
Business leadership on climate change adaptation

Encouraging engagement and action

December 2010

Executive Summary

The full report is available for download from
www.pwc.co.uk/scaling-up-adaptation.

Adapting to climate change

Scientists increasingly recognise that even under the most ambitious mitigation scenarios, it will still be necessary to adapt to the adverse effects of climate change. Rising temperatures, increasingly extreme and unpredictable weather events, decreased water availability, changes in crop productivity, loss of biodiversity and sea level rise are now believed to be unavoidable in many regions. These direct impacts would have severe knock-on effects on health, mortality, food security, migration patterns, natural ecosystem and economic prosperity, at both local and international levels.

'Adaptation' refers to the response of governments, businesses and society to the expected impacts of climate change. Adaptation actions aim to reduce the risk of negative climate impacts and to maximise any opportunities that might arise. Many of the impacts of climate change are already being felt by businesses, and experience of adaptation practices is steadily building. However, for the most part, adapting to climate change is still not mainstreamed into business activities.

Many developing countries also face particular challenges, with the negative consequences of climate change exacerbating existing development problems (e.g. water scarcity, food security). These countries typically have a lower capacity to adapt to climate change risks and opportunities, with less developed health and sanitation infrastructure, lower energy security, underdeveloped state institutions, poorer levels of education and a lack of investment capital. Economic growth in these countries is therefore central to increasing their 'adaptive capacity'. Building blocks to economic growth, such as access to international markets, the development of competitive markets, improvements to institutions and infrastructure, and access to credit and increased investment, also underpin a healthy private sector and facilitate good adaptation.

This report presents the views of a range of businesses, which have recognised the need to rise to the challenges and opportunities from adaptation. It explores the scope for the private sector to mainstream adaptation action and capitalise on new opportunities and markets. But, just as importantly, it considers the need for enhanced engagement between the private and public sector, and provides recommendations of how joint and collaborative working relationships could help move society towards the common goal of a climate resilient world.

Improving business resilience and capitalising on market opportunities

Effective adaptation to climate change requires sound risk management and strengthening business resilience. Most companies are exposed, either directly or indirectly, to natural resource constraints, manufacturing or logistical interruptions, and financial or economic crises as a result of climate change. The level and type of response will depend largely on the exposure of the business: whether it is responding to direct risks to its core operations, or indirect risks via supply chain or other dependencies.

Risks also often drive opportunities. Private sector action is an important complement to secure commitments and concerted action by governments; and many areas of adaptation, including the need for technology development and transfer, finance and capacity building, will be implemented by or with the involvement of the private sector. New markets, products and services may also emerge from adaptation. Those with foresight, an informed position and the culture and capacity for change could be rewarded with sustained competitive advantages.

Challenges to action

Views from over forty organisations highlighted a number of challenges to the private sector that has restricted the scaling up of adaptation to climate change. They see constraints such as a lack of awareness on specific climate risks within some businesses, a lack of clarity on policy direction, and uncertainties regarding the extent of future risks. These are made more complex by the diversity and heterogeneity of the risks and opportunities from climate change across countries, sectors and communities.

Fostering private sector engagement

Fundamental to an effective response to climate change is enhanced collaboration and cooperation between governments, business and civil society. Our interviews and survey suggest that the private sector is prepared to be more engaged on adaptation issues, and help inform the recommendations in this report.

The overarching recommendation of this report is to encourage better representation and engagement of the private sector on adaptation at the international level. There are already a multitude of private sector organisations looking at adaptation, both at a sector level and on a cross-sectoral basis. Governments could draw upon this resource, as well as creating new channels for engaging private sector participation.

The subsequent recommendations in this report are targeted at the five priority action areas which constitute important elements of the UNFCCC international framework:

- National planning and implementation of adaptation
- Assessment of risks, impacts and vulnerability and knowledge sharing
- Disaster risk management and insurance
- Technology development and transfer
- Financing adaptation activities

Towards greater climate resilience

Adaptation is highly complex and involves dealing with significant uncertainties. Impacts will vary, and stakeholders are diverse. There is no silver bullet, no single solution. But these are not reasons for inaction.

Enhanced action on adaptation is central to any future international framework for tackling climate change. Any agreement, however, marks not the end, but the start, of a paradigm shift in how the international community responds to climate change. This report provides a private sector perspective on adaptation and suggests some first steps to catalyse greater private sector engagement.

It is up to all of us – national and local governments, civil society and the private sector – to take these recommendations forward, and work together effectively to deliver the climate resilience required.

Recommendations

International engagement	1. Better representation of private sector and ease engagement process
National planning and implementation of adaptation	2. More inclusive consultation of private sector in the development of plans and strategies 3. More explicit recognition of the role of private sector actors in national adaptation planning 4. Capacity building through 'small' specific actions
Assessment of risks, impacts and vulnerability and knowledge sharing	5. Programmes focused more on the information needs of the private sector and what they can contribute 6. Synthesis and sharing of information
Technology development and transfer	7. Programmes focused more on showcasing successful technology diffusion, to build confidence 8. Private sector representation in existing programmes led by or affiliated with UNFCCC, tied in with mitigation needs and objectives
Disaster risk management and insurance	9. Public-private collaboration in the development of regional and national risk management frameworks and platforms, including risk pooling, insurance and DRR approaches 10. Evaluate options for using risk management and insurance expertise of the private sector in any future insurance mechanism
Financing adaptation activities	11. Awareness raising in investor and corporate community on investment opportunities associated with adaptation 12. National level engagement/consultation between private sector and governments to scale up private sector investment in adaptation activities 13. International level consultation on current private sector engagement in existing UNFCCC and multi-lateral bank adaptation funds 14. International level consultation on options for enhanced public-private engagement around the Green Fund

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