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Climate Change and Big Businesses

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This article is based on **Getting businesses to act on climate change** which was published in The Hindu Business Line on 23/08/2021. It talks about the role of businesses in climate change and the way forward.

The latest **IPCC report** released last week has issued “**a code red warning to humanity**”. Its main message is that the Earth is rapidly deteriorating, there is no getting away from climate change and this is happening because of human “influence.”

While it warns about extreme weather events like heat waves, heavy rainfall, floods, droughts, and cyclones — many of which are already being witnessed across the world and in India — it also says we could limit global warming to 1.5 degrees by 2040. If we do that, the changes taking place in the world could be slowed down and even stopped from getting worse.

This warning should make India take a relook at its climate mitigation efforts and accelerate them many folds if it wants to achieve the **NDC (Nationally Determined Contributions)** targets it has made a commitment to.

Though the IPCC report is purely science based and silent on the role businesses can play. Businesses whether big or small can play a stellar role in the process. By striving towards emission reduction and net zero goals, they could come closer to achieving their own goals and participate in those of the nation

Businesses Responsible For the Carbon Emission

- 20 fossil fuel companies whose relentless exploitation of the world’s oil, gas and coal reserves can be directly linked to more than one-third of all greenhouse gas emissions in the modern era.
- According to another study, 100 companies have been the source of more than two-third of the world’s greenhouse gas emissions since 1988.

India’s Commitment

- **International Commitments:** In order to achieve its **Paris commitment**, India needs to ensure that it has a few things in place by 2030.
 - Increasing its cumulative electricity generation installed capacity from non-fossil energy sources to 40%;
 - Lowering emissions intensity of its GDP by 33-35 per cent compared to 2005 levels.
 - Creating an additional carbon sink of 2.5- 3 billion tonnes through additional forest and tree cover.
- Besides these international commitments, the government has also set ambitious domestic targets for renewable energy, air quality and others.

Impact of Climate Change on Businesses

- Climate change is affecting society, the economy and communities across the globe.
- Businesses are facing a number of risks, including physical: the impact of extreme weather events, or supply shortages from water scarcity,
- Transition risks from society's response such as changes in technologies, markets and regulation,
- Potential liabilities for emitting greenhouse gases caused by business activities,
- Climate change has created new material risks and has increased reputational risks for businesses.
 - Moreover, access to finance is becoming increasingly linked to companies' climate-related risks.

Way Forward

- **Sector-wise emission Reduction:** If India has to involve industry in a systematic way, the best route would be to go in for sector-wise emission reduction.
 - If this could be implemented diligently, more than half the battle would have been won.
 - But for this both government and industry would have to work actively and with an altruistic passion.
 - However, the profits from this approach should be far, wide, and for the long term.
- **Environment clearances** must be handed out more judiciously and only to those projects that are of extreme importance in the national context.
 - No compromises or shortcuts should be allowed while determining the impact on the environment and the indigenous people who are today the guardians of our forests.
 - Displacing them, cutting down forests for commercial considerations and compensating for it through synthetic reforestation efforts, which look good only on paper, would be drastically missing the woods for the trees.

- **Managing the Labour Force:** Though the transitioning from coal fired power plants to renewable energy has to take place in the long term and doing so will involve displacement of over 200 lakh workforce.
 - The same labour could be deployed towards renewable energy and environment regeneration projects.
 - If livelihoods are not protected while reducing coal mining activity, it would precipitate a socio-economic crisis.
- **Global Cooperation:** A MOUs signed between **The Energy and Resources Institute (TERI)** and the Global Cement and Concrete Association (GCCA) to accelerate sustainable development of the cement and concrete sectors is a step in the right direction.
 - Similarly, sectors like real estate, power, automobiles, aviation, oil, gas, steel, and IT could be studied closely and given sufficient incentives to bring down their emissions sector-wise.
 - This will help us in meeting national targets and also bringing the world closer to its net zero ambition.
- **State governments and municipalities** too will have to be nudged and incentivised to think global and act local on both emission reduction and biodiversity enhancement. All government policy and actions have to be directed towards reaching these goals.

Conclusion

Though coal, gas and oil companies have begun to explore and consider investing in renewable energy, hydrogen and other clean technologies, the pace of transition is slow as they are still working towards meeting demand-growth projections. A fresh approach, therefore, is needed on all fronts.

Drishti Mains Question

Though the IPCC report is purely science based and silent on the role businesses can play, it is a sector that can greatly help to achieve objectives of the Paris Agreement. Discuss.