CLIMATE CHANGE
A corporate impact survey 2004
nef is an independent think-and-do tank that inspires and demonstrates real economic well-being.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.

Current priorities include international debt, transforming markets, global finance and local economic renewal. Current priorities are climate change, ecological debt, and local sustainability. Current priorities include democracy, time banks, well-being and public services.

nef The New Economics Foundation is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G8 summit meetings. It has taken a lead in helping establish new coalitions and organisations, such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and environmental well-being.
This work was funded by the Catalyst Climate Change Trust.

© 2004 nef
Executive summary

Some of Britain’s biggest companies have revealed their views on the effects of climate change on their business operations in a survey by nef (the new economics foundation). The survey was conducted ahead of the new European carbon trading regime due to begin in 2005.

The companies were drawn from the FTSE 350 and include companies with a market capitalisation of over £200 billion. Almost half of them are also listed on the FTSE 100.

The survey found that Britain’s largest listed companies are concerned about climate change and its impacts on their business, but many are yet unprepared for its potential effects:

- 100% of companies think that global warming is a major or significant problem
- 93% think that climate change will increase their costs
- 85% think that climate risks will play a bigger role in ‘strategic planning’ in future
- 37% of companies do not consider environmental risk factors such as extreme weather and flooding when considering business locations

The responses also show that Britain’s largest listed companies are worried about the ‘unlevel’ playing field they will face under the European carbon trading regime, in comparison to companies in more ‘climate unfriendly’ countries:

- 85% think that companies based in industrialised countries that are not part of the Kyoto Protocol – currently the United States, Australia and Russia - and therefore do not have to internalise the costs of greenhouse gas reductions, will have an unfair economic advantage
In response, all companies favoured the application of international economic, political and legal measures to counteract the competitive advantage enjoyed by companies in countries that do not comply with the Kyoto Protocol and one third of the respondents thought that more than one measure could be appropriate.

In summary:

- More than one in four favoured legal measures (27%)
- Nearly a third favour economic measures (31%)
- Four out of five favoured political pressure (81 %)
- None thought that no measures were necessary (0%)
The survey was conducted to assess corporate opinions on global warming ahead of the European Union carbon emissions trading regime scheduled to start in 2005. These results are based on responses from Britain’s top FTSE 350 companies with a combined market capitalisation of over £200 billion. Nearly half the respondents are FTSE 100 companies.¹

1) Which of the following best describes your knowledge of climate change related issues?

All respondents claimed to be aware of climate change related issues and a majority, 52%, described their knowledge as high. However, one in ten, including one major construction company, declared they had a low level of knowledge.

¹ The ‘Global warming impacts survey’ was sent out to all the FTSE 350 companies of which 48, or nearly one in seven, responded. In addition, 2.5% of the total number of companies responded that they have a policy not to complete surveys. 40% of the responding companies are part of the FTSE 100.
2) Based on your level of awareness, how much of a problem do you consider climate change to be on a global scale?

All of the respondents considered climate change to be either a significant or major problem, with 54% regarding it as a significant problem and 46% as a major problem.

3) Extreme weather conditions caused by climate change seem to be on the increase. Does your company currently consider environmental risk factors, such as extreme weather events and flooding, when considering business locations?

Over half of the companies, 54%, said they do consider environmental risk factors when considering where to locate their operations. However, 37%, including one major passenger transport company and one major construction company, responded that they do not. 9% said they don't know whether or not risk factors are considered.
4) Do you believe that environmental risk factors caused by climate change will play a bigger role in corporate strategic planning in the future?

A large majority of the companies, 85%, believe that climate risks will play a bigger role in corporate strategic planning in the future. 10% responded that they do not believe this to be the case, and 5% had no opinion.

5) How much of a role do you believe the business community has to play in tackling climate change?

Almost 9/10, 89%, of the respondents believe that business has a major or significant role to play in tackling climate change. One respondent added the comment that the role of business should be coupled with legislation, and many of the companies agreed that the Government has a large role to play in this context.
6) Climate change and the advent of the EU carbon emissions trading scheme in 2005 will have a direct impact on parts of the economy, such as the energy sector, by forcing them to internalise the cost of pollution. There will be knock on effects to other parts of the economy that depend on those sectors, as well as to areas like the insurance and financial markets.

Do you think that this could lead to additional costs for your business?

93% of the respondents believe that climate change and the advent of the EU carbon emissions trading scheme will lead to additional costs for their business. However, most of the respondents were unclear about the level and detail of these costs and a few companies thought that the carbon emission trading schemes could potentially bring some financial benefits.

7) Some countries, including the US, Australia and Russia, have not signed up to the Kyoto protocol, meaning that their domestic companies will not be under the same pressure to lower their emissions, as European companies will be.

Some experts have said that this will mean that European companies might be at a competitive disadvantage compared to companies in countries standing outside the Kyoto protocol.

To what extent would you agree or disagree with this statement?

85% of the respondents agreed strongly or partly with the statement that companies based in industrialised countries that are not part of the Kyoto Protocol – currently the United States, Australia and Russia - will have an unfair economic advantage as they do not have to internalise the costs of greenhouse gas emissions.

One company stated that “Globally traded commodities respect no Kyoto boundaries. Any market distortion will occur on the EU boundaries.” Two
companies, who partly agreed with the statement, believed that it depends on whether consumers are willing to pay increased costs for more environmentally friendly products or services.

Amongst the few that disagreed, one believed that Kyoto signatories have longer experience of climate change coping strategies, which will give them a competitive edge, and one believed that the non-signatories are likely to sign up in a near future.

8) Where national policies create an uneven playing field for domestic and foreign businesses, they can be challenged under international trade law. If the lack of measures to combat climate change creates competitive advantages for ‘climate unfriendly’ countries, there is, as yet, no similar framework. However, a range of possible means have been suggested.

Which of the following do you think would be most appropriate for addressing this issue:

- political pressure
- legal measures
- economic measures
- other
- there is no need to take any measures
- no opinion

All of the respondents believed some sort of measure was necessary to challenge competitive advantages for ‘climate unfriendly’ countries. One third opted for more than one measure and one company stated that “pressure would need to come from several sources to be effective.”
In summary:

- Four out of five companies favoured political pressure (81%)
- More than one a four favour legal measures (27%)
- Nearly a third favour economic measures (31%)
- None of the companies responded no measures were necessary (0%)

In addition, two companies, including a major food and beverage company, added consumer pressure or 'boycotts' to the list and another company thought that “using the media to name and shame” could be used as an alternative measure.

Other companies strengthened the arguments for economic or political measures with additional comments. One company stated that:

“This is a political issue and needs to be addressed under WTO rules. Arguably tariffs might be imposed on goods made in countries which do not take sufficient measures”.

Another company was disappointed with the lack of EU commitment to Kyoto, calling it “a political fudge”.
Access to Finance: Access to basic financial services is a vital part of living and working in the mainstream of society. Gaps in financial service provision in Britain exclude many people and communities from fulfilling their potential. **nef** is working to change policy and pilot new financial products and services to ensure proper access to financial services for all.

Appropriate and affordable financial services should be available to all – whether it be individuals looking for a bank account, a social enterprise looking for a loan or an inner-city enterprise looking for equity. This is currently not the case. To address the gaps in financial service provision **nef** is advocating reform to ensure access to affordable financial services for all, particularly the most disadvantaged.

The programme aims to stimulate and design more effective and sustainable approaches to investment for local economic development purposes, including social investment vehicles such as the Adventure Capital Fund.

We develop and pilot innovative financial products and delivery mechanisms, including the Factor Four approach to ending fuel poverty, community development credit unions and a wholesale fund for community development finance institutions in the UK.