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#10ThingsSH businesses should care about after COP21

Last year we published #10ThingsSH that businesses should know about COP21, the Paris-based UN conference tasked with reaching a world-wide agreement on climate change.

The dust is finally starting to settle after a tumultuous two weeks at COP21, and the main tenets of the agreement are as predicted - a maximum of 2 degrees warming; nationally determined contributions; $100 billion/year in contributions from richer nations to poorer nations. But what does all this mean for business and why do we think our clients will care?

Publically and privately, domestically and internationally, we are expecting a drive toward clean energy production...

- Renewable energy is being viewed as a panacea and it is being reported that increasing renewable energy production to 36% by 2030 could get the world half way to holding global warming at less than 2 degrees Celsius.
- Whilst it is true that subsidies for clean energy are being eroded by national governments across the globe, this simply recognises the fact that market forces are now strong enough to ensure that clean energy no longer requires subsidies and that supporting the industry could be seen as unnecessary public expenditure.
- To fund areas that the market is at present unwilling to venture into because new energy technology that is seen as being too risky an investment, private investment funds are being established. Most prominently the Breakthrough Energy Coalition (of Gates/Zuckerberg fame) was launched at COP21 to ensure that exploratory clean tech receives further attention.
- @SH_EnviroPlan thinks that the global investment in clean energy last year (£329 billion) is truly just the tip of the iceberg.

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… and in turn, @SH_EnviroPlan expect a rapid divestment from fossil fuel-related industries

- Businesses will be subject to greater consumer pressure to reduce their own emissions and those of their supply chains, and an 'easy' way to achieve this is through clean energy.
- There is an increasing trend for larger businesses to make their own ambitious emission reduction commitments – this plays well with all stakeholders: shareholders, customers and funders…
- In fact, debt finance could become harder to obtain, with mainstream lenders and pension funds increasingly aware of the reputational impacts they face when lending to big emitters of greenhouse gases – carbon dioxide has been the most infamous in recent years, but will we soon be focussing on methane and the oxides of nitrogen?

What clean energy can't achieve, energy efficiency is expected to instead

- Energy efficiency is expected to be able to do the rest of the work towards remaining within the two degrees cap.

What will it look like?

- Governments may dress-up changes to gain favour in the eyes of their fellow COP21 members; however, don't be fooled. Businesses can expect more of the same in the way of a mixture of market-based (e.g. emissions trading) and top-down approaches (e.g. energy efficiency regulations). After many years of political discussion regarding the global financial crisis and security threats, we think politicians will need to keep domestic agendas green in order to justify further 'greening' of our lives – with oil prices so low, how will we be pushed into electric cars?
- One possible new area of regulation in the future is an alteration to financial management and company legislation to limit investment in fossil fuel-related industries; however, at this point market-based divestment appears to be achieving this goal already and regulatory changes may be unnecessary.

How can Stephenson Harwood help?

More than ever, environmental and climate change issues are at the heart of law and policy, impacting every business sector - Stephenson Harwood's Environment Group helps its clients successfully navigate these complex regulatory frameworks. For further information please contact us.

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