

# Business, emerging economies take on leadership role in addressing climate change

Despite recent global and economic uncertainty, board-level engagement on climate change remains high. This according to a recent survey issued by PwC on the challenges around climate change.



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77% of survey respondents indicated that climate change is a priority for their board and executive team and 90% of respondents said that their board's engagement on the issue of climate change either increased or remained the same over the past 12 months. This is a convincing indication that changes and uncertainty in some countries' political regimes will not decrease the priority of climate change action for business and that companies now recognise their role in climate change.

Jayne Mammatt, director, PwC Sustainability and Climate Change, says: "Despite global economic uncertainties, it's encouraging to see that business is still focused on climate action and stepping up to support the Paris Agreement."

This year's International Emissions Trading Association (IETA) GHG Market Sentiment Survey (2017), conducted by PwC reflects on key issues and developments in the greenhouse gas (GHG) markets given a backdrop of global economic and political uncertainty. Responses were received from IETA member representatives from a broad range of locations and organisation types.

## Political uncertainty

The political world has been eventful recently, both in South Africa and across the globe. The US has sworn in a new president, the UK has taken steps to leave the EU and political elections were held in the Netherlands and France. There is still much uncertainty around the UK's environmental and climate policy as much of it is currently driven by EU laws. Despite this uncertainty, the UK government has approved the carbon budgets provided in the Climate Change Act. Nevertheless, a question remains as to what alternatives the UK may seek if it leaves the EU ETS.

Despite the rise of political uncertainty together with weak economic activity and low productivity growth, there has been a shift in climate change leaders both geographically and institutionally - from developed to developing countries, and from government to private sector action.

The notion that climate change mitigation and adaptation is only relevant to developed economies and government has fallen away; and the Paris agreement has led to a global increase in the significance of climate change action across industries, the private sector and emerging economies.

## **China recognises economic opportunity**

Emerging economies are joining the movement in taking climate change action and are putting measures in place to achieve their nationally determined contribution (NDC). China, the world's largest carbon emitter, has recognised the economic opportunity of climate change action. A high 83% of survey respondents said that the launch of the Chinese emissions trading scheme, which is due in July, will encourage other countries to adopt a carbon price. Mexico is also following by launching its carbon market as well as drawing more focus onto climate change policies. It is expected that more emerging economies will be taking a leadership role in climate change.

The survey highlights the steps that different industry organisations are taking on climate change action. Many governments and companies have accelerated climate action to decarbonise the energy system in the wake of the Paris Agreement. The International Civil Aviation Organisation (ICAO) agreed to establish the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and the International Maritime Organisation (IMO) is expected to implement a carbon price by 2025. It is expected that more industries will follow in future to implement climate change mitigation and adaptation measures, and strive to achieve carbon neutral growth.

## **SA must not fall behind if it is to reap benefits**

In the light of global (particularly emerging economy and industry organisation) action on climate change, it is critical that businesses in South Africa remain focused on the range of activities required from a mitigation and adaptation perspective so that South Africa does not fall behind in addressing the effects of climate change. Such activities are likely to include the implementation of well-designed strategies for management of identified risks and vulnerabilities, and emission reductions line with science-based targets. Staying ahead has a number of benefits – competitiveness, value creation and business viability to name a few.

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