



Discussing the responsibility of corporations regarding a carbon-neutral future

Committee: SPC2

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Forum: Special Conference 2 (SPC2)

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Introduction

Given the current environmental state of the planet, the question of the responsibility of each individual going into the future arises. Moreover, as governments and various organizations start to build policies regarding the climate conflict and the stance on carbon neutrality, and social awareness of the issue increases by the day, a large amount of pressure falls on corporations to act as well. Corporations play an evident and important role in human life, almost as much as governments, therefore it is important to address the responsibility of corporations regarding a carbon-neutral future. Issues may arise, as shifting focus to this topic may be conflicting with certain corporate plans and values. However, the benefits of corporate support are endless, therefore it may be necessary to finally set some standards for how corporations should exist going forward and tackle the issue of carbon emissions. Some potential methods to enforce the shift to carbon neutrality include social pressure and CSR, having more restrictive government regulations, and limiting profits that compromise the environment. However, these may vary throughout the world, therefore the United Nations needs to set several widespread guidelines for all corporations.

Definition of Key Terms

Greenhouse gases

Gases that contribute to the greenhouse effect of the atmosphere, through absorption and emission of infrared radiation. Several examples in the Earth's atmosphere include water vapour, carbon dioxide, methane, nitrous oxide, and ozone.

Carbon Footprint

The measure of the amount of carbon dioxide released into the atmosphere as the result of the actions of either an individual, organisation, or community. The carbon footprint

reflects the current status of carbon emissions and to what extent improvements need to be made to reduce carbon outputs.

Carbon Neutrality

Carbon neutrality refers to net-zero carbon emissions, meaning there is a balance of the carbon emissions released as well as absorbed. By limiting the number of carbon emissions, the environment benefits from non-additional carbon dioxide. Carbon neutrality will be necessary for all corporations in the future to halt climate change as much as possible.

Carbon Negativity

Carbon negativity refers to a higher amount of carbon absorption than emission, meaning there is a negative net effect of carbon emissions. The removal of carbon from the atmosphere will be even more beneficial in preventing climate change, as it will reduce the number of changes needed to accommodate the guidelines demanded in tackling climate change.

Corporate Social Responsibility (CSR)

A form of self-regulation of companies, to inspire them to act in favour of social causes. CSR can allow companies to invest in these causes to improve company image as well as attract customers. An example of this could be a company setting public goals to target emission reduction, by either stating they will dedicate themselves to becoming carbon neutral by a given date or they will complete environmentally friendly actions such as planting trees to make up for carbon emissions.

General Overview

In the world today, corporations rule. Apple, Saudi Aramco, and Google are just some of the largest companies that exist currently. All three have relevance in their respective fields and generate a great amount of attention. However, the influence and power that these and many other companies have is unbelievable. Corporations have exceeded the power of local governments in influencing populations, and several of these companies will play a crucial role in the upcoming battle against climate change. Corporations have conflicting positions when

it comes to the environment. The question of achieving maximum profitability while maintaining environmental integrity becomes an increasingly important debate as they move into the future. Since the signing of the Paris Agreement in 2016, pressure has increased for corporations, however, whether the pressure is enough to enforce companies to act immediately is unclear.

Corporate damage

Evidence from a CDP report shows that 100 companies have been responsible for 71% of emissions in the last few decades. Names such as Saudi Aramco and Shell make the list of the culpable, however not only in the energy industry can corporations be blamed. In the United States, the top 15 food and beverage companies generate 630 million metric tons of greenhouse gases, exceeding the total emissions of many other countries. This shows the variation of companies causing harm to the environment and therefore all companies must attempt to fix the issue.

Upstream and Downstream Emissions

Corporations need to drastically reduce their emissions as soon as possible, but despite the greenhouse gas reduction targets, many companies persistently continue to detrimentally damage the environment. The targets often include incorrect or falsified information, omitting many the emissions associated with the entire life cycle of a given corporation's products. This needs to be considered as the production process of a product, including the acquisition of raw materials produces a series of emissions known as upstream emissions as well as further emissions stemming from the product's use and eventual disposal, known as downstream emissions. By not addressing the upstream and downstream emissions, many companies fail to set appropriate targets to combat greenhouse gas emissions, despite the advertised corporate climate commitments.

Scopes 1, 2, and 3

Furthermore, the aspect often overlooked by corporations is the distribution of emissions into Scopes 1, 2, and 3. Many corporations divide their emissions into these scopes but inadequately divide them. "Scope 1 emissions cover direct emissions from owned or controlled sources, Scope 2 emissions cover indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company and

Scope 3 includes all other indirect emissions that occur in a company's value chain.” Corporations often neglect Scope 3 and distribute their emissions into the remaining scopes. They then set goals involving only a small portion of Scope 1 and 2, ignoring the detriment of Scope 3. An example of this neglect is the company Procter and Gamble, with promises of a 50% reduction of emissions by 2030. However, Procter and Gamble only account for its Scope 1 and 2 emissions, with 4.3 million metric tons worth of emissions as opposed to a total (including Scope 3) of nearly 215 million metric tons. Similarly, many companies underestimate the volume of greenhouse gas emissions in their predictions and calculations when planning for the future.

Carbon neutrality and Carbon negativity

Many companies, due to moral obligations or social pressure, have started to make changes within their organization to accommodate the climate conflict. Several have already stated that they will become carbon neutral by a future date and have set the relevant targets and pledges. Google is an example of a leading company in terms of combatting carbon emissions, as they currently have carbon-neutral operations. Google’s relevance in the technology industry has inspired many other competitors and alliances to follow, giving them abundant responsibility to maintain their current carbon output. Google is currently setting up plans to become 100% carbon-free, as they still continue to emit greenhouse gases, but carbon neutrality is an important first step for many companies. Carbon neutrality should be attained as soon as possible, and to properly combat climate change, many corporations should even strive for carbon negativity.

Paris Compliance

According to Carbon Tracker reports, there are three requirements for corporations to be considered compliant with the Paris Agreement. These guidelines verify whether companies do actually align with the Paris Agreement, as they claim to. Firstly, the corporation needs to address the full lifecycle including all three scopes, especially the often-neglected third scope. Secondly, the target needs to be bounded by finite limits, including various milestones leading up to the target date. Lastly, all emissions must be included in the target, including the

company owned-production and global product sales such as the upstream and downstream emissions. Many companies do not adhere to these compliant prerequisites while claiming to be striving towards the Paris Agreement and claiming responsibility for combatting climate change.

Profit vs Cost of Sustainability

For many corporations, the main issue with carbon neutrality is the cost. The journey to reach carbon neutrality and condemn any existing methods involving fossil fuels and excessive carbon emissions will be costly for any company. Many companies are not willing to take this step to benefit the environment as it simply is not profitable to them. While the long-term benefits of carbon neutrality are evident, to corporations thriving in the short term, it seems unrealistic to deconstruct the existing and functioning set-up. In areas of the company such as production, it will cost a lot given the lack of progress in providing an abundance of renewable energy and resources at reasonable costs. Companies often take the first step towards covering the emissions for scopes 1 and 2, however covering the third scope will cause financial losses for many companies. Overall, companies will need to be convinced to choose the long-term cost of sustainability vs the short-term profit.

Timeline of Key Events

Date	Event
9 th of May 1992	The UNFCCC established an international environmental treaty to combat "dangerous human interference with the climate system", and stabilised greenhouse gas concentrations in the atmosphere.
21 st of March 1994	The treaty drafted by the UNFCCC becomes effective.
1 st of January 2000	Carbon emissions at the turn of the century are predicted at 5.23 billion metric tons.

1 st of November 2015	The CDP published a report claiming that only 100 companies were responsible for 70% of carbon emissions.
22 nd of April 2016	The Paris Agreement is signed by 195 nations, with a central aim of minimising climate change to under 2 degrees.
4 th of November 2016	The Paris Agreement becomes effective.
12 th of November 2021	Following COP26, 40 more companies sign on to Net Zero Carbon Buildings Commitment, pledging to decarbonize.

Major Parties Involved

China

China is the nation currently emitting the most carbon emissions. China Coal, a Chinese corporation, is said to be responsible for 14.3 % of the carbon emissions in the entire world. This total exceeds the total number of emissions of entire nations. China's Huaheng power emits more greenhouse gases than the entirety of the United Kingdom. China is a clear source of corporations with excessive carbon emissions, therefore China needs to be put under pressure to act drastically however this is unlikely to occur unless Chinese corporations start to share their actual emission counts with the public. The Chinese government recently did not force companies to share this information with the public, making it difficult to combat these polluting corporations. However, last year China began to update their policies in accordance with the U.S. Securities and Exchange Commission. Without an increase in environmental transparency, China will not see a change in their emissions. A large number of companies continue to not disclose their emissions, resulting in a great unknown and obscurity of data.

United States of America

The USA is the second largest producer of carbon emissions in the world. As measured in 2020, the USA emits 4,577 million tons of carbon. The largest emitter in the USA is Vistra

Energy, which emitted 95 million tons of carbon in 2020 by itself, accounting for 1.6% of total US greenhouse gas emissions. Last year, the U.S. Securities and Exchange Commission has put forward a new regulation requiring all public companies in the U.S. to disclose their climate emissions and risks. However, despite this recent transparency, there are still conflicting views and concerns regarding how corporations should move forward. The conflict existing between the two primary political parties, the Republicans and Democrats, results in an inability for corporations to adapt. Many Republicans are in the stage of denying the existence of climate change, while Democrats are trying to ambitiously follow global standards in preventing climate change. An absence of corporate honesty results in corruption and altered data, inhibiting the USA to come down on corporations to act in favour of a carbon-neutral future.

Saudi Arabia

Saudi Arabia emits 586.4 million metric tons, and Saudi Arabia's largest company, Saudi Aramco is the main contributor. Saudi Aramco is responsible for 4% of the entire world's carbon emissions. Saudi Aramco operates in the energy sector, a main contributor to carbon emissions. Aramco's emission targets are far from the Paris Agreement's expected numbers. Saudi Aramco is far from compliance with the Paris Agreement, despite published targets of becoming net-zero by 2050 and a reduction of 15% in upstream emissions. Saudi Aramco is just one of many energy companies failing, especially in the Arabian Gulf, where oil and energy trading are the centres of many of the largest corporations. The lack of credibility prevalent in the corporations hinders any ability, even for government-run companies, to improve carbon emissions.

Greenpeace

Greenpeace is an important NGO when discussing environmental impact. They often act as a pressure group for corporations, but also collaborate with many, inspiring care for the environment. Greenpeace is known for its past lobbying efforts and consumer pressure, so Greenpeace can successfully fight corporations for climate justice.

Global Footprint Network

Founded in 2003, and operating between Belgium, Switzerland, and the USA, The GFN acts as a non-profit independent think tank. The sole purpose of GFN is to prepare for the

future, “where all can thrive within the means of our one planet, by making ecological limits central to decision-making”. It analysis the carbon footprint of various countries as well as corporations, and provides them with insight into the carbon footprint and “to help them better understand resource needs, limits, and dependencies and guarantee citizens' well-being and economic prosperity.”. It additionally also seeks to “address climate change in a comprehensive way beyond measuring carbon emissions, but instead show how carbon emissions compare and compete with other human demands on our planet, such as food, fibres, timber, and land for dwellings and roads.”. It successfully continues to raise awareness in various corporations today to prepare for a carbon-neutral future.

United Nations Framework Convention on Climate Change (UNFCCC)

The UNFCCC, effective on 21 March 1994, drafted a treaty addressing the greenhouse gas concentrations in the atmosphere. The purpose was to contribute to the United Nations Goal 13 of the Sustainable Development Goals to protect the environment and maintain stability. The main purpose is to provide and develop the tools necessary to reduce greenhouse gases, as well as help nations set up civil infrastructure, especially in LEDCs. The Climate Neutral Now Initiative was one of many initiatives launched by the UNFCCC, specifically targeting non-party stakeholders, such as companies and organisations. Climate Neutral Now was launched in 2015 and has since been encouraging corporations to follow the Paris Agreement and reach carbon neutrality by 2050. The initiative only requires three steps to become a participant (measure, reduce, and contribute), as well as reporting on its actions and achievements annually.

Possible Solutions

- **Adjust the global coalition for carbon neutrality:** Currently, the global coalition has only seen commitments from the European Union, the United Kingdom, Japan, the Republic of Korea, and 110 other countries. The remaining countries have set different target dates, therefore by adjusting the global coalition and enforcing the Paris Agreement guidelines, as well as accelerating the shift to renewable energy, many more countries will join. Additionally, by checking corporations against the

Paris Agreement compliance prerequisites, corporations will be pressured into reforming their structures.

- **Align global finance with the Paris Agreement and the Sustainable Development Goals (as stated by Secretary-General Antonio Guterres):** By putting a price on carbon emissions, fossil fuels will become a less popular alternative. Additionally, this should decelerate the construction of coal power plants, shift tax laws to focus on carbon consumption, make climate-related financial risk disclosures mandatory; and integrate the goal of carbon neutrality into all economic and fiscal decision-making. Banks must align their lending with the net zero objectives, and asset owners and managers must decarbonize their portfolios.
- **Adjusting transportation/flying fees:** a huge factor in every corporation is employee travel, which often remained unacknowledged. Employee travel contributes greatly to the emission count, yet has hardly stagnated. By developing a corporate travel policy, countries will greatly benefit from a reduction of flights per annum. If the cost of flying and travel goes up, it will automatically become unappealing as corporations will seek lower costs
- **Promote CSR techniques:** Companies should be inspired to become innovative climate leaders and select projects that can further better the company image. The Sustainable Development Goals act as guidelines for potential finance projects as well as overlap with many potential emission reduction programmes for corporations

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