Fores study 2015:6

Harnessing Company Climate Action Beyond Paris[1]

Oscar Widerberg & Philipp Pattberg[2]

The inability of governments to steer the global community towards a safe de-carbonization pathway has left an 'ambition gap' between projected emissions levels and the goal of limiting global warming to 2° Celsius. In the run-up to COP21 in Paris, the private sector and its potential to help bridge this gap have drawn considerable attention. For instance, the Lima-Paris Action Agenda (LPAA) and the Non-State Actor Zone for Climate Action (NAZCA) have boosted attention, legitimacy, and research into non-state climate action by recording thousands of commitments made by cooperative initiatives comprised of hundreds of companies and investors.

This report explores companies' climate actions by surveying past studies and new data on 2,111 companies spread across 101 cooperative initiatives in the NAZCA database[3] and the CONNECT project.[4] Starting from the premise that non-state action should be *additional* to government action in order to close the ambition gap, we focus on the discrepancies between *potential* and *actual* cooperative initiative participant performance.

This study illustrates how companies collaborate with one another – in addition to working with the government and civil society – which results in an intricate web of global climate governance. Within this emerging web, a few key players figure prominently. Leading companies like Unilever, Philips, and H&M have the potential to inspire others to cut emissions further by connecting different companies and investors in cooperative initiatives. Adding up estimates from several studies about such cooperative initiatives, we find

[1] Från studien "Harnessing Company Cliamte Action"
[2] Institutet för miljöforskning IVM

[3] http://climateaction.unfccc.int/
[4] www.fragmentation.eu

potential GHG mitigation to range from 2.7 to 3.1 GtCO2e by 2020. Should this potential be realized, it would provide a substantial contribution towards bridging the ambition gap.

Nonetheless, it is important to note that the distribution of companies researched here is heavily skewed towards the Global North and from sectors with relatively small emissions. Key companies have a patchy track-record in achieving net GHG reductions, and information on the *actual* performance of companies in cooperative initiatives is scarce. In fact, available *ex-post* data on emissions reductions paints a somber picture in which actual mitigation levels remain far below estimated potential mitigation levels. Moreover, the impact of overlaps in participation between cooperative initiatives and the national accounts remains largely unknown. Available estimations diverge considerably.

To harness the massive potential of companies taking climate action, both in terms of direct GHG emissions reductions and through indirect actions like information exchange and influencing future country pledges, our study recommends five actions:

1. Develop common **performance criteria for cooperative initiatives** that accommodate the diversity of initiatives and actions, while simultaneously safeguarding the ability to tangibly assess the success/failure of reaching stated goals. Direct cuts in GHG emissions should be a criteria, however, since many cooperative initiatives do not aim to cut emissions, using a number of other output-based variables could prove interesting. To the utmost extent possible, performance criteria should be streamlined with available data registries in order to simplify and improve potential reporting procedures.
2. Make **progress reporting using common criteria compulsory** for cooperative initiatives featured on homepages and publications of international organizations (e.g., NAZCA). Compulsory reporting with common criteria should be put in place in return for the

substantial good-will and positive exposure provided for those companies that engage in climate change action.

3. Carry out **regular reviews of cooperative initiatives** based on progress reporting and other previously developed performance criteria. This could be carried out by civil society actors, technical experts, and international organizations to assess progress towards commitments, as well as identifying leaders and laggards. Identifying success factors and challenges also enables learning and adaptation within the initiatives, possibly improving their performance.
4. **Support key players** by raising awareness about front-runners and champions. A ranking of key players in cooperative initiatives – according to a number of criteria like actual progress against concrete targets and scope of engagement – could induce a race-to-the-top situation where companies would compete to be climate action champions.
5. Provide **encouragement and support for companies in developing countries to join cooperative initiatives** so as to increase the involvement and ownership of companies in developing countries and their supporting governments. For this to succeed, information about cooperative initiatives and company involvement needs to become more accessible for UNFCCC member states. The LPAA could play a major role in this respect.

To summarize, we are cautiously optimistic about the increased integration of companies into the global climate change regime. Increased engagement by companies may, in the long run, help countries to over achieve or surpass their pledges, thus stimulating more ambitious pledges. Companies are key in reducing emissions. Still, one should exercise caution when expecting companies' voluntary initiatives to close the ambition gap.

Read the full study on
www.fores.se/companyaction
Contact: daniel.engstrom@fores.se
oscar.widerberg@vu.nl