

Governments & companies: act now on climate change

It is one thing to hear dire predictions of global warming from scientists. It is quite another to feel the heat and see its consequences.



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As temperature records were broken across Europe this summer, the public's gaze is inevitably turning to what global leaders are doing to solve the problem.

A scan of the media suggests that most of the action right now is coming from companies, who are falling over themselves to commit to net zero. Entities representing US\$130tn of assets made net-zero pledges via the Glasgow Finance Alliance for Net Zero at last year's COP26 global climate gathering.

However, a closer look shows that virtually all these promises rest on one critical assumption: "We make this Commitment with the expectation that governments will follow through on their own commitments to ensure that the objectives of the Paris Agreement are met." In other words, we are committed to net zero but can only deliver if governments come good on their promises.

This disclaimer, taken from the Net Zero Banking Alliance commitment, is replicated in the Net Zero Asset Managers'

commitment, the Net Zero Insurers' commitment, the Net Zero Asset Owners' commitment and the Net Zero Financial Service Provider commitment - all the core partners under the Glasgow Finance Alliance.

More evidence of corporate greenwash? Perhaps, but the companies have a point.

Until governments deliver their climate commitments, our collective future rests with ad hoc private initiatives. This cannot be a substitute for clear government policy that delivers system-wide incentives to enable Adam Smith's invisible hand to work its magic.

Put simply, government greenwashing sets the tone; it fuels its private sector equivalent.

Government inaction is no secret. António Guterres, Secretary General to the United Nations, noted bluntly that:¹

“Nearly half of humanity is living in the danger zone – now. Many ecosystems are at the point of no return – now. Unchecked carbon pollution is forcing the world's most vulnerable on a frog march to destruction – now. The facts are undeniable. This abdication of leadership is criminal.”

Even supposed leaders on climate action are falling short. The UK government's Climate Change Committee, for instance, has highlighted shortfalls against

statutory targets, describing the government's approach as "...a high-wire approach to Net Zero."

What should governments do?

First, governments must urgently translate their long-range climate ambitions into short and medium-term targets, supported by detailed sector-specific policy actions.

There is no shortage of guidance to get us on a 1.5C pathway, including the IPCC's latest report on mitigation,² the IEA's energy transition plans or national-level roadmaps, such as that published by the UK's Climate Change Committee. Most do not depend on new technology – whether it's rolling out home insulation, low-carbon farming practices or more wind farms.

What about companies?

Second, companies must help governments deliver net zero policy frameworks rather than offering fairy-tale promises predicated on unlikely action. At the very least, companies with net zero promises must lobby in favour, rather than against, the policy measures needed to deliver those stated goals.

According to Influence Map, while BP claims to support a 1.5C goal, it is also a member of the European Community Shipowners Association, which lobbies against tougher shipping emission policies. Likewise, Easyjet positions itself as a low-carbon leader while being a member of Airlines 4 Europe, which is resisting tougher air travel decarbonisation measures.

These are not exceptions.

In a review of the 166 largest listed global emitters, Influence

Map found that only 9% align their direct lobbying practices with a 1.5C temperature goal. Just 2% ensure their indirect lobbying – undertaken by associations in which they are members – is aligned. And yet, almost 70% of these companies have a 2050 net zero commitment.

Anti-net zero lobbying on this scale is bad for the planet and will cost companies longer-term. Aside from the reputational risks of being caught out, policy prevarication undermines investment certainty. Companies risk deploying capital into long-lived assets that cease to be legal, while under-investing in green alternatives. Directors face the spectre of being sued for their contribution to climate damage.

In the end, we can only protect against further climate damage through system-wide change underpinned by impactful government policy action.

Companies know better than anyone what policies would force them to act. It is time that business leaders pressed governments to deliver the policies that will unlock their net zero plans, rather than quietly subverting them.

FOOTNOTES

¹ Secretary-General's video message to the Press Conference Launch of IPCC Report [scroll down for languages] | United Nations Secretary-General

² IPCC, "Climate Change 2022: Mitigation of climate change", Working Group 3 for the 6th Assessment Report, April, 2022

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