ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

Transition to a low-carbon economy: public goals and corporate practices

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Why this report?

- Under the *Guidelines*, companies are expected to contribute to sustainable development
- There is growing pressure on companies to deal with climate change
- An increasing number of companies is taking action

But:

- What is a responsible business conduct in relation to climate change? What business practices are emerging in response of expectations? What challenges are companies facing?

About this report

- The report summarises policy frameworks, regulations and other drivers of corporate action in addressing climate change and documents business practices in this area.

- The analysis builds on relevant *Guidelines* recommendations to set a framework of responsible business conduct in dealing with climate change and focuses on 3 areas in which companies have taken action.

- The report builds on: literature review; direct inputs from business, governments, experts through interviews; open consultations in Paris, Bangkok and Tokyo; and a Survey on business practices to reduce emissions.

Corporate action in dealing with climate change

1. **Emissions accounting***:* measuring, reporting and verifying emissions

2. **Achieving emission reductions**: setting reduction targets; taking action to reduce emissions; incorporating CC in business organisation

3. **Reaching out***:* Engaging with suppliers, consumers, policy makers, NGOs, and contributing to technology transfer

GHG emissions accounting and reporting

Enterprises should establish and maintain a system of environmental management appropriate to the enterprise, including collection and evaluation of adequate and timely information regarding the environmental, health and safety impacts of their activities. (Chapter V.1, Environment)

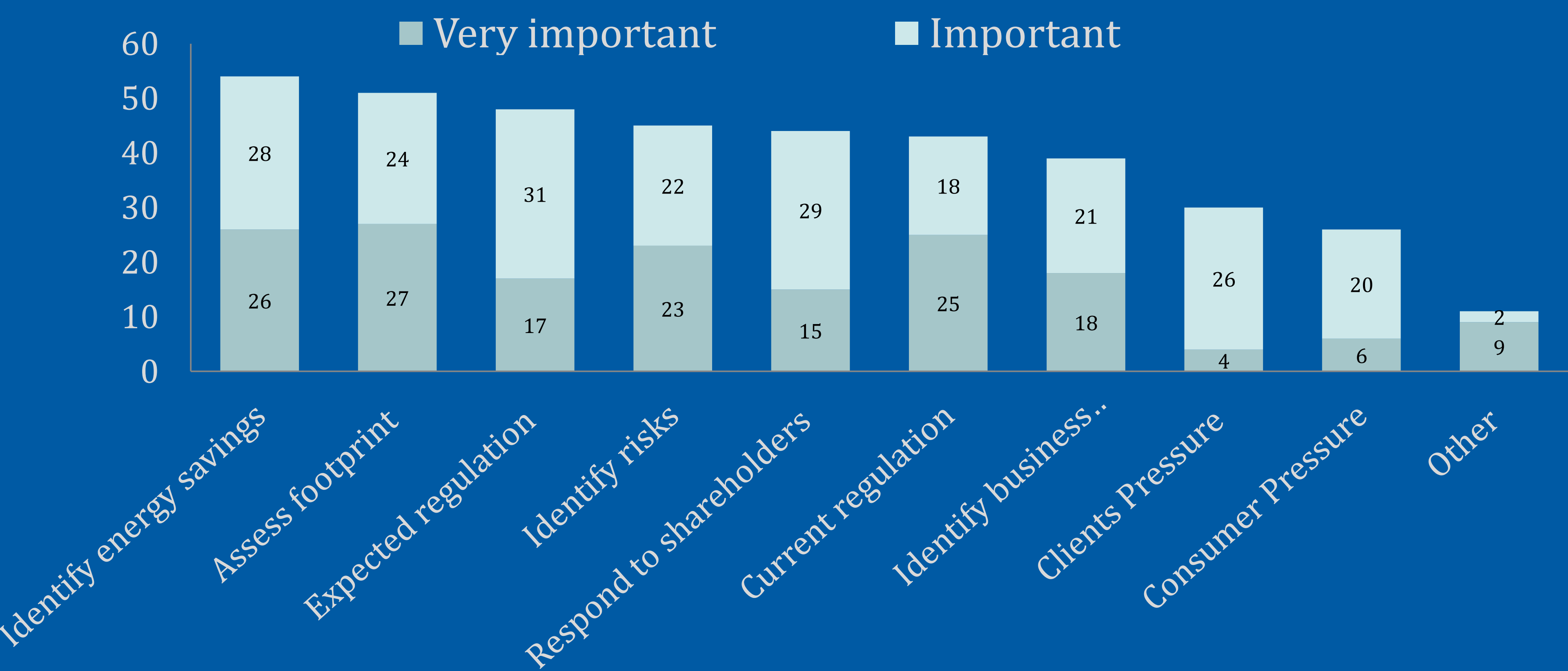
Enterprises should provide the public and employees with adequate and timely information on the potential environment, health and safety impacts of the activities of the enterprise, which could include reporting on progress in improving environmental performance. (Chapter V, Environment)

Enterprise should disclose material information on … material foreseeable risk factors. (Chapter III. 4, Disclosure)

Enterprises are also encouraged to apply high quality standards for nonfinancial information including environmental and social reporting where they exist. (Chapter III.2, Disclosure)

Increasing corporate disclosure of emissions

Regulatory pressure on companies to measure and report emissions is increasing. Other motivations include identifying energy savings, assessing impact, risks and opportunities



Emissions accounting: challenges

- Which methodologies to use?
- Which emissions to measure? And beyond emissions?
- How to fix the boundaries?
- How to accommodate multiple reporting frameworks and requirements?
- How to ensure quality of corporate information on emissions (accuracy, relevance, credibility)?

The emergence of an international consensus

Emerging standards and practices:

- The GHG Protocol has become de facto the international standard for GHG accounting
- Measuring and reporting direct emissions and those generated by the consumption of energy are becoming standard practices

On going debates:

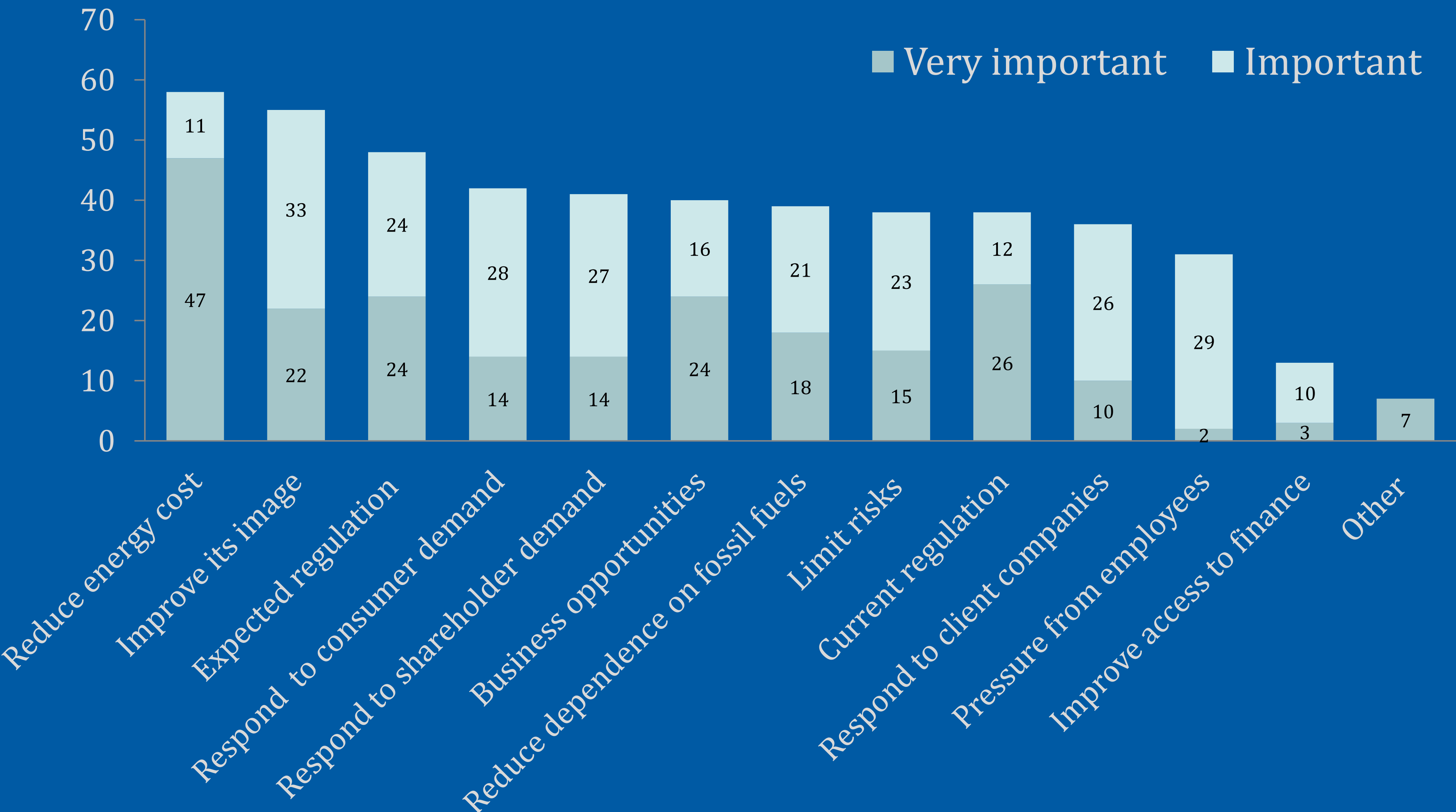
- Reporting of indirect emissions
- Alignment of carbon reporting with financial reporting
- Verification of corporate information

Achieving emission reductions

*Enterprises should establish and maintain a system of environmental management appropriate to the enterprise, including: establishment of measurable objectives and, where appropriate, targets for improved environmental performance, including periodically reviewing the continuing relevance of these objectives (*Chapter V, Environment).

*Enterprises should continually seek to improve corporate environmental performance, by encouraging, where appropriate, such activities as: adoption of technologies and operating procedures in all parts of the enterprise that reflect standards concerning environmental performance in the best performing part of the enterprise (…) and research on ways of improving the environmental performance of the enterprise over the long term. (*Chapter V.6, Environment).

Reducing emissions makes good business sense



Reducing emissions: challenges

- What are the key elements of a corporate plan to reduce emissions?
- How to set emission reduction targets?
- How to reconcile emissions reduction and growth?
- What changes to corporate governance are needed to achieve targets? How to engage employees?
- What actions to take, beyond the low-hanging fruits?

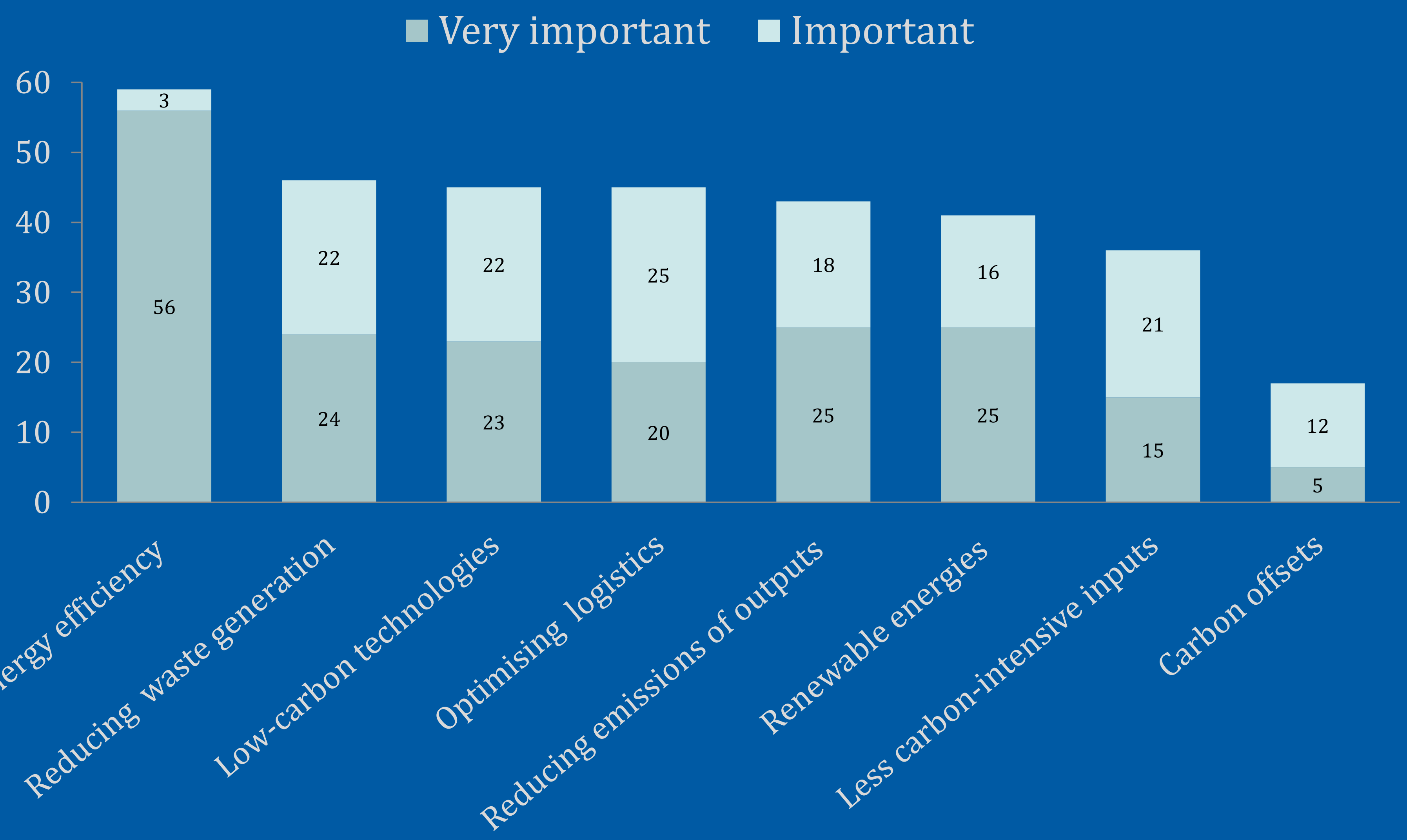
Ensuring an effective contribution of business

- Setting targets has become widespread practice among leading companies. How to ensure that they lead to clear, measurable and comparable emission reductions.

- In many cases, actions to reduce GHG emissions make good business sense and have other benefits (energy security, resource use efficiency…)

- For the vast majority of firms, going beyond energy efficiency measures will require clearer government signals, incentives, guidance

Corporate actions to reduce emissions



Reaching out beyond companies' boundaries

- There are *Guidelines* recommendations relevant for climate change on:
  - engaging consumers,
  - contributing to the development of environmentally meaningful and economically efficient public policy,
  - sharing the benefits of innovation and contributing to technology transfer
- On supply chain:

  Enterprises should encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines. (Chapter II, General Policies).

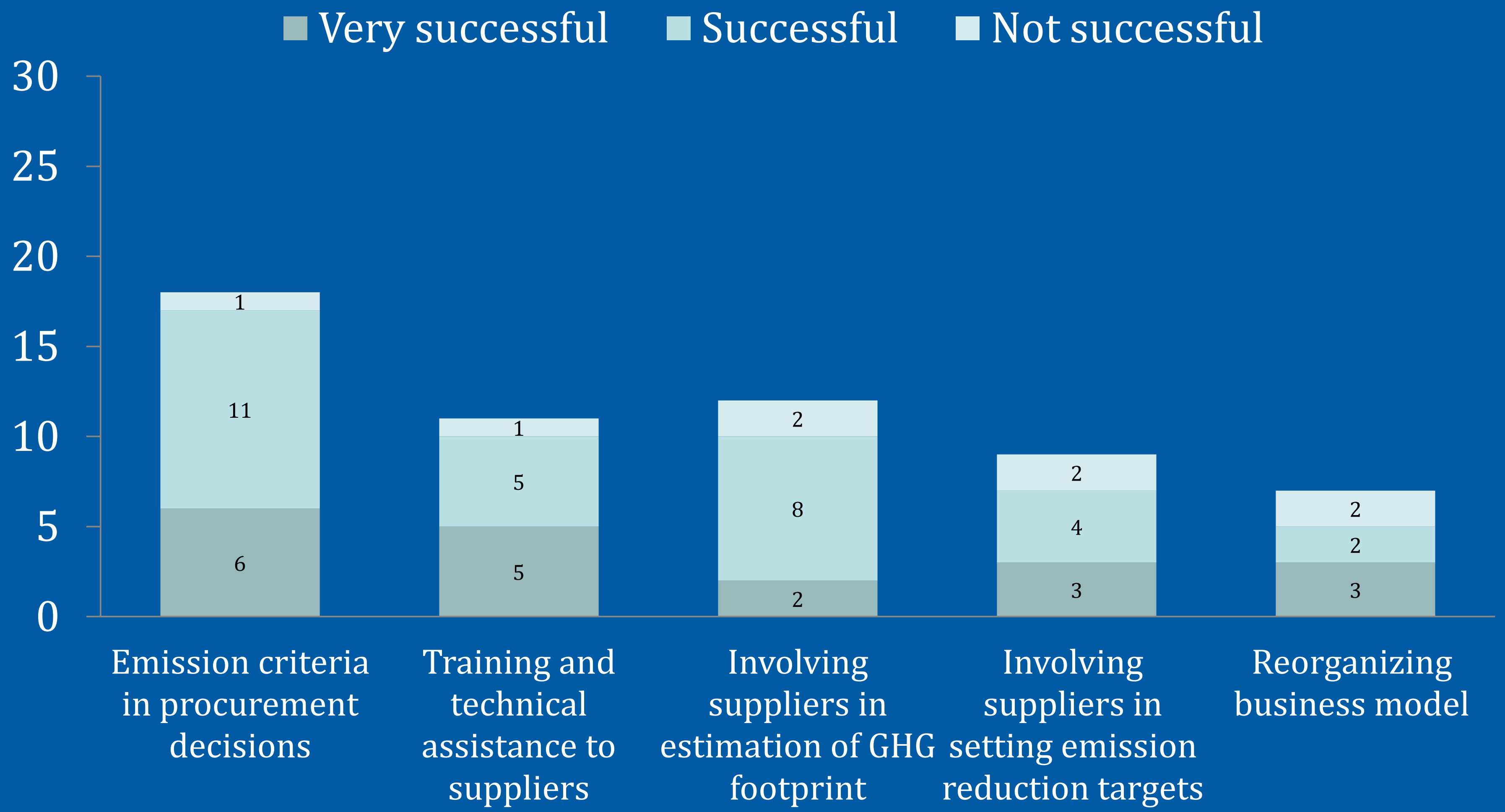
Supply chain and climate change: the new frontier

- The bulk of emissions is often produced outside the companies boundaries, through the supply chain and the use & disposal of products.

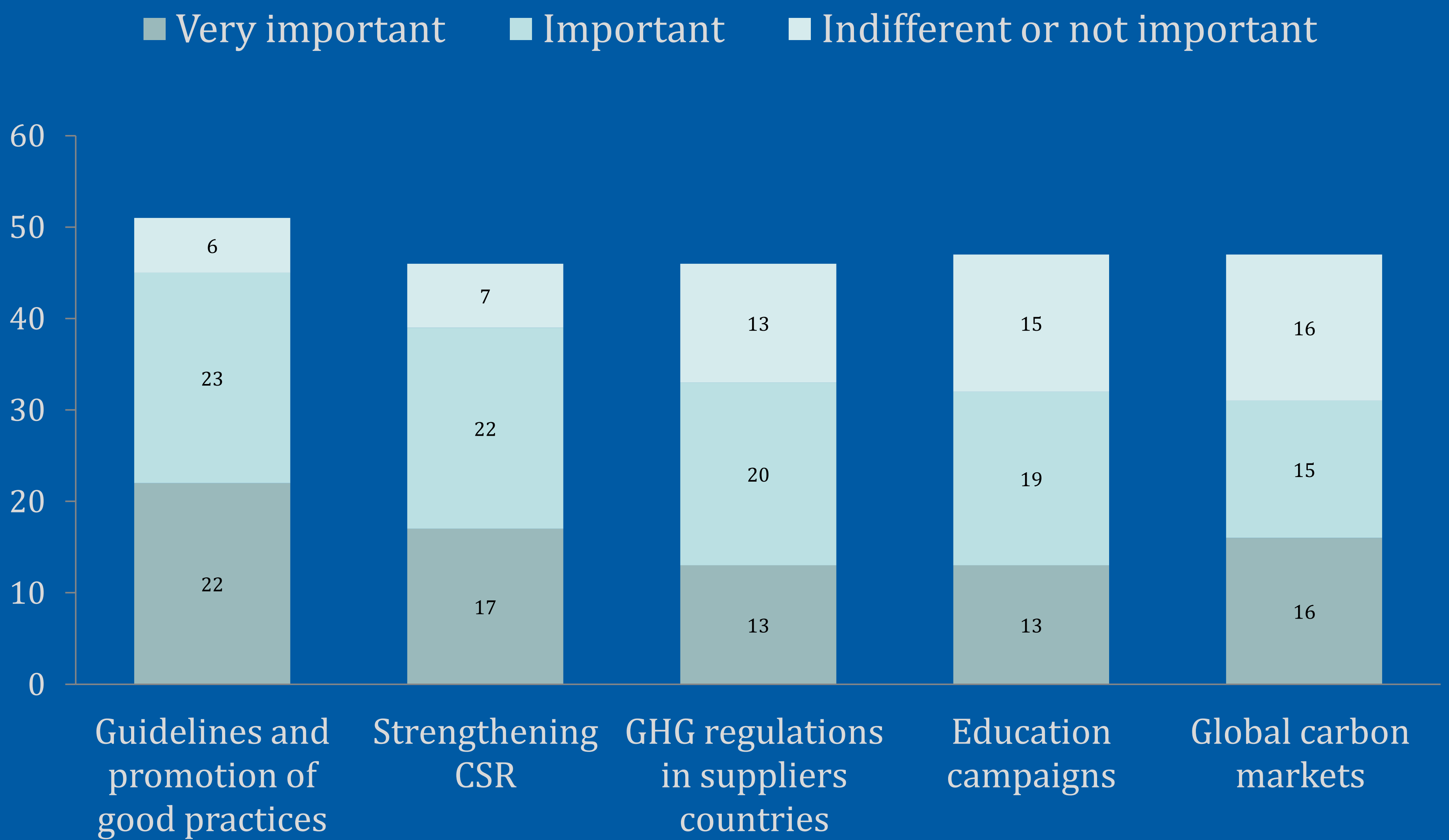
- However, reducing emissions throughout the whole life-cycle of products is one of the main challenges for companies.

- Among participants in the OECD survey, less than half estimate emissions generated throughout the supply chain.

What works to trigger suppliers' emissions reductions



Measures to engage with suppliers



Governments could provide further clarification

- Leading companies are taking action to reduce indirect emissions but collecting, reporting and managing these emissions remain challenging

- More guidance is needed on how to do it and on how to engage suppliers more efficiently.

- Companies cannot substitute to public policies and signals: clearer signals are needed for companies to reduce emissions.

Follow up and next phases on report

- Draft report is being circulated widely for comments; information is being updated and completed.
- Final draft will be submitted to Delegates in view of its declassification
- Publication in the Fall 2010, in time for COP 16 (Dec 2010)
- The draft report is available at the Roundtable website
- Please send comments to :

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