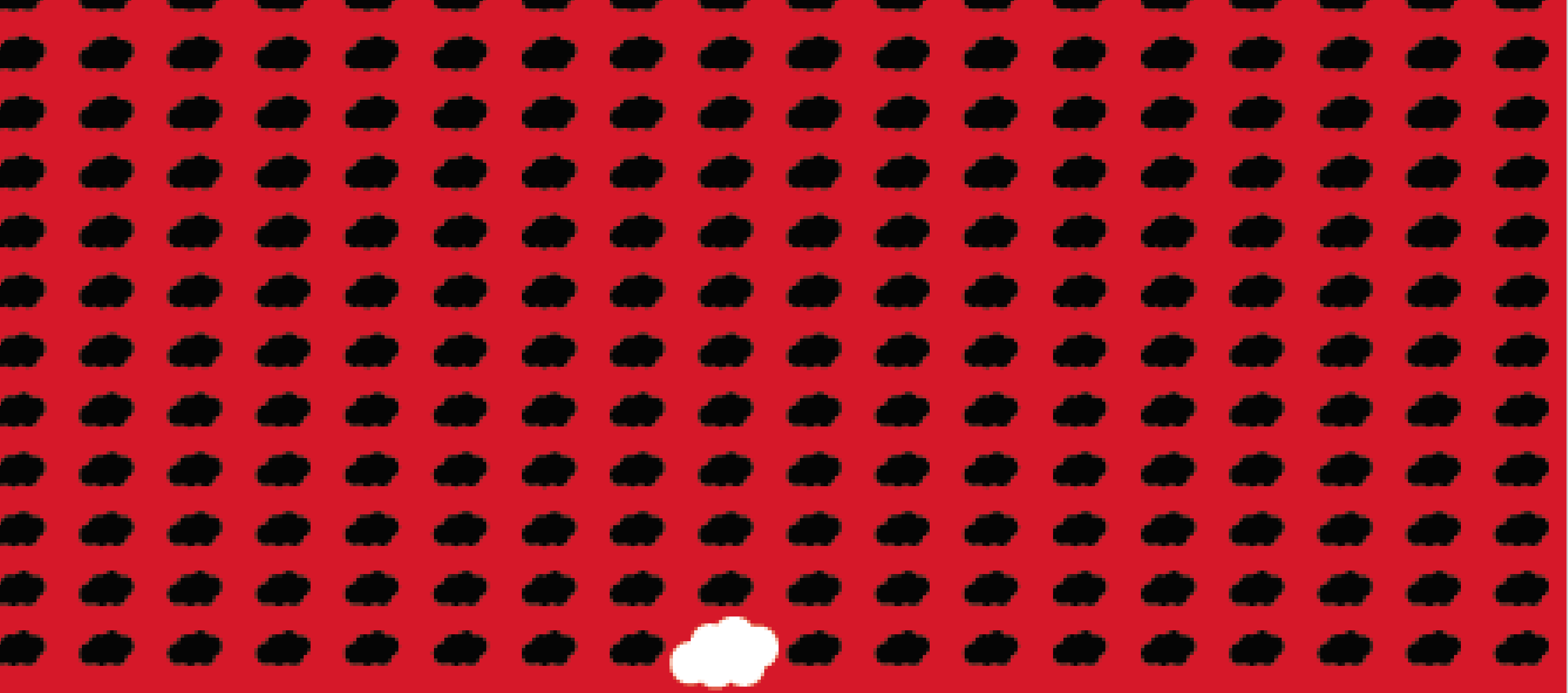


COP 21

CAN TRANSNATIONAL COMPANIES SAVE THE CLIMATE?

Case study of key COP21 sponsors

BASIC

Observatoire des multinationales
social, écologique, politique

REPORT ABSTRACT

In the context of the growing role of major French corporations in the global climate change agenda, Le Basic (Bureau for the Appraisal of Societal Impacts for Citizen information) and the Multinationals' Observatory decided to assess, beyond principled positions and non-binding commitments, the greenhouse gas reduction policies implemented by key French sponsors of the 21st session of the Conference of the Parties (COP21) currently held in Paris.

The 21st Conference of the Parties of the UN Framework Convention on Climate Change is to be held in Paris from 30 November 2015. This event is often presented as a "last chance" opportunity to reach an ambitious and effective agreement to prevent global temperatures from rising by more than 2°C by 2100, as defined by IPCC researchers, in order to prevent catastrophic climate change. However, new commitments announced by a number of countries ahead of COP21 are very unlikely to be sufficient to achieve this.

In this context, governments and international institutions are increasingly turning to the private sector, particularly big transnational corporations, in an attempt to find the solutions and investments required to evolve towards low-carbon societies and economies. In the run-up to the Paris Climate Conference, a great many French companies have made significant commitments to reducing their own emissions, some even divesting altogether from climate-unfriendly sectors such as coal. As host to the COP21, the French government has chosen to give corporations a special role, making forty of them the official sponsors of the event and giving them a large place in the "Solutions Agenda" (or Lima-Paris Action Agenda) which is to be appended to the international draft agreement. As was the case at COP19 in Warsaw, civil society has been highly critical of such an approach.

THE NEED FOR A REALITY CHECK BEYOND PR

In such a highly-polarised context, when it is not always easy to distinguish between slogans and reality, we wanted to take a closer look at the greenhouse gas (GHG) emission policies being implemented by a selection of major French companies listed on the CAC 40 index and official sponsors of the COP21. The ten companies analysed were: Accor, BNP Paribas, Carrefour, EDF, Engie, Kering, LVMH, L'Oréal, Michelin and Renault.

In order to determine the extent to which these companies are able to effectively address the climate challenge and meet governments' expectations, this report analyses the following areas:

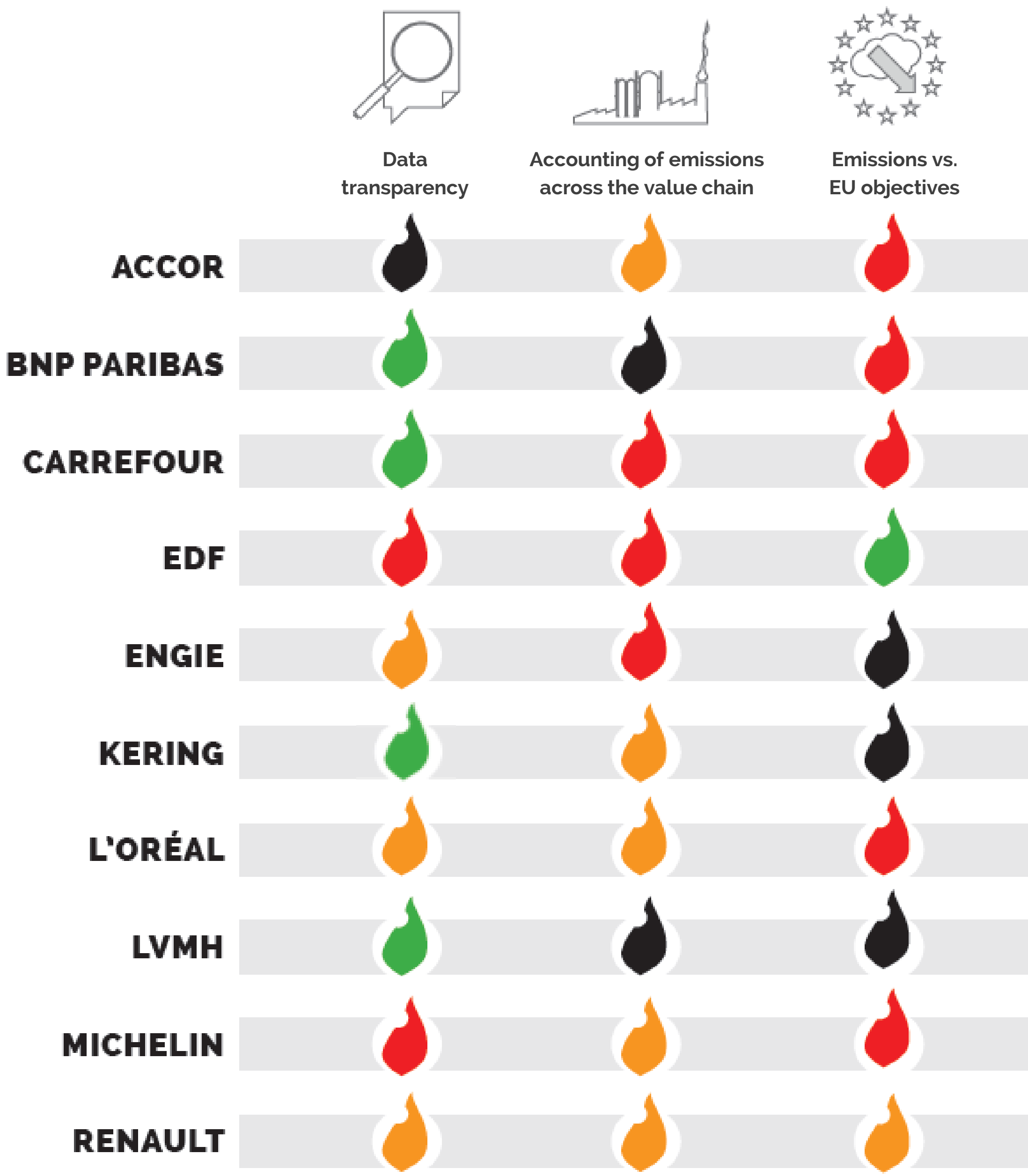
- The extent to which their GHG emissions declarations are transparent and coherent.
- Their ability to think and act on a global scale and across their entire value chain.
- Where their emissions stand in relation to French and EU official GHG reduction targets (-20% by 2020, -40% by 2030, -80% by 2050).

The companies were rated on each of these aspects using a simple colour coding system (black – red – orange – green). "Green" refers to the ideal profile that both citizens and governments can rightfully expect from official corporate sponsors of COP21 actively advertising their commitment to the climate change issue:

a transparent company, that provides all means to monitor its direct and indirect GHG emissions, across the entire value chain, and which overall meets or exceeds the objectives set by the European Union.

REPORT ABSTRACT

NO COMPANY TICKS ALL THE BOXES



The results of our analysis (see below) illustrate that none of the companies studied meet the criteria for the ideal profile. None of them received more than one green rating for the three categories.

Only four of the ten companies in the sample (BNP Paribas, Carrefour, Kering and LVMH) publish data on their GHG emissions that is sufficiently transparent and coherent, over a period of several years and in all the mandatory areas, allowing people who are not specialists to easily understand the information. However, none of these companies:

- consider the full impact of its business upstream and downstream of its value chain.
- seem capable of reducing its global carbon footprint in line with EU objectives.

Five companies (Accor, Kering, l'Oréal, Michelin and Renault) have commissioned a full assessment of their GHG emissions over their entire value chain, from raw materials to waste disposal. However, none of the companies were able to illustrate any emission cuts at this scale.

It seems only EDF was able to reduce its overall carbon footprint in accordance with EU objectives. The company is indeed particular in that it is able to act on one main single source of greenhouse gas emissions, i.e., nuclear energy, renewable energy and fossil fuels (although nuclear energy raises a whole host of other questions). It has also benefited from favourable weather conditions in recent years (particularly mild winters) (2).

More generally, among the companies analysed, we did not find any example of a strategy aiming to reduce GHG emissions across the whole value chain (identification of hotspots, associated objectives, management and publication of results). Yet for the great majority of companies studied, their emissions are primarily located upstream or downstream in the value chain, which represent sometimes as much as 85% of their global GHG footprint (3). Many of the companies analysed are doing very little to curb their impact in these areas, even when this is where their emissions are highest. This is the case of BNP Paribas, whose actions in this domain seem very peripheral in comparison to the emissions resulting from its investments in high-carbon sectors (transport, energy production, distribution, industrial equipment, agribusiness, etc.).

NON-STANDARDISED, UNINFORMATIVE REPORTS

Overall, the information provided by companies on their GHG emissions seems to be inadequate and fails to enable the public to understand whether these companies really are reducing their emissions and to what extent. Although these companies regularly publish comparable standardised financial information, their emission statements more often than not seem like improvised exercises. This is primarily due to the lack of regulatory obligations (despite the existence of the GHG Protocol, which provides guidelines but whose instructions are not certifiable).

In the companies' reports and statements, we found inconsistencies, a certain methodological vagueness and some seemed to cover only a very restrictive area (as in the case of Accor which doesn't take into account its franchised hotels, despite the fact they represent nearly half its hotel properties (4)). Other COP21 corporate sponsors that did not feature in our analysis, such as Bolloré, still do not publish any information on their GHG emissions at the level of the whole group.

UNLIKE FINANCIAL INFORMATION, WHICH ARE STANDARDISED AND COMPARABLE, COMPANIES' EMISSION STATEMENTS MORE OFTEN THAN NOT SEEM LIKE IMPROVISED EXERCISES, DESPITE RECURRING REFERENCES TO THE GHG PROTOCOL.

(1). See WISE, L'option nucléaire contre le changement climatique, 2015.
(2). The Sustainable Development Ministerial Statistical Department of the of the French Ministry of Ecology, Sustainable Development and Energy, 2015 key figures on the climate for France and Worldwide, and EDF, "Bilan des émissions de gaz à effet de serre 2014" (Greenhouse Gas Emissions Report), p.4.
(3). A With the exception of the energy companies EDF and Engie, most of whose emissions are linked to their operations (scope 1).
(4). Accor, 2014 Annual Report and Financial Statements, p.9 & 65.

AN ILLUSIVE OPTIMISM

The flexibility businesses have in reporting their emissions means they can highlight the results that show them in a positive light, and avoid the issues that are more challenging. The companies we analysed all declare the progress they have made and the ambitious goals they have for the future; this study however serves to illustrate that it is wise to qualify such optimism. One example is the advertisements of certain COP21 sponsors – such as EDF with its so-called "CO2-free" electricity (5) or Renault with its "zero-emission" cars (6) - which appear to contradict their own studies, whose findings are published in their official annual reports (7).

This inclination to provide only partial or relative information is even more unsatisfactory in that it can also conceal a potential "rebound effect", where the increased consumption of a product that is less harmful partially or entirely cancels out the potential environmental benefits of this product. Michelin, for instance, stresses that it has it reduced its GHG emissions per tonne of tyres produced, yet fails to specify that that its tyre production may increase at the same time, thereby cancelling out the majority of benefits this action represents for the climate (as was the case between 2013 and 2014).

OFFSETTING INSTEAD OF REDUCING?

In order to reduce their GHG emissions, a large majority of the analysed companies use "carbon offsets", to varying degrees. Carbon offsets allow them to compensate for their own emissions through carbon credits gained by investing in reforestation, energy efficiency and renewable energy projects, which are often undertaken in countries in the Global South. Whether projects linked to carbon offsetting are actually beneficial to the climate, particularly in the field of forestry, however remains questionable (9).

The massive use of offsets is considered one of the causes for the failure of the European carbon market, as it is seen to have discouraged companies from investing in emission cuts at source in Europe (10).

Essentially, offsets amount to a "right" to pollute – that you can purchase. However, due to the cumulative nature of greenhouse gases in the atmosphere, it is urgent that we reduce as much emissions as possible, as soon as possible.

Yet many companies continue to base their climate strategy and their future GHG reduction targets on a significant use of offsets.

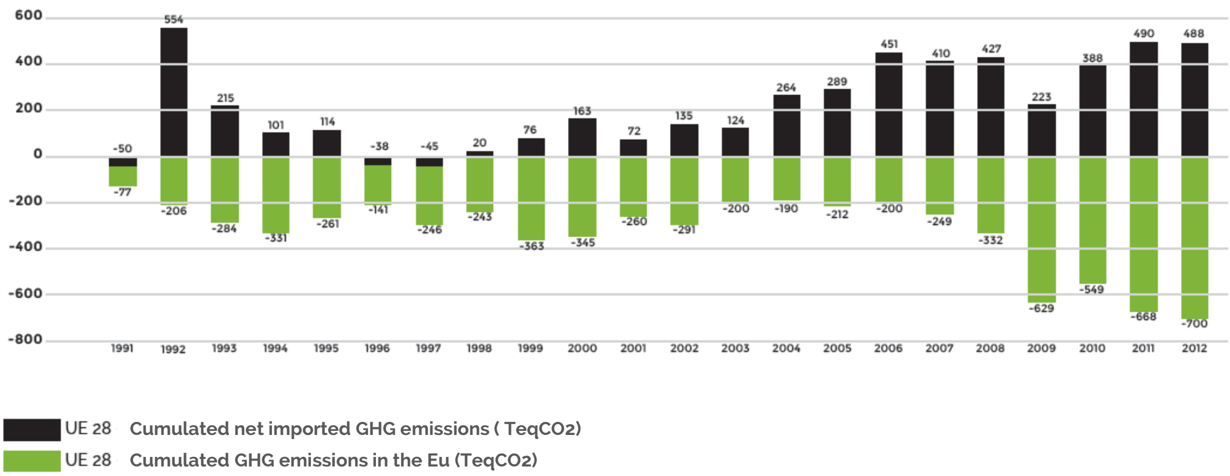
CARBON OFFSETTING CAN BE SEEN AS A "RIGHT" TO POLLUTE THAT YOU CAN PURCHASE. HOWEVER, DUE TO THEIR CUMULATIVE NATURE , IT IS URGENT THAT WE REDUCE GHG EMISSIONS AS MUCH AS POSSIBLE, AS SOON AS POSSIBLE.

(5). https://www.edf.fr/groupe-edf and https://www.edf.fr/groupe-edf/premier-electricien-mondial/stratégie viewed 07/11/2015.
(6). Renault, 2014 Annual Report and Financial Statements, p.5 & 12.
(7). 2013 and 2014 Annual Reports of EDF and Renault.
(8). Michelin, Annual Report and Financial Statements 2013 and 2014, p.6
(9). US Congress, Research Service Report, Forest Carbon Markets: Potential and Drawbacks, 2008.
Sedjo, R. et Macauley, M., Forest Carbon Offsets: Possibilities and Limitations, 2011.
(10). Carbon Market Watch, "What's needed to fix the EU's carbon market", July 2014.

OUTSOURCING EMISSIONS UP THE VALUE CHAIN AND IN EMERGING MARKETS

In recent years, several scientific studies have highlighted the trend among European companies of outsourcing GHG emissions upstream of their value chain, often into other continents. A study undertaken as part of the Global Carbon Project (11) thus shows that since 1990, 70% of emission cuts across the European Union were actually "cancelled out" by an increase in "imported" emissions from countries such as China, India and Brazil through "offshoring" of production or sourcing of raw materials (see below).

Cumulative GHG emissions in the EU region and imported by the EU
Source: BASIC, based on data provided by the Global Carbon Project



Although the European Union may appear to be several years ahead in meeting its 2020 reduction targets, these figures tell a different story: if we take into account emissions generated by the European industry's upstream suppliers, emission levels are unchanging in many economic sectors, and sometimes even on the rise. The official corporate sponsors of COP21 are also contributing to this phenomenon. Carrefour, for instance, is doing very little to reduce GHG emissions upstream or downstream of its value chain, a significant proportion of which is generated by its suppliers, despite the fact that these indirect emissions represent between 80 and 85% of its overall carbon footprint, according to available studies (12).

This illustrates a wider trend – also evident in the social and environmental fields - towards internationalisation and 'outsourcing' of their operations by transnational corporations, with the risk of watering down their responsibility and accountability (13).

This tendency towards outsourcing reflects the growing interdependence between sectors and countries over entire value chains, from the procurement of raw materials to the consumption of products, and brings into question the idea of tackling climate change through a compartmentalised approach where each sector is addressed separately (energy, transport, agriculture, etc.).

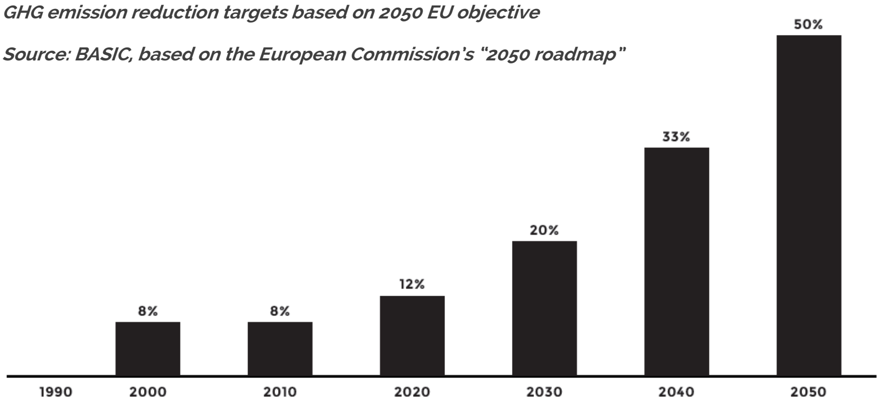
(11). Le Quéré, C., Moriarty, R., Andrew, R.M., Peters, G.P., Ciais, P.,Friedlingstein, P., et al.; "Global Carbon Budget 2014"
(12). WRI-WBCSD, GHG Emissions Agriculture, 2014
INRA-Ademe, Impact Carbone des régimes alimentaires, 2011
WRAP, Assessment Environmental Impact Grocery Products, 2013
European Commission, EIPRO Impact of Food Products, 2010, and Revision of European Ecolabel Criteria for Soaps, Shampoos and Hair Conditioners, 2012
WRAP, Valuing our Clothes, 2012
WRAP, Reducing the environmental and cost impacts of electrical products, 2012
(13). Milberg, W. and Winkler, D., Outsourcing Economics Global Value Chains in Capitalist Development, April 2013.

RELIANCE ON “TECHNOLOGICAL BREAKTHROUGHS”

Aside from issues raised by outsourcing, the emission targets forecast by the EU and companies in view of meeting long-term objectives (-80% by 2050 according to official European objectives) seem to rely, explicitly or implicitly, on the assumption that major technological breakthroughs are going to take place (see table below) (14).

GHG emission reduction targets based on 2050 EU objective

Source: BASIC, based on the European Commission’s “2050 roadmap”



In some cases, such as that of the electric car promoted by Renault, the potential benefits of such breakthrough technologies for the climate are still likely to remain limited (at best, -50% reduction of the French automaker’s overall carbon footprint, according to the available studies (15), and this doesn’t take into account the time required to replace the existing fleet). Other “technological breakthroughs” that companies are hoping for, such as carbon capture and storage, raise a whole set of other issues, in regards to their viability, their cost and their potential risks (not unlike the issues surrounding nuclear energy and the controversies that have been ongoing since its emergence (16)).

OUR POLICY-MAKERS NEED TO OVERCOME PRINCIPLED POSITIONS AND NON-BINDING COMMITMENTS TO ASSUME RESPONSIBILITY & CONFRONT THE DILEMMAS AT STAKE.

A WORD OF CONCLUSION

It may seem logical that a company challenged to cut its GHG emissions should, in addition to marketing and advertising, focus on organisational and technological fixes that enable it to maximise its short-term economic performance without questioning its growth targets.

But this is unlikely to be enough to limit global warming to 2°C: neither outsourcing and compensating emissions, nor believing in technological breakthroughs will replace a genuine “decoupling” of economic growth from GHG emissions, that is to say a company’s ability to sell more [products or services] while reducing GHG emissions on its whole value chain. In the absence of decoupling, it seems rather illusive to think that big transnational corporations - that provide most of our daily products and services - will give up growth, even for the sake of reducing the GHG volumes released in the atmosphere.

Lastly, if big transnational corporations’ commitment is critical, it cannot be a substitute for public policy and regulation. Our policy-makers need to overcome principled positions and non-binding commitments to assume responsibility and confront the dilemmas at stake. Otherwise, the needed structural transformations of our lifestyles may never happen, or in any case too late.

(14). European Commission, Communication to the European Parliament, A Roadmap for moving to a competitive low carbon economy in 2050, March 2011.
(15). Renault, 2014 Annual Report and Financial Statements, p.159, and Ricardo, Preparing for a Life Cycle CO2 Measure: a report to inform the debate by identifying and establishing the viability of assessing a vehicle’s life cycle CO2 footprint, May, 2011.
(16). See WISE, The nuclear option against climate change, 2015 op.cit.