseline Scenario Target' countries | | |
| Indonesia | Unconditionally = 29%; Conditionally = 41% | BAU emissions in 2030 |
| Mexico | Unconditionally = 25%; Conditionally = 40% | BAU emissions in 2030 |
| Republic of Korea | 37% | BAU emissions in 2030 |
| The 'Fixed Level / Trajectory Target' countries | | |
| South Africa | 398 - 614 MtCO ₂ e over the period 2025–2030 | Consistent with 42% reduction against BAU emissions in 2025 |

The Paris Agreement – key outcomes



An important issue negotiated in the COP was the ability to compare progress to achieve NDCs in a consistent and transparent manner.

Developed and developing nations



The Agreement states that developed countries should have absolute economy-wide targets; whereas developing countries should "move over time" towards economy-wide reductions or limitation targets.

Resurgence of international markets



The Paris Agreement explicitly authorizes markets. It allows for countries to voluntarily cooperate in meeting their NDCs, through the use of “Internationally Transferred Mitigation Outcomes” (ITMOs) – 18 countries are working together to promote this including Australia, Canada, Japan, Korea, Mexico, New Zealand and the US.

Deforestation - REDD+



54% of countries prioritized the land use sector within their INDCs, and several ministers from developing countries specifically called out forests in their public announcements during the first week of the COP.

Climate finance



The Paris Decision sets a floor of USD 100 billion per year to be mobilized each year after 2025.

Adaptation



Under the Agreement all parties have agreed to enhance "adaptive capacity" and many countries have already set out adaptation priorities in their INDCs.

Technology



Ultimately, to achieve the overall objective of the UNFCCC and the Paris Agreement, which is to avert dangerous interference with the climatic system, low carbon technologies that exist, and those that will be developed through further innovations need to be rapidly deployed.

National and sub national impacts



The Paris COP saw the launch and expansion of a series of sub-national initiatives by major cities and state governments in respect of climate change action, collectively representing almost two-thirds of the world's population.

Engagement from business and finance sectors

Private sector engagement at COP21 was notable with major coalitions of companies making announcements:

- *We Mean Business Coalition* – 363 companies
- *American Business Act on Climate Pledge* – 154 companies
- *Science Based Targets Initiative* – 114 companies
- *RE100 Initiative* – 53 companies
- *Oil and Gas Climate Initiative* – 10 companies

Momentum is also growing in the financial sector:

- *Global Investor Statement* – 409 investors, \$24tn of assets
- G20 Financial Stability Board Climate Disclosure Taskforce
- Green bond market surging towards \$100bn / year

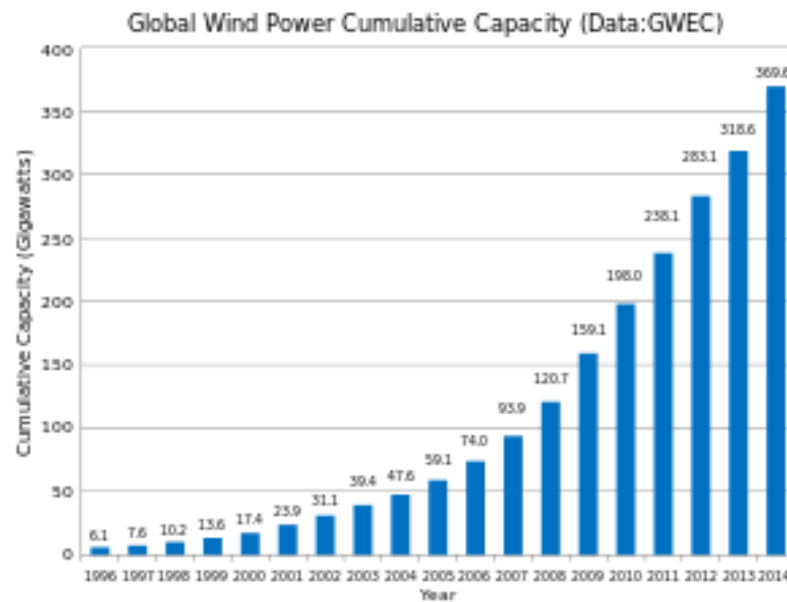
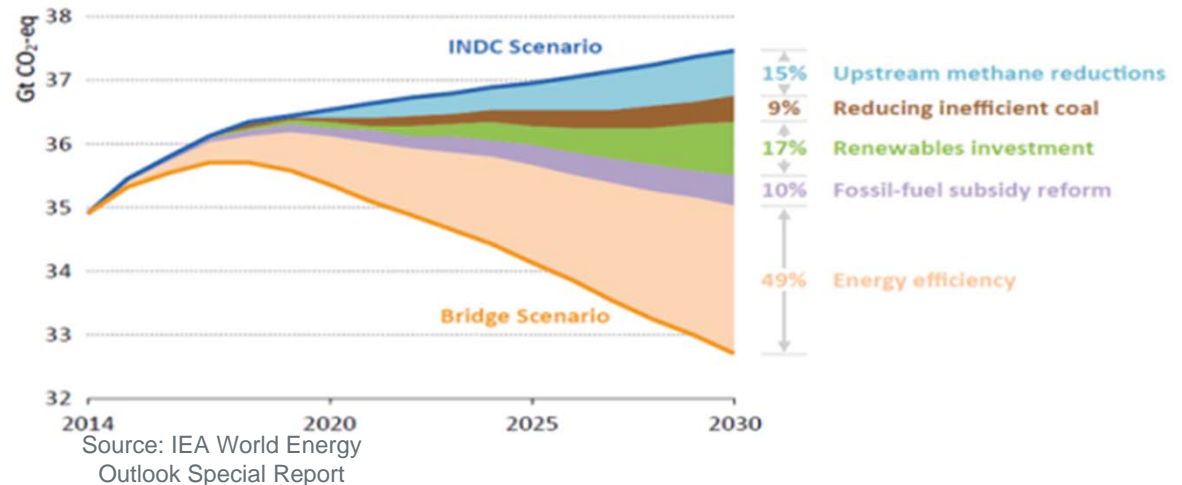


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Change will center on energy

- **Energy efficiency** critical to achieve 2°C
- **Renewable energy** accelerated growth
- **Smart grids and storage**
- **Coal** marginalized
- **Natural Gas** accelerated growth
- **CCS** necessary technology



Impacts will be felt across the economy

- **GHG accounting, reporting and risk disclosure** for all
- A **price on carbon emissions** impacting most of the economy
- **Carbon cost** increasingly material in many value chains
- **Producers of energy** under pressure to reduce carbon-intensity
- The **transport** sector facing the prospect of major **technological shifts**
- The **market** for innovative, energy-efficient, **low carbon products** and services stimulated
- The **financial sector** will increasingly focus on managing **carbon risk** in investment and lending
- Companies involved in **forestry and land use** will need to demonstrate positive impact

Figure 1.1: Overview of GHG Protocol scopes and emissions across the value chain



A changing patchwork of policies to navigate

The NDCs show an international patchwork of regulations and market-based policies

The regulatory patchwork will be constantly changing – driven by the 5-yearly reviews

Businesses will need to understand not only the current situation but the likely 5-10 year outlook for policy and regulation, country by country

Locations of Existing, Emerging & Considered Carbon Pricing Instruments



What next for business?



We expect to see significant momentum and change in the short term

Businesses will need to:

- Translate the 'post-Paris' landscape of national commitments and private sector responses into an assessment of risk and opportunity across the value chain
- Develop and implement practical GHG emissions reduction plans and actions, across facilities, supply chains, products and service lines - through incremental improvements and innovations
- Manage compliance with an ever-changing patchwork of national climate change policy and regulation
- Engage with stakeholders, including public disclosure on your policies, programs, targets and performance and the readiness of your business for a carbon-constrained world
- Understand and manage the physical risks from extreme weather and climate change and develop adaptation strategies and plans

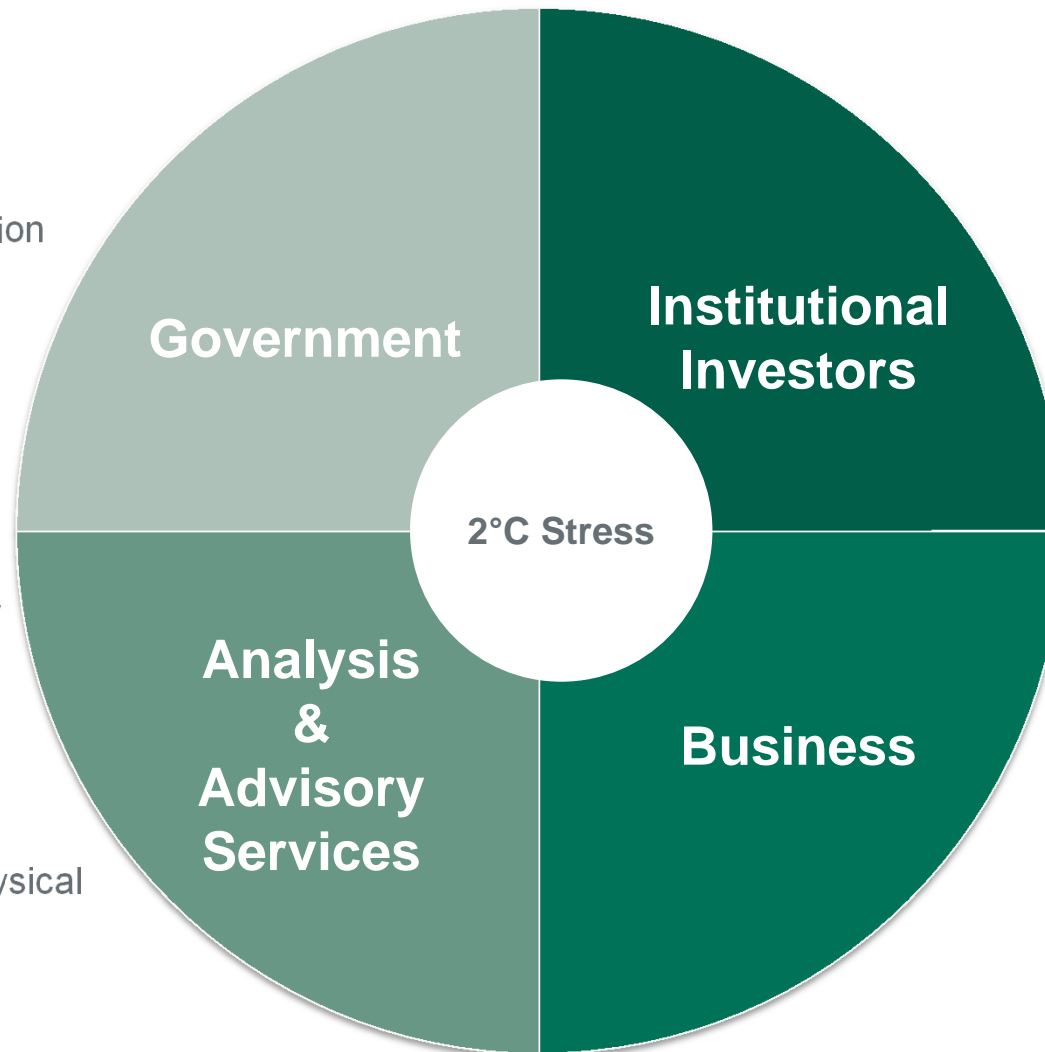
ERM Services/Analysis

Government

- Policy analysis
- Support implementation of NDCs and Adaptation Plans

Analysis & Advisory Services

- Climate sensitivity analysis
- Risk assessment & mitigation
- Climate change physical impact assessment



Institutional Investors

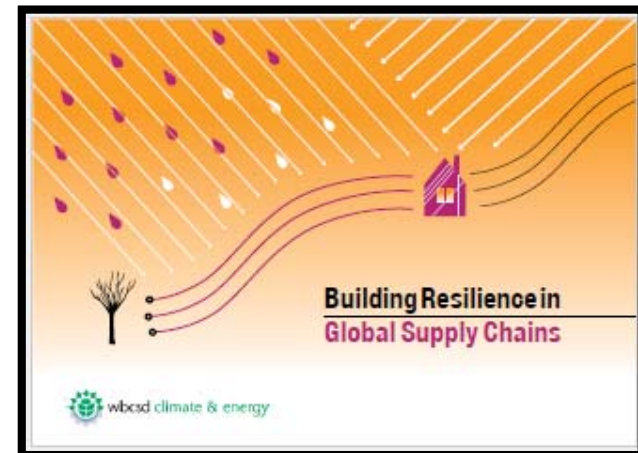
- Due diligence
- Portfolio risk assessment & mitigation
- Resilience planning

Direct Business Support

- GHG reporting & LCA
- Asset analysis
- Corporate strategy
- Mitigation plans

Further reading

- <http://www.erm.com/cop21>
- *What the COP21 Paris Agreement Means For Your Business* briefing paper
- *Building Resilience in Global Supply Chains* report co-authored with the WBCSD
- Carbon Disclosure Project Webinar Series (email dorothy.witkowski@erm.com)
 - 23 February / 1 March / 8 March
- Delivering Business Value from Energy Efficiency Audits Webinar (email holly.jeans@erm.com)
 - 1 March



About ERM

ERM is one of the leading sustainability consultancies worldwide, providing environmental, health and safety, risk and social consulting services in influential assignments.

Over 5000 employees globally in over 140 offices in 40 countries.

Over the past five years we have worked for approximately 60% of the Global Fortune 500 companies across the world.

Over 40 years of experience in the field with in-depth subject matter and sector experience.

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