The Paris effect
How business is factoring in the Paris Agreement

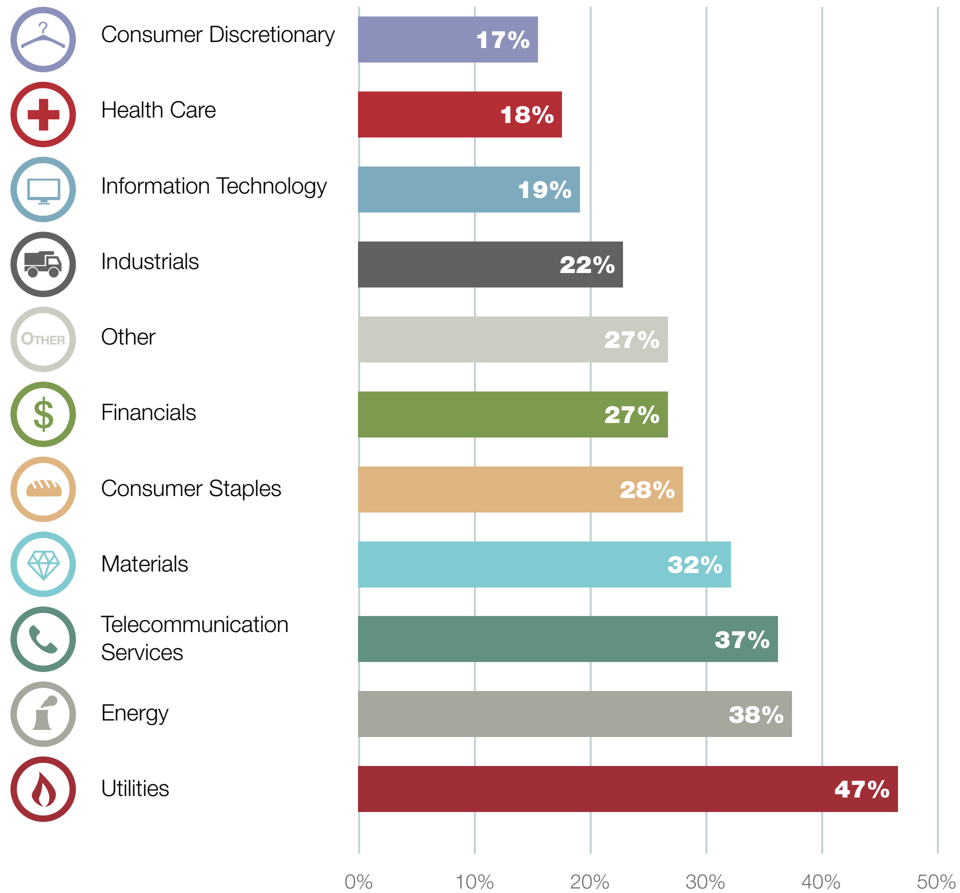
Is business planning for the emission reductions agreed at COP21?

The Paris Agreement on climate change was a clear signal from governments to global markets that the transition to a low-carbon economy is inevitable, irreversible and irresistible. But is the private sector acting on this signal?

The evidence is starting to come in – and the signs are positive. In 2016 over 600 of the world's largest listed companies disclosed to CDP that they are now factoring the Paris Agreement as a risk or opportunity that could generate substantive changes to how they do business. These disclosures were made only a few months after Paris and are a promising sign for the future.

Companies operating in the high-emitting utilities sector were the most likely to say that the Paris deal is impacting their business, with 47% highlighting this in their CDP disclosure. Businesses in other high-emitting sectors, such as energy and materials, were also among the most likely to identify changes as a consequence of the global climate change agreement.

■ % of companies in each sector reporting that the Paris Agreement presents a risk or opportunity to their business



From Anticipation to Implementation

The Paris Agreement has immediate and long-term implications for business operations, supply chains, investor preferences and consumer demand. **CDP calls on governments to reaffirm their commitment by ratifying and implementing the Agreement as soon as possible.**

The market opportunities that governments can thereby unlock are substantial. Over the next 15 years, US$90 trillion will be invested globally in infrastructure where emissions are currently concentrated[1]. The national climate plans under the Paris Agreement represent at least a US$13.5 trillion market for the energy sector alone[2]. Implementing the NDCs and setting the right enabling policy environment for the transition to a low-carbon economy will lead to business and investor action on the ground.

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US$13.5 TRILLION
market for the energy sector

Businesses have told CDP that this will help them to:

Create and enter new markets

The recent agreements of the COP 21 in Paris in December 2015, will provide an additional boost over the medium to long-term for renewable energies and energy efficiency services.

ACS Group, Spain

The national climate plans under the Paris Agreement represent at least US $13.5 trillion market for the energy sector alone in energy efficiency and low-carbon technologies through 2030, according to Ceres. This market represents an opportunity for Morgan Stanley.

Morgan Stanley, USA

Capitalize on long term policy certainty

Following the Paris agreement, Generali France invested € 10 million in a sustainable investment product, Tera Neva, an equity-linked bond designed to finance renewable energy and energy efficiency projects

Assicurazioni Generali Spa, Spain

Benefit from a level playing field

All countries in which Anglo American operates will be required to contribute to the global effort to deliver on the Paris Agreement. Domestic policies will likely follow where they are not in place already, presenting portfolio risks and opportunities for us. For Anglo American the Agreement provides further signals that the global economy is becoming increasingly carbon constrained and as such we need to continue with efforts to reduce our direct and value chain emissions in order to remain competitive and sustainable.

Anglo American, UK

Make low-carbon investments

After the agreement reached in Paris in December 2015 at COP21, Total decided, early 2016, to fully integrate climate into its strategy and to take into account the implications of the 2°C scenario across its value chain. […] To ensure that investment projects are as profitable as anticipated in the desirable event that the international community agrees to put a cost on CO2 emissions, investments have been valued since 2008 generally based on a cost of 25€ per ton of CO2 emitted. As of 2016, new investments projects presented to the Executive Committee are evaluated using a cost of 30 to 40 USD per ton of CO2 emitted depending on the price scenario retained. This cost bracket is consistent with the prices generally required to favour, on the one hand, gas over coal for producing electricity and, on the other hand, R&D in new low-carbon technologies.

Total, France

1. New Climate Economy, Better Growth, Better Climate: Executive Summary, 2014, pp. 8-10.
2. International Energy Agency (IEA), Special Briefing for COP21, 2015.

Respond to consumer demand

Customers expect retailers to act in their best interests in combatting climate change. COP 21 has set an ambitious goal. We now have an established policy that says climate change and decarbonising the global economy is everybody's business, and every sector has a part to play in addressing it, not just for ethical reasons, but for cost effectiveness and efficiency as well. This is where the biggest impact for retail will be. Customer will expect the business community to play its part in making COP 21 a reality, with much of the spotlight being placed on the global supply chain, and the labour and environmental standards within it.

Kingfisher, UK

As awareness of climate change increases, consumers are pressing governments and companies to take preventative action. This trend has been increasing since the COP 21 global climate agreement, in December 2015. ICL has experienced growing demand from its clients to provide Carbon Footprint (CFP) calculations for its products.

ICL, Israel

Prepare for increasingly ambitious climate policy

Following COP 21 we re-committed to build on our climate action leadership to date and to support international carbon target outcomes. We have adopted the same challenging and ambitious carbon reduction targets across all of our operating regions.

Carillion, UK

Raise the level of ambition in their efforts to tackle climate change

To date, we've already exceeded our original target for 2020 by 16 percentage points (a 46 percent reduction in our greenhouse gas emissions compared to 2005). The newly defined greenhouse gas emissions-reduction target is based on the "Science Based Targets Initiative". This initiative is committed to defining companies' and organizations' emissions-reduction targets scientifically, and is based on the recommendations of the 2015 UN Climate Conference in Paris (COP21).

Beiersdorf AG, Germany

Our Call to Action

The Paris Agreement provided business with a clear direction of travel. To scale up private sector investments in the clean economy, governments now need to reconfirm their commitment and maintain momentum by swiftly ratifying the Paris Agreement and starting to implement their NDCs.

We therefore call on policy makers to:

1. Lock down the Paris Agreement and NDCs through entry into force.
2. Reduce emissions in the short term through the Global Climate Action Agenda.
3. Enhance adaptation to build climate-resilient economies and communities.
4. Connect non-state action to an increase in ambition with every 5-year cycle, starting in 2018.
5. Raise new and additional climate finance at scale from public and private sources.
6. Enact meaningful pricing of carbon and eliminate fossil fuel subsidies.
7. Drive towards net zero emissions by ensuring that the 2020 NDCs align with long-term low-GHG development strategies[3].

3. Business and CDP, The Business End of Climate Change, 2016.

CDP Contact

Paul Simpson
CEO, CDP
Paul.simpson@cdp.net

Kate Levick
Director of Policy & Regulation
Kate.levick@cdp.net

Shirin Reuvers
Policy & Public Affairs Manager
Shirin.reuvers@cdp.net

Jacqueline Felber
Senior Support Officer, Disclosure
Jacqueline.felber@cdp.net

Kharunya Paramaguru
Communications Manager
Kharunya.paramaguru@cdp.net

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Hélène Margue
Policy & Public Affairs team, CDP