

Will Business Help or Hinder the Paris Climate Agreement?

After years of meetings and negotiations, 196 nations came to a consensus to address climate change through the 2015 Climate Change Conference's Paris Agreement. What remains to be seen, however, is how this will be accomplished. Just as with the Sustainable Development Goals, business has a significant role to play in achieving the agreement's objectives – but will these goals be reached because of business, or in spite of it? Will business ultimately help or hinder the way to a more sustainable future? A panel of Fletcher experts came together to discuss the contributions a diverse group of stakeholders – including nations, multilaterals, and businesses – will have to make if the agreement's intended goal is to be reached.

Professor Kelly Sims Gallagher opened the conversation, providing an overview of the monumental climate agreement reached in Paris in December 2015, which she attended. According to Sims Gallagher, the Paris Climate Agreement is the first universal agreement to limit emissions of greenhouse gases, and to establish the long-term goal to limit global warming to 1.5 degrees Celsius. The Agreement was constructed from the bottom up, with each participant nation submitting its own intended contribution to the international community. Many of the complicated issues regarding mechanisms for implementation, however, were deferred, including the “loss and damage” issue regarding how to compensate countries that experience damage due to climate change. According to Sims Gallagher, the next crucial step will take place in the signatories' home countries, when they begin to assess how to implement their contributions.

Dean Bhaskar Chakravorti then brought the business angle to the conversation. Chakravorti mentioned Bill Gates and Indra Nooyi as business thought leaders who are leading the charge for sustainability and taking measures to combat climate change. Dean Chakravorti emphasized the advantages many business perceive in becoming more sustainable and environmentally-conscious. Retail-end businesses benefit from being perceived as pro environment, and joining the movement at the ground level offers more opportunity to influence policy. Chakravorti looked to The Montreal Protocol, negotiated twenty years ago, to combat CFCs as a demonstration of the financial benefits businesses can derive from being at the forefront of pro-environmental policies. DuPont played a significant role in the Montreal negotiations and was prepared for its implementation. This foresight put them in a prime position to benefit from its policies, and its share price went up in the post-Montreal era.

According to Chakravorti, the profit motive is important, as business has a big role to play in the fight to slow climate change. He asked the audience, “Who's responsible for the actions that

need to take place? Where is the money going to come from? How much is to be expected from the public sector and how much will be coming from the private sector?" In response, Chakravorti argued that most funds will come from the private sector, although in poorer countries, the money is more likely to come from the public sector. There is also a huge and growing market for selling clean power, particularly now that solar is considered to be on par with more conventional energy sources.



Professors Berkman and Sims Gallagher

Professor Sims Gallagher then brought up Mission Innovation, the U.S. government's commitment to double spending on clean energy. She asserted that this promise is going to be a difficult one to keep, and the U.S.' failure to do so may generate backlash. She noted that the Breakthrough Technology Coalition, a private sector, Silicon Valley-funded initiative, is an

example of private industry-led coalition working towards innovative, alternative, energy sources.

Sims-Gallagher argued that their ideas, however, are quixotic and may not turn out to be as successful as hoped. She then underscored the importance of good policy in creating conditions for the market to flourish.

Professor Paul Berkman joined the conversation by urging the audience to contemplate the spatial scale of climate change: "We must think about responding to climate change on a planetary level, while acknowledging that this will take time...Solutions have to be commensurate with dynamics of the system." According to Berkman, the energy industry is thinking three to five decades into the future so, when at the very least, we should be operating on decadal time frames. Berkman added that, while it may not always be in a company's best interest to address climate change, any successful action will require cross-sector collaboration. Chakravorti built on that point, adding, "Businesses are responsive and responsible to shareholders who don't live for centuries. How do we deal with this?"

Shareholders, Chakravorti argued, don't only care about the bottom line – they also care about the issues, and companies like BP are listening. According to Chakravorti, there are three primary areas in which business can contribute to combating climate change: 1) investing in renewable energy, 2) decarbonizing value chains, and 3) creating new business models and technologies to address the detrimental impact of climate change. Professor Sims Gallagher

mentioned the plethora of new market opportunities posed by climate change in the adaptation and resilience industry (e.g. construction, insurance, reinsurance) and the financial industry.

All that said, slowing the rate of climate change is about more than just designing new business models. Professor Berkman reiterated the enormity of the challenge: “The hard part of this is getting our head wrapped about the planet. The real challenge is to find solutions that operate at a planetary scale.”

Lauren Smith, MIB 2016, February 29, 2016