

Towards a Private Sector Climate Justice Agenda



“Adaptation is becoming a euphemism for social injustice on a global scale. While the citizens of the rich world are protected from harm, the poor, the vulnerable and the hungry are exposed to the harsh reality of climate change in their everyday lives. Put bluntly, the world’s poor are being harmed through a problem that is not of their making. The footprint of the Malawian farmer or the Haitian slum dweller barely registers in the Earth’s atmosphere.”

Archbishop Desmond Tutu



Background

Our world is at a turning point. Humankind's vast and intrepid development and society's ingenuity – technological, agricultural, industrial, etc. – has, in the past century, brought about what is known as the Anthropocene. This refers to a time when human influence on the Earth is a primary and rapid variable of influence for all ecosystems (Steffen et al., 2011).

The acknowledgement of the Anthropocene by researchers is a game changer in terms of social innovation and transformations to sustainability, because it provides a new context to strategically rethink and develop currently disjointed social change imperatives (Olsson, Moore, Westley and McCarthy, 2017).

In recent decades, this rapid development and its globalisation has contributed to significant improvement in many of the indicators for improved welfare, social mobility and a diminishment in politics, with the many benefits of a fast connecting world and global economies.

However, archetypal of the Anthropocene is the rapid depletion of resources, destruction of ecosystems, discharging of carbon emissions, etc. – the cost and not-so-hidden externalities of our relentless ever-increasing growth and development. For all the benefits that our modern industrialised and complex world has brought, the (growing) scientific and journalistic communities of climate change have continued to issue warnings about the impact on our global climate. They have also stressed the urgency to drive progress towards finding new inroads in shifting economies towards more sustainable means of production, consumption, and further development and growth.

Climate change at a glance

In just under 20 years, the international community has formally recognised that climate change is taking place, describing key leverage points for addressing its key socio-economic and technological vectors, and exploring agreements to spur collective action for climate adaptation and resilience. It has agreed that greenhouse gas emissions must be mitigated and adaptation strategies put in place to shelter people from climate threats. Commitments to share technology and resources have been made.

As a phenomenon that affects the whole world, climate change has warranted and received a comprehensive global response. This has been the intent of international negotiations held on the subject, starting with the 1992 United Nations Framework Convention on Climate Change (UNFCCC), and continuing through the annual meetings of the Conference of the Parties (COP) to the convention. However there has been an ongoing tendency to focus on some issues and interests, but not others.

Back in 2007, the Intergovernmental Panel on Climate Change (IPCC) said that emissions would have to peak by 2015 (and then decline) – or the world would not avoid the worst impacts of climate change. It calculated that maintaining average global temperatures between 2°C and 2.4°C over pre-industrial levels would require global emissions cuts between 50% and 85% over 2000 levels by 2050 (IPCC 4th Review, 2007).

The Stern Review on the Economics of Climate Change made predictions based on the world continuing on a path of 'business as usual', meaning emissions remain high in today's industrialised countries and accelerate in fast-growing developing countries. It estimated that temperatures would rise by at least 2°C to 3°C in the next 50 years, with a 50% chance of warming by more than 5°C. By comparison, the last 5°C shift in global temperatures occurred between the Ice Age and now (Stern, 2007).

The environmental impacts of climate change with a 0.74°C increase are already obvious. More and more extreme weather events are striking around the world. Sea levels have risen by 10cm to 20cm. Rain patterns are shifting and glaciers are melting. Since all human beings are dependent on the Earth's resources, these have direct economic and development effects on lives, livelihoods, health, food security and so on. The Stern Review estimated that the costs of extreme weather alone could reach 0.5% to 1% of world gross domestic product a year by the middle of the century.

Climate change is happening, and the consensus of scientific and political bodies is that the issue is not being responded to urgently enough. There are plenty of gaps in our global, national and regional responses to the effects of climate change.

Meanwhile, emissions, deforestation and seismic waste displacement continue to grow on an unsustainable scale. Most countries remain unequipped to cope with the rising rate of extreme weather events, resource shortages, water insecurity, and environmental shifts that directly impact development.

Why has there been so little progress?

The environmental and climate crisis is one of the principal threats to life on the planet for present and future generations. Global warming and ecosystem destruction threaten the production of nutritious food, water availability, housing and health, all of which are essential to live a life in dignity. No other current concern can claim the scale of climate change – and the scope of the potential catastrophe if the world fails to act in time.

However, climate change does not affect everyone equally.

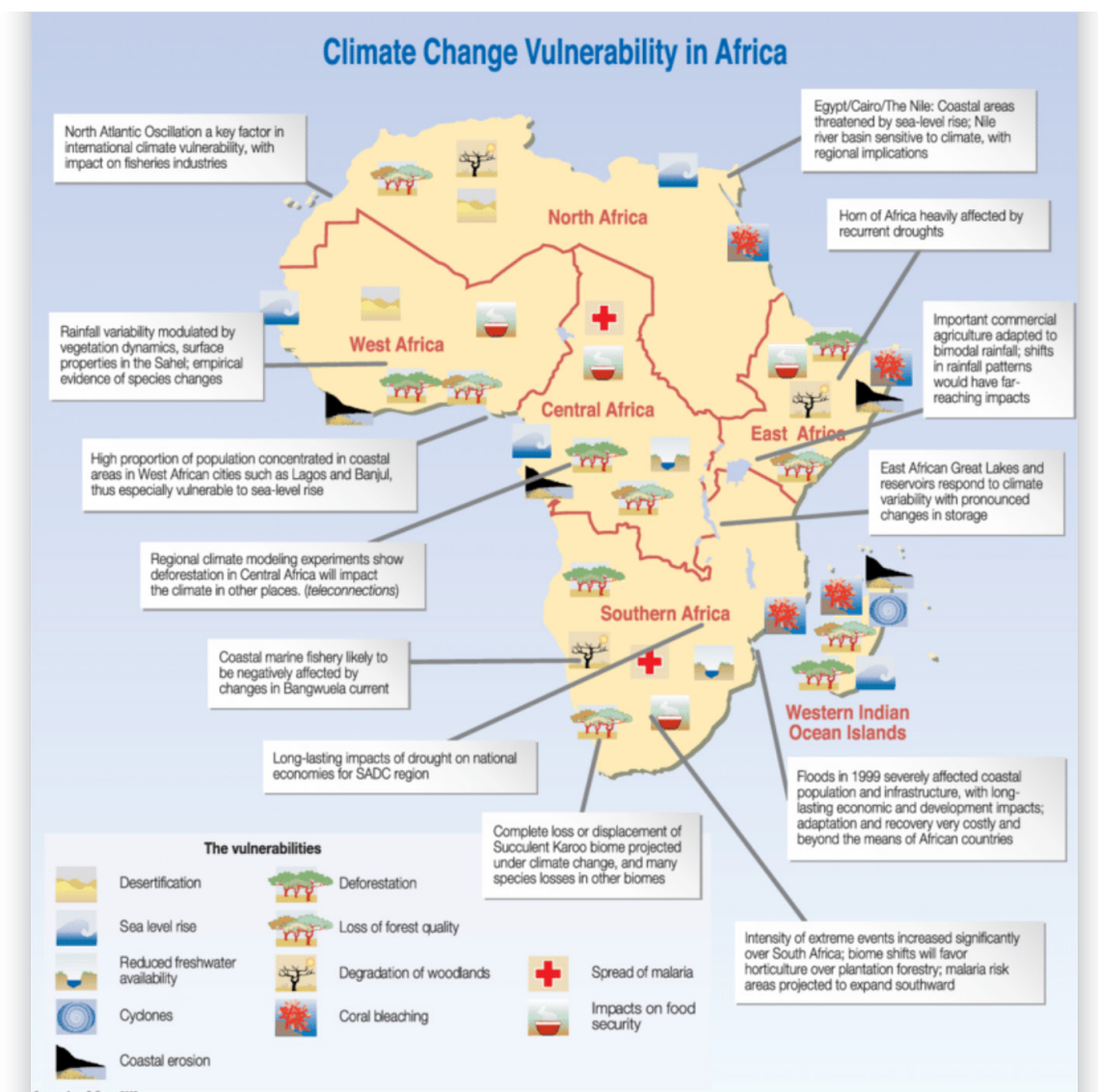
Analysis: The equity and human development dimensions of climate change

One of the most fundamental gaps involves the equity and justice dimensions of climate change. Climate change, at its heart, reveals the still stark divides in resources, development paths and emissions contributions between rich and poor nations, and the widening gap between those with access to resources and those without.

Almost all aspects of climate change can be traced along these lines: who has caused it, and who can cope with the consequences?

‘Our foot is stuck on the accelerator and we are heading towards an abyss’.

Former United Nations General-Secretary Ban Ki-Moon



The people and communities who most suffer the consequences of eco-destruction and climate-related impacts are those who are already most vulnerable and marginalised. These include the world's 2.5 billion small-scale farmers, herders, fish and forest-dependent people who rely on land, water and other natural resources for their survival. They face the biggest challenges, although they have contributed least to the causes of climate change.

With this in mind, the climate crisis must be understood as a human rights and socio-economic justice crisis. The effects of climate change threaten human rights; but also, national and global responses can result in numerous human rights abuses and violations.

For example, severe flooding in the wet season and extreme droughts combined with salinity intrusion in the dry season have led to widespread crop failure in delta regions. As a consequence, shrinking crop yield and aquafarming productivity threaten the right to adequate food and nutrition of millions of small-scale producers.

Ocean acidification and warming increasingly reduce marine fish stocks, directly affecting the livelihoods of numerous fishers and their communities worldwide. The construction of hydropower dams for supposedly 'clean' energy and land conversions, for example for agro fuel production, frequently result in land grabs and forced evictions of rural communities, depriving them of their livelihoods and impairing their human rights. These situations reflect how climate adaptation and mitigation measures can create even more environmental damage and cause negative effects for a range of human rights at a systemic level.

Because of its magnitude, climate change shines a strong light on longstanding inadequacies in the way the world operates, politically and economically. The global community and the UNFCCC have time and time again noted the inequities that have resulted and committed nations to reducing them.

The 2015 Paris Agreement marks an important turning point by explicitly linking climate protection with human rights and related principles. The preamble of the agreement notes the importance of climate justice and acknowledges the crucial intersection of climate change, food production and food security. This interlinkage was further emphasised in the 2019 report of the UN Special Rapporteur on Human Rights and the Environment, stating that a safe climate is a vital element of the right to a healthy environment and is essential to human life and wellbeing.



Climate justice: Context

The concept of climate justice acknowledges that because the world's richest countries have contributed most to the problem, they have a greater obligation to take action, and to do so more quickly. However, many fear that whatever international agreement is reached between governments will compound the already unjust burden on the poor and vulnerable.

A rapidly growing number of social movements and civil society organisations across the world are mobilising around this climate justice agenda. Citizens from both the South and the North are drawn to this concept, partly because many are already experiencing the impacts of climate change and they worry about the fate of their families, homes and livelihoods.

One unjust irony of climate change is that even though developing countries have historically contributed less to emissions and most continue to have a small carbon footprint, as a group they will suffer earliest and most from harmful shifts in the environment.

The poorest, in particular, are heavily dependent on agriculture for food and incomes and is the economic sector most sensitive to climate change. Some studies estimate that for every 1°C rise in average global temperatures, annual average growth in poor countries could drop by 2% to 3%, with an associated cost in human development and basic survival.

Equity is foremost a matter of justice and human rights, and their development is needed to ensure that other groups have equal opportunities to develop, within a framework of mutual efforts to slow the pace of climate change. With people with the lowest levels of emissions and development suffering some of the most severe consequences as a whole, this must be addressed urgently, rather than waiting for the consequences to be more severe (Harris, 2019).

Already it is estimated that fallout from climate change kills 300 000 people a year, including through the spread of disease and malnutrition, and seriously affects another 325 million. Four billion people are vulnerable in some fashion; 500 million are at extreme risk. Developing countries have 98% of affected people and 99% of all deaths are from weather disasters so developing countries bear 90% of the total economic losses (McDonnel, 2019).

Given the history of climate change negotiations to date, a position of equity is also pragmatic, because it will be the only way to strike a meaningful political consensus that will be viewed as fair and result in sustained action by most countries.

Key dimensions of climate justice:

- » Linking human rights and development to tackle pre-existing vulnerabilities and inequalities contributing to and exacerbated by climate change.
- » Prioritising the most climate-vulnerable to ensure that no one is left behind.
- » Ensuring fair and inclusive climate decision-making, particularly for people and groups traditionally excluded from such processes.
- » Investing in people-centred laws and institutions to enable ambitious climate action while equitably distributing costs and benefits of climate mitigation and adaptation measures.
- » Building justice systems that can resolve climate-related disputes, while protecting the environmental rights of people and communities, including the rights of future generations.

Opportunities: South African private sector climate action and leadership

Political gears, albeit late, have begun to shift with an increase in political will, economic regulation and public perspective and engagement. The Paris Agreement and COP gatherings – now focused on implementation – are an example of the time it takes for the global community to enact collective ambitions and scaled approaches to powerful responses to the need for climate adaptation, resilience, etc.

It is important to note, and it is the direction of this brief, that the climate crisis, and specifically the human development and equity dimensions as described above, represent an opportunity for leadership of public and private role players, as well as multi-faceted market-creating opportunities that have not yet been sufficiently explored.

Public and private sentiment is certainly turning towards the issue of climate change as a priority. However, the prioritisation of climate justice specifically has not yet taken precedence.

Regarding climate change and change in practice, according to a recent survey by Deloitte, most South African executives say their companies are taking climate change seriously. And compared to global peers, companies are ahead of the curve when it comes to taking action in some instances, a new study shows.

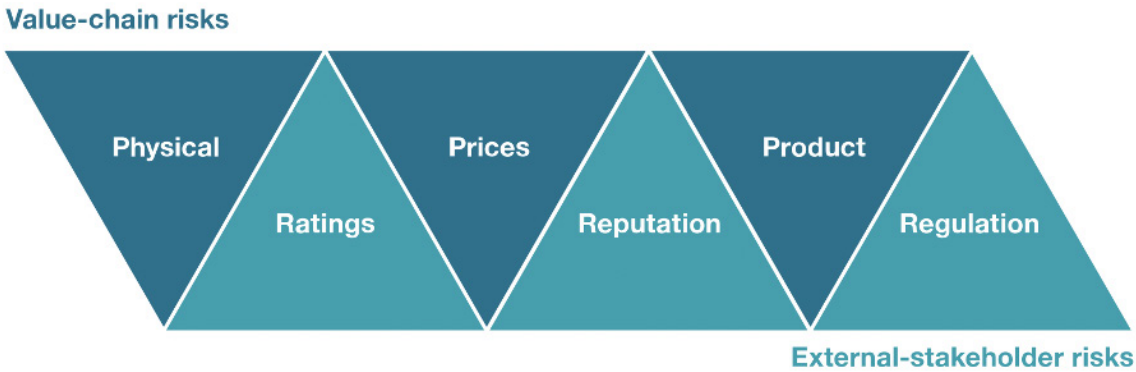
Deloitte recently released its 2022 sustainability report. It surveyed over 2 000 C-level executives, from 21 countries, including South Africa. Most (77%) of South African respondents said their organisations were concerned about climate change; and 98% indicated their companies had been impacted by climate change, compared to 97% of global respondents.

Governments, non-governmental organisations and businesses may need to consider how we might integrate a climate justice agenda for the private sector; and to ensure that equity is at the core of any solution to climate change. Climate justice is not only an ethical imperative, but also an economic and social one. Below are listed four directions for private sector institutions and role players: reflections on risk; responsible practices; market opportunities; and general opportunities.

Risk


It is useful to keep in mind the key risks to private sector institutions associated with climate change.

Specifically, the risk to doing business that is associated with pronounced climate resilience regulation, or public sentiment, etc. McKinsey & Co refer to value-chain risks and external-stakeholder risks as the two key thematic concerns for private sector role players.



McKinsey&Company | Source: McKinsey analysis

Responsible practices

 The private sector, from small, micro and medium enterprises to corporate institutions, have a key role to play. As members of society, there is a need for adaptation in business models, adjustment to responsiveness and a clear strategic leaning towards undertaking responsible business practice; especially with growing uncertainty around the regulatory frameworks, supply-chain vulnerabilities and reputation in light of public sentiment.

Other ways companies are being affected by climate change include having to account for costs of climate change mitigation and facing regulatory and policy uncertainty. Companies are being pressured by stakeholders to act – this includes shareholders, clients, employees, civil society, boards, and even regulators or government.

Pressure from external stakeholders is linked to the application of climate-resilient actions and decisions. For example, over three-quarters (79%) of South African respondents said their companies used sustainable materials like recycled products, compared to the 67% global average. South African companies (75%) are also doing better in terms of improving energy efficiency compared to global peers (66%).

Furthermore, 60% of South African respondents indicated that their companies had purchased insurance against extreme weather risks, compared to 46% of their global peers. Generally, companies have been less likely to implement actions that require a cultural shift, or which are embedded in their strategies or operations.

Market opportunities from climate adaptation



The Global Commission on Adaptation estimates that investing \$1.8 trillion to climate-proof businesses and the broader economy between now and 2030 could generate up to \$7.1 trillion in net benefits. This is a very attractive return on investment. And, according to a recent survey by the Carbon Disclosure Project, half of the world's biggest companies believe climate-adaptation solutions could result in \$236 billion in increased revenue.

In this sense, climate inaction equates to leaving money on the table – and the decision to ‘delay and pay’ could have devastating consequences for businesses and families, especially in developing countries where climate risks are highest and already evident. If we do not use our capabilities and innovative power to make the most vulnerable countries more resilient, we take a big risk on mass immigration, and also the societal tension this will create. None of which is good for business.

It no longer makes sense for companies to think about climate change mitigation and climate change adaptation as separate line items. The private sector needs an integrated strategy to confront climate disruption so business leaders make better decisions by considering both sides of the equation together. Investing in resilience takes many forms. Agricultural and industrial companies need to ensure their supply chains as well as their own operations can withstand the disruption of extreme weather events.



General opportunities: A role for the market

Some investment is already happening through the Clean Development Mechanism (CDM) and joint implementation projects.

Proponents argue that the CDM and other offsetting mechanisms need a major expansion to produce larger transfers. Adaptation costs are more likely to be perceived as public investments requiring levels of ongoing support that generally come from the public sector.

Reflections: Overview

The private sector must begin preparing for climate change and the ensuing disruption to operations and services with new approaches. The future success of the private sector may not only depend on how successfully it can mitigate, but also on how it can adapt to climate change. Extreme weather events are already causing havoc to operations, supply chains and commerce all over the world. Yet climate risk continues to be ignored by most businesses. Investment is not flowing to where it is needed most: to build more resilient economies in response to global warming.

It is surprising that only a handful of companies have developed plans for a future on a warming planet, not least because adaptation is in their best interests.

Collective action dilemma



It is clear that great systems shifts will be necessary in the near to mid-term futures, by every sector and industry, every stalwart of development. Never mind the collective action dilemma.

However, for the purposes of this brief, we see an important role for the financial service industry in investing in a climate-resilient future and leading the way in developing new trends in impact investment, business model innovation, and market-creating innovations for the next frontier of capital growth. This is surely the imminent transition of our socio-economic structures, enterprises and value chains.

This requires immense overall and political (corporate) will. However, in recent experience of the COVID-19 pandemic, it is clear that great changes can be made with quick effect, if indeed there is a common shared sense of urgency.

The issue of climate change is an emergency. The question is: which institutions are leading, and which are following?

Corporate social responsiveness and climate justice agenda

The following key points provide useful reflections for climate justice to be considered as a key priority for corporate social responsiveness. Bearing in mind that in a landscape of various climate change and adaptation interests, climate justice has not yet arrived in the strategic prioritisation of corporate social responsibility and alignment to development goals, including the Sustainable Development Goals (SDGs).

Make justice the starting point. This is the only approach that is comprehensive enough to tackle climate change, foster sustainable economies, and be politically acceptable to most countries. Climate change talks carry the risk that decisions made to reduce inequities will be postponed, while climate change threats continue to grow. There can be no grand global bargain without justice at its core.

Build on existing development and human rights agreements. Both adaptation and mitigation activities should be carried out under national and international policies and actions. Climate change cannot be reversed at the expense of poverty eradication or by thwarting the right to development. The continued tendency to view climate change and development as parallel rather than intertwined issues will hinder progress on both fronts.

Step up action – urgently – to slow climate change. As a whole, the world has the knowledge, resources and technology to counter climate change. It articulated a common political vision in the UNFCCC. Given the escalating pace of global warming, it now has to act with far greater urgency to realise these commitments. Change is possible even if it requires major economic and political rearrangements around the core principles of equity and sustainable development.

Move adaptation to the foreground. Adaptation efforts need to move promptly to the foreground of international and national support for development and climate change solutions. In developing countries, this should be done through national development plans, resilience among vulnerable groups, through social protection schemes and targeted investments in public services and infrastructure. All of these steps should be taken urgently, given that the costs of adaptation rise when actions are delayed.

Transform the systems and institutions that have created climate change. Tinkering around the edges describes much of the response to climate change so far. This falls short of what is needed. As the world stalls, only some reap rewards from current political and economic policies that should be built around notions of justice and equity. These should have the objective of working for the planet and people as a whole, and evening out imbalances that are not sustainable. It is not enough to talk about low-carbon pathways through technology, for example, without also rethinking current models of production, global trade and consumption patterns.

Conclusion

We know there are vast risks that need to be handled related to climate change, and the only way to manage them effectively is through partnerships and coalitions. By working together and jointly prioritising climate adaptation alongside mitigation measures, the private and public sectors can create radical new climate solutions. Adaptation can open up new markets and provide a much-needed booster shot for the global economy. It is not only the right thing to do, it is the smart thing to do.

There is little doubt that climate change will lead to unprecedented changes in the natural environment, which will in turn affect the way we live, with potentially dramatic consequences for our health, energy sources and food production systems. There is also increasing recognition that these impacts are being felt disproportionately by poor people who already live under precarious conditions.

Climate change, with its many facets, further exacerbates existing inequalities faced by these vulnerable groups. It threatens to undermine the realisation of fundamental rights for many people and to reverse progress made towards the achievement of the internationally agreed development goals, including the SDGs. It is a global justice concern that those who suffer most from climate change have done the least to cause it.

It is crucial that private sector institutions and industry leaders take a leading role in advocating for climate justice as a vital cornerstone of corporate responsibility, and investing in climate resilience businesses and climate change-ready value chains. They need to start adapting their own business models and strategic scenarios to suit an uncertain and volatile future characterised by imminent sea change in every area of social and economic life.



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