



**Carbon Expo Australasia
Carbon Disclosure Project Launch
Melbourne, 7-9 November 2013**

**Statement by John Kilani, Director
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Good afternoon.

First, I want to thank James Day of the Carbon Disclosure Project for inviting me to join this launch event today. It is a pleasure for me to be present at this important event.

And perhaps there is no better place to be having this discussion on climate change mitigation than here in Melbourne, where citizens are already used to experiencing “4-seasons in one day”.

Crowded House references aside, it’s hard to ignore that climate change is changing the weather, in Australia and beyond:

- Australian average daily temperatures have increased by nearly 1°C since 1910 and are projected to rise a further 1 degree to 5°C by 2070;
- 2012 has seen record global temperatures, record-low ice cover, devastating floods and droughts, and record-breaking storms, most recently hurricane Sandy, which slammed into the eastern U.S.;
- It is clear we must do more to successfully address the climate change challenge and reach the 2 degree goal or better.

So, what is being done on the international level to get there?

In regards to the intergovernmental process, there is some reason for hope.

In the last round of negotiations in Durban, all countries agreed to not let temperature rise go beyond 2 °C and are considering limiting it to 1.5 degrees – the only target that would give us some chance to protect Small Island States from the worst effects of climate change.

From your perspective, the importance of the temperature target is that it is an unambiguous signal that we are moving toward a global, low-carbon economy.

Additionally in Durban, most industrialized countries agreed to continue their emission reduction efforts via a second commitment period of the Kyoto Protocol.

And, for the first time, all governments have agreed that they will negotiate a new, legally-based, universal agreement by 2015, to be implemented starting in 2020.

Furthermore, through a decision to establish a New Market Mechanism and a Framework for Various Approaches, they have agreed that the market will be an important component of the new, more ambitious agreement, with deeper reduction commitments.

So, what does this mean for investors and companies? You CAN help support cooperative action on climate change in the sub-national, national, regional and international process.

At the international level, I urge both companies and investors to participate in the business NGO organisations, which are the formal channel for business opinions to be heard in the UN climate change process. Failing this, at least make sure that the local chapters of the World Business Council for Sustainable Development (WBCSD), World Economic Forum (WEF), International Chamber of Commerce (ICC), International Emissions Trading Association (IETA) and other UN observer organisations from the business community are aware of your views.

There are also less formal groupings of businesses that come together to issue relevant statements or warnings to Governments, like the Carbon War Room, the various Institutional Investors Groups on Climate Change, or from a different angle, international business sector groupings like the Cement Sustainability Initiative. These groupings become more powerful as their membership or constituency grows, so I encourage companies and investors to get involved.

At the national and regional levels, one key way to be involved is to make sure the relevant Party delegations to the climate change negotiations are fully briefed on what their country's businesses and investors want to see, and what they can and cannot be expected to do.

Ministers and senior officials in these governments should be made aware of climate change issues that concern businesses and investors. This includes defensive issues (namely protection of national competitiveness) and realistic assessments of the economic risks if climate change goes unchecked.

At this level, businesses also have the ability to proactively steer policies and collaborate on timetables to achieve necessary climate objectives at maximum cost-effectiveness and even minimum cost.

At sub-national levels one of the most fruitful channels for involvement is to support climate action being taken by cities to lower their carbon footprint and adapt to climate change.

In my opinion, companies and investors must implement and support actions on the ground, such as carbon emission reduction initiatives, investments in low carbon technology development and low carbon energy projects.

Whatever companies can do here to assist mitigation and adaptation under their corporate social responsibility policies, or to help present themselves to their customers and relevant tiers of government as socially responsible, will be welcomed and bear fruit as the struggle against climate change becomes of greater and greater concern.

All of that said, it is highly unlikely that voluntary actions will achieve emission reductions at a level sufficient to achieve the economic transformation necessary to halt global climate change.

As such, the reduction of carbon has to be turned into an economic necessity for companies and investors. This can only be done at scale by the actions of governments.

Governments may act through national carbon pricing schemes, or carbon taxes, or even by direct regulation, but the flexibility of market approaches needs to be considered within every policy contemplated, in order to keep costs down and incentives up.

Yet, governments often shrink from action for fear of outright opposition from business. Companies and investors therefore need to confirm what incentives they must have to turn green growth from a slogan into a reality and what they will support, even if only for fear of something worse.

In considering this, consider also that while public opinion may fluctuate in the short term, there is no doubt about the overall trend line. Pressure to reduce emissions will increase over time, not decrease. The question is: How will you actively and positively respond to this reality, in the interest of your companies and your shareholders.

My last point today is on the importance of companies measuring, managing and disclosing greenhouse gas emissions, reductions and targets, and their climate change risks, opportunities and strategies.

It is a truism that what does not get measured does not get managed. It is time to get very serious about the business risks of climate change, both direct and indirect.

Investors need to consider how much exposure to these risks they are prepared to tolerate in their portfolios, and in the business plans of companies in which they are major shareholders or even debt-holders.

For companies to tell a plausible story about where they stand on the spectrum of risk, and for investors to have confidence about the totality of risk they are exposed to, company accounts have to show measurements and company strategies have to set out their intentions and expectations proactively.

The CDP has created a movement which is spreading further and further. It is being supported and followed by more commercial and more professional assessments of carbon content and carbon exposure, as the ratings agencies, accounting firms and standards organisations gradually create a structure of expectations about how companies should report and should behave.

This is bound to take time and to need reinforcement by Governments and voluntary organisations. But the movement appears to be unstoppable, and there will be no rewards for lagging or failing to consider what it could mean for investor relations and for business models.

In closing, I would reinforce that business has the power to change consumer and supplier behaviour and turn it into powerful, vocal support that gives policy makers a clearer space in which to act. I am encouraged that many enlightened companies, present companies included, have embarked on this.

However, given the slow pace of international policy, may I be so bold as to ask:

- Are you involved with the business NGOs and groupings that will enable your opinion to be heard in the climate change negotiations?
- Are you engaged with your government, communicating honest concerns while demanding more national policy action?
- Are you supporting climate-action in your local cities?
- Are you exploring those opportunities that allow you to increase low carbon market share, thereby converting your activity in the market into a push for governments to take more ambitious decisions?
- Are you measuring, managing and disclosing your mitigation activities?

The challenge to limit temperature rise to 2 °C or better may sound impossible, but I trust I am speaking to a group of leaders for whom, in the context of the future of this planet, impossible is not a fact, it is an attitude, limited only by your sense of ingenuity.

Thank you.
