



World Business Summit on Climate Change Copenhagen, 24-26 May 2009

KPMG INTERNATIONAL

More than 500 business leaders from around the world met in Copenhagen to put forward recommendations for the next global treaty on climate change, to be convened at the United Nations Climate Change Conference (COP15) in December 2009.

The objective of the Summit was to demonstrate how policy, coupled with innovative business models, could drive a sustainable transformation of the economy, stimulating both job creation and low-carbon solutions. Organizers of the Summit noted that an effective global climate treaty would provide the regulatory certainty and price signals necessary for business to invest in renewable energy and low-carbon technologies.

UN Secretary General Ban Ki-Moon opened the Summit describing climate change as “the defining challenge of our time.” The Secretary General challenged business to “make it clear to your leaders that doing the right thing for the climate is also the smart thing for global competitiveness and long-term prosperity.” Former US Vice President Al Gore furthered the urgency for immediate action, noting “We have to do it this year. Not next year, this year. The clock is ticking, because Mother Nature does not do bailouts.”

A Call for Action

At the end of the Summit, organizers presented “The Copenhagen Call” to Danish Prime Minister Lars Løkke Rasmussen and Yvo de Boer, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC). The Call will provide governments with business insight and considerations during the global negotiations in December.

The Copenhagen Call¹ identifies the following six steps as imperative to addressing climate change and establishing a firm foundation for a sustainable economic future:

1. Agreement on a science-based greenhouse gas stabilization path with 2020 and 2050 emissions reduction targets

Global greenhouse gas emissions must peak and begin to reduce within the next decade. Reducing emissions now will be less costly than delaying efforts and there is nothing to be gained through delay.

¹ The Copenhagen Call includes views that were informed by discussions at the World Business Summit on Climate Change and do not necessarily reflect the views of all participants.

“The clock is ticking,
because Mother
Nature does not
do bailouts.”

Former US Vice President
Al Gore

“If you can’t measure, you can’t manage”

During the Summit, Lord Michael Hastings, Global Head of Citizenship and Diversity, KPMG International, facilitated a working group session on Measuring, Reporting and Verification with participants from the Carbon Disclosure Project, Bring CityMail, Coca-Cola, Chinalco, Novo Nordisk, PGGM, and Yale University. Highlights from the session included a consensus for a uniform, global approach on measuring, reporting and verifying emissions that is both workable and understandable for all companies. Existing frameworks, such as the UN Global Compact, the Carbon Disclosure Project, and the Climate Disclosure Standards Board proposed reporting framework currently exist and should be leveraged to further a global standard. Panelists also noted increasing interest in climate change disclosures from investors and other stakeholder groups, promoting the need for a global framework.

The deepest reductions should initially be made by developed economies though global emission reductions will require all nations to play a part.

Emissions reduction at this scale will profoundly affect business, and business is already taking action to drive down greenhouse gas emissions. If policies are well-designed and implemented, the benefits of early action will outweigh the short-term adjustment costs. This early action can only be achieved by setting an ambitious 2020 target.

2. Effective measurement, reporting and verification of emissions

Achieving and tracking greenhouse gas emissions reduction is vital to measuring convergence towards the objectives of an effective climate treaty. As businesses we can set an example by contributing to a unified, coherent and reliable measurement, reporting and verification discipline leading to mandatory reporting. Accounting for the emissions businesses are responsible for will provide the basis for emissions reduction beyond what may be required by regulation and allow our performance to be properly judged and rewarded by investors and the public.

3. Incentives for a dramatic increase in financing low emissions technologies

To promote effective, efficient, equitable and ambitious action to address climate change the world will need to mobilize the scale of investment necessary to achieve the emissions reduction required. Properly established, an international carbon market framed around ambitious reduction targets can enable both cost effective abatement and create the carbon price stability to drive the deployment of technologies that will deliver large-scale emissions reductions.

The new climate treaty must ‘push’ the development of new technologies through the use of public funds to leverage private finance in early stage demonstration and deployment. This will require policy measures that create clear, predictable, long-term incentives to stimulate private investment and enable the global diffusion of capital and technology.

4. Deployment of existing low-emissions technologies and the development of new ones

The private sector is already the source of over two-thirds of the world’s investments in clean technology innovation, and is the

most effective source of know-how and technology dissemination and transfer. Many low carbon technologies already exist and can significantly reduce global emissions. Significant emission reductions can be achieved through energy efficiency, much of it with positive financial returns. Standards and regulations are the best way to achieve this.

Government and business should work together to try to ensure that all nations have equitable access to new clean energy technologies and other innovations by, among others, working with developing countries to improve the infrastructure required for effective deployment.

An effective global climate treaty should provide the means to fund research, development and the deployment of new clean energy technologies. Pricing can help ‘pull’ these technologies through the innovation chain, generate revenue and enhance the flow of investment to developing countries.

5. Funds to make communities more resilient and able to adapt to the effects of climate change

Adaptation is as important as mitigation in an effective global climate treaty. Adaptation planning



will require a holistic and long-term planning perspective, which will require different levels of activity at the international, national and local levels. Businesses will be responsible for building much of the infrastructure needed to protect us from climate impacts. An effective global climate treaty will mobilize funding that supports public private partnerships to enhance development, adaptive capacity, climate resilience and management of risk.

6. Innovative means to protect forests and balance the carbon cycle.

Because a significant proportion of the CO₂ reduction required by 2020 comes from the sequestration of carbon in forests and agriculture lands, an effective climate treaty must facilitate such sequestration. If emissions reductions targets are to be met, there is an immediate need to protect forests and enhance carbon sequestration. The private sector can play an important role in reduction deforestation, particularly in developing countries, through mechanisms structured to value conservation.

CDSB Framework

The Climate Disclosure Standards Board (CDSB) is a consortium of business and environmental organizations formed for the purpose of jointly advocating a generally-accepted international framework for companies to disclose information about climate change-related risks and opportunities, carbon footprints, carbon reduction strategies and their implications for shareholder value.

During the Summit, the CDSB launched an Exposure Draft offering the proposed Reporting Framework. The Framework is available for public consultation until 25 September 2009.

Highlights of the CDSB proposed Reporting Framework:

- Principles-based model designed to complement and supplement financial statements in order to meet the needs of investors.
- Establishes a common approach, that is transparent, consistent over time and facilitates comparability between reports
- Reflects the characteristics of mainstream reporting models and utilizes the Greenhouse Gas Protocol's Corporate Accounting

and Reporting Standard as an underlying basis.

- Aligns with relevant aspects of International Financial Reporting Standards.
- Identifies four Reporting Templates to determine what to include in mainstream financial reports regarding climate change and how to make disclosures decision-useful. The Reporting Templates address the following broad categories:
 - Climate change strategic analysis
 - Regulatory risks from climate change
 - Physical risks from climate change
 - Greenhouse gas emissions
- Encourages reporters to work with their professional advisors to agree on an appropriate assurance approach by reference to existing assuring standards

KPMG's Global Sustainability Assurance Partner, Lynton Richmond, based in the UK firm, noted: "The CDSB proposed Reporting Framework is an essential step towards communicating carbon data with more transparency. On the basis that you manage what you measure, the

framework will assist executives in establishing internal processes to monitor, report and verify data which will become critical in assessing performance against greenhouse gas reduction targets in the years ahead. The current work of the IAASB's task force on carbon assurance, together with the CDSB's Exposure Draft, should begin to provide all of us in the profession with the standards which we need to operate effectively."

The full proposed Reporting Framework is available at <http://www.cdsb-global.org/>.

The transformation to a low carbon economy will require fundamental changes to business models, impacting all sectors of the economy. This transition may require a more strategic, long term perspective by business leaders, including a comprehensive assessment of the direct and indirect impacts of climate change. Forward thinking companies are recognizing that this transformation presents not only significant risks for business, but also unique opportunities for cost savings, product innovation, and sustainable economic growth.

Conclusion

The World Business Summit on Climate Change served as an important milestone towards December's United Nations climate change conference by presenting a shared business vision for a new global framework to address climate change. Designed properly, an effective global climate treaty would provide regulatory certainty across borders, while also establishing price signals to promote the innovation and investment necessary to transform to a low-carbon economy. Moreover, the inclusion of a global standard measurement, reporting and verification framework would promote comparability and encourage the governance infrastructure necessary to achieve the required emissions reductions.

Challenges Remain

Although the Summit provided recommendations on elements of a successful global climate treaty, there remain several challenges to achieving such an outcome.

A KPMG-sponsored report by the Economist Intelligence Unit identified the following as three key things that will need to be achieved for success in Copenhagen:

- Developed economies will have to agree to major cuts in emissions;

- Developing economies will have to limit future emissions; and
- Developed economies will have to lend a helping hand in terms of finance and technology.

The report concludes that while it is likely that an agreement will be reached by the end of the year, it may be difficult to achieve the grand bargain between the developed and developing worlds needed to reduce global emissions.

Failure to successfully develop an effective global framework could potentially lead to a fragmented regulatory approach across countries and regions. Under such a scenario, a potential form of 'green protectionism' could emerge, in which companies in countries with stricter regulations could lose out to those in nations with lenient policies. Moreover, a fragmented regulatory approach may lead to increased compliance costs while not achieving the required global emissions reductions.

For further information on issues raised, please contact:

Simon Davies
Senior Manager, KPMG in the UK
Tel: +44 20 76943377
E-mail simon.davies2@kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.
Designed and produced by KPMG LLP (UK)'s Design Services
Publication name: World Business Summit on Climate Change
Publication number: RRD-156121
Publication date: August 2009