Realigning for Sustainability

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Introduction

Sustainability is the new catchphrase. Ensuring sustainability has become the subject of high-level policy dialogues, corporate decision-making and bottom lines, institutional and organisational debates, people's movements and collective aspirations. The eventual (as is broadly intended) spillover will cover policy choices and regulatory systems, social programmes, economic activities and processes, production and consumption patterns, as well as our behaviour and life choices.

The limits of a sustainable economy are being defined by the emerging discourse on sustainable development on the one hand and that on addressing climate challenges on the other, necessitating a rethink of the very bases of our economic systems, processes and metrics. In this context and in line with one of the key areas of inquiry of the 18th World Congress on Environmental Management, this paper seeks to map the emerging architecture governing climate policy and action and discuss the potential for engagement of the corporate sector in India.

The Paris Agreement and Mechanisms for Implementation

The Paris Agreement adopted on 12 December 2015 by 196 Parties to the United Nations Convention on Climate Change (UNFCCC), the culmination of a long and tortuous series of inter-governmental negotiations that have appeared to be on the brink of failure many a time. In its final form, the Agreement "aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty" by

- Holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre industrial levels
- Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development

The implementation of the agreement is to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstance, deferring to the position of developing country groupings. The approach adopted is voluntary and bottom up: accordingly, all parties are to undertake and communicate ambitious efforts pertaining to climate change mitigation (art. 4), adaptation (art.7), financing (art. 9), technology development and transfer (art. 10), capacity building for mitigation and adaptation (art. 11) and an enhanced (flexible) transparency framework (art. 13) as nationally determined contributions (NDCs) to the global response to climate change.

Mitigation

With regard to climate change mitigation, Parties aim at the global peaking of greenhouse gas emissions as soon as possible (recognising that this will take longer for developing country Parties), thereafter undertaking rapid reductions

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in accordance with the best available science "to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases" in the second half of the century, again on the basis of equity and in the context of sustainable development and poverty eradication. Developed country Parties are to lead through economy-wide absolute emissions reduction targets and developed countries are encouraged to move in this direction.

The Agreement allows for voluntary cooperation mitigation "co-benefits" from Parties' adaptation or economic diversification plans; the transfer of international mitigation outcomes to NDCs (applying robust accounting for avoidance of double counting); opens to the door for market mechanisms to support mitigation outcomes and "recognise(s) the importance of integrated, holistic and balanced non-market approaches" being available to the Parties to assist in the implementation of their NDCs in the context of sustainable development and poverty eradication.

Adaptation

Through the Paris Agreement, the Parties establish the global goal on adaptation as the enhancing of global adaptive capacity, strengthening resilience and reducing vulnerability to climate change. The focus is on sharing information, good practices, experiences and lessons relating to adaptation science, policy, planning and implementation; strengthening institutional arrangements for synthesis of relevant information and knowledge and the provision of technical guidance and support to Parties; strengthening scientific knowledge on climate (including research and observation on climate and early warning systems) to inform climate services and support decision-making; assisting developing country Parties in identifying effective adaptation practices, adaptation needs, priorities, support provided and received for adaptation actions and efforts, challenges and gaps towards encouraging good practices and improving the effectiveness and durability of adaptation actions. Specialised organisations and agencies of the United Nations are encouraged to support the efforts of Parties in implementation of these actions.

Addressing loss and damage due to climate change has been discussed in continuation of adaptation. In this regard, the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impact is to be enhanced and strengthened, though it does not provide a basis for liability and compensation. Cooperation and facilitation across Parties, organisations and expert bodies is sought with reference to early warning systems; emergency preparedness; slow onset events; events that may involve irreversible or permanent loss and damage; comprehensive risk assessment and management; risk insurance facilities, climate risk pooling and other insurance solutions; non-economic losses; and resilience of communities, livelihoods and ecosystems.

Financial Mechanisms

The Paris Agreement states that developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation (in continuation of their existing obligations under the Convention), with other Parties encouraged to provide/ continue to provide such support voluntarily. Developed country Parties are to continue to take the lead in mobilising progressive climate finance from a wide variety of sources, instruments and channels (noting the significant role of public funds) through a variety of actions including supporting country-driven strategies (and taking into account the needs and priorities of developing country Parties). The actual modalities, procedures and guidelines to this end are yet to be adopted though the Financial Mechanism of the Convention, including operating entities, is to serve as the Financial Mechanism for the Paris Agreement.

Technology Development and Transfer

The Agreement enshrines a long-term vision of the importance fully realising technology development and transfer to improve resilience to climate change and reducing greenhouse gas emissions. Cooperative action on technology development and transfer is to be effected through the Technology Mechanism (and Financial Mechanism, as appropriate) established under the UNFCCC serving the Agreement. Innovation, collaborative approaches to research and development as well as facilitating developing country access to technology are important components under this head.

Capacity Building

Provisions for capacity building under the Agreement are aimed at enhancing the capacity and ability of developing country Parties and LDCs and SIDS in particular (and at the national, sub-national and local levels), to take effective climate change action and also support technology development, dissemination and deployment, access to climate finance, relevant aspects of education, training and public awareness, and the timely, transparent and accurate communication of information. Cooperation of all Parties (including through regional, bilateral and multilateral approaches) is mandated; with developed country Parties to provide support through appropriate institutional arrangements.

Transparency Framework and Review Mechanisms

The Agreement establishes an enhanced transparency framework for action and support, with built-in flexibility taking into account Parties' different capacities and building upon collective experience. It is to be implemented in a facilitative, non-intrusive, non-punitive manner, respectful of sovereignty and avoiding placing undue burden on Parties. The transparency arrangements include national communications, biennial reports, biennial update reports, international assessment and review and international consultation and analysis. The information to be provided by the Parties covers:

- A national inventory report of anthropogenic emissions by sources and removal by sinks of greenhouse gases by each Party;
- Information necessary to track progress made in implementing and achieving its NDC, by each Party;
- Information related to climate change impacts and adaptation, as appropriate, by each Party;
- Information on financial, technology transfer and capacity-building support provided to developing country Parties, by developed country and other Parties providing such support; and

- Information on financial, technology transfer and capacity building support needed and received under these heads, by developing country Parties.

The first global stock take will take place in 2023 and every 5 years thereafter. The Conference of Parties is attributed wide discretionary powers in managing timeframes and holding Parties accountable, with the UNFCCC Secretariat maintaining the public registry of NDCs.

Institutional, Procedural and Implementation Framework

The Conference of Parties serving as meeting of Parties to the Paris Agreement has been given wide powers in regular review of implementation of the Agreement and making decisions (within its mandate) necessary to promote its effective implementation, performing assigned functions, establishing such subsidiary bodies as deemed necessary and exercising such other functions as may be required for the implementation of the Agreement. The Parties to the Agreement will rely on the UNFCCC Secretariat, and the Subsidiary Bodies for Scientific and Technical Advice and for Implementation which shall serve the Agreement in the same capacities with the meetings held in conjunction.

There are provisions for the representation of the United Nations and its specialised agencies, the International Atomic Energy Agency, any State Member/ Observer not Party to the Convention as well as any body or agency (national, international, governmental or non-governmental) qualified in matters covered by the Agreement at the meetings. Each Party to the Agreement shall have one vote (the modalities in the case of regional economic integration organisations being specified).

Other Decisions and Actions

The Paris Agreement was adopted as part of a Decision of the 21st Conference of Parties, which guides pre-2020 action and sets out the implementation details before its entry into force. It also highlights the need for enhanced finance and other regulations left out of the Agreement (to enable the signature of the Agreement by the President of the United States as 'sole executive agreement under US law). It clarifies that the existing mobilisation goal, i.e. USD 100bn per year from 2020 will continue through 2025, and that from 2025 Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 bn per year.

In the area of pre-2020 action, the Decision calls for enhanced consultation and cooperation action to support mitigation and adaptation action and ratification of the second commitment period to the Kyoto Protocol up to 2020. Developed countries are urged to scale up financial support with a concrete plan to reach USD 100 bn by 2020, also specifying adaptation finance as an area needing significant increase. There is also the attempt to keep up the pressure on all stakeholders through the convening of 'annual high level events' convened from 2016 through 2020, designed to create the space for voluntary initiatives and coalitions to be established and provide a platform for countries to announce ambitious action (It may be noted that the Paris COP also saw unprecedented support in terms of pledges outside of the negotiations).

Prior to the global stock take in 2023, the COP 21 Decision mandates a facilitative dialogue among Parties in 2018 to take stock of the collective efforts of Parties in relation to progress towards the long term emission reduction goals and covering all the procedural and substantive elements of the Paris Agreement. The Inter-Governmental Panel on Climate Change (IPCC) is also to provide a special report in 2018 on the impacts of global warming of 1.5 degrees Celsius above pre-industrial levels and related global greenhouse gas emission pathways.

Current Status

The Agreement has opened for signature and is subject for ratification, acceptance or approval till 21 April 2017, following which it shall be open to accession. It shall enter into force after at least 55 Parties to the Convention, accounting in total for at least 55 per cent of the total global greenhouse gas emissions (the most up to date amount communicated before or on the date of adoption of the Agreement by the Parties) have deposited instruments of ratification/ acceptance/ approval/ accession.

As on date, 19 Parties of the now 197 Parties to the Convention, accounting for 0.18 per cent of global GHG emissions, have ratified the Paris Agreement. Two of these Parties have also communicated their NDCs before ratification.

India's Commitment to the Climate Action Agenda

India emerged as a key player in the Paris negotiations. India's climate goals and strategy to meet them can be based on India's Intended Nationally Determined Contribution (INDC) for 2021-2030. India submitted its INDC prior to the Paris Conference, on 1st October 2015, and is yet to provide ratification to the Paris Agreement. However, the first Biennial Update Report to the UNFCCC has been submitted in to the UNFCCC Secretariat in December 2015.

"This submission by India represents the utmost ambitious action in the current state of development... India's contribution to the problem of climate change is limited but its actions are fair and ambitious."

(India's INDC Communication to the UNFCCC, 1 October 2015)

Climate Goals

The intended contributions are defined in terms of:

- A healthy and sustainable way of living and values of conservation and moderation;
- A climate friendly and cleaner path (to economic development);
- Reducing emissions intensity of GDP by 33 to 35 per cent by 2030, from 2005 levels;
- Achieving 40 per cent cumulative electric power installed capacity from non-fossil fuel based energy sources by 2030, with help of technology transfer and low cost international finance (including from the GCF);
- Creating an additional carbon sink of 2.5-3 bn tonnes of Co2 equivalent by 2030, through afforestation;
- Better adaptation to climate change, through investment in development programmes for climate vulnerable sectors (agriculture, water, Himalayan and coastal regions, health and

disaster management);

- Mobilising domestic as well as new and additional funds from developed countries to implement mitigation and adaptation actions given resources required and the resource gap; and
- Building capacities, creating a domestic framework and international architecture for technology transfer and collaborative research and development.

These are referenced against India's development agenda (particularly with reference to poverty eradication) and its commitment to following the low carbon path to progress linked with the availability of clean technologies and financial resources from around the world. The INDC does not provide any binding sector specific mitigation obligation or action, including in the griculture sector. The communication also details finance, technology and capacity building requirements for implementing the INDC.

The Emerging Climate Strategy

The national strategy to underpin climate action is to continue with ongoing interventions, enhance existing policies and create new initiatives in priority areas in terms of:

- Introducing new, more efficient and cleaner technologies in thermal power generation;
- Promoting renewable energy generation and increasing the share of alternative fuels in overall fuel mix;
- Reducing emissions from transportation sector;
- Promoting energy efficiency in the economy, notably in industry, transportation, buildings and appliances;
- Reducing emissions from waste;
- Developing climate resilient infrastructure;
- Full implementation of Green India Mission and other programmes of afforestation; and
- Planning and implementation of actions to enhance climate resilience and reduce vulnerability to climate change.

Policy and Implementation Framework

It may be noted that India has a rapidly evolving policy and implementation framework that cuts across sectors and relies on supplementary action of State Governments, nongovernmental organisations (NGOs), initiatives of the private sector and other stakeholders.

Climate planning and action is being rooted in the National Action Plan on Climate Change and (now revisited) the National Missions – the National Solar Mission; National Mission for Enhanced Energy Efficiency; National Mission on Sustainable Habitat; National Water Mission; National Mission for Sustaining the Himalayan Ecosystem; National Mission for a "Green India"; National Mission for Sustainable Agriculture; and National Mission on Strategic Knowledge for Climate Change. It is proposed to set up new missions on Wind Energy, Health, Waste to Energy, Coastal Areas and redesign the missions on Water and on Sustainable Agriculture. The institutional arrangement for promoting renewable power is also to be strengthened. There are a number of initiatives and schemes (under priority areas) already underway. The regime comprises national and state plans, agriculture and energy policies as well as fiscal instruments (coal cess, cuts in subsidies, increase in petrol/ diesel taxes) and market mechanisms as Perform Achieve and Trade (PAT), Renewable Energy Certificates (REC), a regulatory regime of Renewable Purchase Obligation (RPO).

The role of citizens and the private sector is integrated into the country's strategy to combat climate change. Swacch Bharat (Clean India) Mission, cleaning of rivers, energy efficiency are clearly posited as policies which are wholly contingent on behaviour change and participation by citizens for implementation. Along with the participation of the private sector in Government initiatives related to climate change and resource efficiency, voluntary actions by the sector playing a key role in sustainable development efforts have been cited. These range through Corporate Social Responsibility (CSR) Activities under the Companies Act 2013 (directing companies with a certain level of profit to spend 2 per cent of their annual profit under this head – the pool of available funding estimated at INR 220 bn as per India's INDC), voluntary carbon disclosure programmes to report on carbon management strategies and emissions, initiatives to manage water consumption, decentralised renewable energy, green rating systems, entrepreneurship support in clean technology sectors and cluster initiatives.

Implications for the Corporate Sector in India

Even as we wait for the politics of climate action to play out, the emerging international regime (supported by provisions for a complex institutional framework and processes) for climate action appears to be exhortatory and facilitative for now, with compliance pertaining primarily to communication requirements. The normative scope though, remains broad and optimistic. It also dovetails with the sustainable development agenda which may, eventually, have for international finance flows, though this remains to be seen. At major impact on the already affected trade negotiations, which is a thoroughgoing enquiry in its own right.

By coverage of issues at least, the Paris Agreement certainly intends to have wide-ranging effects on the economy and business environments in term of development pathways, technology and processes, production and consumption patterns and lifestyle. Public awareness, education, information and knowledge systems are important components of the global response, aimed at behaviour and social change, which is hoped to take climate action beyond the policy-legal and compliance implications of the Agreement. There also appears to be much reliance on voluntary and across the board partnerships to up the ante for climate action, with a definite role for the corporate sector.

Some direct and obvious fallouts for the corporate sector then might include long-term shifts in market realities (policy driven, sector/ resource-specific, supply-chain or demand-driven, etc.) and compliance requirements (from risk assessments to accounting and impact measurement frameworks), requiring readjustment and realignments at the individual, sectoral or geographic levels. Creation of new sub-sectors and functions are already underway (such as sustainability departments, climate professionals) with both possible dislocations and new avenues for professional and corporate growth.

In this specific context, India as a developing country sets no binding mitigation target but has certainly laid claim to a proactive role in climate action and the foundations of a domestic climate regime, with commitment to low carbon development. Clean technology, renewable energy, emissions reduction from the transport sector and from waste, promoting energy efficiency (particularly across industry, transportation, buildings and appliances), climate resilient infrastructure, creating sinks through afforestation (with implications for land use) and adaptation planning and implementation are highlighted as priority areas with the associated expectations in terms of participation/ compliance from the corporate sector.

All other sources notwithstanding, the CSR pool of funds is being viewed as a source of climate finance in India for both mitigation and adaptation initiatives, even as the Government is experimenting with market mechanisms, which may seek corporate participation. Technology development and transfer, would necessarily also seek private sector initiatives and partnerships.

Potential for Corporate Engagement

Moving ahead from the realigning of the corporate sector for effective and green systems and processes and revamping of strategies and accounting systems and defining a comprehensive sustainability agenda – that brings together growth, positive social and environmental impact as well as risk resilience in various contexts and at the different levels, there is a further proactive role that can be taken on by the corporate sector in the international and domestic climate agenda.

Operating in consonance with the mutually reinforcing frameworks of climate change response (covering adaptation and disaster resilience) and sustainable development, does provide a relevant, though complex frame of reference for guiding ambitious efforts. There is creative potential for corporations to evolve non-linear partnerships for resource optimisation and effective implementation of technology and finance (as well as capacity building or skill development) initiatives. The stated preference and proliferation of public private partnerships (PPPs), emergence of consortiums and multi-stakeholder partnerships (MSPs), the deepening of private sector partnerships with the development sector machinery through CSR funding and implementation mechanisms are certainly a growing trend in this direction.

A larger, economy-wide requirement (and perhaps the beginning of a positive movement) may also be in terms of innovating with social enterprise models and the role of knowledge and technical entrepreneurship, as hybrid models, to serve climate planning and action ends.

Reference

http://www.climatefocus.com/sites/default/files/20151228%20COP%21%20briefing%20FIN.pdf

www.c2es.org/international/negotiations/cop21-paris/summary

Collectively, developed countries pledged USD 19 bn to help developing countries, with an announcement by the United States that it will double adaptation support to USD 800 mn a year by 2020. Vietnam, a developing country, pledged USD 1 mn to the Global Climate Facility. There were pledges from subnational sources namely Paris (Euro 1 mn to GCF) and Quebec (6 mn CAD to the UNFCCC LDC Fund). Joint Government Initiatives included the 120 country International Solar Alliance led by India and France and Mission Innovation launched by 20 developed and developing countries pledging to double public investment in clean energy research and development over 5 years. Microsoft founder Bill Gates and 27 other major investors in 10 countries launched the Breakthrough Energy Coalition to steer more capital into clean energy deployment.

http://unfccc.int/focus/ndc_registry/items/9433.php, accessed 30.06.2016. Ratifying Parties are Barbados, Belize, Fiji, Grenada, Guyana, Maldives, Marshall Islands, Mauritius, Nauru, Norway, Palau, Samoa, Seychelles, Somalia, St. Kitts and Nevis, St. Lucia, Tuvalu and Panama and Papua New Guinea that have also submitted their NDCs.

http://time.com/4144843/india-paris-climate-change/ Preliminary estimates for India's adaptation requirements between 2015 and 2030 are pegged at USD 206 bn (at 2014-15 prices).

Quotes

Improving Profit

"Profit is the ultimate incentive and the driving force behind economic miracles. It is why people invest their money, and why companies invest in equipment, supplies, and wages. It is the single most powerful element in the creation of employment. Profit is the ultimate test of the performance of management. No matter what management reports to stockholders, says to the media, or communicates to employees, management must account for bottom-line profit. Profit covers the risk of being in business and ensures that a company will have a continuing supply of capital. Without a profit, companies die."