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CLIMATE CHANGE AND THE 2030 CORPORATE AGENDA FOR SUSTAINABLE DEVELOPMENT

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ABSTRACT

Purpose – *This chapter aims to provide an overview of the Paris Climate Agreement, and to explore the meaning of this universal agreement for business.*

Design/methodology/approach – *This introductory chapter relies on secondary sources, and brings together evidence-based, conceptual and theoretical contributions from a diverse set of geographical locations, and disciplinary backgrounds.*

Findings – *It was found that although there is skepticism about achieving the ambitious set targets in the Paris Climate Agreement, the explicit political will from governments and business alike could be the engine for achieving the goals.*

Originality/value – *This chapter questions if the COP21 is the beginning of the end to the era of oil.*

Keywords: COP21; climate change; 2030; sustainability; Paris agreement

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INTRODUCTION

On December 2015, during the 21st Conference of the Parties (COP21), 195 nations settled a draft of universal agreement that seriously emphasizes the urgency to "address the significant gap between the aggregate effect of Parties' mitigation pledges in terms of global annual emissions of greenhouse gases by 2020 and aggregate emission pathways consistent with holding the increase in the global average temperature to well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above preindustrial levels" (United Nations & Framework Convention on Climate Change, 2015, p. 2). At the agreement it was also recognized the "urgent need to enhance the provision of finance, technology and capacity-building support by developed country Parties, in a predictable manner, to enable enhanced pre-2020 action by developing country Parties" (*idem*). The some of the implications for business are the inclusion of "major reductions in the cost of future mitigation and adaptation efforts" (*idem*); and the promotion of "universal access to sustainable energy in developing countries, in particular in Africa, through the enhanced deployment of renewable energy" (*idem*); the promotion of "regional and international cooperation in order to mobilize stronger and more ambitious climate action by all Parties and non-Party stakeholders, including civil society, the private sector, financial institutions, cities and other subnational authorities, local communities and indigenous peoples" (*idem*).

April 22, 2016, was a historic day. At the UN headquarters in New York during the signing ceremony, attended by 55 heads of State and government, 175 parties (174 countries and the European Union) signed the Paris agreement, and as it was declared by the UN Secretary General Ban Ki-moon, "this is by far the largest number of countries ever to sign an international agreement on a single day." By signing the Paris Climate Agreement, governments agreed on: (i) a long-term goal (2030) of keeping the increase of global average to a maximum of 2°C above preindustrial levels; (ii) limit the increase to 1.5°C; (iii) the necessity for global emissions to peak as soon as possible; (iv) assume speedy reduction subsequently in accordance with the best available science.

The legally binding global climate agreement is due to enter into force in 2020, and this needs to have considerations to be analyzed at the local and national levels. The agreement sets guidelines for adjusting policies and practices, define sections, and provide incentives to meet climate-neutrality in the next decades. Before and during the COP21 international

negotiations held in Paris at the beginning of December 2015, each country submitted their "Intended Nationally Determined Contribution."

DOES THE COP21 MEAN THE END OF THE OIL AGE?

> The stone age did not end for lack of stone, and the oil age will end long before the world runs out of oil. (Sheikh Zaki Yamani – The Economist, 2009)

Since the 1950s following environmental accidents (the mercury spill by Chisso Corporation in Japan in the 1950s, the scandals in 1962 by the use of DDT and pesticides, the oil spill Union Oil in California 1969; the oil spill of the Amoco Cadiz in the French northern coast in 1978, the gas disaster at Bhopal in India in 1984, the explosion of the nuclear reactor at Chernobyl in 1986, the Exxon Valdez spill in 1989 in Alaska, the spill of the Gulf of Mexico by British Petroleum in 2010, etc.) began a wave of manifestations of the global civil society through international mobilizations and public debates about the negative effects of international production on the environment.

Due, *inter alia*, to coordination (vertical and horizontal) required for their operations since its beginning the global oil industry has been dominated by a few companies. In accounts of the historical development of the oil industry on climate change by researchers David L. Levy (University of Massachusetts) and Ans Kolk (University of Amsterdam), it can be noted that in the first oil shock in 1973 (and subsequent oil crisis in 1979), the industry began to experience volatility cycles/consolidation in the price; why in the early 1980s, several oil companies began to diversify its operations and investments (coal, other minerals, renewable energy, and even power generation) (Levy & Kolk, 2002). In the late 1980s, the United States stopped subsidies for renewable energy production, making companies return to investments in oil, gas, and chemical industries, and concentrate on operational efficiency (reduced operating costs), rather than expansion, which the managerial divisions within these companies went from being geographically classified to be associated with products. Then, the collapse of oil prices in 1998 promoted an intense wave of mergers and acquisitions, and that once it was identified that only through economies of scale could survive and be competitive in this industry (explaining this period as high internationalization of the sector).

Since the 1990s, it has been observed that the oil multinational companies reacted in different ways to international efforts to control emissions

of greenhouse gases. Some companies have taken on the seriousness of the issue proactively, while others have evaded the evidence of science, and have shown resistance to the demands of civil society on climate change. On the one hand, European companies (such as British Petroleum and Shell) early assumed the scientific evidence of the harmful effects of industry, accepting the recommendations given by the Kyoto Protocol in 1997, and announced at the time substantial investments in renewable energy. These companies not only advanced in renewable energy, but also made significant progress in terms of public relations, and in dialogue with stakeholders. In contrast, US companies (such as Chevron and Exxon) politically challenged the scientific evidence given at the time, and made costly lobbying by lobbying against initiatives (both market and political) proposed by the international community and multilateral agencies to control emissions (Levy & Kolk, 2002).

Nonetheless, previous key events such as the Development Decade (1960s), the United Nations Conference on the environment and human development or Earth Summits (Stockholm UNCHE, 1972, Rio de Janeiro UNCED, 1992; Johannesburg WSSD in 2002, and Rio + 20 in 2012) and the COP21 although they have influenced the speeches of multinational corporations, did not necessarily achieve implementation of radical actions, nor were achieved impacts required to reverse at least partial effects. One can question, was the COP21 the beginning of the end to the era of oil?

THE CHALLENGES FOR THE PARIS CLIMATE AGREEMENT

On December 2009, the COP15 took place in Copenhagen. At this global event it was expected to reach an agreement for the mitigation of climate change. Against all the expectations, in the last day of the COP15, it only was achieved what the media and analysts called "a weak political declaration," as the Copenhagen agreement lacked off legally binding commitments to reduce CO_2 emissions. According to Christiana Figueres Olsen, Executive Secretary of the UN Framework Convention on Climate Change, and who led the COP21, the COP15 failed due to the division between the "global North and the global South."

Even when the COP21 in Paris exposed an undeniable evidence of a visible, pertinent, internationally articulated, solid, and active movement of social and environmental justice, involving actors of the civil society,

business, and governments seeking answers and actions for the global climate crisis, for many, the COP21 failed in achieved meaningful results. According to Oscar Reyes (2015), the agreement has seven major wrinkles:

- The target of "holding the increase in the global average temperature to well below 2°C above preindustrial levels" is ambitious, aggressive, and unlikely to be met. It implies, for instance, that the world needs to stop using fossil fuels by 2030.
- The agreement has not legally binding targets to reduce climate pollution. In the Paris agreement each country is free to promise whatever they want, and it was established a penalization if the promises aren't kept. This might open a door again for free-riders, as history reminds us that Australia, Canada, and the United States missed their targets under the Kyoto Protocol.
- No financial resources were promised to developing countries to cover the cost of addressing and adapting to climate change. The Paris Agreement includes a global invitation for fundraising. However, considering the increasing risk for natural disasters such as typhoons, hurricanes, floods, and droughts, the cost of addressing these could dramatically affect national finances, jeopardizing the achievements of the sustainable development goals.
- Climate reparation proposals weren't included, and even it was proposed protections to wealthy countries against potential future claims for "liability or compensation."
- The agreement doesn't control or prohibit the production of oil, gas, or coal.
- The agreement has the same loopholes in carbon trading than the ones in the Kyoto Protocol. In 2012, the market based on Clean Development Mechanism (CDM) credits collapsed, making a ton of carbon having a ridiculous low cost. The Paris agreement seems to create a new mechanism for contributing to the mitigation of green gas emissions to replace the CDM, but there isn't clarity nor a clear hope for transparent international carbon markets.
- Carbon pollution for international transportation of traded goods and people doesn't count.

However, although negative expectations by some political factions, and scientist for meeting the goals set by the COP21, for Christiana Figueres, the fact that the COP21 is backed by the robust political willingness and it can make to shift the skepticism for actions. According to Figueres, to achieve the COP21 a giant and sophisticated diplomatic work was done to

demonstrate evidences to governments and business, that the adoption of green and clean technologies with sustainable energies bring economic benefits, as the diffusion of clean technologies will bring cleaner air, better health, more livable cities, better public transportation, and better access to ensure new sustainable source of energies in developed and underdeveloped nations. Having signed the COP21 meant that government and corporate leaders understood that the future viability of business and societies (and therefore sustainability and competitiveness) would depend on achieving this universal agreement. Meeting the set targets requires a definitive long-term orientation of business, governments, and societies, commitment to act, identification of what to prioritize, and how to contribute to respective interests and specific needs of each nation.

THEN, WHAT IS THE MEANING OF THE PARIS CLIMATE AGREEMENT FOR BUSINESS?

This volume explores the meaning of the Paris Climate Agreement for business; it also analyses its challenges and implications, and we hope it will help to establish required actions by the private sector in order to reducing global warming and mitigating climate change effects.

This book brought together evidence-based, conceptual, and theoretical contributions from a diverse set of geographical locations, and disciplinary backgrounds (international business, strategy, management, economics, marketing, psychology, sociology, legal studies, and anthropology) on the meanings, implications, opportunities, and challenges for business around the planet in relation to climate change.

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