

Summary report for policymakers

World Business Summit on Climate Change
Shaping the sustainable economy
Copenhagen, 24-26 May 2009



**COPENHAGEN
CLIMATE COUNCIL**

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This summary report was prepared by the Copenhagen Climate Council and PricewaterhouseCoopers LLP based on working group session summaries from the World Business Summit on Climate Change. It is a synthesis of the discussions at the Summit and does not necessarily reflect the views of PricewaterhouseCoopers LLP or the Copenhagen Climate Council.

About the World Business Summit on Climate Change

The World Business Summit on Climate Change was convened by the Copenhagen Climate Council to mobilize private sector engagement on climate change and to discuss effective responses and policy frameworks that will help to safeguard our planet and the global economy.

About the Copenhagen Climate Council

The Copenhagen Climate Council is an international initiative that brings together leading authorities on climate change, including the world's most renowned scientists, business leaders and diplomats, who are dedicated to turning the challenges of climate change into new opportunities. Founded by Monday Morning, the leading independent think tank in Scandinavia, the Copenhagen Climate Council aims to create a constructive and positive dialogue based on effective solutions to climate change.

Executive summary

Introduction

On 24-26 May 2009, over 500 business leaders from some 40 countries met with leading experts, government officials and NGO representatives at the World Business Summit on Climate Change in Copenhagen. The objectives of the Summit were to mobilize private sector engagement in the development of the future policy framework on climate change and to provide constructive ideas and practical proposals to support an ambitious global deal on climate change at COP15 in Copenhagen in December 2009.

The Summit was convened by the Copenhagen Climate Council in collaboration with The Climate Group, 3C (Combat Climate Change), the United Nations Global Compact, the World Business Council for Sustainable Development and the World Economic Forum's Climate Change Initiative, and with the full support of the Danish Government.

The underlying ambition of the Summit was to address the twin challenges of climate change and the economic crisis. Participants at the Summit considered how these risks can be turned into opportunity if business and governments work together, and what policies, incentives and investments will most effectively stimulate low-carbon growth.

Key themes of the Summit

If there is one message from business leaders at the Summit, it is that the current economic downturn should not temper the ambitions of governments to achieve a robust climate treaty in Copenhagen, as business is ready to respond. Economic recovery and urgent action to tackle climate change can be complementary – boosting the economy and jobs through investment in the new infrastructure needed to reduce emissions. As Al Gore stated "Mother Nature does not do bailouts".

There was also recognition that while action to tackle emissions growth will result in short term costs, this will be outweighed by long term benefits of avoiding dangerous climate change. IPCC chair, Dr. R.K. Pachauri, noted that we are "towards the upper end of the range" of the emissions paths assessed in the 2007 Fourth Assessment Report and warned that climate change would lead to failed states in Africa and elsewhere, bringing increased threat of war and terrorism.

Two key cross-cutting themes emerged from the Summit:

1. **The crucial role of business.** Business has a critical role to play in financing, developing and deploying low carbon solutions. Business is expected to provide the bulk of the investment required in the transition to a low carbon economy, so it is important to understand that investors – whether pension funds, companies or venture capitalists – need to make returns on this investment. Governments should consider how incentives or regulations can make low carbon investments commercially viable. Business also has a key role to play in low carbon technology innovation and deployment, but there is a need for new alliances and, in some cases, partnerships with government. Technology innovation will only occur if government goals and policies are clear and long term.
2. **Get the mechanisms right.** Mechanisms and regulations designed by governments, whether carbon markets, public-private partnerships, standards or taxes, need to be designed to promote business engagement on climate change. Carbon markets should continue to play a central role in climate policy, but must be scaled up and complemented by other policies. It is vital that policies put a clear and long term price on carbon emissions that can steer choices of consumers, businesses and governments over the coming years and decades. Shifting major infrastructure investment down a low carbon path will only happen if the regulatory landscape is clear to investors.

Ultimately, achieving this will require closer collaboration and consultation between governments and business. The business community will continue to work with policy makers to maximize their contribution to a successful outcome in Copenhagen and beyond.

Recommendations to policymakers

The Summit focused on nine issues, ranging from technology collaboration to adaptation, which are critical in the transition to a low carbon economy and form key parts of the UN negotiations leading up to COP15. A summary of each of these working groups and key recommendations is presented here. In spite of the differences in subject matter, a consistent set of recommendations emerged from the nine working groups. These were:

- Investors need robust, clear and long term regulatory signals – whether trading programs, performance standards or taxes – that provide greater predictability when making long term capital allocation decisions such as investment in infrastructure.
- New collaborative financing mechanisms, such as green infrastructure funds, public-private partnerships and ‘climate bonds’ are required to support the development of low carbon technologies that are currently not commercially viable, and to scale up the deployment of those technologies which are.
- Governments should be ‘technology neutral’ and enable all cost-effective greenhouse gas emissions reductions. However, governments should focus on and incentivize energy efficiency improvements and limiting deforestation or forest degradation, as these can deliver significant, cost-effective carbon emissions reductions as well as provide a range of other benefits.
- Better disclosure is essential to drive change among investors and consumers. This includes disclosure of corporate strategy and capital investment decisions, greater use of carbon labeling and energy efficiency performance, robust monitoring, reporting and verification protocols, and transparency in the costs and benefits of new policies developed by governments.

The Copenhagen Call

At the end of the Summit, the Copenhagen Climate Council and its partners presented a letter to the Danish Prime Minister, Lars Løkke Rasmussen, calling upon political leaders to agree an ambitious and effective global climate treaty at COP15 in Copenhagen. The Copenhagen Call is reproduced as an annex to this report.

Conclusion

Reducing emissions, that have until now been intrinsically linked to economic growth and rising quality of life, is an enormous and unprecedented global challenge, but will also provide significant opportunities for sustainable growth, development and innovation. Governments and business must work together to create the foundations for long term, low carbon prosperity.

Business leaders at the Summit demonstrated a clear commitment to the development of an ambitious future policy framework for climate change and stand ready to work with policymakers to help reflect their ideas and concerns in the international climate change treaty which they hope will be agreed at Copenhagen.

Working group session summaries

Overview

Guided by skilled facilitators, nine working groups convened to share experiences, debate lessons learned and generate collaborative solutions under the following themes:

- Financing the transition to a low-carbon economy
- Carbon markets
- Technology push
- Technology diffusion and collaboration
- Energy efficiency
- Forestry and terrestrial carbon
- Adapting to climate change through strategic planning and collaboration
- Measuring and communicating progress
- Value chain

Financing the transition to a low-carbon economy

Addressing the challenge of climate change will require a radical mobilization of as yet untapped sources of funding.

Discussions in this session focused on three questions:

1. What drives private sector investment in low-carbon solutions?
2. What are the barriers to private sector investment?
3. What policies are needed to scale up investment into the low-carbon economy?

When considering the challenge of how to mobilize the necessary flows of capital for the transition to a low carbon economy it is important to acknowledge the obvious: delivering an adequate and reliable return on low carbon investment is an essential driver for investors, whether pension funds, venture capitalists or others along the investment chain. Furthermore it is necessary to distinguish between the different recipients of capital (entrepreneurs, established businesses) and the different sources of capital (pension funds, large corporations, venture capitalists or governments) as each will have different motivations and appetites for risk.

While the scale of the climate challenge is immense, there are historic examples of game-changing technologies breaking through, moving down the cost curve and becoming commercially viable for mass distribution. Between them, the global policymaking community and the private capital market players have the money, the policy insights, and many of the technologies needed to modify our emissions trajectory. Thus, reorienting finance to meet the climate challenge is less a problem of capital availability than it is one of capital flow.

Three key observations emerged amongst participant:

- First, because of the short time-frame suggested by the science, accelerating the capital flow is critical – we need to get to scale more quickly than would a normal market evolution.
- Secondly, policy frameworks need to establish both sticks (standards, regulations, price signals) and carrots (risk rewards).
- Finally, the perception that risk associated with investment in the low carbon economy is higher than it actually is must be redressed.

Participants recognized that agreement on a long term low carbon trajectory would be a critical enabler for increased low carbon investment. With long term mandates in place, policy uncertainty will no longer erode the returns and valuation of these

investments. However, a regulatory framework needs to be designed that will provide a solid foundation for investors, without picking individual technology winners. Designing the regulations to encourage a ‘family’ of low carbon winners was proposed as a possible way to shape the market without distorting it.

Recommendations to policy makers:

- Investors need **robust and long term carbon pricing signals** that provide greater predictability when making long term capital allocation decisions, such as investments in energy infrastructure. This could be achieved through a variety of instruments, such as market mechanisms, taxes, emissions or efficiency standards, feed-in tariffs, risk insurance etc., according to national circumstances. Whilst necessary, however, a carbon price signal will not be sufficient on its own, given the speed of investment change that is required.
- **New financial products and strategies** are therefore also needed to encourage pension funds and retail investors to finance low carbon investments. Governments could help develop funding schemes such as ‘climate bonds’, low-carbon microfinance etc.
- The new climate treaty and national policies must ‘push’ the development of new technologies through the **use of public funds to leverage private finance** in early stage demonstration and deployment.
- Governments should promote **greater transparency and mandatory carbon disclosure** among investors and businesses to ensure that investment decisions, whether in low or high carbon technologies, are well understood.
- **Measures to increase rewards and decrease risks** to accelerate low carbon capital flow and transformation are required. These could include taking a longer term policy orientation, the creation of public-private partnerships to invest in new technology, government incentives with sunset clauses to ensure that new entrants into the market can compete with incumbents, leveling the playing field for clean technologies, and educating and training a strong base of low-carbon investment specialists.

Carbon markets

Although carbon markets have a short history and have faced a number of the well-documented challenges, international and domestic carbon markets should continue to play a central role in climate policy.

Existing emissions trading schemes have led to emissions reductions, changed boardroom behavior and created market infrastructure. The EU Emissions Trading Scheme (EU ETS) resulted in emissions reductions of between 80 and 100 MtCO₂e between 2005 and 2007 and further reductions in 2008.

However, the uncertainty over the long-term future of the carbon market and the short term nature of the current budgetary periods means that few companies operating both inside and outside Europe have taken a price of carbon into account when investing in long-term assets such as power plants or steel mills.

Furthermore, there are concerns that emissions trading does not provide a sufficient incentive to downstream technology innovation and consumer switching to low carbon choices.

Recommendations to policy makers:

- **GOP15 must endorse the use of markets** and price signals as a tool for reducing emissions. However, carbon markets need to be complemented by other policy measures to drive the deployment of solutions that respond less readily to carbon pricing, such as energy efficiency measures, transportation and the development of new low carbon technologies.
- **Scarcity is fundamental to a cap and trade program**, as it creates a price that will stimulate non-marginal low carbon investments. To ensure this scarcity, policymakers must have the courage to adopt ambitious short, medium and long-term emissions targets.
- **A global carbon market is an important goal**; however, it is not necessary to design a global market from the outset, but rather to create the conditions to enable it to evolve. The following measures can support this objective:
 - harmonization of rules on monitoring reporting and verification (MRV);
 - consistency between compliance periods; and
 - harmonization of rules on offset eligibility and the encouragement of their use in all emissions trading systems.
- **A sectoral Clean Development Mechanism (CDM) or sectoral crediting mechanism could build on the current project-based approach** to investment in emission reductions. Further work is needed to improve the efficacy of the CDM and to develop mechanisms for rewarding private sector finance of projects and programs under new sectoral approaches. Immediate use of common dynamic emissions benchmarks in the CDM can be an effective first step towards sectoral crediting.
- The unpredictability of price fluctuations and periods of **extreme price volatility and market illiquidity is a deterrent to broader market participation**. Further work is needed to identify the most effective and least market-distorting way to maintain market confidence until the market matures.

Technology push

Major transitions in energy infrastructure take time, as evidenced by the move from wood to coal and then from coal to oil. The move towards low carbon economy will face similar inertia, particularly during periods of economic recession when investment levels fall dramatically. Different technologies face different challenges which could also vary from region to region – clearly, no single technology is likely to solve the climate problem.

There are extensive opportunities in emerging economies to meet growing energy demand through renewable energy rather than traditional fossil fuels. Small scale energy technology and decentralized or distributed energy markets also have potential to grow locally.

Commercializing and deploying low carbon power generation technologies, such as solar power, is proving challenging. Supporting economic deployment, including strengthening of the supply chain (domestically as well as internationally) and the creation of appropriate financial structures and regulatory incentives would help investors build confidence. For other types of technologies, such as carbon capture and storage (CCS), public acceptance and support are crucial, as is commercial collaboration between power generators, pipeline operators and oil and gas companies. Major coal-dependent developed countries are more likely to be effective drivers to scale up the deployment of CCS and could benefit from collaboration and sharing of knowledge.

In the transport sector, technological improvement in the production of biofuel and the electrification of personal transport is critical. Building the infrastructure and the capacity for mass production and deployment is also vital to the success of new transport technology, especially electric vehicles. However, in the short to medium term, improvements in vehicle efficiency and engine technologies provide the biggest opportunity for carbon reductions.

Urban planning and the built environment also present opportunities for technology to reduce emissions. In the construction sector, for example, the lack of regulatory incentives in a conservative industry limits active measures from the private sector to lower its carbon footprint.

Recommendations to policy makers:

- **Continue to incentivize businesses through markets:** Business needs a clear, directional signal that the market for emissions reductions will continue to grow globally.
- **Power generation:**
 - A global agreement must **allow countries to incentivize and ‘pull’ technologies to the market that are appropriate to their resources and circumstances.** Global partnerships that ‘push’ the development of the underlying, non-applied scientific knowledge will help businesses launch context- and technology-specific commercial applications.
 - **Promote economies of scale.** At the national level, governments need to help businesses achieve economies of scale, perhaps through public-private partnerships that pool private capital, share risk and offer seed funding.
- **Transport:**
 - **Vehicle efficiency standards** and incentives or regulations to reduce vehicles on the road would help to promote carbon reduction especially for the short to medium term.
 - **Incentives to promote behavioral changes,** such as improved traffic flow or more fuel-efficient driving behavior, could also deliver significant efficiency savings quickly.
 - Significant **investments in infrastructure** may be needed to promote low carbon vehicles such as electric vehicles over the longer term.

Technology diffusion and collaboration

Increasing technology diffusion requires an improvement in the enabling frameworks as well as capacity building. Indeed it is common practice for businesses to adapt technologies to specific markets and ensure there are capabilities in place to use the technologies. For example, wind turbines are often adapted to make them simpler and easy to operate.

Technologies are diverse and sectors have different needs. However, participants at the Summit agreed on a common challenge: diverse standards, national codes, laws and practices in different regions create multiple strands of compliance needs and limit the benefits of economies of scale that would foster the rapid diffusion of existing solutions.

Technology collaboration is essential to producing the transformational change required; collaboration involves establishing a dialogue between government, sectors and international organizations. The EU is leading the climate change transformation, which can help others learn from their experiences. Emerging economies are developing low carbon development strategies, but the diffusion of low carbon technologies is slow and often met with multiple barriers, such as a lack of absorptive capacity and political and economic signals to encourage widespread deployment.

Collaboration can help overcome some of the barriers to technology diffusion. Opportunities for cooperation exist not only among carbon intensive sectors (e.g. CCS demonstration) but also within the wider economy. The information communication technologies (ICT) sector, for example, can contribute significantly to the solution in collaboration with other sectors.

Recommendations to policy makers:

- **Power generation:**
 - **Involve the private sector in the development of technological needs assessment** in developing countries.
 - **Increase capacity building in developing countries**, including education, training and exchange of information and best practice with other developing countries.
 - **Enhance transparency and involvement** of business stakeholders, NGOs and academic institutions.
- **Industry:**
 - **Create integrated policies** that facilitate collaboration between sectors, companies and NGOs.
 - **Create long term policy frameworks and incentives** for the development and use of new technologies.
 - **Streamline and harmonize standards** to ensure alignment of national and international best practices and standards and create level playing fields.
 - **Provide incentives for early action**, including appropriate accreditation for any early action to deploy alternative technology ahead of schedules, or indeed ahead of legislation.
- **Buildings:**
 - **Provide integrated policies that will foster systemic and solution approaches**, e.g. by promoting life cycle assessments of building and building materials to understand energy usage throughout the asset life.
 - **Promote use of innovative building materials or improvements in design** through market incentives and regulations.
 - **Improve building codes** and policies directed to retrofitting building stocks.
 - **Improve building information and management systems**, e.g. intelligent energy metering.

Energy efficiency

Demographic change is a key factor in tackling emissions growth. Although developing countries typically have lower carbon emissions per capita compared to developed countries, their rapidly rising populations mean that they are expected to represent 8 out of the 9 billion global population by 2050. These countries are also urbanizing quickly, so energy efficient systems (whether in relation to power generation, the built environment, public infrastructure, consumer products or transportation) need to be in place to ensure that the increased population can achieve high living standards without compromising efforts to tackle climate change.

Improving energy efficiency can help deliver a significant proportion of the emissions reduction required – a 34% reduction in global carbon emissions by some estimates. Importantly, undertaking measures to improve energy efficiency can often deliver the most immediate and cost-effective emissions reductions, compared with other carbon mitigation efforts. However, they are often neglected in global negotiations.

The current economic downturn presents an opportunity to catalyze and accelerate ongoing energy efficiency efforts, given the immediate cost savings that can be captured. The objectives of economic growth, job creation, climate mitigation and energy efficiency are well aligned. While there are technological and financing barriers to implementing energy efficiency measures, the more difficult challenge is changing behavior at the micro levels.

Participants agreed that cities present major emission reductions opportunities. Their higher density (relative to rural areas) means that resources and infrastructure can be shared across a wider population base. For developing countries, where new cities are being built and are growing apace, opportunities to ensure that energy efficiency is integrated in city planning.

At the individual level, simple behavioral changes will help reduce energy consumption, but these require raised awareness and commitment.

Recommendations to policy makers:

- **A political focus on energy efficiency** can get business engaged in reducing emissions, even in the short term. At an international level, clear and transparent efficiency standards and support for the labeling of the energy efficiency of products will stimulate behavioral changes in consumers and companies. At a national level, placing energy efficiency at the core of federal or state climate change action plans will help governments and business approach the problem together at scale.
- **Building support to encourage change** by engaging with key partners, especially city governments, whose policies and partnerships with businesses can be major levers for improving efficiency economy-wide.

Forestry and terrestrial carbon

Stabilizing CO₂ concentrations at 450 ppmv requires a reduction in global emissions by 17GT by 2020 from the business-as-usual scenario. A vital contribution to this reduction could come from the forestry sector and land use change – up to 50% of total carbon reduction. However Reducing Emissions from Deforestation and forest Degradation (REDD) has not been prioritized in previous global climate negotiations or in the Kyoto Protocol. The impacts of deforestation are two-fold: firstly, carbon is transferred from the living components of the planet to the atmosphere, and secondly, this transfer causes a disruption in the role of forests as carbon sinks.

The paradigm shift to a focus on tackling climate change through sustainable management of terrestrial carbon is reflected in the recently-released draft of the post 2012 negotiation text under the UNFCCC. Key principles that support effective management include: supporting sustainable development in both forest-rich and forest-poor countries; and supporting governments to establish property rights and preserve human rights of indigenous people living in affected areas, while recognizing the importance of investments.

There are many actors and players in the landscape of land use management, including governments, agricultural sectors, the forestry sector and local residents. Although REDD has moved to the centre of negotiations, developing countries are still hesitant to form any agreements. The incentives for developing countries need to be credible and reflect a market for ecosystem services which includes REDD. This is especially important for countries that rely on agricultural crops (e.g. palm oil, sugar cane) and timber which contributes to deforestation, through incentivizing sustainable management of land use. The rise of biofuel as an energy source also contributes to increased production of crops such as sugar cane.

Carbon markets can go some way towards providing the necessary financing, through putting a price on forest carbon. However, the carbon market will not be the sole solution, so other forms of innovative financing solutions need to be considered. Effective monitoring systems also need to be put in place. A global coordination institution (possibly formed from an overlay of existing institutions) could also act as the focus point and lead driver of global efforts. Active consideration of the welfare of local residents whose livelihoods depend on forests will help build support at a local level.

Recommendations to policy makers:

- **Robust mechanisms to achieve meaningful reductions in emissions from deforestation and land use** must be included in a global climate deal. Terrestrial carbon should be included as a core dimension to addressing climate change.
- Global leaders need to **create a new institution or strengthen existing institutions** to lead and enable coordinated efforts across countries. This would include supporting **public-private partnerships and financing mechanisms** in exchange for environmental service.
- **Transparent and effective Measurement, Reporting and Verification (MRV)** is essential for forestry credits and their distribution.

Adapting to climate change through strategic planning and collaboration

A political deal will not be possible in Copenhagen if adaptation is not adequately dealt with, including financing mechanisms for adaptation measures, particularly for the most vulnerable countries.

Adaptation is also an important issue for business. Participants at the Summit agreed that companies will not be sustainable if they do not consider the effect that climate change will have on their long term investments, assets and value chains.

Successful leaders must be prepared to manage their businesses under risks and uncertainty; however, the level of uncertainty related to climate impacts and risks can be significantly reduced through a better understanding of climate science and thus make it easier for businesses to plan and adapt.

So far, the negotiations on adaptation have remained at the political level, in particular on the allocation and distribution of funds. Participants at the Summit suggested that governments should engage with business to ensure the most effective use of funds for implementation of adaptation measures.

Increasingly, whole sectors and geographies may be exposed to severe climate impacts. For example, the agricultural sector is facing the possibility that crop yields could halve between now and 2020.

Participants agreed that adaptation measures, practices and investments need to be scaled up significantly, and that public-private partnerships may be the most effective vehicle. Existing public-private partnerships need to move from being community-based to larger schemes that create economies of scale. Effective partnerships in other sectors may set a useful example.

Recommendations to policy makers:

- Engage in research to improve climate modeling and **reduce the uncertainty of future climate impacts**. Sharing of information on local climate modeling, led by governments and supported by local business knowledge, could help in the planning and development of adaptation measures.
- An effective adaptation **funding mechanism** is necessary. It must be flexible, scalable and applicable at local, regional and national levels.
- **Develop or innovate financing mechanisms for public-private partnerships**, e.g. a decentralized systems that support smaller financial groups (similar to microfinance models), which in turn provides funding for adaptation solutions. The key to successful partnerships will be to build infrastructure, knowledge and development capacity to improve the management of long term climate impacts.

Measuring and communicating progress

The Bali Action Plan call for mitigation activities that can be measured, reported and verified (MRV) is mirrored in the private sector's call for greater clarification and standardization of rules on climate change disclosure. Corporate reporting and measuring systems are developing rapidly but would benefit significantly from clarification and standardization so as to improve results for both providers and users of information. Cities, public sector and other organizations with climate strategies are adopting similar practices and facing similar challenges. These predominantly voluntary disclosures are welcome and vital responses by business and others to the demand for solutions to the threats posed by climate change.

The Greenhouse Gas (GHG) Protocol establishes a firm foundation for measurement of GHG emissions. However, while the GHG Protocol and other monitoring and reporting schemes allow various methods to be used for boundary setting, emissions measurement, target setting and performance tracking, disclosures can vary in quality, quantity and relevance. The resulting lack of consistency and comparability is inconsistent with the global and shared nature of climate change, prevents the effective use of information by markets and stakeholders and discourages disclosure – companies and others are uncertain about what they should report and how any disclosure will be used.

A uniform and transparent global reporting standard is required that:

- Reduces complexity and provides the clarity that will enable business to integrate climate change considerations into their strategies and long term planning;
- Produces disclosures that are consistent, comparable and reliable across sectors and geographies;
- Satisfies the information needs of government, business, investors and consumers;
- Creates the common language for reporting that is necessary for linking and harmonizing schemes; and
- Provides the clarity and rigor that is necessary for compliance, assurance and enforcement and that is compatible with the implementation of policies under discussion through the UN Framework Convention on Climate Change negotiations.

On 25 May 2009, the Climate Disclosure Standards Board released a draft Reporting Framework for public consultation that seeks to achieve these objectives.

Recommendation to policy makers:

- **Support a global reporting model** which includes business, governments, consumers, and investors to help create the framework for MRV and communication. Given the existing disparate efforts, this may mean that a global model would begin as a collection of regional measurement and reporting models. Any such system would need to ensure **consistency, comparability and reliability** between sectors and geographies.
- Businesses also need **long term policy clarity and certainty**, which would help with business planning and integration of actions on climate change into their business strategies and allow them to plan effectively for the longer term.

Value chain

The networked nature of business operations means that effective action to reduce climate impacts will require working through the dense value chains upon which all companies and consumers rely.

There is significant opportunity to accelerate and deepen action to combat climate change by focusing on comprehensive approaches to value chains. These build on existing business models that can enable effective action across national borders, promote innovation, and capture opportunities for efficiency. Supply chains in most businesses are currently managed for cost, time and quality, and exclude parameters such as impacts on climate, water and waste. Furthermore, existing policies that relate to supply chain management have covered standards for labor, factories, and poverty alleviation at source.

The complex interactions between stakeholders imply that partnerships and cooperation along entire value chains may be necessary. For example, cellulosic ethanol (a form of biomass composed primarily of inedible plant fibers such as grass, stalks and straw) has the potential to provide enough biofuel to replace 25% of road transport in the US and EU, but to capture this opportunity would require engagement of the entire value chain, including farming, biomass collection, refineries and engine design. The lack of support from any one partner could be enough to 'block' progress in this area.

Participants suggested that gaining visibility for climate change and greenhouse gas emissions would require improved measurement and monitoring, better technology, stronger partnerships with suppliers and customers, and greater understanding of consumer needs.

Participants at the Summit recognized that a global agreement should include the measures to incorporate value chain approaches and that this will greatly improve the likelihood of meeting targets set by the agreement.

Recommendations to policymakers:

- **Establish a transparent international standard for greenhouse gas measurement** of products and services across value chains. Any standard needs to be simple, consistent but unrestrictive, for example setting minimum standards and common measurement methods.
- **Increase the quality and information available** to the public, including providing education to and increasing awareness of consumers, businesses and students.
- When considering the adoption of low carbon innovations, include **focus on disseminating these technologies along supply chains** and consider the complex **interactions between different stakeholders** along each chain.

Acknowledgements

The Copenhagen Climate Council would like to thank participants in the World Business Summit for their dedicated output from the discussions.

Special thanks to PricewaterhouseCoopers LLP for their contribution in preparing this summary.

The Summit was prepared in collaboration with our partners who have shown great dedication to our shared mission. In particular, we wish to thank Arne Mogren and Jesse Fahnestock at 3C (Combat Climate Change); Dominic Waughray, Brindusa Fidanza and their colleagues at the World Economic Forum; Mark Kenber, Holly Lenton and Madeleine Cobb at The Climate Group; Lila Karbassi and Claude Fussler at the UN Global Compact; Matthew Bateson, Andrea Brown, Antonia Gawel and Maria Mendiluce at the World Business Council for Sustainable Development; Aron Cramer, Peder Michael Pruzan-Jørgensen and Ryan Schuchard at Business for Social Responsibility; and Lois Guthrie at the Carbon Disclosure Project.

THE COPENHAGEN CALL

As global business leaders assembled at the World Business Summit on Climate Change, we call upon our political leaders to agree an ambitious and effective global climate treaty at COP15 in Copenhagen. Sustainable economic progress requires stabilizing and then reducing greenhouse gas emissions. Success at COP 15 will remove uncertainty, unleash additional investment, and bolster current efforts to revive growth in a sustainable way.

By addressing the magnitude of the climate threat with urgency, a powerful global climate change treaty would help establish a firm foundation for a sustainable economic future. This would set a more predictable framework for companies to plan and invest, provide a stimulus for renewed prosperity and a more secure climate system. Economic recovery and urgent action to tackle climate change are complementary – boosting the economy and jobs through investment in the new infrastructure needed to reduce emissions.

Business is at its best when innovating to achieve a goal and the goal of reducing greenhouse gas emissions is vital to our common social, economic and environmental future. At the Summit we agreed that this will require¹:

1. Agreement on a science-based greenhouse gas stabilization path with 2020 and 2050 emissions reduction targets.

We support the scientific evidence of the IPCC's 4th. We are concerned that some recent scientific evidence suggests the problem may be worse than many of the IPCC estimates.

An effective global climate treaty must establish an ambitious goal and set emission targets that protect us and future generations from the risks of climate destabilization. Limiting the global average temperature increase to a maximum of 2 degrees Celsius compared to pre-industrial levels would entail abatement of around 17Gt versus business-as-usual by 2020. This will require an immediate and substantial change in the current global greenhouse gases emission trend: it must peak and begin to reduce within the next decade. Longer-term targets must be informed by the evolving science, but the IPCC's 4th Assessment Report indicates that global emissions must fall by at least half of 1990 levels by 2050. We believe that working to reduce emissions now is less costly than delaying our efforts. There is nothing to be gained through delay. The deepest reductions should initially be made by developed economies though global emissions reduction will require all nations to play a part.

Emissions reduction at this scale will profoundly affect business, and business is already taking action to drive down greenhouse gas emissions. We are ready to make those changes and support ambitious political decisions to address the climate challenge wherever we operate. If policies are well designed and implemented, the benefits of early action will outweigh the short-term adjustment costs. This early action can only be achieved by setting an ambitious 2020 target.

2. Effective measurement, reporting and verification of emissions.

Achieving and tracking greenhouse gas emissions reduction is vital to measuring convergence towards the objectives of an effective climate treaty. As businesses we can set an example by contributing to a unified, coherent and reliable measurement, reporting and verification discipline leading to mandatory reporting. Accounting for the emissions we are responsible for will provide the basis for emissions reduction beyond what may be required by regulation and allow our performance to be properly judged and rewarded by investors and the public.

3. Incentives for a dramatic increase in financing low emissions technologies.

To promote effective, efficient, equitable and ambitious action to address climate change the world will need to mobilize the scale of investment necessary to achieve the emissions reduction required. Properly established, an international carbon market framed around ambitious reduction targets can enable both cost-effective abatement and create the carbon price stability to drive the deployment of technologies that will deliver large-scale emissions reductions. The first steps to establishing a global market will be to enable linkage between national and regional carbon markets. An international agreement will help secure investor confidence in the carbon market, and national actions will help generate new financial flows for climate investment.

¹ The views expressed here have been informed by discussions at the World Business Summit on Climate Change. They do not necessarily reflect the views of all participants.

The new climate treaty must “push” the development of new technologies through the use of public funds to leverage private finance in early stage demonstration and deployment. This will require policy measures that create clear, predictable, long-term incentives to stimulate private investment and enable the global diffusion of capital and technology.

4. Deployment of existing low-emissions technologies and the development of new ones.

The private sector is already the source of over two-thirds of the world’s investments in clean technology innovation, and is the most effective source of know-how and technology dissemination and transfer. Many low carbon technologies already exist and can significantly reduce global emissions. Significant emissions reduction can be achieved through energy efficiency, much of it with positive financial returns. Standards and regulations are the best way to achieve this. A new treaty must support deployment of low carbon solutions by encouraging incentives for public and private purchasers to choose the lowest emissions infrastructure and technologies and for investors to account for climate risk in their decisions.

Government and business must work together to ensure that all nations have equitable access to new clean energy technologies and other innovations by, among others, working with developing countries to improve the infrastructure required for effective deployment.

An effective global climate treaty must provide the means to fund research, development and the deployment of new clean energy technologies. Pricing can help “pull” these technologies through the innovation chain, generate revenue and enhance the flow of investment to developing countries.

Governments should strive to end the current perverse subsidies that favour high emissions transport and energy infrastructure and promote deforestation.

A shift to a low-carbon economy, supported by private sector participation and government, has the potential to drive the next generation of technological innovation, address the environmental and economic challenges that climate change presents, and contribute to global development.

5. Funds to make communities more resilient and able to adapt to the effects of climate change.

We recognize that adaptation is as important as mitigation in an effective global climate treaty. Adaptation planning will require a holistic and long-term planning perspective, which will require different levels of activity at the international, national and local levels. Businesses will be responsible for building much of the infrastructure needed to protect us from climate impacts. An effective global climate treaty will mobilize funding that supports public private partnerships to enhance development, adaptive capacity, climate resilience and management of risk.

6. Innovative means to protect forests and balance the carbon cycle.

Because a significant proportion of the CO₂ reduction required by 2020 comes from the sequestration of carbon in forests and agriculture lands, an effective climate treaty must facilitate such sequestration. If emissions reductions targets are to be met, there is an immediate need to protect forests and enhance carbon sequestration. The private sector can play an important role in reducing deforestation, particularly in developing countries, through mechanisms structured to value conservation.

We believe these elements should form the core of the international climate change treaty agreed at Copenhagen. As business leaders we stand ready to innovate and operate within the framework established through that treaty and national policies.

Reducing the emissions that until now have been so linked to our economic growth and betterment will be an enormous, unprecedented global challenge but will also provide significant opportunities for sustainable growth, development and innovation. Acting together, we owe it to future generations to meet this challenge. Now is the time to create the foundations for long term, low carbon prosperity. We are willing to work with government to do so.

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Presented by the Copenhagen Climate Council, informed by discussions with the World Business Council on Sustainable Development; 3C; the World Economic Forum Climate Change Initiative; the UN Global Compact and The Climate Group, and deliberations among participants at the World Business Summit on Climate Change, 24-26 May 2009.