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How Far Can Corporate Action on Climate Change Take Us? Reflections from the Retail Sector

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Introduction

- Key questions for policymakers:
 - Can corporations be encouraged or incentivised to deliver public interest objectives (e.g. on climate change)?
 - What outcomes have been achieved from non-regulatory governance interventions (or ‘new’ environmental policy instruments)?
 - What contribution might these non-regulatory governance interventions make to reducing the negative impacts or maximising the positive impacts of corporate activities?



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Why Focus on the Retail Sector?

- Significant economic footprint
- Significant environmental footprint
- Representative of other commercial sectors
- Relatively unregulated, despite scale and impact
- Track record of action on greenhouse gas emissions and energy
- Relatively comprehensive reporting since the late 1990s/early 2000s

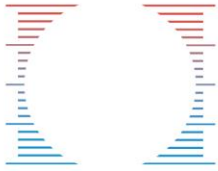


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Our Research

- We analysed the climate change practices and performance, from the mid-1990s through to the present day, of (a) the UK supermarket sector, (b) the world's twenty-five largest retailers.
 - Over 270 corporate responsibility, sustainability and climate change-related reports
 - Over 100 CDP responses,
 - Over 30 corporate websites and many more country and product-specific websites and materials.
 - Over 30 in-depth interviews with companies and key stakeholders



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The UK Retail Sector's Response to Climate Change

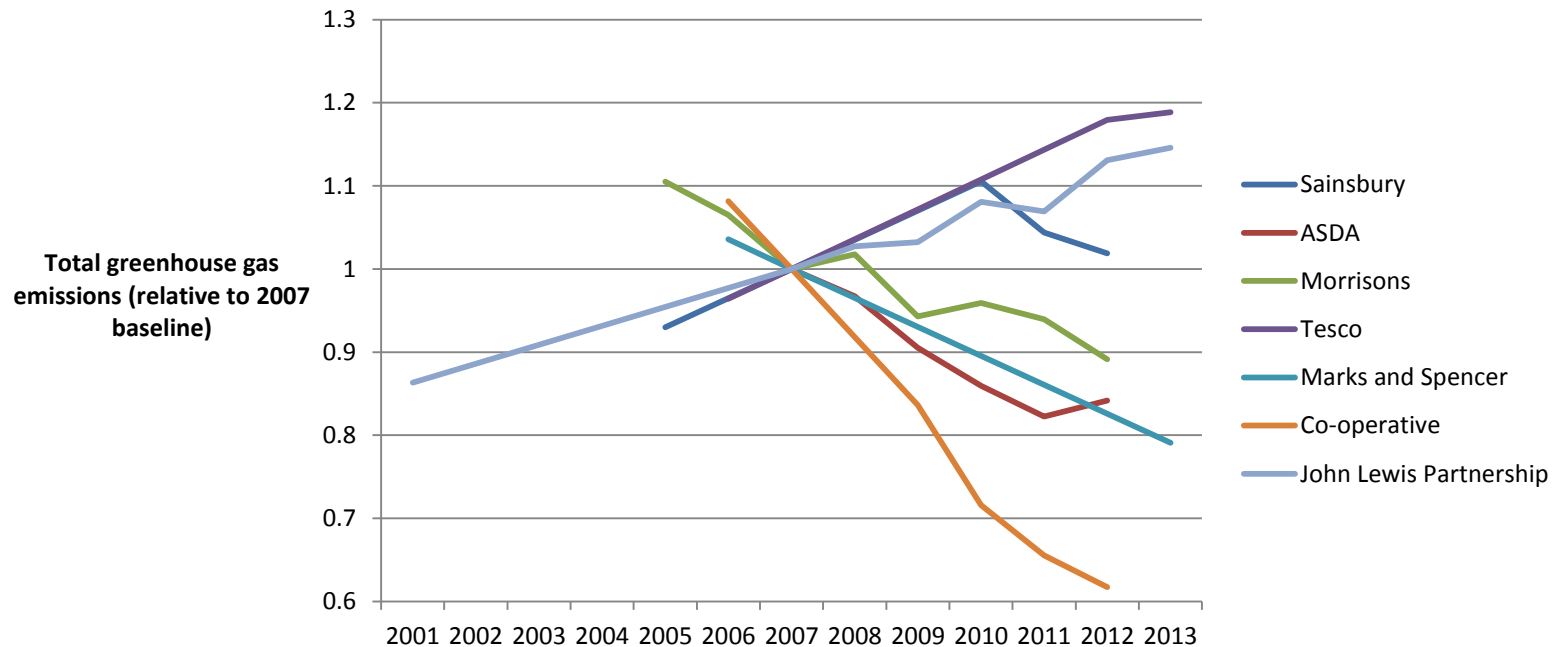
- **Early 2000s: Climate change on the corporate agenda**
- **2005-2007: Tipping point:**
 - **Climate change a corporate priority**
 - **Long-term targets, with a focus on absolute emissions**
 - **Focus on supply chain-related emissions**
- **2008-2012:**
 - **Delivery against targets**
- **2013-present:**
 - **Ongoing action but other sustainability issues on the agenda**

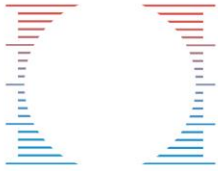


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Total Greenhouse Gas Emissions from UK Retailers (2005-2013)



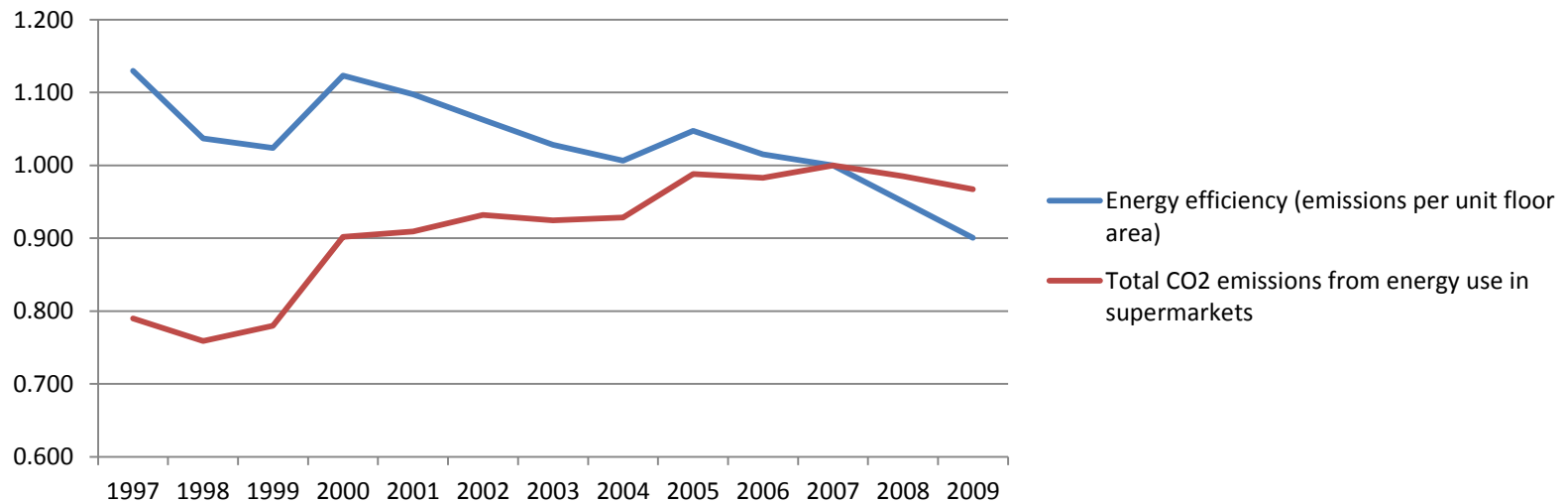


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The Tension between Absolute and Relative Emissions

Sainsburys: Changes in Energy-related Emissions and Emissions Intensity (1997-2009)





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UK Retailers' Long-term Targets

- Many of the corporate targets exceed those being set by national governments.
- The targets are plausible and credible:
 - Significant detail on how the targets are to be achieved
 - Good track record of meeting previous commitments
 - Good alignment with historic emissions performance
- However, achieving these corporate targets relies on energy prices remaining high.
- Weaknesses in corporate reporting make it difficult to tell whether targets are being achieved.



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US: Weaker Pressures, Weaker Outcomes

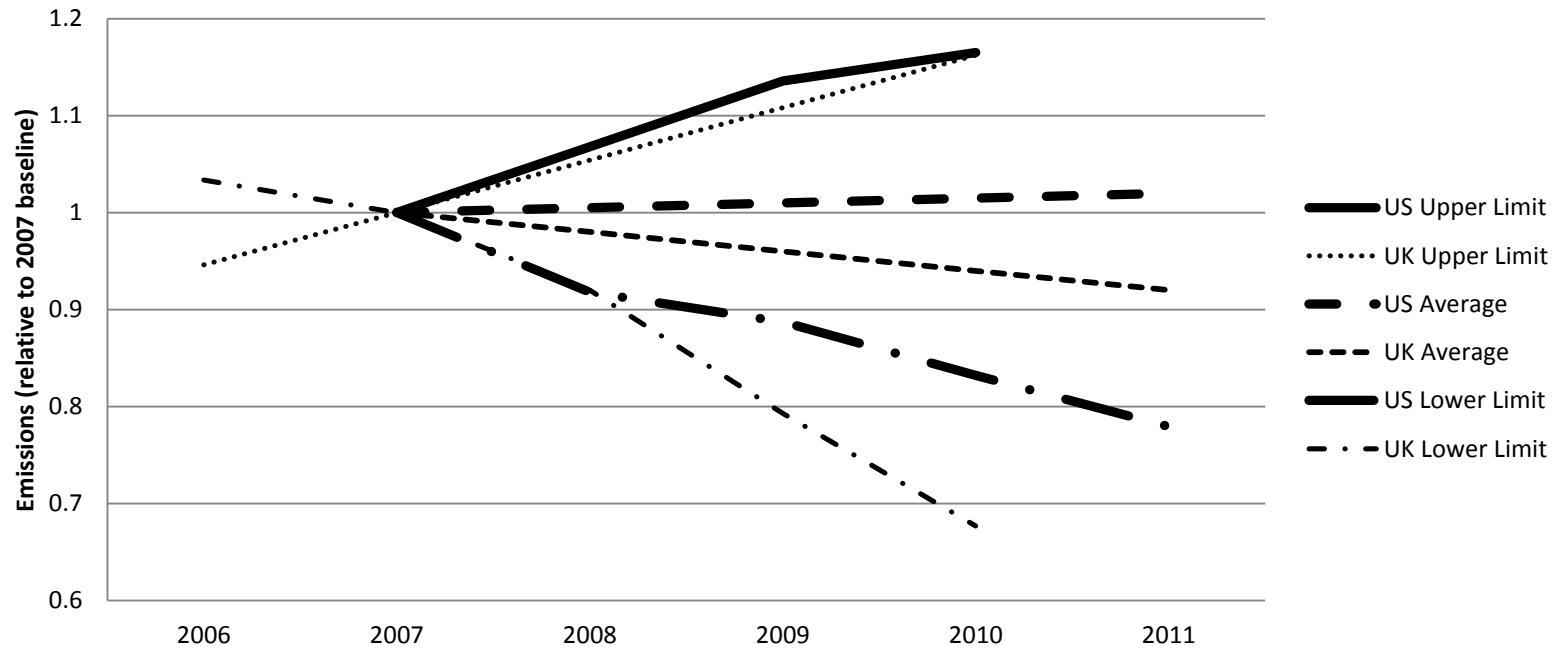
- The pressures for US corporations to take action on climate change have been weaker than in the UK:
 - Significantly lower gas and electricity prices
 - Limited government appetite for action
 - Limited consumer or civil society pressure
- Reflected in how companies manage their emissions:
 - Primary focus on buildings and operations.
 - Relatively short-term targets, with a focus on efficiency
 - Relatively little attention to supply chain-related emissions

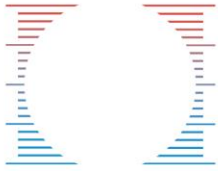


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Trends in Performance: UK and US Retailers





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Japan: Different Drivers, Different Responses

- The main drivers for Japanese retailers' action on climate change have been:
 - Business efficiency
 - Cost reductions
 - Business legitimacy, with government and against peers
- Reflected in the actions that have been taken:
 - Improving energy efficiency and reducing energy costs
 - Some effort to reduce supply chain and value chain-related emissions
 - Offsetting (e.g. tree planting, customer offset initiatives)



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Concluding Comments

- Corporate actions can make a significant contribution to national greenhouse gas emission reduction efforts.
- The specific actions taken and the ambition underpinning these depend on:
 - The strength of external governance pressures (e.g. alignment, target financial and/or non-financial interests, duration)
 - Internal governance conditions (e.g. cultures and values, structures and systems, resources and opportunities)



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Designing New Policy Instruments – Key Considerations

- The financial case for action and the costs and benefits of specific investments
- Pre-existing corporate capacities and knowledge
- Accountability processes and mechanisms
- Backup interventions (e.g. escalation strategies, additional policy instruments)



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