The Paris Agreement: a global deal on climate change

Why is the Paris Agreement needed?

- Global temperatures are currently on course to rise by up to 4°C above pre-industrial levels by 2100
- Scientists predict potentially catastrophic impacts once temperatures rise by 2°C
- 2015 was the hottest year since records began. 14 of the hottest 15 years on record have been since the year 2000
- The World Economic Forum cites the failure to mitigate or adapt to climate change as the global risk with the greatest potential impact¹

What did countries agree?

- The world will limit global temperature rise to 2°C and make “best efforts” to limit it to 1.5°C
- The world will become carbon neutral at some time between 2050 and 2100
- All countries will set national targets to reduce carbon emissions and update them every 5 years
- Countries will report transparently on their progress towards reducing carbon emissions
- By 2020, richer countries will provide US$100 bn per year to help poorer countries address climate change

What does the Paris Agreement mean for businesses?

Governments must now put words into actions. My key message is to price carbon right and to do it now”

Christine Lagarde, Managing Director, International Monetary Fund

Philippe Defosses, Director of French Pension Fund ERAFP

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What corporations might expect

- Tighter regulations to limit carbon emissions and improve energy efficiency
- Higher costs, e.g. carbon taxes and trading systems
- Stronger requirements to report on emissions
- Pressure to disclose the financial risks the business faces from climate change

Possible impact for business in getting it wrong

- Increasing costs for high-carbon companies
- Penalties for non-compliance with new regulation
- Competitive disadvantage as customers seek lower-carbon suppliers
- Threats to shareholder value
- Brand and reputational damage

Potential opportunities for growth

- Greater opportunity in the low-carbon economy
- Improved incentives for low-carbon products/services
- Stronger demand for low-carbon suppliers
- Pressure to manage emissions across the value chain
- Low-carbon economy offers opportunity for innovation and new markets
- Shareholders reassured that risks are addressed
- Customers demonstrate brand loyalty and select suppliers that reduce emissions

¹ WEF Global Risks Report 2016

*Conference of Parties
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