

**BusinessNZ**  
Major Companies  
Group



**Sustainable  
Business Council**

 wbcSD Global Network Partner



# Climate Change Action

**Business brief for Paris**

November 2015

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## Letter from the Chair

This month political and business leaders are preparing for the COP21 climate conference. The event aims to usher in a new, comprehensive agreement on climate to succeed the Kyoto Protocol from 2020. New Zealand business leaders want the Paris conference to shape a more certain future, providing us the clarity to move confidently towards lower emission business models.

This year the business mood around the climate negotiations has changed. Business is not hanging on the discussions to determine how we move forward. Regardless of what happens in Paris, business will continue to seek to address climate change, through to 2020 when the new agreement comes into force and beyond. We know the longer we wait to take action, the harder it will be and the more it will cost us. This is our window of opportunity.

Climate change is affecting our businesses and communities. Investing in New Zealand's response to climate change will deliver significant economic, social and environmental benefits for all of us. Business has a role and we want to play our part.

Two BusinessNZ divisions, the Major Companies Group and the Sustainable Business Council have been working with companies from key sectors of the economy on a shared goal for creating a low emission economy and how we achieve it.

New Zealand is a significant exporter of primary produce and we have abundant clean energy resources. We are a leader in technology and innovation. We are also vulnerable

to climate impacts and we have a strategic interest in mitigating climate change and making sure our businesses and communities are resilient. As businesses, we support the decoupling of economic and emissions growth. We need to transition to a decarbonised, sustainable economy in a responsible way.

In the long term, the challenge will be greater. Low-emission is not going to be good enough. The planet will continue to warm as long as we emit more greenhouse gases than we can capture and store.

We will all have to make big commitments. That means we will need to replace fear with voices that are willing to contribute positively and to work together – business, communities, government and academia. Leaders will need to do more, going beyond their own organisations to influence consumers, individuals and others to stimulate change.

I feel privileged to have been part of the group of companies involved in these discussions on climate change ahead of COP21 in Paris. There is momentum among business. We can support one another to act. We can also support government to be ambitious in its goals and its willingness to make New Zealand a stronger contributor to solving this global challenge.

### Karen Silk

*Chair of the BusinessNZ Governance Group for Business Leadership on Climate*

*Westpac – GM of Commercial, Corporate and Institutional*

## Summary

The COP21 negotiations in Paris are seen by business as a catalyst for greater action on climate change. If we act now we can enhance our international competitiveness and strengthen New Zealand's brand. Regardless of what happens at Paris, business leaders have been clear that businesses will continue to act. There's already momentum and a growing awareness of the enormity of the climate issue.

There is no one way or a right way to achieve a low emission economy. But we will benefit from sharing ideas and solutions. That's why business leaders have identified where we think we can work together to accelerate the shift to a low-emission economy in New Zealand. We want to prioritise activity in the following four areas through to 2020:

- **Low-emission transport** - Business will focus on reducing emissions within the transport sector so we can develop efficient, resilient and affordable transport for people and goods.
- **Energy efficiency** - We can make significant, affordable gains reducing emissions in the short term by improving energy efficiency in business.
- **Improving urban infrastructure** - We can make our urban infrastructure resilient and as resource efficient as possible, creating environments (precincts) where we can collaborate, test and scale low-emission business solutions.
- **Business leadership** - Business leaders will continue to make their own businesses more efficient. They will also seek to develop a compelling narrative on why addressing climate change matters to businesses. Business can assist consumers and others towards low-emission choices.

There are other areas where we need to make progress. Through to 2020 and beyond, business will also look at how we can support research and development and accelerate the introduction of new, low-emission technologies. We also want to continue to explore how to reduce emissions from agriculture, and to plant more trees. A group of businesses are already looking at our long term ambition for systemic change.

The climate negotiations in Paris are important and business wants to be heard as a significant voice at the table.

Business supports the government in the development of an ambitious, inclusive post-2020 global climate agreement.

We want all negotiators to:

- Use business backing to create ambitious global targets on climate, with New Zealand positioned as a strong contributor, enhancing our international competitiveness and strengthening our brand as being high quality, clean, green and safe.
- Agree ambitious climate targets that give global business the confidence to invest, to innovate and to act
- Provide long-term clarity, stability and regulatory predictability
- Agree to regular reviews of progress towards the goal
- Create the international impetus to the domestic conditions needed to unlock even greater business participation

Following Paris, we look forward to working with government to identify how to support a faster shift to a low-emission economy. We will need to work together to develop cohesive and tangible action to deliver any post-2020 agreement. Therefore, business wants:

- Stronger government leadership on climate in the years ahead
- Government acting as the trusted and credible provider of data and information on climate progress
- To build on the strong existing support for the Emissions Trading Scheme, with business at the table as it is developed further
- Sustainable procurement from government
- Cross-party agreement to create greater predictability for business

## About the Business Brief on Climate

This Climate Brief has been developed by BusinessNZ to take to the COP21 and World Business Council for Sustainable Development's annual meetings in Paris in November/December 2015. It has been jointly produced by the BusinessNZ Major Companies Group and the Sustainable Business Council.

It is based on a survey of 54 businesses (with collective turnover equal to about 36% of New Zealand's private sector GDP) and two workshops canvassing both business leaders' short term plans to respond to climate and long term ambition for systemic change. The second stream, on longer term change, was the first part of a discussion we expect to continue through 2016.

This work also draws on the BEC2050 energy scenarios which set out two energy sector scenarios through to 2050. The scenarios are important because they show the importance of the choices we make today and their implications for long-term resilient outcomes.

This brief sets out why business leaders think climate change is important. It also outlines the key areas where business will lead on climate mitigation and adaptation through to 2020 and what business would like to see from the government negotiations at COP21 and beyond.

## About the BusinessNZ Major Companies Group and the Sustainable Business Council

BusinessNZ's Major Companies Group helps ensure that New Zealand's largest companies are heard in policy, business and economic debate.

Over 80 of New Zealand's largest companies are active members of BusinessNZ's Major Companies Group. Together they account for a dominant share of New Zealand's GDP, and bring a collective weight of influence that enables it to provide strong counsel to government and other key decision-makers.

The Sustainable Business Council advocates a better way of doing business, one that helps create a sustainable future for New Zealand. It is the voice of sustainable business

in New Zealand and connects and inspires New Zealand businesses to work together to come up with solutions. It is action-focused and currently coordinates a range of projects. It is the New Zealand global network partner to the World Business Council for Sustainable Development.

The Sustainable Business Council has 85 members, including many of New Zealand's largest businesses across a wide range of industries. Our council members are senior executives and decision-makers. All members have made a commitment to the balanced pursuit of economic growth, ecological integrity and social progress within a business context and to report on their progress.

## Where we are now - background

Business will have an important role in shifting New Zealand towards a low emissions future. New Zealanders are already looking to business to innovate and find solutions that will allow us to continue to enjoy a high standard of living while reducing emissions.

Global temperatures are increasing. Scientific evidence shows we must limit temperature increases to avoid the most serious consequences for people, the environment and economies worldwide. Yet, in New Zealand, according to the recently released Environment Aotearoa 2015 report, greenhouse gas emissions have increased 42% between 1990 and 2013.

However, we expect that to change. Two-thirds of business respondents to a recent BusinessNZ survey said they already have emission reduction targets in place and 61% have introduced initiatives to reduce carbon emissions from their business operations.

### The business opportunity from climate

We need to work out how to develop and grow within an emissions-constrained environment. That presents business with a number of challenges but also opportunities: Already, “sustainability is the biggest driver of innovation today,” according to Jonathan Porritt from the Forum for the Future.

New investment in low emissions solutions is likely to open new doors for business. Survey respondents said the greatest opportunities lie in meeting demand from consumers wanting to switch to more climate-friendly products and services, greater investment in new technology and increasing resource efficiencies.

Business has done well out of New Zealand’s branding as being high quality, clean green and safe. A number of business leaders think New Zealand should be showing leadership on climate so we don’t lose that advantage. Taking action on climate also supports businesses to build a strong social licence to operate – something increasingly important as consumers grow their interest in and access to information on how businesses operate.

New opportunities will also come from greater collaboration and co-designing for solutions. This is already happening in pockets. For example, in the freight sector businesses have started working together on ways to accelerate efficiency gains.

### What happens if we fail to act

Many businesses depend on a healthy environment and environmental services, particularly across farming, forestry and fisheries. We have an opportunity to prepare for the expected global constraints on emissions. However, there’s still a prevailing view that climate change isn’t going to affect New Zealand dramatically. We’re also very small – we make up only 0.1% of all emissions. What difference will any action we take actually make?

The impact for many businesses will be real. Extreme weather events are expected to become more prevalent in a warmer climate. This will have the greatest impact on our agricultural sector – which makes up a large portion of the economy and our emissions profile. Rising temperatures will impact on the health of communities (including employees) and influence water available for use. It will also affect our energy supply. A new report released by the World Energy Council called ‘The Road to Resilience – managing and financing extreme weather risks,’ says extreme weather poses a real threat to existing energy infrastructure.

Investors, banks and insurance companies are already looking at the risks of long-term climate change on a range of areas including infrastructure and the housing sector. In addition, many businesses view New Zealand’s strong international brand as heavily based on our environmental credibility. By not taking action, some expect that advantage to erode.

### The business response to climate change

There is momentum building around climate action, internationally and in New Zealand. In the lead up to COP21 in Paris hundreds of multi-national companies and investors have signed commitments to take action on climate change. Examples include the We Mean Business coalition of businesses and investors and the Obama administration’s American Business Act on Climate Pledge.

In New Zealand, climate activity is closely linked to the growing focus on broader sustainability – environmental, social and economic. Two-thirds of respondents in the BusinessNZ survey on climate change have emission reduction targets in place, with strong representation from energy, transport, telecommunications and retail sectors. A small number of companies are now able to quantify the direct economic impact of inaction. The big shift in climate

action among multi-nationals is starting to flow through supply chains. The insurance and banking sectors in particular are actively working on New Zealand's adaption and resilience to extreme events related to climate change. One such example is the Resilient New Zealand venture. In November, BusinessNZ became certified as carbon neutral. It joins dozens of other organisations who are already certified and many more who are measuring and reducing emissions.

### Recognising and managing the short term challenges

There are challenges the business community needs to address. How do we maintain our international competitiveness and mitigate climate change? We will need to find a way to act that allows New Zealand to innovate its way to global climate leadership.

There is a big task ahead for many companies, whose primary business involves emitting. At the moment, businesses are predominantly working alone to address climate change. In addition, although businesses recognise

that climate change is a material risk demanding a response, a large number still find it difficult to quantify the value of action.

A low level of public reporting on emissions beyond a core group of climate leaders is also making it difficult to measure business progress on climate issues.

### Preparing the ground for long term, systemic change

There is now a core group of business leaders who are working on a common goal for New Zealand businesses and identifying the systemic changes that will need to occur to achieve it.

This is not an easy process and there will not be a linear path to shifting to an emissions neutral economy. We need to create a positive environment for transitioning. Business needs to be able to try and fail and test again continuously. Climate change is everyone's responsibility – business, government, consumers. We will need to work together and support each other to make a difference.

## Survey of MCG and SBC members

In October 2015 the Major Companies Group and the Sustainable Business Council surveyed member companies on climate change. 44% of 121 member companies contributed to the survey including 35% of Major Companies Group members and 69% of Sustainable Business Council members. It found:

- Two-thirds of respondents have emission reduction targets in place, with strong representation from energy, transport, telecommunication and retail sectors.
- 52% of respondents said climate was a material issue that warranted a business response.
- 61% have introduced initiatives to reduce climate emissions.
- It's hard for businesses to make a direct connection between climate change and business impact and quantifying the benefits
- 85% of business climate activity sits within business operations, working with customers and through supply chains.
- Target setting is done at an individual business level
- Climate strategies range from 12 month targets with one through to the end of the century. Only one business is considering aligning its target with the national target of 30% reduction to 2030 vs 2005 baseline; and another is investigating alignment with the 2<sup>o</sup> science-based target
- Over half of respondents are publicly reporting their emissions reductions

### What does business want from Government?

- At Paris, business wants to see leadership, clarity of direction, ambition and a unified commitment at a global and national level.
- Beyond Paris, business would like to see cross party agreement on our approach to climate change, sustainable government procurement, transport initiatives and a greater focus on adaptation.

**Climate**

Part of wider  
sustainability – it's not  
standalone

Over

**Half**

Publicly reporting  
emission reductions

**52%**

Think climate is a  
material issue

**1-100 yrs**

Range of climate  
strategy targets

## What business will lead

A number of businesses have already committed to leading action within their own operations. Businesses have identified areas where we think more can be done through to 2020 by working collaboratively to come up with solutions.

We will accelerate change by setting goals, making informed decisions based on good information, innovating, and influencing supply chains. We will pay particular attention in the following priority areas through to 2020:

- Low-carbon transport
- Energy efficiency
- Improving urban infrastructure
- Business demonstrating leadership

### Transport

***Business will focus on reducing emissions within the transport sector so we can develop efficient, resilient and affordable transport for people and goods.***

According to the Ministry for the Environment the breakdown of emissions in New Zealand is 6% industry, 17% transport, 22% energy, 6% waste, 48% agriculture. Work is already underway on developing the science that will help us to reduce methane and nitrous oxide emissions from our agriculture sector. This is important work and good progress is being made – but it will not be a short term fix. In addition, 80% of electricity already comes from renewable sources, which means the big gains have already been made. While all sectors should play their part, this means the biggest value opportunity to 2020 lies in changes to the transport sector.

Delivering low carbon transport will create economic benefits, reduced emissions and proven solutions that can be scaled up around the country. Our opportunities are in:

- Low-carbon freight (including better use of rail)
- Accelerating uptake of plug-in hybrid and electric vehicles
- Scaling up use of biofuels

Business will seek opportunities to scale up and accelerate the work already underway in these areas. We will collaborate to unlock new transport efficiencies and work with government to accelerate change. A group of CEOs are already working with the Ministry of Transport at a strategic level on what transport needs to look like in 10 years' time.

**Low-carbon freight:** Business accounts for a large portion of overall transport emissions. A fifth of New Zealand's transport emissions come from heavy fleet vehicles. Within 30 years the volume of freight moved around New Zealand will grow rapidly - freight tonnage is expected to increase by 58% to 2042. Our freight system is complex. To get the most out of it will take better collaboration between the private and public sector, and freight owners and operators working together on a series of sophisticated solutions. Better use of the national rail network will be part of that. There's already good momentum in this area and an opportunity to do much more.

**Plug-in hybrid and electric vehicles:** With a wealth of renewable electricity we have an opportunity to increase the uptake of hybrid and electric vehicles. The BusinessNZ Energy Council's Scenarios report showed that transformative transport sector change is possible.

Businesses are the single biggest purchasers of new vehicles into New Zealand for use in business fleets. They make up 70% of all new vehicle purchases each year. Businesses want to explore centralised procurement, boosting investment in the supporting infrastructure, for example charging stations, and how we can work with government to accelerate change.

**Biofuels:** Some businesses are already producing or using biofuels to reduce fossil fuels. Business wants to work on how to scale up production and use of alternative fuels to market.

## Energy

***In addition to transport, we can make significant gains in reducing emissions in the short term by focussing on improving energy efficiency in business.***

Business is the generator, supplier and a major user of energy. Businesses beyond the energy sector want access to secure, resilient and affordable low-carbon energy. Businesses have a role in improving the energy efficiency of their own buildings and factories. Business can support generators and retailers who are focussed on the shift to a low-carbon economy. Our opportunities lie in:

- Smart buildings
- Alternative supply (renewables)
- Renewable energy used for industrial

Many businesses have taken big strides in improving efficiencies already and have realised immediate cost savings. A number of businesses already make use of the advice and expertise available through the EECA Business efficiency programmes. Business will work with EECA to accelerate energy efficiencies through comprehensive multi-year energy management programmes.

**Smart buildings:** There is an opportunity to explore climate resilience in new buildings. A number of organisations are already looking at this.

**Alternative supply:** Businesses as procurers of electricity will seek out renewable energy sources where possible.

**Industrial energy:** Businesses that use non-renewable energy for industrial energy generation will explore alternatives and prioritise the shift to lower emissions sources. Access to research and development capability will be required to unlock this, as will policies that assist with the more rapid uptake and diffusion of new emerging technologies from offshore.

## Urban infrastructure

***We can make our urban infrastructure resilient and as resource efficient as possible, creating environments where we can collaborate and test and scale low-emission business solutions.***

We can ensure our urban infrastructure is resilient to climate change and designed to encourage low-emission living and greater resource efficiency. Our opportunities are in:

- Greater focus on climate adaptation/resilience
- Resource efficient production
- Low carbon precincts

Greater focus in this area will depend on working closely with central and local government, utilities, transport authorities and regional development agencies like Panuku Development Auckland, who are the primary funders and procurers of urban infrastructure. There is an opportunity to build greater efficiencies into new infrastructure within urban environments, for example through smart design, the effective use of infrastructure rating tools, using low-carbon construction products and by industry sharing knowledge around best practice. The extent to which urban intensification policies are pursued will also affect the rate of substitution away from fossil fuels.

**Adaptation and resilience:** We need to ensure our infrastructure and businesses are resilient to potential climate change impacts. Mitigation and work on resilience and adaptation need to occur hand-in-hand. The construction, financial and insurance sectors involved in designing and building long-term infrastructure are already actively considering how we adapt. Business wants to raise the level of conversation further. The business community needs to be able to quantify the benefits of adaptation as early as possible. This means we need good science-based information that allows communities to better identify the risks and adapt accordingly.

**Resource efficient production:** Over the next five years we can scale up existing work to improve resource use and recovery, and use of low carbon alternatives in the development of urban environments. There are opportunities to leverage the role of business as procurers and suppliers to accelerate change.

**Low-emission precincts:** Businesses are already starting to collaborate around creating sustainable low-carbon precincts. The Sustainable Business Council is currently working with businesses in the Auckland Airport precinct on improving resource efficiencies. We can learn from test precincts and scale up to other areas.

### Leadership on climate

***Business leaders make their own businesses efficient; they develop a compelling narrative on why addressing climate change matters for business; and influence others to follow their lead***

Business leaders can influence other businesses, consumers and government. We can provide active support for public policies that favour climate action and take part in collaboration and multi-stakeholder initiatives.

In the survey, a number of businesses signaled their willingness to use the various levers available to get traction, for example, working with government to create the right environment for low emission innovation to thrive, encouraging the NZX to include requirements for reporting on emissions, or through investment signals that would accelerate the uptake of electric vehicles. Our opportunities are in:

- Acting as leaders – having a positive influence on others
- Making individual commitments to emissions reductions transparent, quantifiable and measurable
- Developing a strong business case for change

An increasing number of businesses are reporting their emissions profiles and a number have ambitious reduction targets and plans in place. We will encourage more businesses to make commitments to reduce emissions and to openly quantify and measure progress. We recognise that this will happen in a range of different ways – there is no one approach that is the right approach for every business.

Business will explore what role it can play in reducing demand for emission-intensive goods and how we can influence consumers to adopt climate-smart behaviour. Business can influence their value chains here and internationally by engaging suppliers on how they are managing their emissions and innovating to reduce these. Business can ensure product and service offerings set up customers to be successful in an emission-constrained future. Business will also engage with government on sustainable procurement.

### Other areas

#### ***The enablers***

Financial institutions, investors and insurance companies have a role to play as facilitators. Banks are looking at climate because it is likely to be their customers who are affected. Banks can support a sustainable future by facilitating investment in green-technology and funding infrastructure investment. Insurers will have an important role quantifying some of the risks to business and supporting businesses to adapt so they are resilient to the negative effects of climate change. Business also recognises government as an enabler. We want to work with government to get the right policy frameworks in place to support long-term change.

#### ***Continue to support research and technology***

Many of the short term opportunities will come from testing and experimentation, including changes that need to occur in our primary industries sector to create climate smart agriculture and forestry. We want New Zealand to operate with a highly efficient, ultra-low-emission food production system. But business needs to be supported to try and fail and try again if we are to succeed.

## What we need from Paris

New Zealand business supports development of an ambitious, comprehensive post-2020 global climate agreement. Business wants to be a part of the solution. It sees the potential and knows the business community is good at identifying and pursuing the opportunities.

However, business cannot solve the climate problem alone. Government will have a key role as stewards of the long term. To achieve truly ambitious goals, negotiators must develop an agreement that harnesses private-sector research, development and investment to deliver climate-friendly technologies and solutions.

Business is looking for clarity on the direction that negotiators are going to take on climate. We want to see a clear set of obligations and expectations and the mechanisms with which we can achieve them. The mechanisms should be a meaningful way that influences behaviours. We are looking for a clear goal we can work towards that allows medium to long-term thinking, which is influenced by innovation, changes to market demand, and other behaviours. Working with government, business can strengthen the practicality and economic viability of an agreement, supported by trade, investment and innovation.

### What business is seeking at Paris

- Use business backing to create ambitious global targets on climate, with New Zealand positioned as a strong contributor
- Agree ambitious climate targets that give global business the confidence to invest, to innovate and to act
- Provide long-term clarity, stability and regulatory predictability
- Agree to regular reviews of progress towards the goal
- Create the international impetus towards the domestic conditions needed to unlock even greater business participation.

Through the Paris negotiations, governments have an opportunity to unlock the vast experience and resources that business has providing solutions. It is an opportunity to tie together all the elements of the international agreement and the conditions domestically needed to facilitate business activity on the ground.

Business wants to see a long term (20 years minimum) arrangement with stable rules and regular reviews to inform progress towards the goal. Commitment periods where rules can be arbitrarily renegotiated – as in the shift between the first and second Kyoto Protocol commitment periods – should be avoided. History has shown that these give rise to investment risk, chill the desire to use negotiated trading market mechanisms, raise hurdles for renewables and delay the transition.

Market-driven solutions will depend on a good framework (environmental integrity, no double crediting) and that units with the right attributes can be counted towards national obligations.

### What business is seeking beyond Paris

We look forward to working with government to identify opportunities to accelerate the shift towards an emission-neutral economy. We want to see:

- Stronger government leadership on climate
- Government to act as the trusted and credible provider of data and information on climate progress
- To build on the strong existing support for the Emissions Trading Scheme, with business at the table as it is developed further
- Sustainable procurement from government
- Cross-party agreement to create more certainty for business

Other areas business would like to see government focus to include:

- Increased government engagement with business on emission reduction
- Increased focus on adaptation
- Prioritising initiatives to address emissions reduction specifically from the transport sector
- Less focus on cost and more on what we'll stand to lose and the multiple benefits to economic prosperity when we take action
- Work with business to create an upward spiral of ambition



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