

## Input for the Talanoa Dialogue

### Question 3 – How do we get there?

*Submitted on behalf of the 'Alliance of CEO Climate Leaders'*

*Ways in which the UN Climate Change process can help you achieve your vision and goals, and how your actions can help in expediting sustainable transitions to climate neutral societies.*

It has been estimated that to peak emissions by 2020 and reach the well below 2°C target and net-zero emissions by 2050, as well as achieve convergence across global sustainability agendas - including climate, oceans, biodiversity and the SDGs - the biggest potential for transformation is in five trends<sup>1</sup>:

- Reinventing businesses – companies shifting their mindsets and ambitions to re-invent who they are and what they offer. Only by fundamentally rethinking what kind of business they are can they thrive in a low-carbon future.
- Bridging sectors – businesses from different industries coming together to develop low-carbon products, processes and technologies.
- Creating sustainable value chains – businesses engaging with governments and civil society organizations, as well as other businesses, suppliers and clients, to develop new approaches to tackle challenges across their value chains.
- Harnessing data and connectivity – exploring how to apply the technology and data behind the Fourth Industrial Revolution to managing natural resources in a more sustainable way.
- Financing change – finding new ways to unlock private sector investment for the low-carbon economy.

These five areas, where the private sector has the opportunity to contribute to bridge the NDCs gap and accelerate implementation of the Paris Agreement, could lie at the core of upcoming engagement opportunities in anticipation of key milestones in the international climate agenda. These include:

- The Global Climate Action Summit, September 2018, San Francisco
- Climate Action Agenda activities scheduled for COP24
- The World Economic Forum Annual Meeting, January 2019, Davos
- The United Nations Secretary General Climate Summit, September 2019, New York

*Concrete solutions that have been realized while implementing your commitments, including lessons learnt from success stories and challenges, and case studies that are in line with the 1.5/2 degrees' goal and can support the Parties in achieving their NDC goals, enable higher ambition and inspire engagement of other non-state actors.*

Businesses will also need to rely on continued climate action from governments globally. Without trust in the global commitment and planning security, action in these key areas will hardly take place. Companies that form the Alliance of CEO Climate leaders are conscious of the need for change in order to comply with the objectives of the Paris Agreement, and are committed to doing what it takes to do so, including pursuing a deep transformation of their business models. The three examples below illustrate how some member companies of the Alliance have already faced or are currently

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<sup>1</sup> <http://www.mission2020.global/milestones-alternative-energy/>

engaged in such transformations. For an inspiring and comprehensive list of case studies, please see the [joint report](#) published ahead of the World Economic Forum's Annual Meeting 2018.

- Royal DSM started in 1902 as Dutch State Mines, a government-owned coal mining company in the south of the Netherlands. Since then, it has completely transformed itself several times; first, into a petrochemical company and, more recently, into a global health nutrition and materials business. Employees like to say that today DSM stands for 'Doing Something Meaningful'.
- In 2017, DONG Energy became Ørsted, completing a switch from a fossil intensive utility with upstream oil and gas to a fully dedicated renewable energy company with particular focus on offshore wind. To achieve this transformation, Ørsted has cut coal consumption by 82% since 2006 and will phase out coal completely by 2023. Its carbon emissions have dropped by 78 % since 2006 while quadrupling profits and the company aims to cut them by 96% in 2023 (related to 2006 levels). It now has more than a quarter of the global offshore wind market, providing power to 9 million people, and aims to boost this to 30 million by 2025, enabled in part by reducing price of offshore wind by more than 60% since 2012, making it cheaper than new built coal and gas fired capacity in many markets.
- ENGIE has been advocating for ambitious climate policy, adopting an internal carbon price and calling on others to do the same. It has also supported increased disclosure of climate-related financial risks, and is now focusing on low CO<sub>2</sub>e energy sources like natural gas and renewables, which will represent more than 90% of its earnings by 2018.

*Collaboration models with other stakeholders and, in particular, between non-Party stakeholders, national governments and the UN Climate Change process that has been successful in helping you, or can help you, achieve your commitments.*

As the International Organization for Public-Private Cooperation, the World Economic Forum is committed to improving the State of the World through increased multi-stakeholder collaboration. Within and beyond the Alliance of CEO Climate Leaders, the examples below are a testimony to the plurality of models that have demonstrated the value add of collaboration between public and private to deliver impact:

- In Italy, the Enel Group foresees investments of up to €300 million by 2022 to build up a public recharge infrastructure of 14,000 stations. Cross-sector-partnerships play a critical role in realizing this potential and Enel, which has partnerships with key companies that are investing in e-mobility (e.g. BMW, Daimler, PSA, Renault, Nissan), has signed an agreement with Volkswagen Group Italy to develop electric mobility services.
- The Tropical Forest Alliance 2020 (TFA 2020) is a global public-private partnership working to support the shift towards deforestation-free supply chains. It includes companies like Unilever, Marks & Spencer, Nestlé, PepsiCo, HSBC and Wilmar, alongside civil society, government and "jurisdictions", with the aim of ending commodity-driven deforestation by 2020. The TFA 2020 is a good example of how corporate leadership can ignite and support transformational and systemic change. By making voluntary commitments to reduce or eliminate deforestation in their supply chains, businesses create the confidence for governments to advance ambitious policy leadership.
- A Taskforce of B20 Germany, chaired by BASF, issued Recommendations for Energy, Climate and Resource Efficiency (ECRE), including a Recommendation to establish an intergovernmental Carbon Pricing Platform at G20 level, as a strategic platform for dialogue on emissions pricing mechanisms, and phase out of inefficient fossil fuel subsidies, using revenues to finance the energy transition.

- Through informal high-level gatherings such as the Friends of Climate Action, chaired by Unilever, and more recently formed Friends of Ocean Action (*of which Yara International is a member*), non-State actors have benefited from the World Economic Forum's platform to connect with one another and with high-level public officials to accelerate momentum and delivery on the climate and oceans action agendas.

*Opportunities to further scale up action and means to address barriers that can enable even further action by non-Party stakeholders based on the actions you have taken to implement your commitments. ("We've made progress and have made new commitments as described above. This is what I need from national governments, other non-Party stakeholders and the UN Climate Change process to take even further action...").*

#### *Policy levers*

The initial group of CEOs members of the Alliance of CEO Climate Leaders came together in 2015 ahead of the Paris climate conference (COP 21) to sign an open letter to governments to express their support for the adoption of an ambitious Climate Agreement. Over the last three years, the group has been demonstrating continued high-level support for the Paris Agreement to showcase leadership and encourage policy makers to fulfil the global climate action targets.

In the run up to the 2019 UN SG Summit, the group will continue to seek engagement with policy-makers to raise ambition and move ahead with implementation. The CEOs will reaffirm their commitment to climate action and to help fast-track solutions and deliver on ambitious national climate action plans, as well as call on world leaders to: implement effective carbon pricing mechanisms; create the right policy environment to enable low-carbon finance and investments; develop policy tools that help educate and positively influence societal demand for low-carbon solutions.

#### *Collaboration/cooperation opportunities*

The International Climate process and relevant key major events can play a critical role in advancing climate action on the ground and sending the right signal to the business community. Making sure that business leaders have a voice with world leaders and UN decision-makers on the one hand, but also securing appropriate representation of public sector high-level representatives in convenings of the business community will allow for increased cross-fertilization of ideas and a better understanding of these two constituencies in service of climate action.

Such exchange of ideas regularly takes place at World Economic Forum gatherings, through high-level informal meetings such as IGWELs (Informal gatherings of World Economic Leaders) which are designed to inspire ownership and collaborative action on issues of global importance such as climate – and to which Alliance members have taken part, as well as Governors meetings, where Alliance members have committed to bringing to their sectoral peers the urgency and the insights they get from their membership.

#### *Lessons learned based on the experience and progress so far*

Lessons learned so far from the Alliance of CEO Climate Leaders since 2015 include:

- High-Level leadership commitment is essential to drive action forward and evolve towards new business models. The power of inertia is strong, especially in major multi-national

companies, so environmental stewardship needs to come from the top (i.e., from CEO offices) to generate change throughout companies.

- To bring along entire economic sectors to collectively transition towards low-carbon and sustainable business models, the leadership of more than one company is necessary per sector. The more companies feel isolated in wanting to transition within their sector, the less likely they are to initiate the change on their own.
- Engaging and recruiting at the global level has so far proven challenging, and further efforts to increase the regional diversity of the group and of climate leadership will be necessary going forward.

### *Public and private financing models*

Private sector finance must play its part in low-carbon investment. That means making it easier to invest in ideas, businesses and technologies that cut emissions. Successful examples that Alliance companies are leading or are involved in include, but are not limited to:

- Green financing products such as Green bonds (or climate bonds), financial instruments which can help make low-carbon investment possible. A 2017 report shows “climate aligned bonds” worth around \$895 billion financing low-carbon assets or projects, or initiatives helping the planet cope with climate change<sup>2</sup>.
- Green investment platforms and accelerators, such as:
  - The Sustainable Development Investment Partnership (SDIP), which aims to mobilize public and private money for \$100 billion of sustainable infrastructure projects in developing countries. Brought together by the Forum with the backing of the Organisation for Economic Co-operation and Development (OECD), members include Allianz, HSBC, the IFC and PensionDanmark. SDIP works in different regions to help local institutions develop projects and raise capital.
  - The Climate Finance Accelerator, which matches government, finance and capital market players from selected countries with project and green finance experts. They work together to develop outline financing propositions for priority NDC projects. The first CFA paired Colombia, Mexico and Nigeria with HSBC, Deutsche Asset Management and BNP Paribas, alongside impact investment adviser, Enclude, with Vietnam participating as an observer.

*Impact on non-Party stakeholders if these actions by national level governments and the UN Climate Change process and other opportunities are implemented and how much further they could go.*

The Alliance of CEO Climate Leaders, and in particular the signatories to its 2018 statement, affirm that they will:

- Continue reducing emissions using strategies that make the most sense for their business. This includes initiatives such as: setting a (science-based) GHG emissions reduction target, putting an internal price on carbon, reducing energy use; switching to renewable forms of power; and working with partners to lower emissions across value chains; all of these efforts support the goals of the Paris Agreement;
- Support the thoughts behind the Task Force on Climate-related Financial Disclosures, convened by the Financial Stability Board - and advocate for improved analysis and reporting of climate-related financial risks;
- Call on other businesses to jointly step-up climate action; and,

<sup>2</sup> [https://www.climatebonds.net/files/files/CBI-SotM\\_2017-Bonds&ClimateChange.pdf](https://www.climatebonds.net/files/files/CBI-SotM_2017-Bonds&ClimateChange.pdf)

- Invest in innovations to reduce greenhouse gas emissions and low carbon initiatives and companies.