

Titans or Titanics?

Value creation vs Value at risk: Understanding businesses perceptions on climate change regulation in Asia

Asia Clean Energy Forum

Manila, Philippines, 18th June 2015

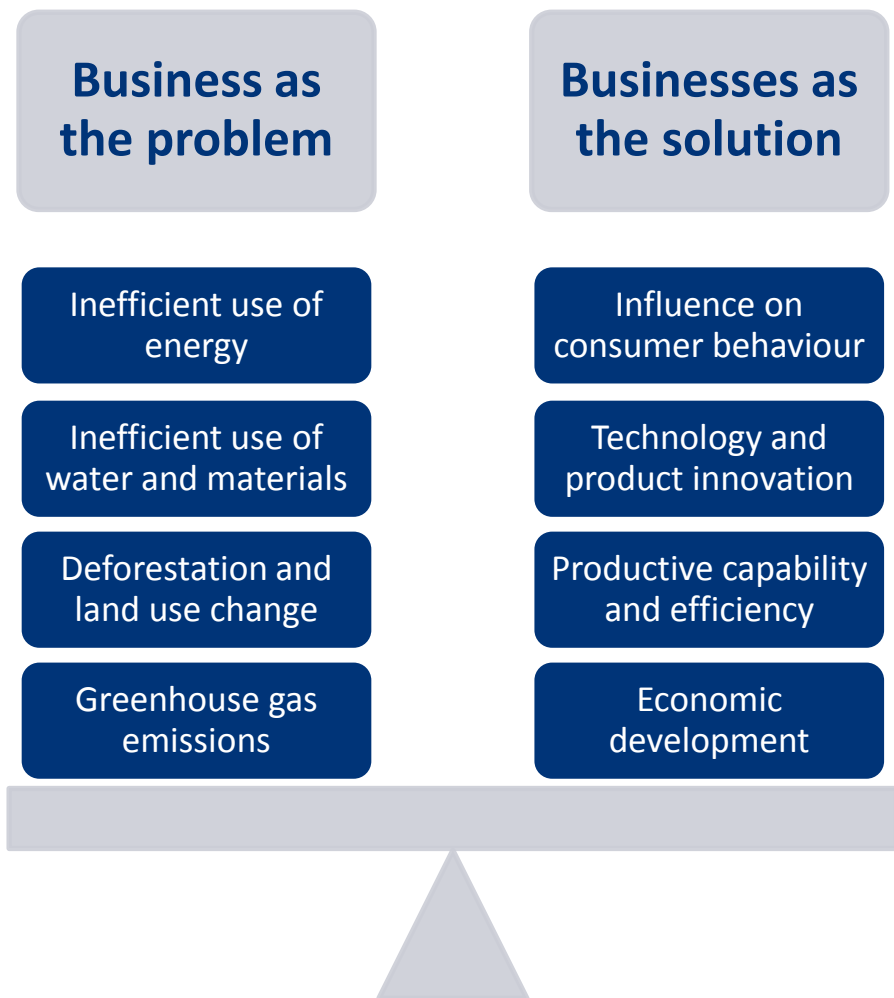
Tom Delay, CEO, The Carbon Trust

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Climate change and resource scarcity are real and growing challenges for society

	Sustainable pathway	Current pathway
Projected warming by 2100 (IPCC 2014)	≤2C	+4C
Global GDP cost at 4°C (Stern 2007)	1-3%	5-20%
Carbon Intensity Reduction (PWC 2014)	6.2% every year till 2100	<1% between 2000-2014
Water use (WRI 2013)	100% recycled	40% demand gap by 2030
Land use (McKinsey 2011)	Efficiency up without degrading	Arable demand up by 11-14% pa
Materials use (USDE 2013)	Static depletion index > 20 years	Lead, tin copper < 10 years

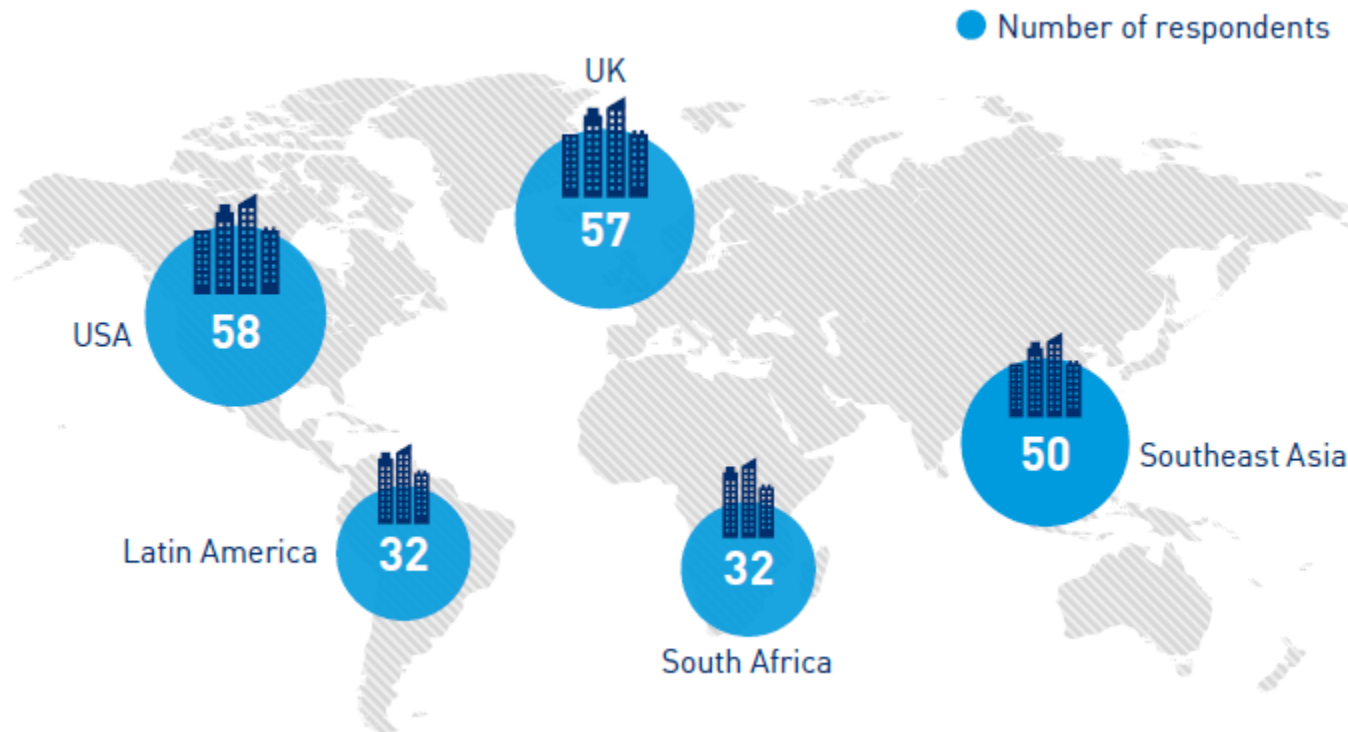
Business has the capability and resources to address the challenges of a low carbon future



- The case for global collective action to address societal risk is strong...
- ... but individual companies see little benefit, and often risk, in proactive action

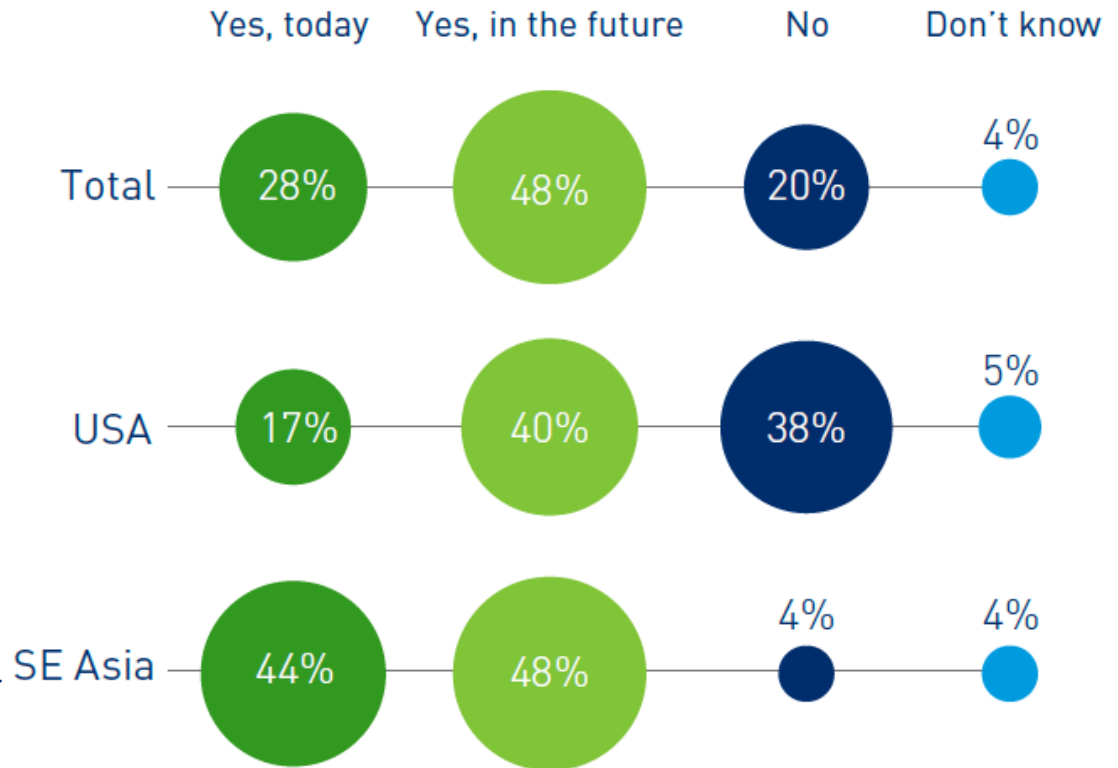
To understand business motivations and behaviours we interviewed global leaders

- Qualitative interviews with business leaders, investors and other experts
- 229 independent market research interviews in February 2015 with C-level decision makers from large companies (65% 1,000+ employees, 64% £100m+ turnover)



Most businesses see bottom-line risks from the direct effects of climate change

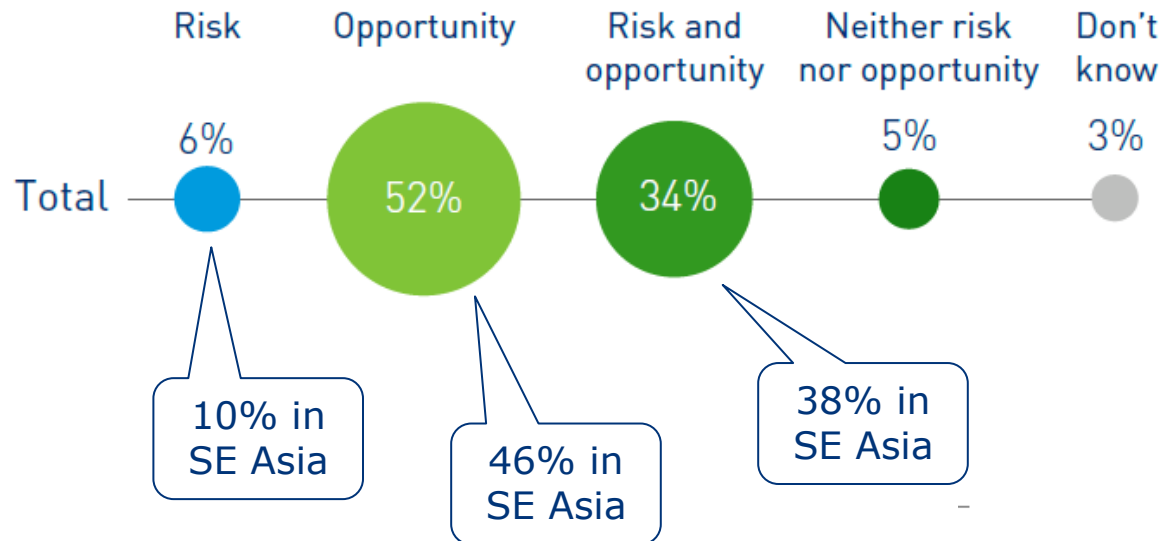
Do you see bottom line risks to your business from the direct effects of climate change (e.g. extreme weather, water stress etc.)?



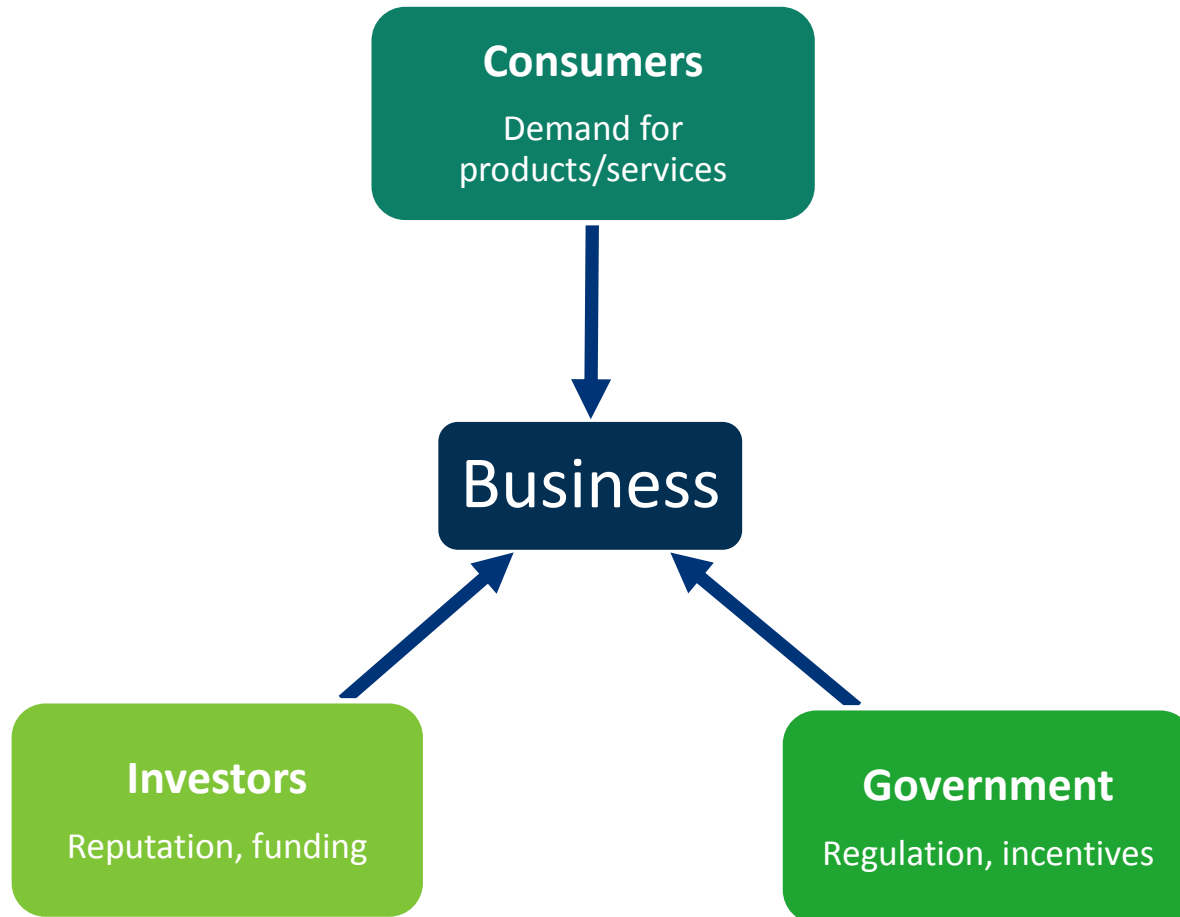
Asian businesses see these most strongly

Overall though, businesses see environmental sustainability as more of an opportunity than a risk

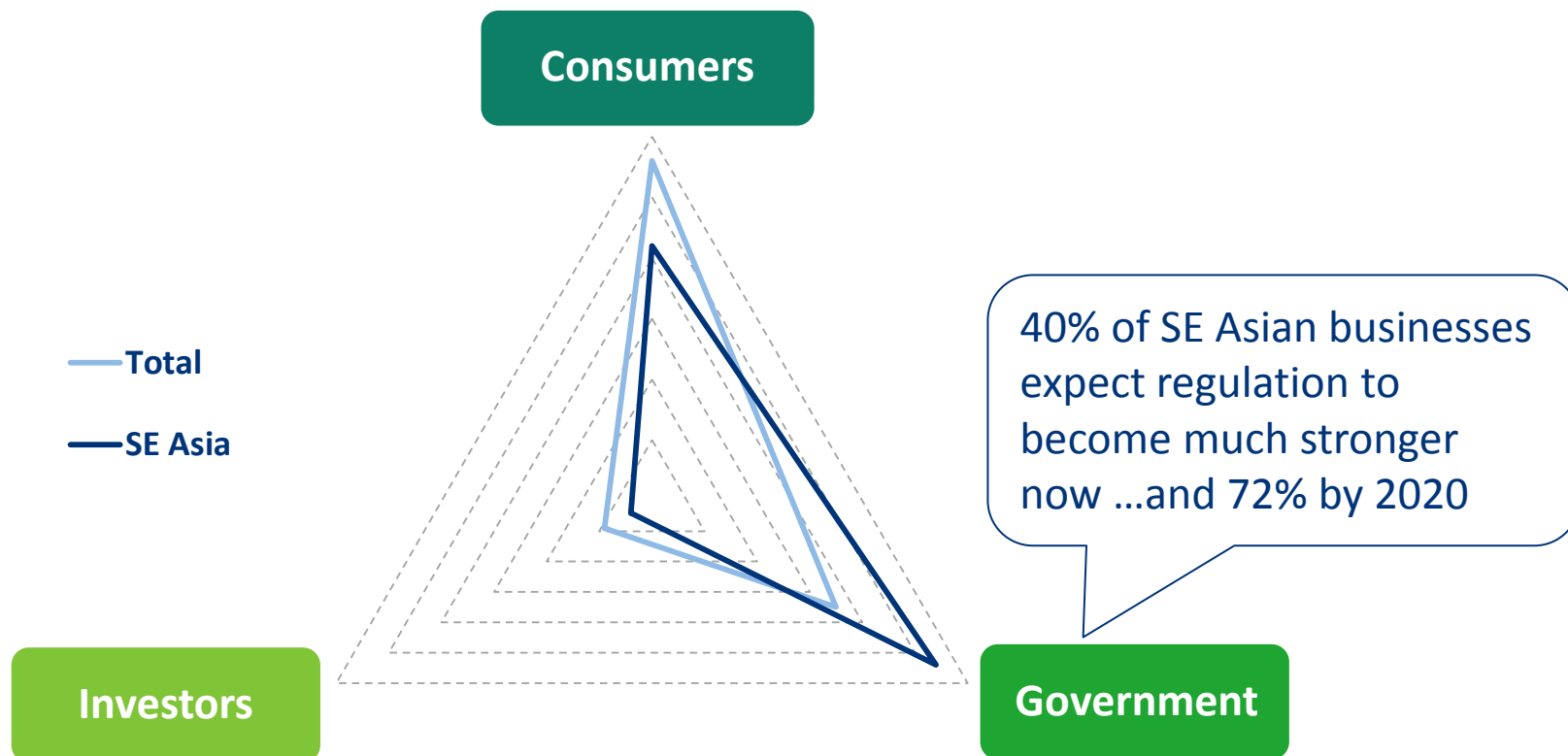
Overall, would the move to an environmentally sustainable future be a risk or an opportunity for your business?



Three external forces can drive businesses to take action on climate change and resource use



In Asia, governments are seen as most important, with regulation expected to increase



Q. Which of the following groups do you think are most important in terms of driving a step change in environmental sustainability?

Many businesses do not believe that they need fundamental change to be sustainable

- 40% of businesses interviewed in SE Asia do not believe they would have to fundamentally change their products, services or business models
- ...and many believe they are already doing all they can!

“Our business does not directly affect the environment”

“We only work with businesses which guarantee environmental sustainability practices”

“Our main product is a natural resource, gold. So it is impossible to change what is essentially a natural product”

Businesses struggle to manage across “two realities”, today and an uncertain future

Today

- › Focus of management attention
- › Focus of investor attention
- › Short term goals and resource allocation
- › Bounded by business planning horizon

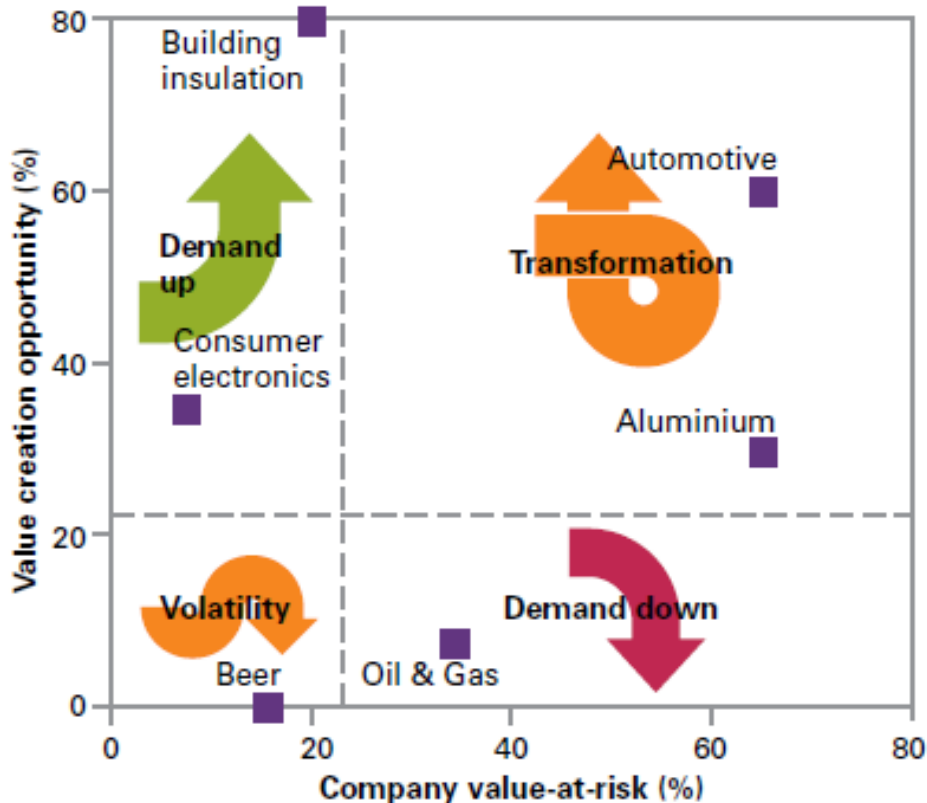
What narrative links these two realities whilst engaging investors, customers and policy makers?

An Uncertain Future

- › Focus of board attention
- › Influenced by consumer trends
- › Shaped by regulations and standards
- › Future outcome of today’s strategy

Boards need to relate sustainability to core business beyond the business planning horizon

ILLUSTRATIVE




Positioning for opportunity

- Investment in new technologies
- Early product or service development
- Investment in adjacent markets

Mitigating risks

- Active cost management ahead of shifts in demand
- Improve carbon efficiency of core processes
- Locate to mitigate regulatory or physical risk



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