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
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
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.
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.
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.
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.
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**
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

Source: IEA World Energy Outlook Special Report
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
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

Source: State and Trends of Carbon Pricing 2014
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

**Institutional Investors**
- Due diligence
- Portfolio risk assessment & mitigation
- Resilience planning

**Analysis & Advisory Services**
- Climate sensitivity analysis
- Risk assessment & mitigation
- Climate change physical impact assessment

**Business**

**Direct Business Support**
- GHG reporting & LCA
- Asset analysis
- Corporate strategy
- Mitigation plans

**2°C Stress**
Further reading

- *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
Questions
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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