

4 ways companies can show climate leadership

Current projections estimate that even if governments meet their climate goals, the world is still on course for 3 degrees of warming. To avoid such a future, businesses need to become leaders in climate action—and here's how.

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It's time for businesses to step up on climate policy. Image: Shutterstock

The latest [UNEP report](#) concludes that even if the Paris INDC commitments are kept, the world will likely see dramatic rises in temperature, exceeding 3 degrees C.

This means non-state actors, including global corporations and their investors, are now asked to act more urgently than ever. The risks to them, their marketplaces, and the planet are increasing markedly. Those who heed this call will materially increase their odds of prospering in the long term. Those who don't will face increasing critical scrutiny on all fronts, including financial, operational, regulatory, and reputational.



Corporate leaders that are transparent, ambitious, and smart will capture global momentum, and are likely to lift corporate climate strategies around the globe.

So what would it look like for these firms to show leadership? Four relatively straightforward deliverables:

1) Be transparent on emissions.

Many of the largest emitters don't disclose their emissions, leaving experts to estimate these figures. This must change very soon for the world to fully assess the opportunities for solving this global challenge. The [Greenhouse Gas Protocol](#) is the most widely used emissions measurement and reporting standard, so it's a good place to start.

2) Set an emissions target in line with the global effort to limit warming to less than 2 degrees C.

An ambitious target rooted in climate science means a company isn't just doing better, it's doing enough. Already, over 200 firms have committed to this through [Science Based Targets](#), a joint initiative of GDP, UN Global Compact, World Resources Institute, and World Wildlife Fund. The initiative provides practical guidance and methodologies for target-setting as well as a free quality check service for submitted targets.

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3) Put a price on carbon.

An internal carbon price—sometimes referred to as a carbon tax—bakes the consequences of carbon pollution into a firm's internal accounting and capital budgeting processes, helping to incentivise low-carbon investments. There are multiple ways to design a carbon pricing scheme, but as this [executive guide](#) to carbon pricing explains, it does not need to be complicated. [Nearly 80 firms](#) have already committed to carbon pricing through the We Mean Business coalition.

4) Speak up on climate policy.

Firms that have influence with governments in countries where they operate should use that influence to support climate-friendly public policy. That influence can be important at trade associations as well. Too often, individual firms will make great progress only to see their trade association lobby against the low-carbon public policies that would support their own business interests.

The consequences for the global corporation are significant. Corporate leaders that are transparent, ambitious, and smart will capture global momentum, and are likely to lift corporate climate strategies around the globe. Corporations not demonstrating transparency and leadership on reducing emissions are likely to see a significant headwind for their priorities as a whole.

We are in a time of acute need for leadership on climate change, with a trajectory towards a 3 degree plus world. Business has played a prominent role, and some leaders have emerged, but time is short for others to follow suit.

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