

# Responding to climate change

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Tuesday 11 November 2008



# Presentation contents

1. Scientific and policy context
2. Climate change as a boardroom issue
3. Climate leadership in the corporate sector

# Scientific context: Situation deteriorating faster than previously thought

## Fourth Assessment Report (2007):

Warming unequivocal, human caused  
Risk of abrupt and irreversible changes

## Lord Stern, June 2008:

“I badly underestimated the degree of damages and risks of climate change... All of the links in the chain are on average worse than we thought a couple of years ago”

“To get below 500ppm ... would cost around 2% of GDP.”

## WWF Living Planet report 29 Oct 2008:

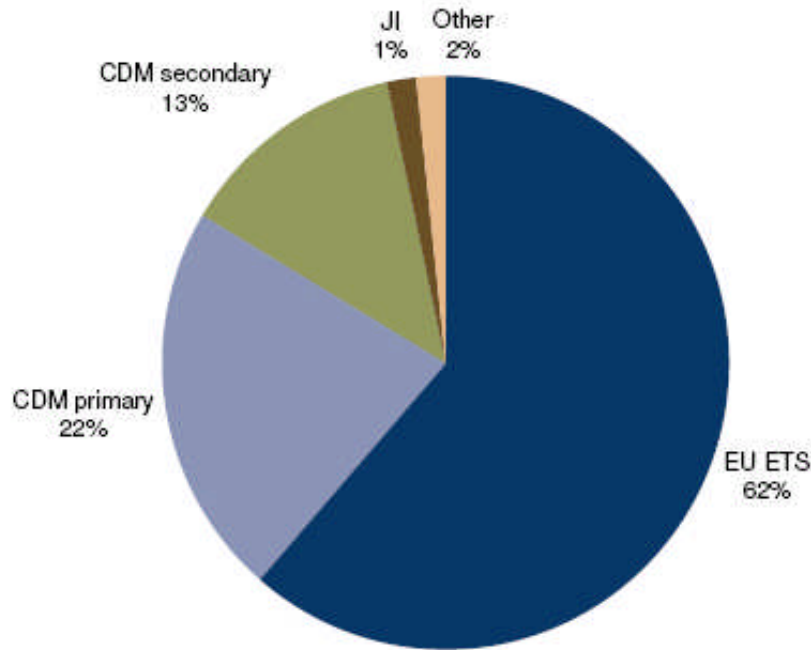
“The world is heading for an ecological credit crunch as human demands on the world's natural capital reach nearly a third more than earth can sustain.”

# The road to Copenhagen...



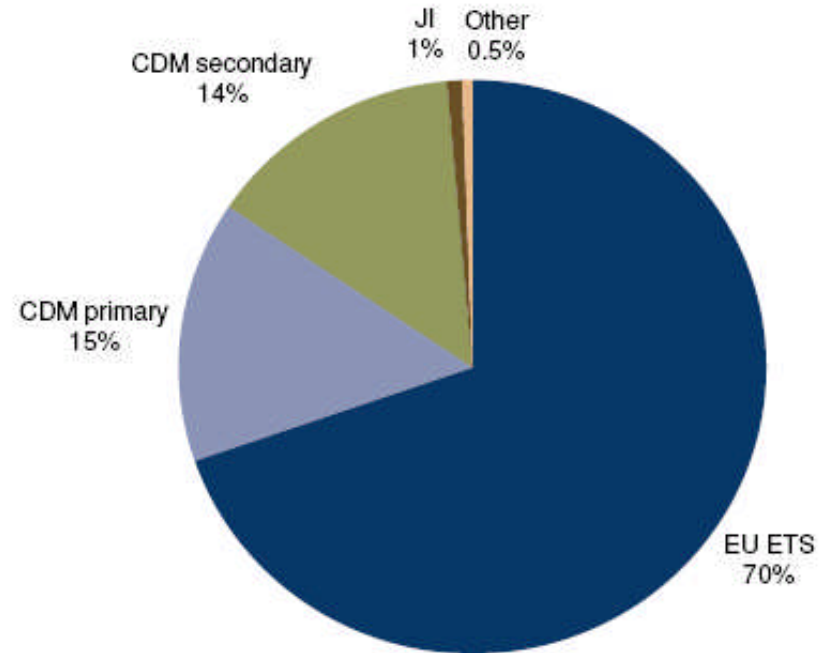
# EU ETS Dominates the Carbon Market....

Total volume: 2.7 Gt



2007 volume (2.7 Gt)

Total financial value: €40bn



2007 value (€40bn)

# EUA & Secondary CER Prices 2005-08



Source PointCarbon

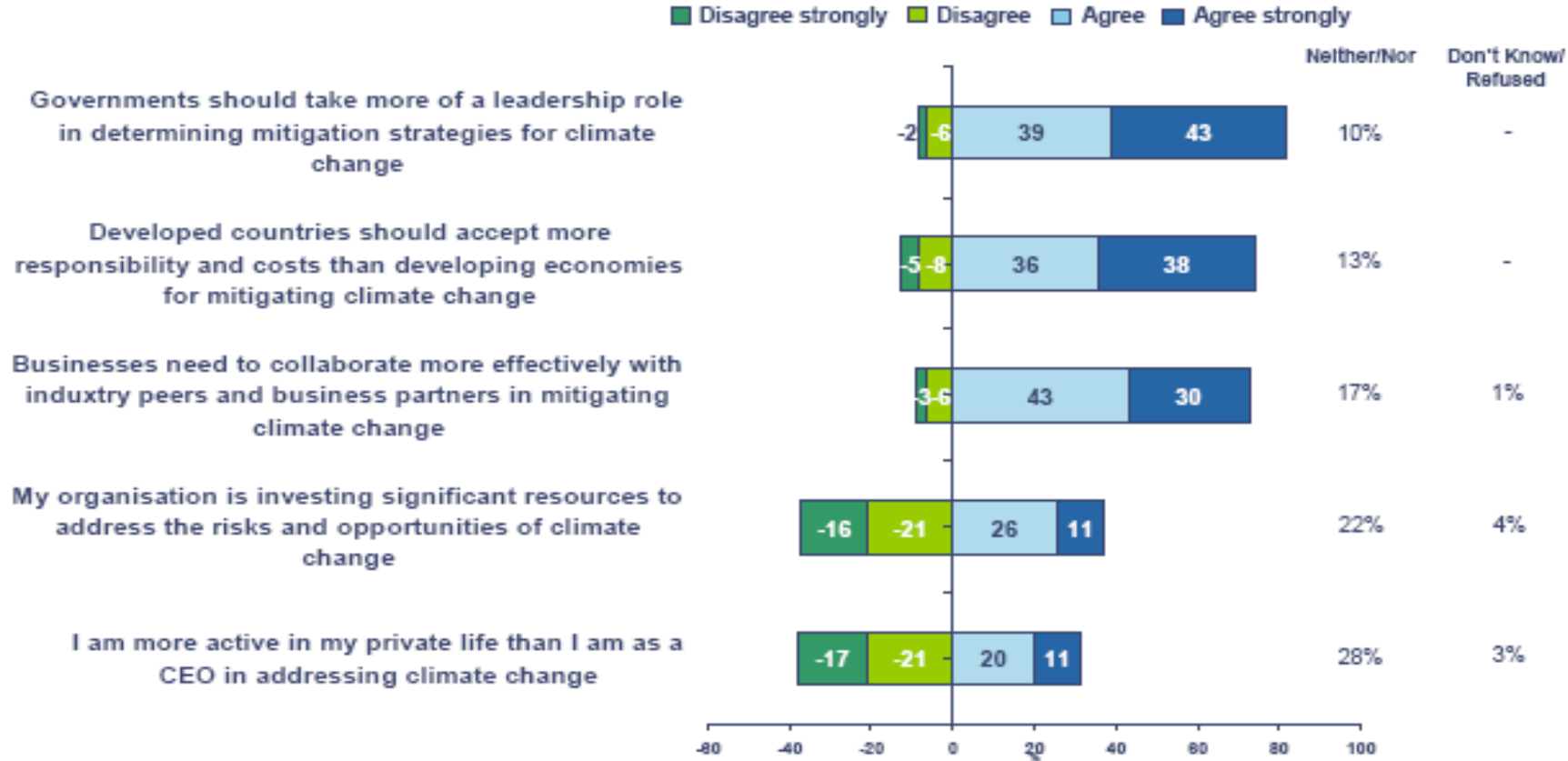
# Climate change policy discontinuities

## Road Transport



# PwC 11<sup>th</sup> Annual CEO Survey 2008: Principles vs practice

Ref: Q9. To what extent do you agree or disagree with each of the following?



# Carbon Disclosure Project

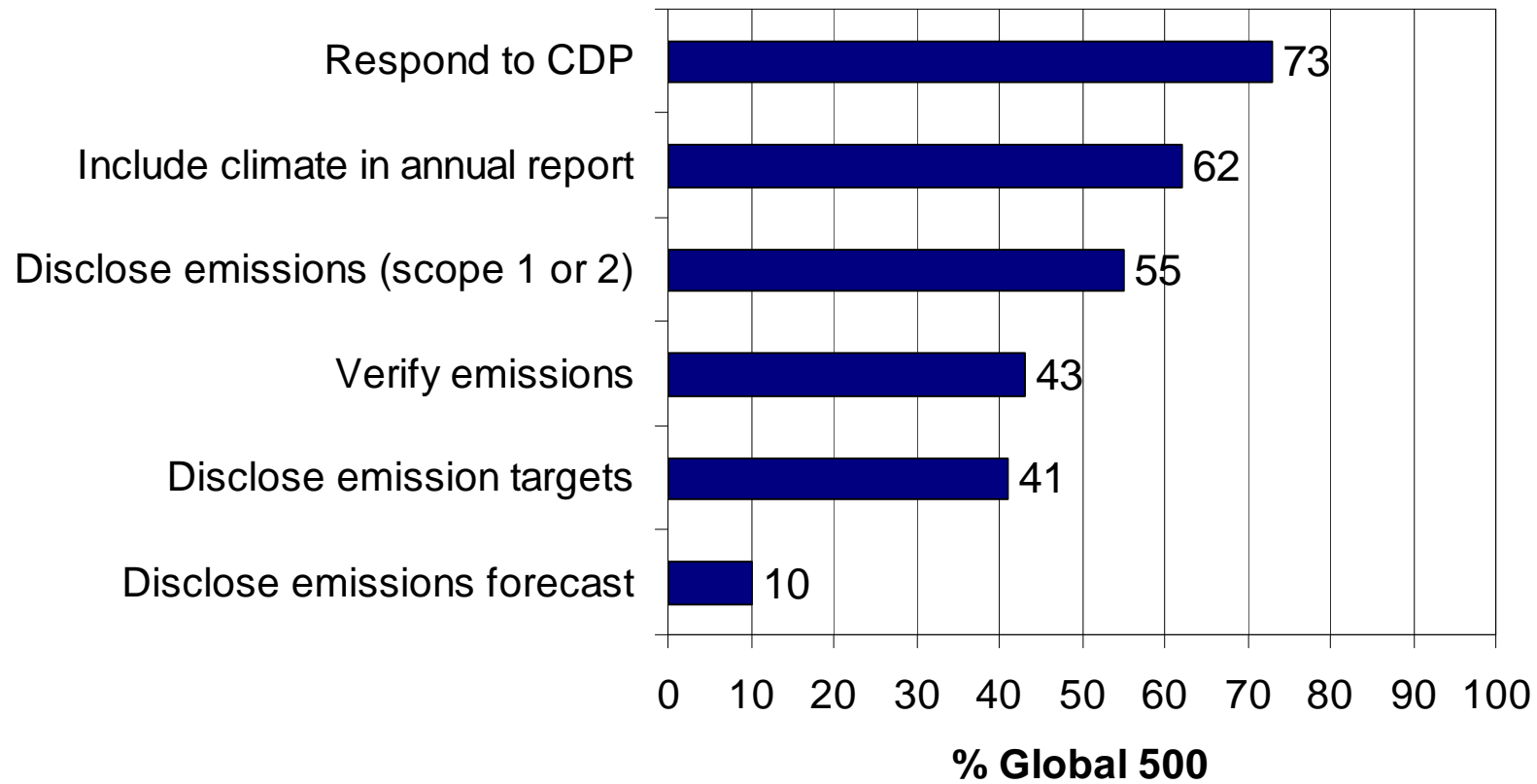


“In terms of investment policy, companies which are ill-prepared for more stringent environmental regulation may face unexpected new expenses and a decreasing ability to sustain their returns, thus decreasing their value in AXA’s investment portfolios.”

AXA GROUP

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# Carbon Disclosure Project: Response rates for the Global 500



# Business contribution to the climate change policy debate

- Breaking the Climate Deadlock initiative
- WEF: Climate Change policy recommendations to G8
- WBCSD: climate programme and sector initiatives
- Copenhagen Climate Council: supporting new treaty development

# Questions our clients are beginning to ask

*“How do I embed climate change in my corporate strategy?”*

*“What do investors really care about around climate change and sustainable development?”*

*“What are the real drivers of value around climate change?”*

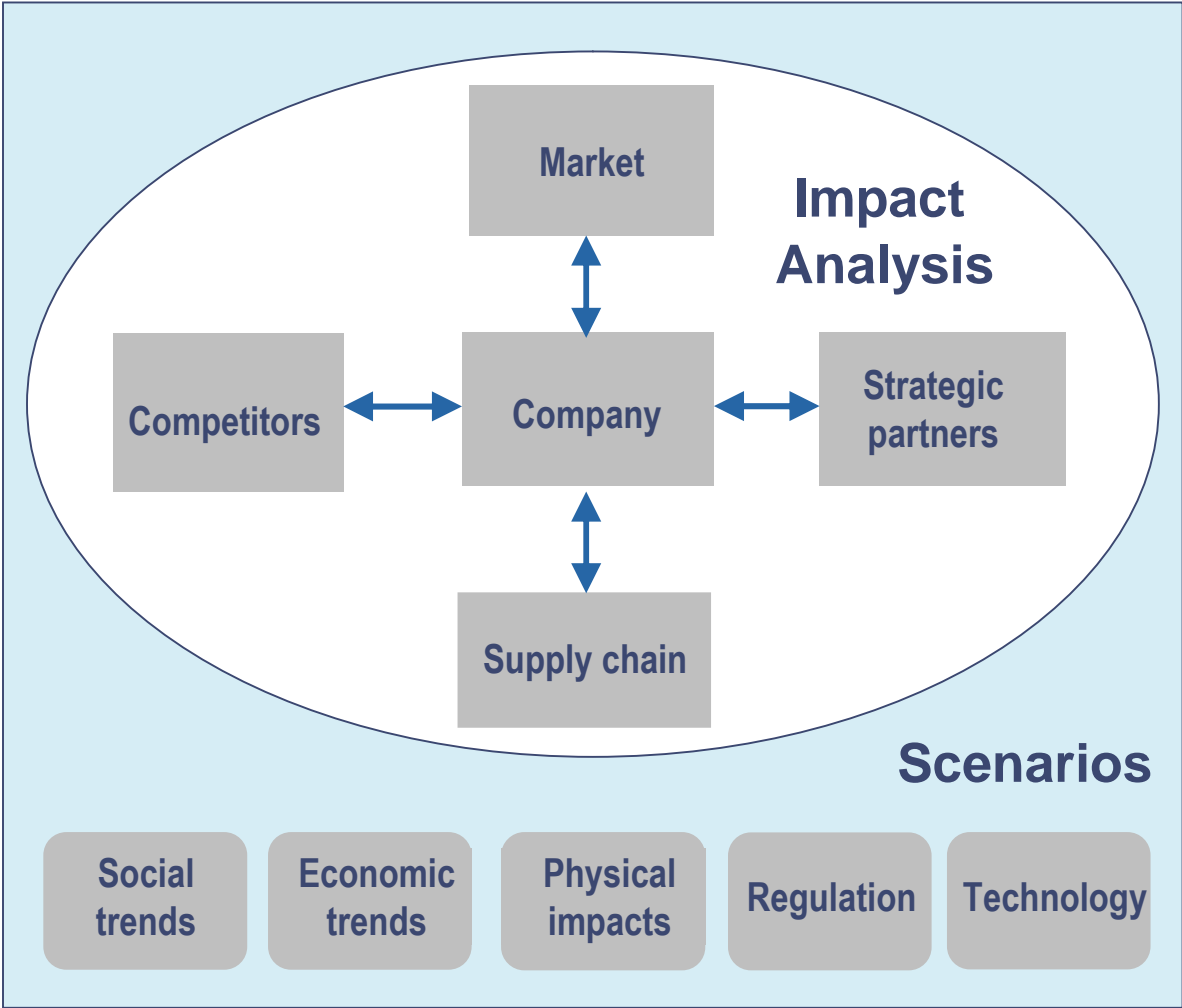
*“Where are the growth opportunities?”*

*“What is the best way to manage our climate change and emission trading risk?”*

*“How can I manage emissions and climate change risk in my supply chain?”*

*“How can I engage my employees on climate change?”*

# Framework for Strategic Planning



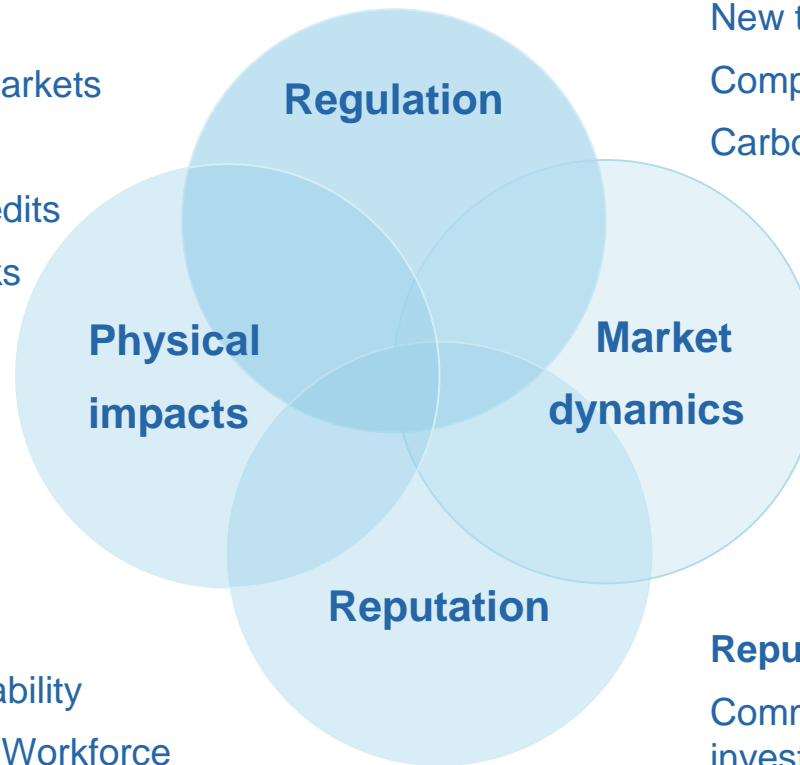
# Framework for Analysis

## Regulation:

- Carbon constrained production
- Compliance costs
- Participation in carbon markets
- New product standards
- Taxes, subsidies and credits
- Disclosure of climate risks

## Market Dynamics:

- Consumer attitudes and demand patterns
- New technology, products & markets
- Competitor behaviour and positioning
- Carbon as a value driver in M&A



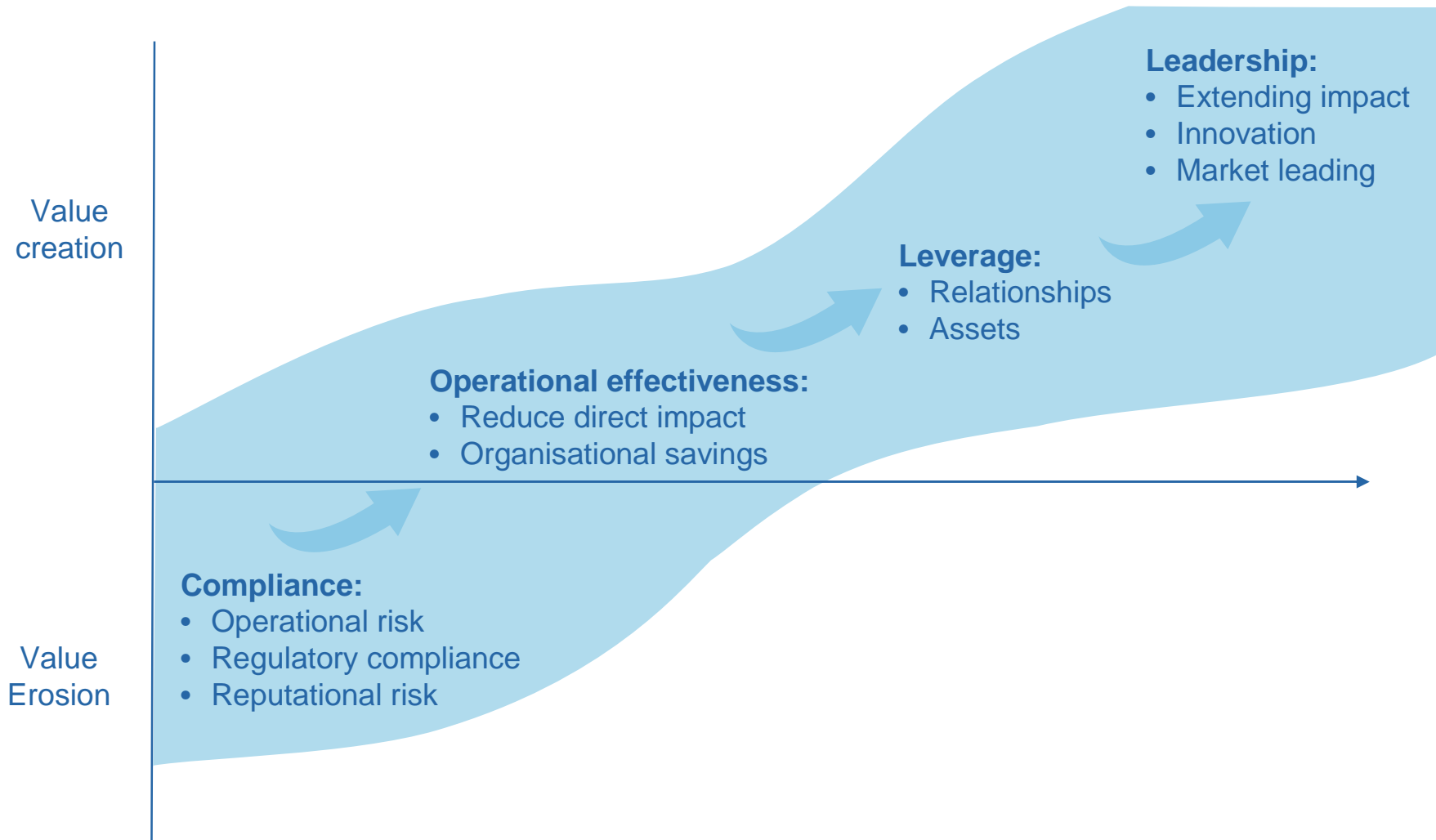
## Physical impacts:

- Assessing asset vulnerability
- Supply chain disruption Workforce disruption
- Risk management, insurance and adaptation costs

## Reputation:

- Communicating long term vision to investors
- Engaging customers and employees
- Defending/enhancing brand value

# Corporate Maturity and Positioning



November 2008

# Response in the financial sector – HSBC

HSBC has taken a proactive approach to managing its climate change impacts. This includes:

1. Carbon neutral operations
2. Climate Change Research
3. Investment into low carbon opportunities
4. Applying standards to fossil fuel plant finance

# Response in the retail and consumer sector – Tesco

Tesco has developed a climate change plan to tackle the issue which has 3 central components:

1. Measure Carbon Footprint
2. Created a £100 million Sustainable Technology Fund
3. Work on development of carbon labelling with suppliers and stakeholders

# Response in the utilities sector – Dong Energy

DONG Energy is a utility company that is leading the development of low carbon energy production. Four examples of this from the companies activities are:

1. Highly efficient coal fire power plant
2. Off shore wind farm development
3. Research in to carbon capture and storage
4. Research into other renewables

# Response from insurance sector - Swiss Re

Swiss Re first identified climate change as an emerging risk 20 years ago. Important component of the company's long-term risk management strategy include:

1. Climate Adaptation Development Programme
2. Climate Change Futures
3. Greenhouse Neutral Programme
4. Bali Communiqué on Climate Change
5. High level discussions

# Response in industrial products sector – Grundfos

Pumps account for >3% of world energy use. Grundfos accept that as a leading pump manufacturer they must play an important role in combating climate change.

Technology leadership has helped them to become the number one global pump producer - 80% of all new products developed must have energy consumption at least 5% lower than previous model.

But they are also looking beyond traditional products and markets...

# Leadership on climate change

1. Shaping the regulatory environment
2. Seizing growth opportunities
3. Preparing and protecting the business
4. Setting an example
5. Empowering others
6. Leading the way