

FORTHCOMING – NOVEMBER 2010

This new OECD report, contributing to the OECD Green Growth Strategy, will be released in time for the Conference of the Parties of the UNFCCC in Cancun (COP 16).

While many companies are taking action to address climate change, many others are still lagging behind. Time is ripe for governments to act and put GHG reduction into the mainstream of business action. Governments have a variety of instruments and tools to unlock the full emission reduction potential of firms.

What constitutes responsible business practice in addressing climate change?

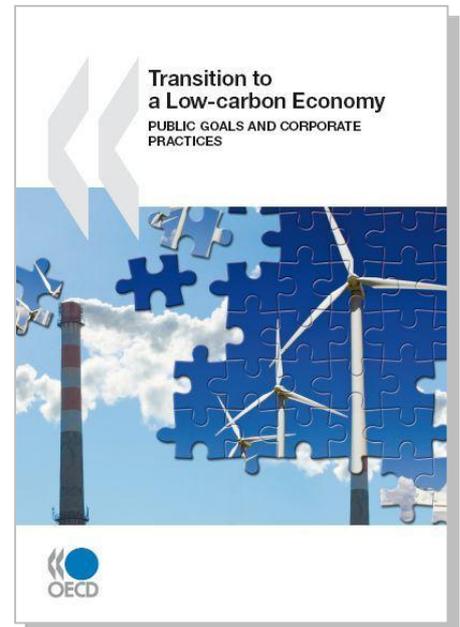
The forthcoming OECD report -- *Transition to a Low-Carbon Economy: Public Goals and Corporate Practices* -- explores responsible business practice in addressing climate change and shifting to a low-carbon economy. It summarises policy frameworks, regulations and other



drivers of corporate action to reduce GHG emissions and documents how companies are responding to, and anticipating growing expectations in this area.

It builds on principles of responsible business conduct as identified in the Guidelines for Multinational Enterprises to review three key areas of corporate action:

- disclosure of climate change information;
- corporate action to reduce greenhouse gas emissions; and
- corporate engagement of suppliers, consumers and other stakeholders.



The report features the results of a 2010 OECD survey on business practices to reduce GHG emissions and builds on a range of stakeholder consultations over the period 2009-2010: OECD Roundtables on Corporate Responsibility (June 2009 and July 2010, Paris); ESCAP-OECD Regional Conference on Corporate Responsibility (Bangkok, November 2009); ADBI-OECD Roundtable on Asia's Policy Framework for Investment (Tokyo, April 2010).

The report identifies those areas in which more needs to be done to align corporate practices with public goals.

Putting GHG reduction into the mainstream of business action

As of today, most of the largest companies (4 out of 5 of the Global 500) **measure and disclose** their GHG emissions. This helps them assess their impacts on climate, the associated costs of mitigation and risks, and design emissions reduction plans. However, the absence of an internationally-agreed standard for GHG emission reporting at company level limits the comparability of corporate information and raises question about the quality and reliability of the information. There is a need to ensure consistency of GHG accounting methodologies and standards, building on emerging good practices and recognised protocols in this area.

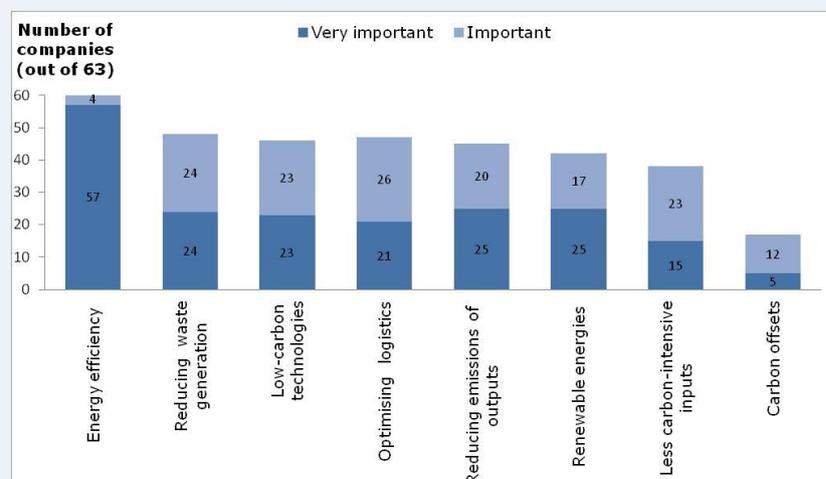
For companies, **reducing GHG emissions** start with energy conservation measures, as shown by the OECD survey (see figure). This has both environmental and economic benefits. Other emission-reduction measures, such as reducing waste generation, adopting low-carbon technologies, optimising logistics and shifting to renewable energies, may be more costly and have a longer return on investment. To implement those, the vast majority of companies require stronger government incentives and signals – such as global emissions trading markets, carbon taxes, regulations and standards.

The new frontier of corporate action looks to extend low-carbon strategies

OECD Survey on business practices to reduce GHG emissions

The OECD Survey on business practices to reduce GHG emissions was carried out between March and June 2010. The survey was sent through the OECD Business and Industry Advisory Committee (BIAC), to the main business associations in OECD countries, and EmNet, the Emerging Markets Network of the OECD Development Centre. In total, 63 companies from 16 countries responded, covering a broad range of sectors (energy, mining, industry, food, pharmaceutical, financial services). The survey aimed to fill information gaps, highlight the difficulties met by companies in dealing with emissions reduction and reflect companies' expectations on government measures that would support business practices.

Figure. What actions has your company taken to reduce GHG emissions related to its operations?



Source: OECD survey on business practices to reduce emissions (2010)

beyond the company's borders. This is where the bulk of GHG emissions is produced, through the supply chain and the use and disposal of products. Managing emissions in the supply chain and throughout the life-cycle of products is, however, a recent area of public and corporate action. Methodologies and practices are

just emerging. Public private partnerships to promote good practices and provide training and capacity building could support companies' efforts to engage their suppliers. Greater consumer mobilisation is also crucial and will depend on the combined capacity of governments and companies to provide clear signals and guidance.

Find out more at www.oecd.org/daf/investment/cc & www.oecd.org/env/cc

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