

BSR Submission to Workstream 2 of the UNFCCC:

The Private Sector and the Technical Examination Process on Adaptation

February, 2016

Background

In December 2015, more than 196 governments adopted the historic Paris agreement¹, a catalytic instrument that provides the basis for climate compatible development. The agreement, along with the complementary nationally determined contributions submitted by 187 countries, provides a balance between mitigation of greenhouse gas emissions and enhancing adaptive capacity. Although 187 national climate action plans or INDCs are expected to reduce projected global mean temperature rises from 4.8°C above preindustrial levels to 2.7°C by the end of this century² and there are provisions designed to progressively raise ambition, the world will have to adapt to those climate change impacts already locked into the system. The concept of enhancing resilience earned political parity in the Paris agreement, providing a solid basis to reduce vulnerability and enhance the adaptive capacity of frontline communities around the globe. We must now work to ensure that this vital provision is fully implemented drawing upon the expertise, innovation, and resources of all stakeholders, including the private sector.

The Paris Agreement also provides a high-level political mandate for Workstream 2 that enables the political momentum necessary for it to flourish. The primary function of Workstream 2 is to help ensure we reach well below 2°C. It is also critical because it focuses on identifying gaps and barriers to implementing mitigation and adaptation solutions, while involving input from all stakeholders, including the private sector.

Prior to COP21, BSR worked with thousands of the world's largest companies through the We Mean Business coalition to advocate for the inclusion of ambitious provisions in the Paris Agreement related to Workstream 2, including a process to examine adaptation in the near term³. We are delighted that these provisions were secured and are now committed to working with governments to ensure full implementation, maximum ambition, and access to climate compatible development for all.

¹ <http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=2>

² <http://climateactiontracker.org/news/224/indcs-lower-projected-warming-to-2.7c-significant-progress-but-still-above-2c-.html>

³ http://www.wemeanbusinesscoalition.org/sites/default/files/Business-Brief_Web.pdf

Resilience and the Private Sector

According to the World Economic Forum's 2016 Global Risk Assessment Report, failure to act on climate change is now the number one risk faced by the global business community.⁴ The private sector is now increasingly exposed to climate risks that are already widespread, consequential, and expected to continue to increase in intensity and frequency. This includes extreme weather and temperature changes, droughts and floods, as well as the acidification of soils and oceans. These climate risks will threaten business operations, undermine the natural resources vital to production, impact suppliers, workforce and consumers, and lead to severe financial losses unless appropriate measures are taken to enhance resilience. In a recent survey, nearly 75% of suppliers stated that climate change presents risks that could significantly impact their business operations, revenue or expenditure. Only half of those surveyed implement any given measure of climate risk management and even fewer suppliers measure and manage their water-related risks.⁵ Therefore:

- Businesses are already facing the impacts of climate change resulting in impacts are already affecting the private sector resulting in up to \$4 trillion in economic costs;⁶
- Businesses cannot operate without giving attention to the resilience of the broader community, and that in which they operate, which in turns addresses co-benefits like development and human rights;
- To become resilient, the public and private sectors must align. The TEP provides a forum for all stakeholders to sit together and discuss innovative solutions;
- The genuine value added of business expertise in implementation, addressing gaps, breaking down barriers and creating solutions.

The private sector plays a critical role in translating the commitments of the Paris Agreement into tangible action in the real economy, whether it's providing clean energy, enhancing adaptive capacity throughout their supply chain, or enabling broader societal resilience in the communities from which they derive their social license to operate.

Business can be a critical and effective catalyst of resilience. Having experienced many of these climate change impacts they are already building adaptive capacity in their own operations and in the communities in which they operate.

Building the adaptive capacity of a business in the face of climate risks can enhance community resilience by stabilizing employment opportunities and helping to create livelihoods. These investments can take the shape of both grey and green infrastructure, which protect the built environment or even financial assets in the form of credit or insurance. For example, Somp developed weather-derivative

⁴ <http://www3.weforum.org/docs/Media/TheGlobalRisksReport2016.pdf>

⁵ <https://www.cdp.net/CDPResults/CDP-Supply-Chain-Report-2016.pdf>

⁶ <http://www.mercer.com/content/dam/mercer/attachments/global/investments/responsible-investment/Climate-change-scenarios-Implications-for-strategic-asset-allocation.pdf>

insurance products for rice farmers in northeast Thailand that would provide them with income stability should rainfall fall below a predefined level in a certain timeframe.⁷

Although there is much opportunity, the private sector has largely been an afterthought in efforts to enhance societal resilience. Involving the private sector in the organization and implementation of the TEP on adaptation going forward can complement and supplement existing efforts by governments the strengthening the capabilities of frontline communities.

Private Sector Actions on Resilience

The following examples illustrate some of the many ways the private sector can work to enhance societal resilience. This list is neither definitive nor exhaustive but is merely intended to provide a snapshot of the range of contributions the private sector can provide when properly included in the development of adaptation strategies:

- **General Mills:** Prior to COP21 made commitments to reduce emissions across their supply chain, as well as define a strategy to help farmers in their supply chain build resilience.⁸
- **Verizon:** Due to Hurricane Sandy's coastal flooding in 2012, Verizon's copper network could not withstand the saltwater flooding. To adapt, Verizon updated the network with fiber-optic cables, as well as wireless systems, an example of enhancing resilience in their own operations.
- **Wal-Mart:** In an effort to reduce environmental impacts while increasing women's empowerment, Walmart has committed to training more than 1 million farmers in its supply chain, half of whom are women. Walmart China also implemented the Green Farmer program to provide trainings in sustainable agricultural practices for farmers throughout China.
- **Acclimatise:** Partnered with BSR and OxfamAmerica, Acclimatise created the ADAPT (analyze, develop, assess, prioritize, and tackle) tool to help build resilience across their entire value chains. The tool takes into consideration community and ecosystem vulnerability and adaptation needs.⁹

These are only a few examples of how companies are building their own adaptive capacity as well as broader societal resilience.

⁷ http://www.bsr.org/reports/BSR_Climate_Resilience_Role_Private_Sector_Thailand_2015.pdf

⁸ http://www.generalmills.com/en/News/NewsReleases/Library/2015/August/Climate%20Commitment/~/_link.aspx?_id=3B4EED9F61AA446EB83041A539465B6C&_z=z

⁹ <http://www.bsr.org/reports/bsr-bccw-creating-action-agenda-private-sector-leadership-climate-change.pdf>

Foundations of the Technical Examination Process on Adaptation

The establishment of the TEP on adaptation at COP21 is a huge success to ensure broader societal resilience. We envision the TEP to operate in a similar fashion to the mitigation TEP with a strong focus on involving non-state actors in the process, including the private sector. **BSR is well placed to lead on securing private sector involvement on resilience to the technical process.**

With the idea to enhance adaptation action and support, share best practices and address gaps in implementation, knowledge, finance, technology, planning and institutional capacity Our vision of a successful technical process would not only result in sharing best practices, but would ideally result in tangible outcomes, such as private-public partnerships that help implement and fill the gaps. However, in order to attract private sector leadership to the discussion, the Technical Expert Meetings (TEMs) would need to demonstrate the following:

- **Planning:** The Secretariat works in conjunction with non-state actors, including the private sector, to ensure the appropriate individuals are invited and attend the TEMs. Doing so can help the discussion to result in tangible outcomes. Planning meetings would take place well in advance to ensure those invitees have enough notice to plan accordingly.
- **Collaboration:** Collaboration is strong between all stakeholders and the UNFCCC Secretariat, including the private sector at meetings and in between meetings.
- **Structure:** The TEMs should be staffed with a skilled facilitator(s), as opposed to different facilitators for each TEM, to ensure continuity and flow of the entire technical process. Facilitators should be experienced in the subject area, should collaborate with the appointed co-champions of Workstream 2 and should ensure an outcome to the meeting with a well-thought out agenda and objective.
- **Timing:** The first TEM should take place during the May intersessional in Bonn, and should be connected to those that will be held in December. Other TEMs should be considered on the cusp of additional UN adaptation events, or even those that are privately held.
- **Lessons learned:** The adaptation TEMs must learn from those on mitigation and take the measures to improve.

Additionally, we would like the TEP to address substantial issues that dive to the heart of broader societal resilience. As shown earlier in this submission, the private sector is already building adaptive capacity for their own operations and in the communities in which they operate by using aspects of a human rights lens such as the following:

- Investments in local early-warning systems and other technology platforms;
- Health care and education;
- Governance and legal reform;

- Institutional capacity-building;
- Gender and human rights initiatives;
- Biodiversity and ecosystem services;
- Social safety nets.

BSR and Resilience

BSR is a global non-profit that works with our network of over 250 member companies to build a just and sustainable world. From our eight offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

For over twenty years, BSR has worked with companies to integrate social and environmental issues into their core business, and has set many milestones along the way. In the late 1990s, BSR held the first human rights trainings in China, and launched the first comprehensive website dedicated to corporate responsibility, the Global Business Responsibility Resource Center. As a big tent organization committed to collaboration, many of our initiatives have grown into independent institutions, including the Global Network Initiative, which protects human rights in the digital age, and the Electronic Industry Citizenship Coalition, which continues to tackle the challenges of an expansive manufacturing supply chain. BSR aspires to a just and sustainable world in which all people can live prosperous and dignified lives within planetary boundaries. Our “Business in a Climate Compatible World” strategy therefore seeks to:

- Address the causes of climate change through significant greenhouse gas reductions consistent with holding the increase in global average temperature to well below 2°C. This is the temperature threshold determined by science and agreed by the international community in the historic Paris Agreement. In order to achieve this we seek rapid reductions in greenhouse gases in accordance with best available science
- Increase the adaptive capacity of business and society in order to anticipate, absorb, accommodate, or recover from the climate impacts that are already widespread and consequential.

The combination of emissions reductions and enhanced adaptive capacity will drive our vision of resilient business in a resilient world.

Through our partnership with the International Development and Research Centre, we continue to drive our work with the private sector on enhancing resilience. This includes the development of a framework for the private sector that provides a variety of strategies companies can take to enhance their own adaptive capacity and for that of the broader community as well as a series of other thought leadership pieces.

The [Resilience and Adaptation Initiative \(READI\)](#) is a collaborative initiative, which is a group of companies that come together under our auspices to discuss private sector resilience among themselves and with other stakeholders. BSR works directly with these companies to enhance their own resilience in the face of climate risk across the value chain while also improving their ability to catalyze broader societal resilience. We stimulate the conversations through our thought leadership to provide guidance on the menu of options available to companies to both act on and enable climate resilience.

We also amplify the impact of our climate work through meaningful alliances with other influential business-facing networks. We are a founding member of the [We Mean Business coalition](#) – an unprecedented call to action to scale-up business leadership on climate change. Together, the coalition is making the business case for companies to drive investment in clean energy and unleash innovation around low carbon products and services as well as to build adaptive capacity.

Through an action framework, resources for practitioners, and examples from BSR member companies, BSR's report "[Business Action for Climate-Resilient Supply Chains](#)" outlines how business can act on climate change by building resilience in the supply chain, which includes both mitigation and adaptation measures. Global supply chains are among the most critical levers for companies to take action on climate change and to gain business benefits from building resilience. However, supply chains are complex, diverse, and exposed to multiple, intersecting climate risks. Knowing where to start and how to take action is a challenge, especially for adaptation because it is less understood for companies as opposed to mitigation.

BSR, in partnership with the Rockefeller Foundation produced a report on "[Climate Resilience and the Role of the Private Sector in Thailand](#)". This project helped to solidify the groundwork of our resilience work with the private sector and provides guidance on options for the private sector to enhance their own adaptive capacity and that in the communities in which they operate. The report also identifies four case studies in Thailand where business are already acting to build resilience.