KPMG

COP22: the 22nd UN Climate Conference

KPMG Business Briefing

Marrakech, Morocco, 7-18 November 2016

The 22nd UN Climate Conference (known as COP22[1]) takes place in Marrakech, Morocco from 7 to 18 November, 2016. It follows the historic 2015 conference in Paris (COP21) where almost 200 countries committed to reduce their own carbon emissions in order to halt global warming and create a carbon-neutral world.

At COP22, negotiators will focus on how to deliver these commitments and strengthen the world's response to climate change.

This briefing has been written for executives at KPMG member firm clients. It sets out in simple terms what COP22 is about, what is expected to happen and why it matters to business.

What is 'The Paris Agreement'?

The Paris Agreement is the name of the unprecedented climate deal reached at the COP21 conference in Paris in 2015. Under this agreement, 196 countries committed to:

- limit the increase in global temperature to well below 2˚C above pre-industrial levels (the level at which many scientists predict potentially catastrophic impacts) and to pursue efforts to limit it to only 1.5˚C
- peak global greenhouse gas (GHG) emissions as soon as possible and to achieve global carbon neutrality between 2050 and 2100
- set national targets to reduce carbon emissions, known as Nationally Determined Contributions (NDCs), and update them every five years
- report transparently on their carbon reduction progress
- provide financial assistance for poorer countries to fund low-carbon growth and adapt to the effects of climate change
- provide vulnerable countries with financial assistance for loss and damage from climate change.

The Paris Agreement will formally enter into force on November 4th 2016, ahead of COP22.

What will happen at COP22?

Whereas COP21 was about finding an agreement that worked for all parties, COP22 will focus on how to implement that agreement.

Negotiators will focus on the following challenges:

Enhancing ambition to reduce carbon emissions

Current national government commitments to reduce carbon emissions are not enough to limit warming to less than 2˚C. The carbon cuts pledged so far put the world on course for a temperature rise of 2.7˚C by the end of the century, according to the Climate Action Tracker, an independent scientific analysis.[2]

The gap between current commitments and the reductions necessary to achieve the 2˚C goal is known as the 'emissions gap'. Negotiators will seek to enhance ambition and bridge this gap.

Keep up to date with the latest on COP22 with UN Climate Talks LIVE

For the second year running, KPMG has partnered with the UN Climate Secretariat to produce UN Climate Talks LIVE. This online dashboard gathers and analyzes the global Twitter conversation about COP22, highlighting the top tweeters, trending conversations and more.

Check it out at: **www.climatetalkslive.org** from 7 - 18 November 2016

[1]COP stands for Conference of the Parties; [2]http://www.climateactiontracker.org/

Financing the fight against climate change

Climate finance is a key issue. Many discussions will center on how to increase the flow of investment capital into projects that reduce carbon emissions, such as clean energy generation or carbon capture. Negotiators will also focus on how to increase finance for projects that help countries adapt to climate change and build resilience to its impacts such as flooding and extreme weather.

Under the Paris Agreement, developed countries have pledged to support poorer countries that are most vulnerable to the effects of climate change. At COP22, delegates will attempt to work out how this process can happen efficiently and transparently – both in terms of the amount of funding given and how the funds are used.

Transforming the world's energy and fuel infrastructure

Achieving the goals of the Paris Agreement requires transformation of the world's fossil-fuel reliant and carbon intensive infrastructure and the adoption of low-carbon technologies. Clean energy solutions such as wind and solar are key low-carbon technologies but this term also includes electric vehicles, energy efficient production processes and carbon capture and storage.

Negotiators will discuss how to achieve large-scale deployment of these technologies. They will also explore how technology, knowledge and skills can be transferred between countries in order to accelerate the global transformation required.

Improving collaboration between governments and non-state actors

There is a growing recognition that governments cannot solve the challenge of climate change alone. Non-state actors such as city governments, businesses and NGOs also play a critical role.

One of the key focus areas for COP22, and future UN climate conferences, is to agree a roadmap for increasing and enhancing collaboration between governments and non-state actors including businesses.

What does COP22 mean for business?

Change could come more quickly than expected

At the time of writing this briefing, more than 80 governments representing around 60 percent of global greenhouse gas emissions have ratified the Paris Agreement.[3] They include the US and China, the world's two highest emitters of carbon, along with the EU, India, Brazil, Mexico and Canada.

The speed with which the agreement has entered into force, less than one year after it opened to signatories, is indicative of the sense of urgency that many governments feel about climate change and their commitment to action.

As governments seek to deliver their Paris Agreement commitments, and non-state actors step up their own activities, businesses can expect rapid change in the following areas among others:

Policy developments

- The cost to business of emitting carbon is likely to increase as more regions, governments and cities implement carbon trading systems and taxes
- At the same time, businesses may benefit from more policy and fiscal incentives to encourage the growth of low-carbon technologies.

Market forces

- Market demand for low-carbon and energy-efficient products and services is likely to accelerate, as production costs fall and low-carbon infrastructure grows (e.g. charging points for electric vehicles)
- Business and public sector customers will increasingly expect their suppliers to reduce emissions as they seek to cut carbon in their supply chains
- Pressure will grow on businesses from industry peers and consumers, leading to increased risk of brand and reputational damage for businesses that are perceived as taking insufficient action to reduce their carbon emissions.

Photo – Laurence Tubiana, Christiana Figueres, Ban Ki-moon, Laurent Fabius and Francois Hollande celebrate the adoption of the Paris Agreement

[3]http://climateanalytics.org/hot-topics/ratification-tracker.html

Financial markets

- Investors will take an increasing interest in climate-related risk and will expect more transparency from the companies they invest in. An example of this is the Financial Stability Board's Task Force on Climate-related Financial Disclosures which is developing financial reporting guidelines on this issue[4]
- The market for green bonds – financing mechanisms specifically for projects that reduce carbon emissions – is likely to continue to grow rapidly and to mature. It is likely that more stringent standards will be developed for this market in the short to medium term
- Shareholder activism on climate and carbon issues is likely to continue through shareholder proposals at annual general meetings and the ongoing movement to pressure pension funds into divesting from carbon-intensive stocks such as coal and oil.

KPMG and climate change

The KPMG network of member firms is playing its own part in tackling climate change. KPMG's international network of sustainability consultants spends around one million hours per year helping clients to improve their environmental and social performance and that includes helping them reduce their carbon emissions. KPMG client teams also work to reduce the emissions associated with individual engagements through measurement and reporting.

Our Global Climate Response reduces KPMG's own environmental impacts through optimizing air travel, reducing energy consumption, installing solar power and promoting energy efficiency. We are also active in advocating business support for climate change action through initiatives such as the Carbon Price Communiqué, the Climate Disclosure Standards Board, and the World Business Council for Sustainable Development.

KPMG was named 'Sustainable Firm of the Year' by the International Accounting Bulletin for 4 years running between 2012 and 2015.

Businesses are taking action on climate change

Many of the world's leading businesses and investor organizations are taking significant action to reduce their own carbon emissions and accelerate the transition to the low-carbon economy through various forums, platforms and initiatives. They include:

- **The World Business Council for Sustainable Development (WBCSD)** – a CEO led organization of companies that galvanizes the global business community to create a sustainable future for business, society and the environment. At COP22, WBCSD is supporting the Low-Emissions Conference which convenes key players to deliver solutions to reduce emissions
- **We Mean Business** is a coalition of almost 500 companies and 200 investors focused on accelerating the transition to the low carbon economy. Almost 200 of these companies are setting carbon reduction targets in line with the global 2˚C goal and around 80 have committed to using 100 percent renewable energy
- Over 150 businesses have signed the **Carbon Price Communiqué** making the case for setting a price on carbon emissions as one of the main building blocks of an effective and ambitious climate change policy framework
- Many businesses are among the 1300+ non-state actors that signed the **Paris Pledge for Action** which supports the Paris Agreement and its key goal of keeping global temperature rise below 2˚C
- The UN Climate Secretariat has recorded commitments by more than 2,000 companies and almost 500 investors on its **Non-state Actor Zone for Climate Action** (NAZCA) portal
- Additional examples of businesses taking action on climate change can be found in the **SDG Industry Matrix – Climate Opportunities**, produced by KPMG and the United Nations Global Compact.

[4]https://www.fsb-tcfd.org/

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