Business involvement in climate negotiations has come a long way

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As the Paris climate summit is nearing its end, an impressive array of global business leaders from around the world have lent their support to a strong climate agreement. Why are the likes of Richard Branson, Ratan Tata and Paul Polman calling for international cooperation on climate change? How serious are their commitments, and what can be done to strengthen business engagement in climate policy?

It is striking just how much business involvement in the climate negotiations has changed since the UN climate convention (UNFCCC) was adopted in 1992. At the time of the Kyoto Protocol negotiations in 1997, global business was still deeply divided between fossil fuel-dependent sectors and those businesses that were either facing higher costs from climate change (e.g. insurance) or betting on a low-carbon future (e.g. renewable energy). In some countries, such as the United States, powerful business interests stood in the way of ratification of the Kyoto climate treaty.

By the time of the 2009 Copenhagen Conference, opinion within the global business community had already shifted, with more and more manufacturing and high-tech firms coming out in support of carbon restrictions. Now, there is a large and diverse chorus of business voices calling on states to work for a strong climate accord.

In the United States, for example, 81 large companies with annual revenue of over $3 trillion and a market value of over $5 trillion have signed the American Business Act on Climate Pledge , an initiative that the White House launched in October. The pledge voiced support for a strong outcome of the Paris climate talks.

To be sure, the shift in business attitudes has been underway for some time. For one, as awareness of climate risks has increased, more and more global firms are now measuring and reporting their exposure to climate change, in terms of the emissions they produce or the risks they face from climate disruption. For example, CDP works with 822 institutional investors to provide carbon transparency and inform investment decisions about how companies deal with greenhouse gas emissions, water usage and deforestation risks. And as institutional investors start to move out of high-carbon sectors such as coal, climate transparency is becoming a tool for decarbonizing the global economy.

Furthermore, many more companies now see future carbon restrictions as a business opportunity and not just a cost. The dramatic fall in the costs of solar energy, for example, has boosted renewable energy investment around the world, with China now being a global leader in newly installed solar energy capacity. Manufacturing firms such as General Electric have positioned themselves to reorient their corporate strategy around sustainability solutions, while consumer-facing companies such as Walmart have made climate pledges to develop a greener public profile.

Critics point out that at least some of the corporate pledges amount to little more than ‘greenwashing’. Even some of the corporate sponsors of the Paris climate summit have come in for criticism for failing to disclose their carbon emissions. Inevitably, as companies engage publicly with the climate challenge and seek to benefit from making eye-catching pledges, they will also come under closer scrutiny, some of which will be unfavourable.

One interesting development that has opened up new opportunities for meaningful business engagement in international climate policy is the growing use of public-private partnerships. Only last year at the UN Climate Summit in New York, 52 climate initiatives involving states and nonstate actors were launched. Recognising the important contribution that such initiatives can make to climate mitigation, the French Presidency of the Paris climate summit made such initiatives a key pillar of any COP21 outcome .

However, as a new study by a team at the London School of Economics and the German Development Institute finds, businesses are not yet playing a leading role in this new area of climate cooperation. Although over 100 companies are already participating in the climate actions launched at the UN Summit, only 13 percent of these actions are actually led by business. More business leadership is needed if these partnerships are to have a tangible impact on the ground.

There is thus plenty of scope for strengthening business engagement in international climate policy. At a minimum, the UN could offer a more systematic platform for recording and comparing voluntary commitments by the business community. Companies would gain in legitimacy and credibility, and new global alliances could be forged that gradually help to increase the level of ambition around the world. Whatever the outcome of the Paris negotiations, more business engagement with international climate policy will be needed if we are to keep future global warming under control.

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Notes:

- *This article is based on the working paper Strengthening non-state climate action: a progress assessment of commitments launched at the 2014 UN Climate Summit, LSE Grantham Research Institute on Climate Change and the Environment, co-authored by Robert Falkner and Sander Chan, Harro van Asselt and Matthew Goldberg.*
- *This post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
- *Featured image credit: Wind turbine for renewable electricity generator epSos .de CC-BY-2.0*

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