CLN CORPORATE LEADERS NETWORK FOR CLIMATE ACTION

THE PRINCE OF WALES'S CORPORATE LEADERS GROUP ON CLIMATE CHANGE
UNIVERSITY OF CAMBRIDGE PROGRAMME FOR SUSTAINABILITY LEADERSHIP

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The 2°C Challenge Communiqué

This *Communiqué* – the fifth such statement – is being issued to governments by leaders of over 200 companies from around the world.

As business leaders, we are committed to action on climate change, sustainable development and the green economy. Green growth offers the potential to create a more prosperous and resilient economy, and deliver innovation, new industries and jobs. We continue to broaden understanding amongst our peers of the economic case for green growth and the urgency of meeting the 2°C challenge.

The scientific and economic evidence remains clear. If we do not act, climate change risks seriously undermining future global prosperity and inflicting significant social, economic and environmental costs on the world. If we take the right steps, we can secure a low carbon-emission economy that is more resilient, more efficient and less vulnerable to global shocks. But time is short for effective action to address the threat of climate change. The window to stabilise global warming to less than 2°C, as agreed in Cancún, has almost closed[i]. The International Energy Agency (IEA) has shown that CO_2 emissions in 2010 were the highest on record[ii], and are still rising. While there are examples of strong policies and actions to prevent dangerous climate change, with current progress we will cross the 2°C boundary[iii].

We maintain our support for a robust, equitable and effective UN agreement on climate change, built on the existing foundations. Without this agreement, business lacks the clarity and certainty needed to invest to its fullest potential. Failure by governments to end the deadlock in international negotiations will risk permanent damage to their credibility on this issue.

But we cannot, and should not, wait for a new international treaty to be in place. All governments must adopt the national policies and measures that drive action, without delay. Such policies need to be ambitious, transparent, measurable, and compatible with a future global framework.

Call to action

We call upon governments to undertake a variety of actions, recognising their responsibility for climate change and respective capabilities to respond, including:

1. **International collaboration:** The UNFCCC remains the only credible location for agreeing a global deal, and the upcoming meeting in Durban must make visible progress towards this. Next year's Rio+20 UN Conference on Sustainable Development will also be a key opportunity to galvanise international agreement on climate change and the green economy.

   Progress at Durban should not only break the deadlock that has prevented agreement, but also put in place key international institutions, such as: a reformed Clean Development Mechanism that provides effective finance flows whilst protecting environmental outcomes; an operationalised Green Climate Fund; and established Technology Transfer and Adaptation Committees. Governments must deliver their commitments to share the data essential to unlocking action. This includes full measurement, reporting and verification of emissions and planned emission-reduction actions, as well as collaboration on gathering and publically sharing the climate data that is vital for effective adaptation.

   We strongly encourage countries to come together in bilateral and multilateral agreements to tackle particular issues such as deforestation, reducing emissions from international shipping and aviation, and financing partnerships to support low-carbon innovation.

2. **Effective market mechanisms:** A system that works with the market by placing a price on carbon that is sufficient to drive the necessary action, and has long-term stability, is essential. Governments should adopt their own market solutions to meet climate goals. Ensuring that national plans are as compatible and transparent as possible will ultimately facilitate a global solution. Governments must draw upon a wide variety of tools to help create an effective price signal. This includes both direct carbon measures such as taxes and trading systems, and indirect actions that encourage low-emission alternatives and energy efficiency through standards, incentives and regulation. Market distortions, such as support for high-carbon fuels or mature technologies, should be eliminated. In the absence of an integrated global approach to climate change, governments will need to understand the trade implications of embedded carbon emissions.

3. **Financing the transition:** Finance for low-carbon and climate-resilient development is urgently needed. For many countries that struggle with high levels of poverty, economic development and job creation at the lowest cost is an overriding priority, undermining their ability to invest at sufficient scale to meet these climate change needs. At Copenhagen and Cancún countries agreed to mobilise $100bn a year in public and private finance by 2020 to support this investment. Yet there has been insufficient progress on establishing the institutions and mechanisms to deliver this finance. Durban needs to see the operationalisation and adequate funding of the Green Climate Fund (GCF). The GCF should be established in a way that supports public-private financing and effectively leverages private finance.

4. **Incentivising innovation:** Innovation is not just about new technology; it is also about skills and processes. Smart investment by the public and private sectors, alongside the right policy signals, will bring about economic growth and the creation of new industries, skills and jobs[iv]. The IEA[v] estimates that to achieve a 50% reduction in global CO_2 emissions by 2050, government funding for research, development and deployment in low-carbon technologies will need to be two to five times higher than current levels. As business leaders we call upon governments to work with us to ensure such funding is allocated, by entering into strategic public-private partnerships and by putting the right frameworks in place to enable large-scale investment in low-emission projects, particularly in developing countries and emerging markets.

   Governments will need to create the right policy frameworks to unlock innovation. This should include regulation that establishes long-term market certainty and the right investment environment; strategic public procurement that helps innovation enter the market more quickly; and development of a methodology around intellectual property that supports business collaboration and investment around innovation.

5. **Encouraging efficiency:** Both energy and resource efficiency offer rapid and cost-effective GHG emissions reductions and should be prioritised. Together with leading businesses, many governments are restructuring policies to address the efficiency opportunities in the built environment, transport, energy, ICT and electronics sectors. Smart technologies have the potential to help government, company and individual consumers manage their energy use more efficiently, and should be supported, in particular across energy infrastructure and in the buildings and transport sectors. A holistic approach focussing on both production and consumption of resources is needed. Greater use of efficiency standards and labelling, as well as targets and actions to stimulate financing, is essential in all sectors. Business stands ready to work with governments to deliver this.

6. **Urgent forest conservation:** Deforestation and other land use changes account for at least 20% of global emissions[vi]. Efforts to tackle climate change will be critically undermined without action to sensibly conserve and increase forests and other land-based carbon sinks, in addition to action to reducing emissions from fossil fuels. We are encouraged by progress in Copenhagen and Cancún towards an agreement on Reducing Emissions from Deforestation and forest Degradation (REDD+). Any final policy must include a holistic approach to forest conservation, including measures to ensure the sustainable management of forests and the enhancement of forest carbon stocks.

   Effective market mechanisms and policies in this area, including Payment for Environmental Services (PES), are vital, but greater action is needed to ensure this is operationalised immediately. In addition, new standards in land management practices must be developed to ensure an increase in land carbon sinks and avert emissions directly or indirectly due to land use change. Policies need to take into account ecosystems, natural capital, biodiversity and the rights of all stakeholders.

7. **Integrating adaptation and risk reduction:** Many governments appear not to have fully appreciated the risks posed by climate change to their countries and the need to put in place the right adaptation programmes to manage these risks. We call on governments to adopt an integrated approach to planning and policy development that takes climate risks into account – delivering infrastructure that is both resilient and low-carbon. Proper forward planning and government management of environmental risks are factors in business decisions to continue investing in any location. We urge governments to share their plans and collaborate with businesses around the globe to ensure full preparedness.

Businesses have shown their desire to work together with governments to develop solutions to the challenges of climate change. It remains the role of governments to create strong and stable international, national and local frameworks to meet the 2°C challenge. In turn, we remain committed to implementing such frameworks and to engaging with governments in an active dialogue to create such a future. As business leaders, we believe that the only sustainable future for our companies and for the globe is to build a robust, green, climate-resilient economy. We must continue to focus on this as we move out of economic turmoil, and not let short-term concerns, however important, drive climate change off the agenda.

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