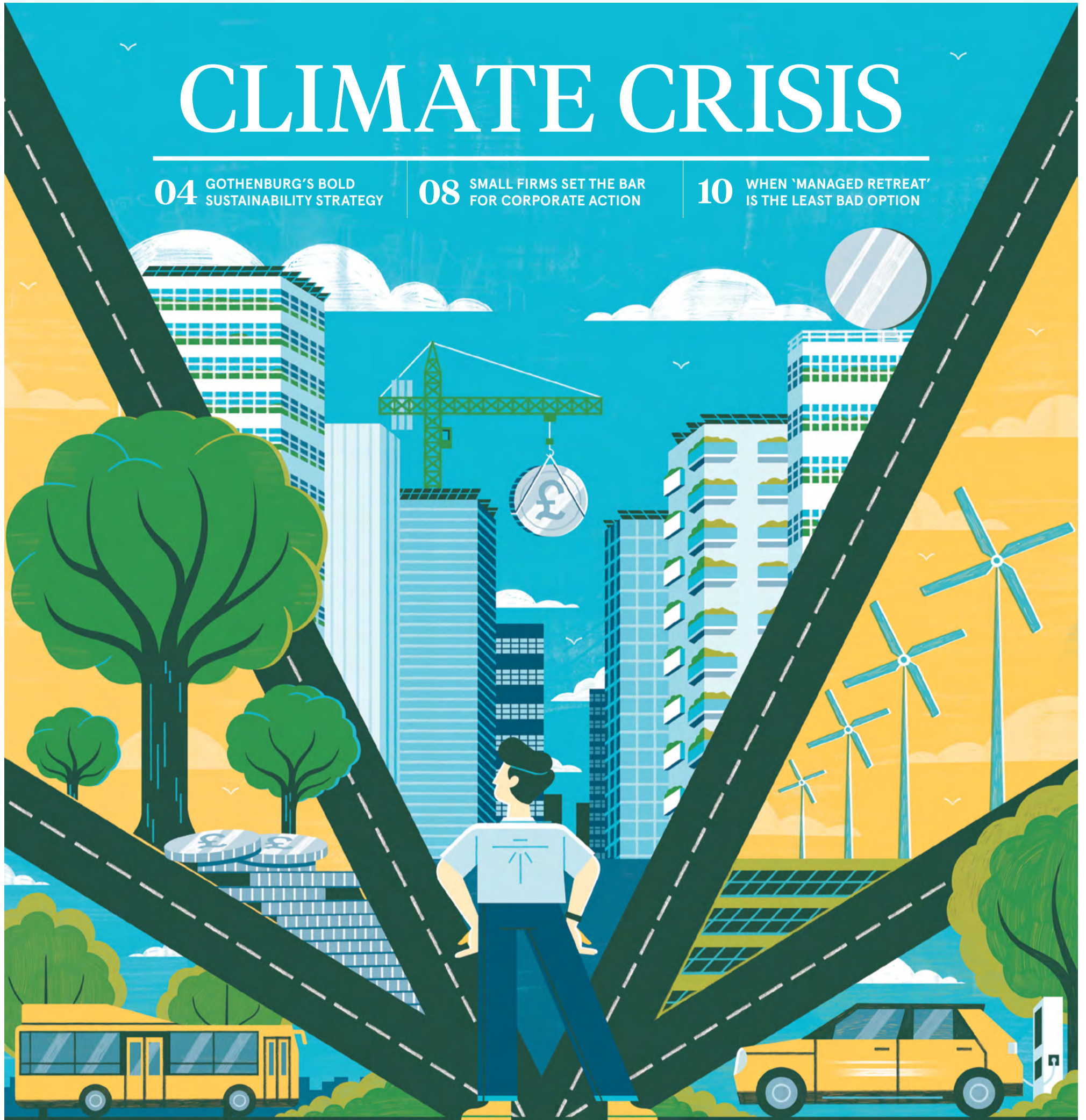


CLIMATE CRISIS

04 GOTHENBURG'S BOLD SUSTAINABILITY STRATEGY

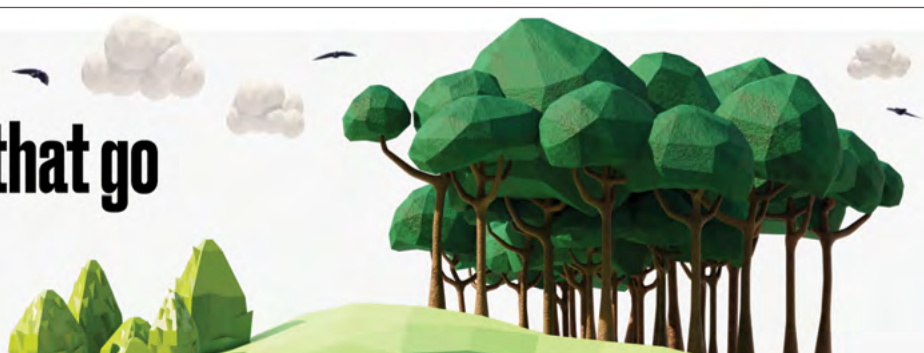
08 SMALL FIRMS SET THE BAR FOR CORPORATE ACTION

10 WHEN 'MANAGED RETREAT' IS THE LEAST BAD OPTION



EARTHLY

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CLIMATE CRISIS

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STRATEGY

Talk is cheap: can big business deliver on its net-zero rhetoric?

As warnings about the catastrophic impacts of global warming abound, the pressure is mounting on companies to prove they're following through on their bold pledges to cut carbon emissions

Sarah Vizard

With the world needing to reach net-zero greenhouse gas emissions by 2050 to keep the global temperature rise below 1.5°C and so avert the worst effects of climate change, the onus on politicians, businesses and consumers to act is increasing.

UK plc is heeding this call. Before the United Nations' COP26 climate summit in November 2021, the government reported that more than half of the nation's largest companies had aligned themselves with its ambitions and committed to "eliminating their contribution to climate change" by 2050. The combined market capitalisation of these businesses exceeds £1.2tn.

Announcing the news, the minister for industry, Lee Rowley, said that firms of all sizes, "across all sectors of the global economy, have a crucial role to play in both reducing their environmental impact and developing the green technologies that will set us on the path to net zero. With over 2,500 UK companies joining [the UN's Race to Zero initiative], including the majority of our largest firms, the UK is leading the way in showing how going green doesn't just make sense for the planet; it makes business sense too."

Globally, more than 5,200 companies in sectors including finance, manufacturing, retail and transport have signed up to Race to Zero. They join more than 67 regions, 1,000 cities, 441 investors and 1,000 higher education institutions, collectively accounting for nearly a quarter of the world's CO₂ emissions and half of its GDP.

If the world is to make it net zero by 2050, businesses simply have to step up. And many of the biggest companies in the UK are. The likes of BT, Ocado and Legal and General are aiming to achieve net zero in their own operations (scope-one emissions) by 2030, for instance, while Reckitt Benckiser and Barratt Developments are aiming for 2040.

"The science is clear that nature loss and climate change are already harming human health," observes Emma Walmsley, CEO of pharma giant GlaxoSmithKline. "We must act now to protect and restore the planet's health if we are to protect and improve people's health. That's why GSK has committed to have a net-zero impact on climate and net-positive impact on nature by 2030."

Achieving net zero throughout a company's entire supply chain



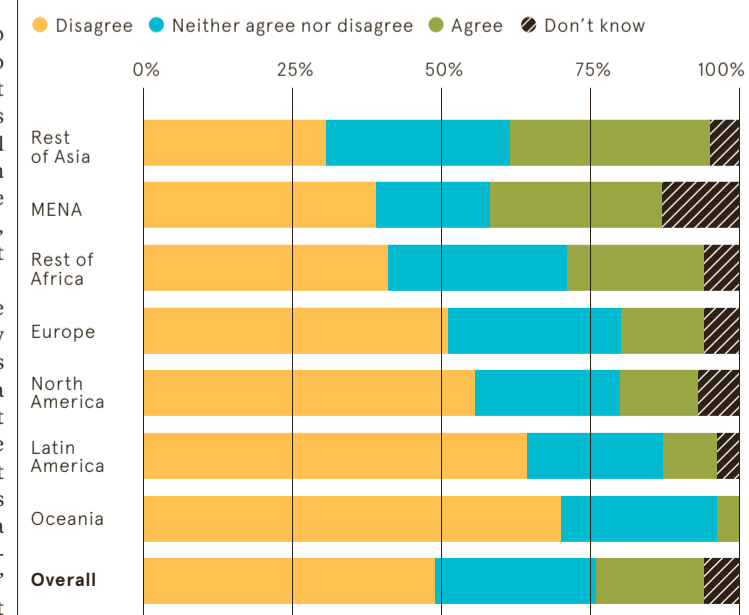
(including scope-three emissions) is a more difficult task. BT is therefore aiming for 2040 for emissions across its supply chain and customer base, as is Ocado. Sainsbury's believes that it will be 2050 before its supply chain achieves net zero.

Despite such promises, a study by the NewClimate Institute and Carbon Market Watch suggests that firms are already "behind" on their plans. After analysing the pledges of 25 big companies, the researchers estimate that they are on course to cut their emissions by only 40%.

Thomas Day, a policy analyst at the NewClimate Institute, was the lead author of the research report, *Corporate Climate Responsibility Monitor 2022*. He says: "We were surprised and disappointed at the overall integrity of the claims. As pressure on companies to act rises, their ambitious-sounding headline pledges all too often lack real substance, which can mislead consumers and the regulators that are core to guiding their strategic direction. Even companies that are doing relatively well have exaggerated."

CLARITY ON A 1.5°C TRAJECTORY

CEOs' opinions on whether government has provided clarity on business actions in line with a 1.5°C warming trajectory, by region



Accenture, UN Global Compact, 2021

Reducing emissions in the supply chain remains a particular challenge. Research by the CDP, a not-for-profit organisation that helps firms to report their environmental impact, has revealed that 56% of suppliers had no climate targets in 2021, while only 28% had put in place a low-carbon transition plan. It also found that companies were finding it hard to track their scope-three emissions, with only 38% confirming that they were engaging with suppliers on such matters.

"Our data shows that corporate environmental ambition is still far from enough," reports Sonya Bhonsle, a regional director at the CDP and its global head of value chains. "Alongside that, companies have blinkers on when it comes to both assessing their indirect impacts and engaging with suppliers to reduce these."

The CDP has also discovered that, while 71% of suppliers are reporting their scope-one emissions, only 20% are reporting their scope-three emissions. This is despite the fact that the greenhouse gas emissions of an average company's supply chain are 11.4 times greater than the firm's operational emissions.

Companies say they need more clarity from policy-makers, according to research by Accenture and the UN Global Compact. Globally, almost half (49%) of CEOs say they aren't clear about how they should operate to hit the UN's 1.5°C warming target. The proportion rises to 70% in Oceania. Only 18% say that they're clear about this overall.

It's becoming ever more obvious that climate change induced by humankind's activities is, in the words of a recent report from the UN's Intergovernmental Panel on Climate Change (IPCC), causing "dangerous and widespread disruption in nature and affecting the lives of billions of people".

The world can hope to stave off the worst effects of global warming and climate change, but we are at a pivotal moment, with greenhouse gas emissions needing to peak and fall by nearly half this decade. So says Jim Skea, professor of sustainable energy at Imperial College London, who is co-chair of the working group responsible for the IPCC report, *Climate Change 2022: impacts, adaptation and vulnerability*.

"It's now or never if we want to limit global warming to 1.5°C," Skea warns. "Without immediate and deep reductions to emissions across all sectors, it will be impossible."

CASE STUDY

Gothenburg's 'pretty scary' finance deal

Sweden's second city has entered an innovative funding arrangement that awards discounts to the municipality for achieving its sustainability goals – and imposes financial penalties for any failure

MaryLou Costa

Could avoiding a fine for failing to hit a sustainability target be the motivational key to solving the climate crisis? Gothenburg thinks so, having become the first city in Sweden to tie the sustainability goals to its financing.

Göteborgs Stad, the municipal authority, has recently renegotiated its SEK8bn (£645m) revolving credit facility with six banks – a flexible arrangement that allows it to withdraw, repay and withdraw again – based on four targets, one social and three climate-related. If these are met, Göteborgs Stad will receive a discount. If it misses them by more than a set margin in each case, it will be obliged to pay extra interest on its borrowings.

With the city aiming for carbon neutrality by 2030, some of the incremental targets it has set on its way towards that goal are looking highly ambitious. It seems unlikely that Göteborgs Stad will avoid being penalised next year, for example. Since half a dozen banks are keeping a close eye on proceedings, there is unlikely to be much lenience.

The toughest of the three climate goals is to remove all fossil-fuelled vehicles from the Göteborgs Stad fleet by next year, according to the authority's portfolio manager, Fredrik Block. He is confident that this will happen by 2025 and hopes that the benefits of achieving that, late or not, will negate any penalties incurred on the way.

The second climate target – to provide fossil-fuel-free district heating by 2025 – is also challenging. This is because the climatic vagaries of



Martin Wahlberg via iStock

“

Signing a deal of this nature means that you will have the spotlight on you

Sweden's western coast will have a strong influence. In 2020, for instance, an unusually warm winter helped Göteborgs Stad to achieve 94% renewable heating. Contrast this with 63% in 2019, as extremely low temperatures that winter forced the city's energy company, Göteborg Energi, to lean heavily on its fossil-fuel generators for backup. Today, it's 79% of the way there, giving Block grounds for optimism.

The climate target that looks most achievable concerns reducing the energy consumption of buildings managed by Göteborgs Stad. About half of these are municipal property, including administrative buildings, schools and care homes. The plan is to reduce their consumption from just over 175kWh per year in 2022 to 142kWh per year in 2029 (approximately 19%), by making buildings more energy efficient and converting many of them to solar power.

Reaching carbon neutrality by 2030 is, of course, the ultimate target for the city. For Block, this is also about establishing the credentials to secure further sustainability-based funding in the longer term, while inspiring other local authorities to follow suit.

He is due to make a presentation about Gothenburg's credit deal to officials from municipalities across western Sweden and has even received an inquiry from a city council in another European country. But, despite his city's progress, Block expects to see a significant difference between the current level of interest and eventual uptake, not least because local authorities tend to be risk averse when it comes to handling public funds.

“Signing a deal of this nature means that you will have the spotlight on you, which is pretty scary,” Block admits. “Everyone wants to be sustainable, but no one wants to be accountable. Everyone hopes that everyone else is going to save the planet. So it is a little stressful for the companies and administrations that would attract attention with respect to whether they are going to make it or not.”

Swedish bank SEB has taken the lead for Göteborgs Stad as sustainability coordinator. It agreed its first

sustainability-linked loans (SLLs) in 2019 in the private sector, which led to what the bank's senior adviser on sustainability products, Mats Olausson, calls “an explosion” in activity in 2021.

Prominent enterprises that have taken out SLLs with SEB include Electrolux, which agreed a €1bn (£850m) loan in December 2021 against its goal of becoming carbon neutral by 2030; and Husqvarna, which in March 2022 tied a SEK5bn loan to a target of cutting its carbon emissions by 35% before 2025.

“The extent to which our clients seek advice when it comes to articulating their sustainability strategy in their funding has skyrocketed over the past five years. We think this trend will continue,” Olausson says. “A few years ago, many of them had a business strategy here and a sustainability strategy on the side. These two things are merging now. So, when we get the chance to advise our clients on their sustainability strategies, we can better understand their business strategies.”

He adds that finance departments in business have a stronger mandate than their civil service counterparts to demand that their finances become sustainably accountable.

Despite the apparent differences of approach between the public and

private sectors, Robin Millington, CEO of environmental and financial think-tank Planet Tracker, believes that the Gothenburg initiative signals the start of a new era in which such deals “will form the basis for restructuring the global financial system”. She points to another Swedish city, Helsingborg, which in March became the first municipality to issue a sustainability-linked bond tied to cutting its carbon emissions (similar to an SLL but sourcing funds from the wider investment market). In the same month, Chile became the first nation to use sovereign debt to finance its long-term climate policies in the form of a \$2bn (£1.6m) bond.

Municipal authorities are making bigger advances in sustainability finance than larger governments, notes Angela Hultberg, global director in the sustainability team at US consultancy Kearney, who was born and bred in Gothenburg. They are leading the way in cooperating with other city councils, finance providers, energy suppliers, construction firms, transport companies and several other key stakeholders.

With the clock ticking on the climate crisis, the crucial question, according to Hultberg, is: “Will we be able to find the right partnerships and scale them up in time?” ●

INSIGHT

‘We see much better cooperation when there is political alignment’

A Q&A with **Tim Ash Vie**, executive director of the Under2 Coalition secretariat at Climate Group, on how governments are working together to tackle climate change

Q How should national and subnational governments share the responsibility for climate action?

A The issue is treated differently in different nations, of course, but there are some things that only national governments can do. Only they can negotiate international treaties and be parties to the UN's framework convention on climate change, for instance. And only they can bring forward internationally legally binding targets under nationally determined contributions.

There are plenty of voices arguing that subnational governments need greater autonomy on climate action – we saw this in California with the issue of tailpipe emissions. Functions with a big climate impact – transport, for instance – will often be devolved to subnational governments, but there are matters, such as energy security, that start to impinge on national security. In such cases, national governments will assume primary responsibility.

One thing that can be frustrating about this dynamic is the process by which climate policies are made. Take the deforestation that is happening in Brazil, for instance. The affected regions have their own governors, but the national government has determined policies that are enabling the destruction of Amazonia by bypassing those regional authorities. Yes, it is important for subnational governments to have autonomy, but it is even more important for them to be involved in the conversation.

Q What is hindering cooperation between national and subnational governments?

A Quite often it's politics. We see much better cooperation when there is political alignment. There are signals that national governments can give and ways that they can support cooperation at regional and local levels, but they must be minded to take those steps in the first place, of course.

There are some big elections coming up where climate should play a key role. We've just seen the general election in Australia, where there was a strong narrative from the Labour Party about the damaging effects of climate change. It proved especially compelling to the many Australians who'd recently experienced its disastrous consequences. Perhaps the most crucial election will be held in Brazil in October. What's happening in the Amazon is probably the biggest problem in climate action at present. ●

Q How should the sharing of responsibility work effectively in practice?

A Germany is an example of where this has been coordinated reasonably well. Its federal structure is conducive to the kind of power sharing that can be effective for climate action. The UK is also pretty good. Despite the differences that have arisen between Holyrood and Westminster over the years, the two governments have been fairly well aligned on this issue. Consider the infrastructure initiatives for charging electric vehicles in the UK. Both national and regional governments have played their part, but the private sector has also assumed an important role. We can take great confidence in the signals

it is giving. At the Climate Group, for instance, we have the EV100 global initiative, which is aggregating demand.

Then it's a matter of identifying the instruments that are available to subnational actors such as the mayor of London. This is how the city has ended up with congestion charges and the ultra-low-emission zone. Businesses have also started investing in recharging equipment.

For Westminster, it's not only about addressing ‘range anxiety’ on national highways. It's also about ensuring that plans are in place to encourage action from subnational and even private-sector actors. But it's been vital for all these stakeholders to be in on the conversation.

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Tim Ash Vie
Executive director of the Under2 Coalition secretariat, Climate Group



Investing in nature to solve the climate crisis

Nature-based solutions can contribute a third of the mitigation needed by 2030 to stabilise warming to below 2°C, but a lack of awareness means their potential is not being tapped

Growing public attention on the sustainability agenda has forced many businesses to commit to achieve net-zero emissions by 2050. Yet while these commitments are widely shared, the plans to achieve them are not. On closer inspection, it's clear many of them are inadequate.

This is because many companies focus only on carbon offsetting, or only on reduction, instead of tackling both. For net zero to be reached, emissions must be reduced and actively removed from the atmosphere. Despite this, businesses suffer from ‘carbon tunnel vision’. Climate change is inextricably linked with biodiversity loss, yet most of the climate conversation is focused on carbon.

“The climate crisis agenda is so intertwined with carbon that the link between climate and nature is overlooked,” says Oliver Bolton, CEO at Earthly, a platform for high-quality, nature-based solutions that remove carbon, restore biodiversity and support local communities. “If you reduce biodiversity loss, or even improve biodiversity, you reduce

the impact of climate change on that system by increasing its resilience and ability to adapt, which in turn increases its ability to mitigate climate change.”

There is also significant economic value in natural assets versus the cost to protect or to regenerate. Mangrove protection projects, for example, are not just about storing carbon. If mangroves are healthy, they can reduce the impact of storms, create robust flood defences, and support fish and fisheries.

“Nature-based solutions are the most efficient and cost-effective approach to protecting the large quantities of carbon stored in forests and wetlands,” says Professor J. Boone Kauffman, ecosystems ecology in the department of fisheries, wildlife and conservation sciences at the Oregon State University and lead scientist with Lilahee Sciences International. “If they are destroyed, the carbon that has been stored for centuries will be lost as greenhouse gases.”

The complexities of the biodiversity crisis are partly to blame for the lack of attention and understanding it receives. The relative simplicity of carbon and ability to track it via a single metric means it has become synonymous with the climate crisis. Nature-based solutions can ultimately contribute a third of the mitigation required to keep us to 1.5°C of warming, yet they receive only 4% of funding, according to the Climate Policy Initiative.

Gradual progress is evident. Two of the themes at COP26 were related to nature and many of the organisations Earthly works with focus on biodiversity as well as carbon. But there is still a degree of education needed on how

climate and biodiversity are interlinked and the value of combining nature protection and regeneration.

Finding the right projects to invest in is another challenge. Earthly helps businesses find such projects and has developed a scoring system to de-risk investments into nature. Through its marketplace, Earthly provides easy access to underrepresented ecosystems from a protection and regeneration perspective. As well as scoring the quality and integrity of the projects, the company also helps businesses understand the return on their investment in terms of the carbon, biodiversity and social impacts.

Achieving net zero by 2050 requires strong action today, and nature-based solutions have a critical role to play. As well as supporting nature projects, it's also likely that companies will seek to evolve their business models to become nature positive.

“In a nature-positive world, all companies will be fully aware of their impact and dependency on nature,” says Bolton. “Companies are coming to us wanting to have a net positive impact on the planet that builds nature investments into their business models. I can see a future where businesses are competing on their net-positive impact on the planet, turning consumption into a force for good. To lead the way, they need to start today.”

“

The climate crisis agenda is so intertwined with carbon that the link between climate and nature is overlooked

For more information, visit earthly.org

EARTHLY

Gothenburg's headline sustainability targets

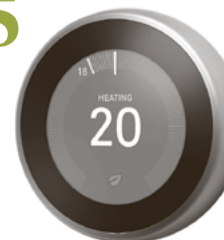
2023

Fossil-fuel-free city vehicle fleet



2025

Fossil-fuel-free district heating



2029

A 19% reduction in the energy consumption of buildings



2030

Carbon neutrality



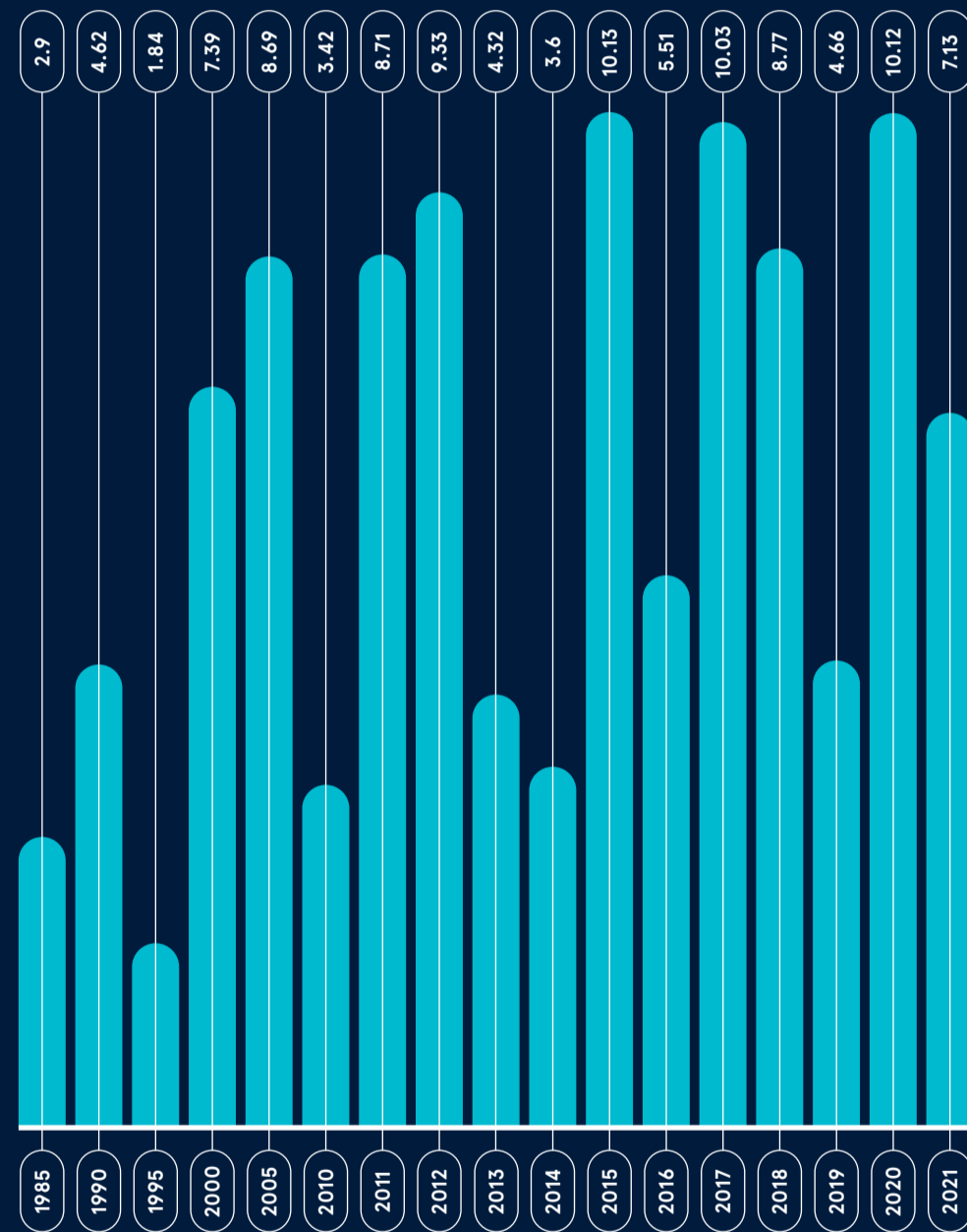
IMPACT OF THE CLIMATE CRISIS

In 2018, the United Nations' Intergovernmental Panel on Climate Change published its oft-cited *Special Report on Global Warming of 1.5°C*. Since then, myriad research papers, statements and summaries have reiterated the magnitude of the crisis that's unfolding and the need for organisations, public and private, to deal with it. Here are just a few indicators of the scale of the damage that's already been done

EXTREME WILDFIRES

National Interagency Fire Center, 2022

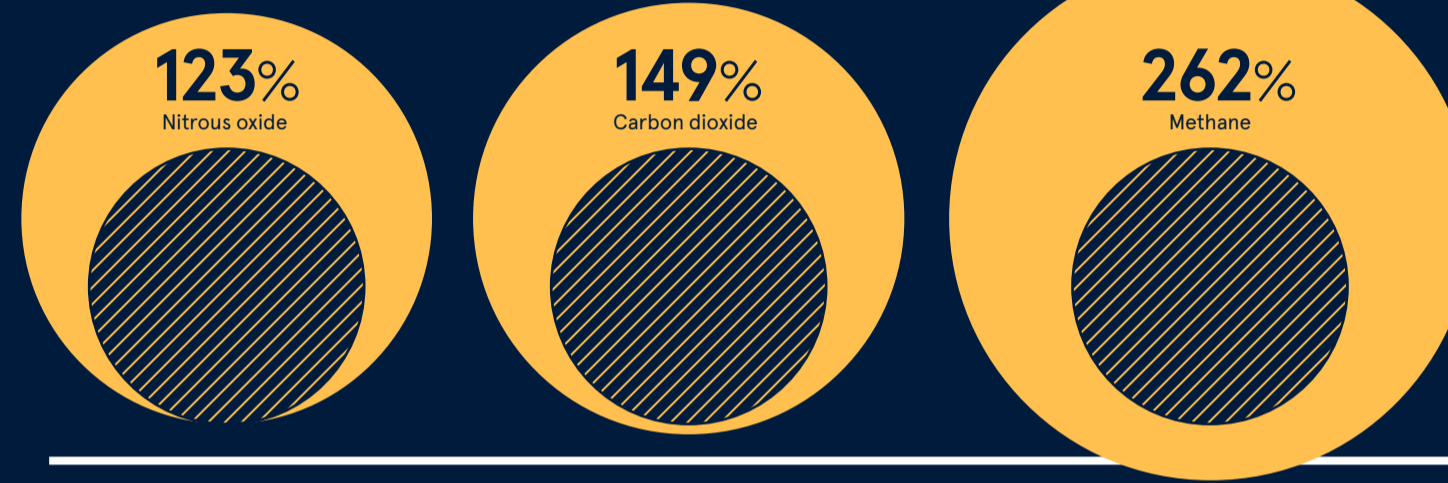
Tracts destroyed by wildfires in the US (millions of acres)



GREENHOUSE GASES

World Meteorological Organization, 2021

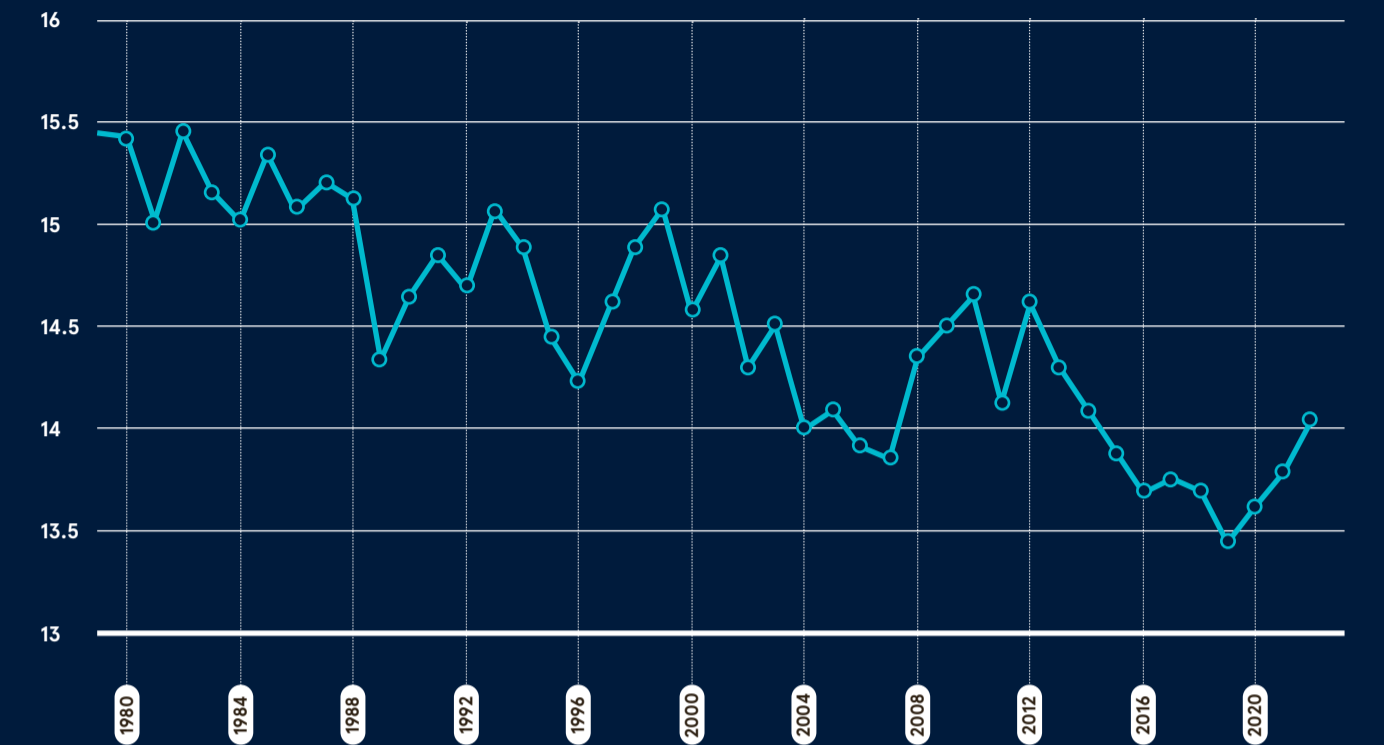
Increase in atmospheric abundance of greenhouse gases in 2020 relative to 1750



THE UNFROZEN NORTH

Average extent of Arctic sea ice in April from 1979 to 2022 (million km²)

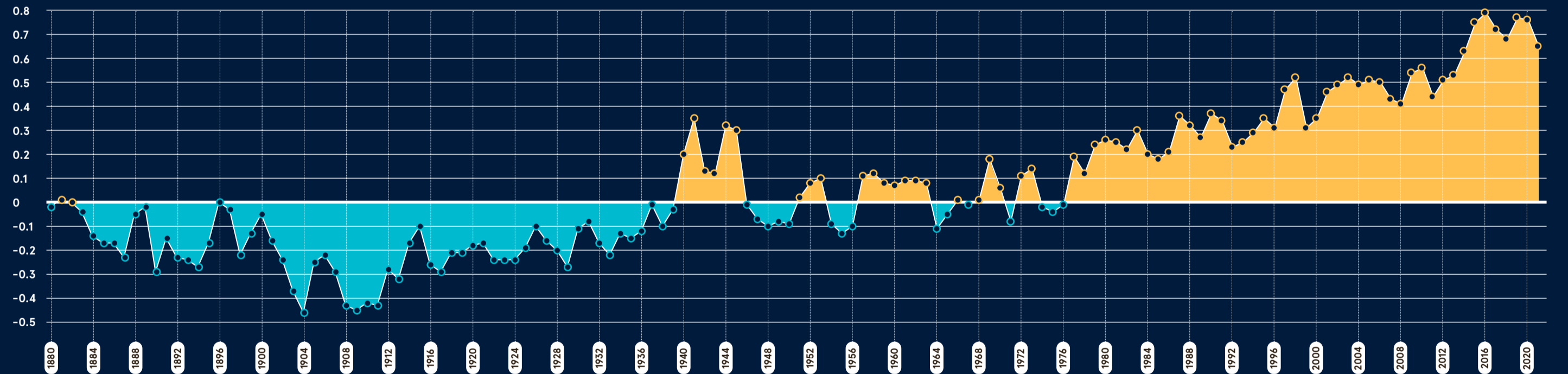
National Snow and Ice Data Center, 2022



OCEAN TEMPERATURE ANOMALIES

Annual anomalies in ocean surface temperature, based on temperature deviation from 20th-century average (°C)

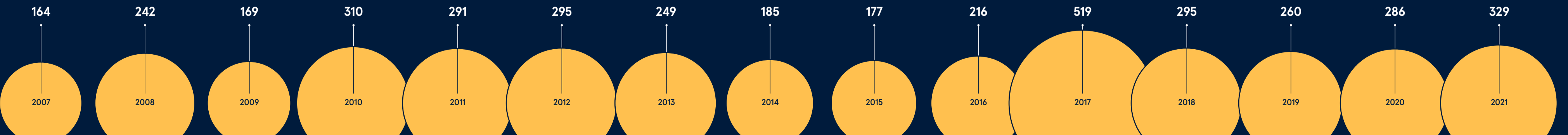
National Oceanic and Atmospheric Administration, 2022



ECONOMIC LOSS

Global losses owing to extreme weather events (\$bn)

Aon, 2022



SUSTAINABILITY

What SMEs can teach the corporate world about climate action

Many smaller enterprises have embraced environmental goals, making innovative, authentic efforts to make the world greener. Big business would do well to take note

Sam Haddad

It has never been more important for organisations to show that they're having a positive impact on the environment. Yet a business can often cause controversy when trying to clean up its act, opening itself to accusations of greenwashing.

This is the practice of making an organisation or product seem more environmentally responsible than it is. For example, Nestlé Waters was criticised for a 2008 advert in Canada that claimed "bottled water is the most environmentally responsible consumer product in the world". In 2019, BP ran an advert focusing on its low-energy products when it was directing 96% of its annual expenditure into oil and gas. The ad was withdrawn.

Greenwashing is a particular concern at big corporations, as is bluewashing, the practice of making an organisation seem more socially

responsible than it is. This seems to happen less at small and medium-sized enterprises. They often have a closer connection to the communities in which they operate, helping them to run more effective environmental and socially sustainable initiatives. What lessons might SMEs have for larger operations?

Finisterre has sold ethical outdoor clothing since it started trading in 2003. The firm has a reputable supply chain and uses natural fibres and innovative sustainable fabrics, with leave-no-trace packaging.

Lawrence Stafford is Finisterre's community brand manager. He observes that "every brand has a 'conscious range' these days. And, while legislation is getting better at dealing with greenwashing and bluewashing, we've never needed to change our business model to a sustainable one, because we have been like that since the beginning."

The company, based in St Agnes, Cornwall, has evolved in some ways in recent years. It's moved beyond simply guaranteeing the ethical provenance of its product lines and instead focuses on what Stafford refers to as "action, inspiration and access". This entails delivering concrete environmental change and encouraging others to do the same, building on its existing links to grass-roots initiatives.

These efforts include funding and promoting the work of Project



Wastemads via Getty Images

Seagrass, a scheme to restore marine habitats around Scotland; and City Kids Surfing, a charity that introduces inner-city children to the ocean. Last June, Finisterre also set up Sea 7, an online training camp for ocean activists, to coincide with the G7 summit taking place just down the coast in St Ives.

"Our relationships with the grass roots were always there, but what we're doing now is putting in place something that has a real tangible impact," Stafford says.

In 2021, the brand established the Finisterre Foundation, a community interest company focused on improving public access to the sea.

"In the UK, you're never more than 70 miles from the coast, yet to so many people it's such an unknown. Even in Cornwall, you have kids who live three miles from the beach who have never been there," Stafford explains.

The foundation aims not only to enrich people's lives through surfing, sea swimming or simply being on the beach, but also to foster a deep connection to coastal environments, with the goal of nurturing future marine stewards.

"If you don't have a relationship with the ocean, why would you care about protecting it?" Stafford asks.

When Bristol brewery Wiper and True was established in 2012, the business didn't have climate objectives at its core. But it did have

employees who wanted to minimise their environmental impact, including two directors who'd previously worked at renewable energy supplier Good Energy. It wasn't until 2019, when they created the company's first sustainability manager role, that environmental initiatives became embedded in the business.

The successful candidate, Joseph Watts, had worked in packaging and operations at the brewery. Initially, he found his new career challenge daunting and wasn't sure where to focus first. He soon realised that he had to define the extent

of his role and work out whether he was "determined to get to net zero or more holistic in thinking about people, culture and finance".

Seeking clarity, Watts took a course at the Cambridge Institute for Sustainability Leadership.

"It was inspirational," he recalls. "They throw so many stats at you that make you concerned about where the world is heading. It drove an uncompromising passion in me to do this well and find a path through the complexity."

Watts began seeking ways to link the financial and environmental

objectives of the brewery, which is in an incredibly energy-intensive industry. When the firm moved to a new site, he encouraged it to install solar panels on the roof, meaning that as much electricity as possible was generated in situ.

He also worked with a startup called Wase to turn waste from the brewery into biometane as an extra energy source. "This will help to make us financially sustainable and resilient to the gas price spikes we're seeing," he says.

Brewing generates a lot of carbon dioxide, which usually gets released into the atmosphere. Watts has acquired a small-scale carbon-capture unit from Denmark – one of very few in the world – so that Wiper and True can capture the gas and reuse it to carbonate beer or even sell it to other companies. This is something that large breweries do already, furthering the business case for these climate initiatives through direct financial benefits.

Watts says that it isn't hard to convince his colleagues to invest in such schemes, especially the newer members of staff, many of whom were attracted to the company for its bold sustainability ambition.

"They help to drive things and ensure that we're not greenwashing," he says. "They will pull us up if a proposal doesn't stand up to scrutiny. It's a company-wide campaign with everyone behind it."

“You only really tune into an NGO or organisation like Greenpeace if you're that way inclined already, but brands have a responsibility to engage their audiences with these issues

Watts believes that proving a direct financial benefit is the best way to embed sustainable practices. "Even the CEOs who don't care that much about [their environmental impact] are going to listen," he says.

During COP26, Watts set up the Bristol Brewers' Climate Forum to share environmental insights. All of the breweries in the area got involved, including big players such as Bath Ales.

"Starting communities is really important, as we're only going to solve these things together," he says. "People had varying levels of resource, of course, but there was a real appetite for change and enthusiasm for collaboration."

Karina O'Gorman is European head of "force for good" at Innocent Drinks, which has grown from an SME to a business that employs 900 people. Cooperation has always been key in climate initiatives, she says. "You have to look to work with NGOs, environmental specialists, your industry or wider business networks to learn and collaborate to achieve greater change."

O'Gorman believes that brands can play an important role, helping to translate complex issues in engaging ways for consumers.

Stafford thinks it's a moral duty. "We don't have time to softly lean into these things anymore," he argues. "There's an urgency from the business to put ourselves out there."

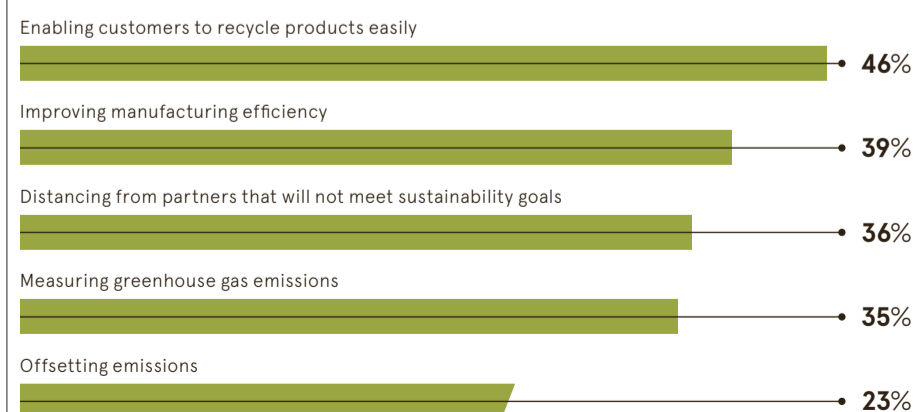
For instance, they can amplify the voices of the scientific experts who have been campaigning on these issues for decades. "You only really tune into an NGO or organisation like Greenpeace if you're that way inclined already, but brands have a responsibility to engage their audiences with these issues. That's why we're stepping up to the plate."

So are SMEs more effective than corporations at running meaningful climate initiatives? O'Gorman believes that "small challenger brands often have new perspectives on sustainability-creating opportunities that can help to drive climate action in new directions. They can be more innovative and agile."

On the other hand, large companies have more significant budgets for climate initiatives and greater leverage in the supply chain, thanks to their scale, she says. But the key thing to remember is that "all businesses", whatever their size, "have a role to play in climate action". ●

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RISK MANAGEMENT

Tactical withdrawal: the ins and outs of the managed retreat

Encouraging homeowners to relocate from areas facing significant climate-related threats is becoming an increasingly viable solution. This drastic move may negate future risks, but it can be a hard sell

Sam Haddad

In May, video footage of a North Carolina beach house toppling into the Atlantic went viral. The owner had bought the property only two years previously for \$275,000 (£218,000). Its spectacular demise was a stark illustration of how the climate crisis can affect coastal communities around the world.

The clip could be perceived as an example of ‘unmanaged retreat’ – a growing threat owing to rising sea levels, accelerating coastal erosion and the increasing frequency of storms. It would clearly have been better to have engaged in a planned, ‘managed retreat’ from such a threatened location. But what exactly does this practice entail and what are the challenges involved?

Managed retreat is the practice of abandoning or relocating occupied property built on areas with high climate-related risks, such as flood-prone land. A 2018 report by the UK Climate Change Committee warned that 4% of homes nationwide would be at a 0.5% or higher risk of annual flooding by 2080. The sheer extent of the economic damage that erosion and flooding are projected to cause this century means that there will be about 40 miles of British coastline that simply won’t be worth defending.

Selling the idea of a managed retreat to homeowners whose properties are in the firing line is no easy task. So says Bob Ward, policy director at the Grantham Research Institute on Climate Change and the Environment at the London School of Economics.

“At the heart of it, there’s a choice to be made as to whether somewhere is worth protecting or it’s no longer economically viable – and no one wants to be told their home isn’t worth saving,” he notes.

Governments around the world have focused on constructing defences against floods or rebuilding straight after a disaster, Ward adds. “But should we rebuild or use it as a signal to ask people to move away?”

Gary Griggs, distinguished professor of earth sciences at the University of California, Santa Cruz, agrees that the biggest challenge is securing agreement from affected communities. In California, this task is especially hard, as coastal properties are among some of the most expensive in the state.

“The idea is very foreign to wealthy homeowners. They have no interest in it at all,” he says. “But we cannot

risky for commercial insurers. But these rates have not been updated since the 1970s – again encouraging residents to stay put and rebuild rather than leave.

“They have finally gotten to the point of redoing their insurance rates to reflect the real losses. That’s because the programme has gone billions of dollars in debt year after year,” he says.

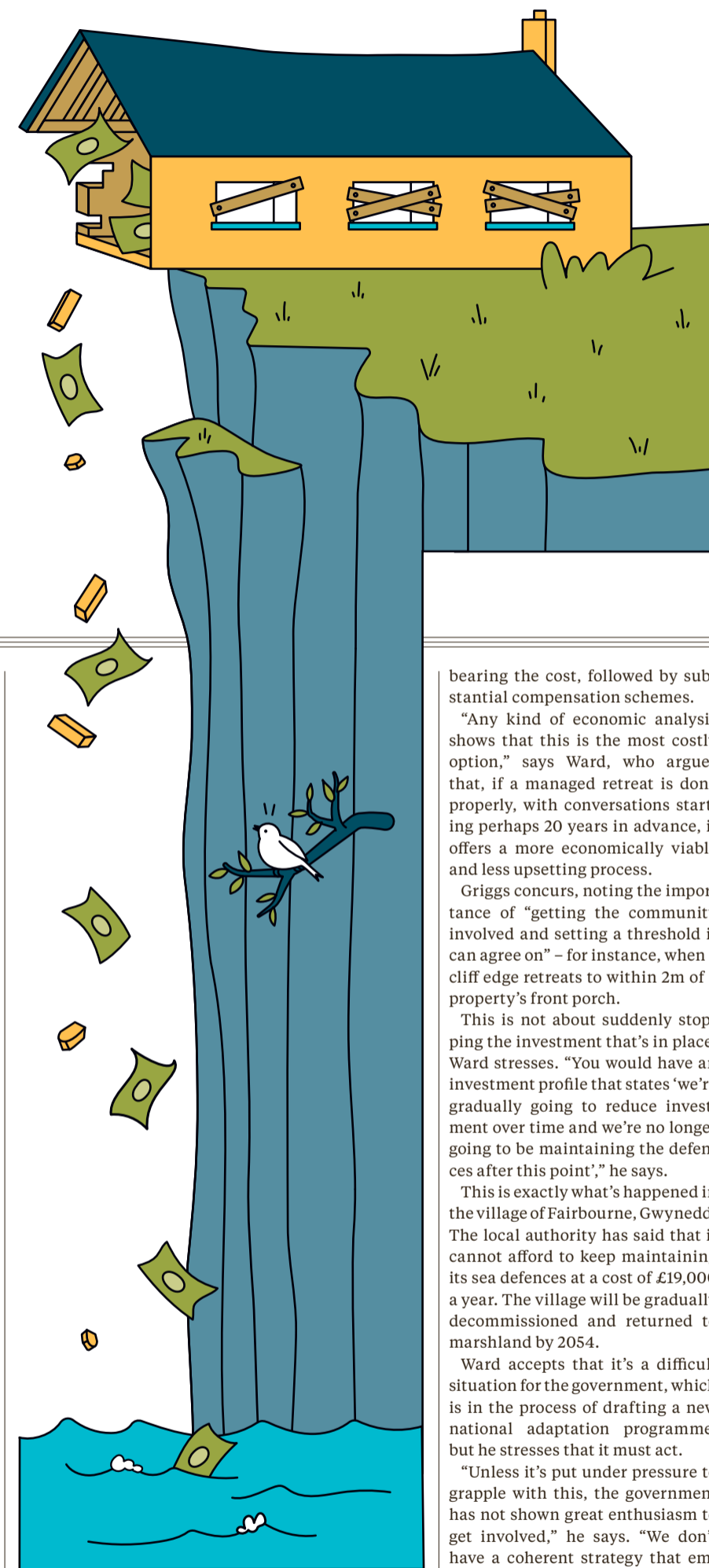
When Hurricane Sandy hit New York and New Jersey in 2012, the government bought out some of the coastal homeowners whose properties had been flooded and paid for their relocation. The owners could then rent out their homes until they were no longer usable.

The scheme was well received, but Griggs notes that these properties were worth only about \$250,000, whereas houses in California can cost up to \$40m. Neither the state nor the central government has the finance or inclination to provide cover for such properties.

Homeowners can redesign their properties to mitigate flood risk. For example, they could build on stilts or make the lower floor totally waterproof with no electrical sockets. This is sometimes done in the Netherlands, according to Ward, where there isn’t a tradition of insuring properties at serious risk of flooding. But he says that no new properties should be built in areas that are at a high risk or likely to become so in the next 80 years.

What about at-risk properties that were built before the climate crisis was a factor? “You need to design a scheme that recognises and then fairly distributes the costs,” says Ward, who adds that these include the costs of losing the property and also those of relocating in the most effective way. “We need a societal response – and insurance ought to be part of that conversation.”

He insists on the need for a proper protocol, rather than waiting until disaster strikes. The latter scenario involves an ad hoc process that generally involves those affected



“At the heart of it, there’s a choice to be made as to whether somewhere is worth protecting or it’s no longer economically viable

bearing the cost, followed by substantial compensation schemes.

“Any kind of economic analysis shows that this is the most costly option,” says Ward, who argues that, if a managed retreat is done properly, with conversations starting perhaps 20 years in advance, it offers a more economically viable and less upsetting process.

Griggs concurs, noting the importance of “getting the community involved and setting a threshold it can agree on” – for instance, when a cliff edge retreats to within 2m of a property’s front porch.

This is not about suddenly stopping the investment that’s in place, Ward stresses. “You would have an investment profile that states ‘we’re gradually going to reduce investment over time and we’re no longer going to be maintaining the defences after this point,’” he says.

This is exactly what’s happened in the village of Fairbourne, Gwynedd. The local authority has said that it cannot afford to keep maintaining its sea defences at a cost of £19,000 a year. The village will be gradually decommissioned and returned to marshland by 2054.

Ward accepts that it’s a difficult situation for the government, which is in the process of drafting a new national adaptation programme, but he stresses that it must act.

“Unless it’s put under pressure to grapple with this, the government has not shown great enthusiasm to get involved,” he says. “We don’t have a coherent strategy that emphasises good decision-making and risk management. Central government doesn’t have to bear all the costs itself, but it does have to be the convening power that brings all the various stakeholders together.”

And if a homeowner still wants to take on the risk? “Your premiums would rise, the price of your home would fall and then at some point you wouldn’t be able to insure it,” he says. “But you can’t continue to have a system where not knowing the risk is a better situation.”

The science of supply-chain emissions

If business is serious about taking responsibility for its climate impacts, then science-based targets will be key to the credibility of action on scope-three missions

The warning signs are plain for all to see. The World Meteorological Organisation (WMO) now estimates there is a 50:50 chance of the annual average global temperature temporarily reaching 1.5 °C above the pre-industrial level within the next five years.

To put this temperature breach in perspective, the likelihood of it happening back in 2015 was close to zero – this is how fast the climate crisis is unfolding day-by-day. Furthermore, natural resources are being consumed at nearly twice the rate at which the Earth can provide them. In 2021, Earth Overshoot Day – the day when humanity has spent nature’s entire budget for the year – fell on 29 July. In other words, resource use went into the red at that point, less than seven months into the year.

As a consequence, ocean plastic, air pollution, soil degradation, crop failure, biodiversity and habitat loss are all making headlines of the wrong kind. Plus, the increasing incidence and severity of extreme weather events, from drought scorching the Horn of Africa, to floods inundating Australia, is setting alarm bells ringing worldwide.

So, how can business ensure it becomes part of the solution, rather than part of the problem?

Going circular for the climate

First and foremost, business-as-usual is no longer an option – things must change. The crisis calls for markets and society to move

away from the energy-hungry and resource-intensive ‘take-make-waste’ business model of the traditional linear economy.

What is needed now, in a warming, resource-constrained world, is a circular economy based on the waste hierarchy of the 5Rs: refuse, reduce, reuse, repurpose and recycle.

By linking together the goals of the global climate agenda and the principles of circularity, business can effectively decarbonise its operations in such a way as to ultimately decouple economic development from consumption of non-renewable resources.

In particular, leading companies and major brands have a critical role to play, not just because of their influence and profile, but their carbon footprints and global supply chains.

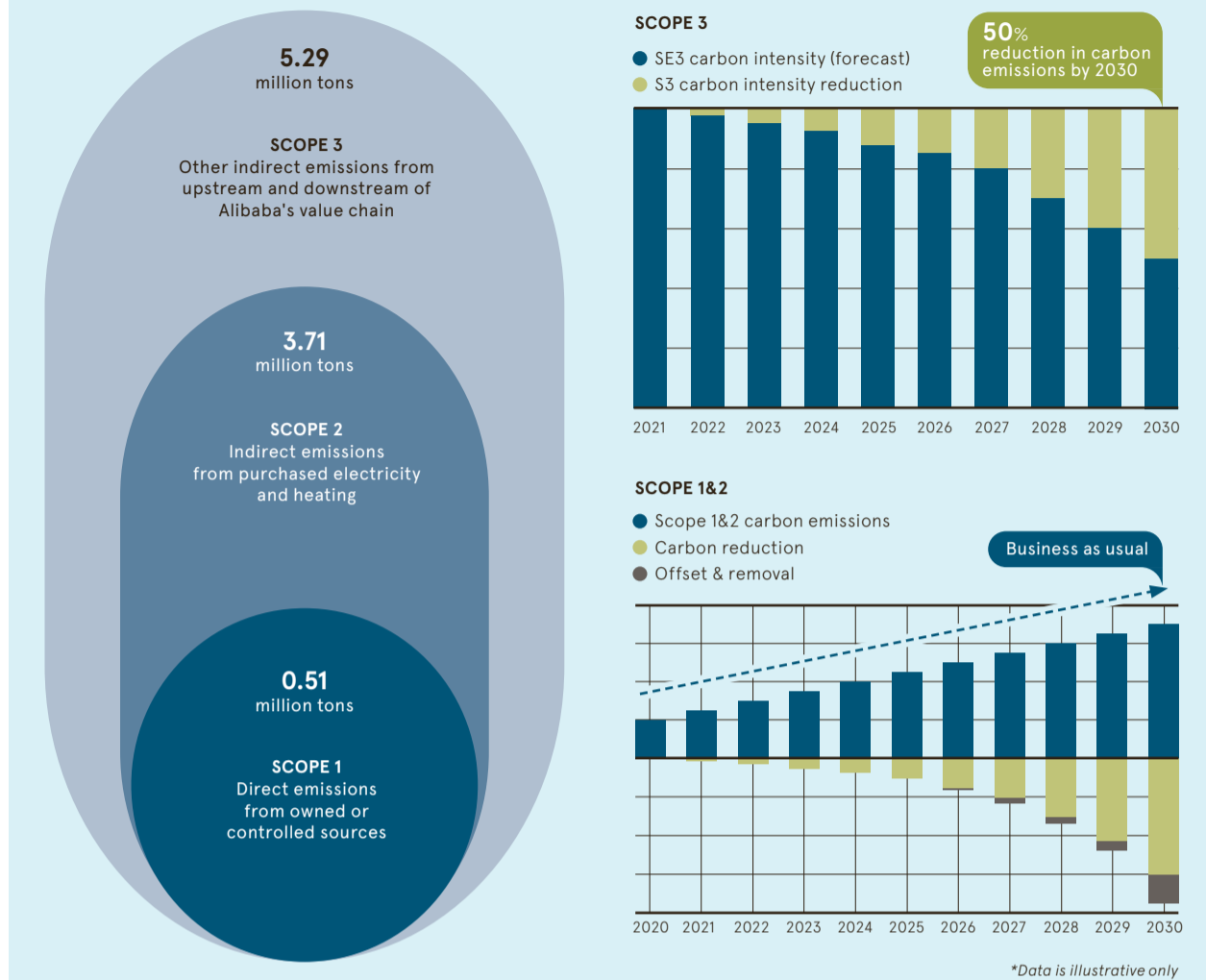
As one of the world’s leading ecommerce and technology companies, Alibaba Group is committed to aligning its business objectives and operations with the combined climate and circularity agenda to support this transition to a more sustainable tomorrow.

The good news here is that tech can really help. For instance, something as simple as the use by Alibaba of algorithm models to help optimise the size of boxes has resulted in a 15% reduction in packaging materials. In turn, this generates knock-on benefits around waste minimisation, plus emissions savings associated with logistics efficiencies.

Platform business models facilitate innovations in circular businesses, from Idle Fish’s second-hand goods platform to shipping box recycling in Cainiao posts (millions of participants with more than 100 million boxes reused or recycled).

Overall, though, this mammoth sustainability undertaking is ultimately a job for the whole supply chain and more, explains Daniel Zhang, chairman and CEO of Alibaba Group: “We know that if we want to bring about real change, we must act in concert

ALIBABA: ON A ROAD TO CARBON NEUTRALITY



“By linking together the goals of the global climate agenda and the principles of circularity, business can effectively decarbonise its operations

with partners. As a digital technology company, Alibaba believes leveraging digitalisation to reduce our environmental impact will be the collective choice for Alibaba and its ecosystem partners. As a unique operator of a platform business, we plan to take on more responsibilities and drive more transformation within the Alibaba digital ecosystem.”

Strategy based on science

To address this challenge in a way that is both measurable and credible, science is a must.

Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the goals of the Paris Agreement, which aims to limit global warming to well-below 2°C above pre-industrial levels and supports efforts to restrict it to 1.5°C.

Science-based targets also help future-proof business growth by strengthening resilience to regulatory pressures and reputational risk, as well as boosting investor confidence.

As of 2021, more than 2,000 businesses around the world were working with the Science Based Targets initiative (SBTi) and Alibaba Group has committed to sign up too.

Working to help limit global warming to 1.5°C, the organisation has set new near-to-mid-term targets for carbon neutrality. By 2030, Alibaba has pledged to achieve carbon neutrality in its own operations – defined as scope one and two emissions. This requires changes to be made to facilities and vehicles, plus a review of electricity and heating purchasing plans.

Alibaba will also collaborate with its upstream and downstream value-chain partners to cut emissions intensity by 50% by 2030 – its scope-three emissions. Accounting for externalities in this way is not easy. Scope three emissions are typically hardest for any business to measure and manage. This is why Alibaba has not only pledged to achieve carbon neutrality in its own operations by 2030, but also introduced a scope three-plus target, which aims to cut as much as 1.5 gigatons of carbon from across its business ecosystem by 2035.

Targets to tackle scope three-plus

The launch by Alibaba of its ambitious ‘1.5 Gigatons for 1.5°C’ project will see the group leverage its diverse platforms to achieve meaningful, measurable reductions in greenhouse gases.

Scope three-plus refers to the emissions generated by a wider range of participants in the Alibaba ecosystem, including impacts from suppliers, merchants, and customers.

The primary objectives are threefold:

- Stimulate fresh waves of innovation within Alibaba in terms of both technological advancements and business model improvement.
- Unite the many partners across the Alibaba digital ecosystem – from brands to merchants, producers to consumers – to collaboratively achieve this transition.
- Work with the likes of research and academic institutions, plus certification agencies, to optimise systems for carbon monitoring, recording, verification and evaluation, so these can form robust and solid scientific and technological foundations for change.

Taken together, these aims constitute the next step for Alibaba along the path towards its science-based targets, concludes Dr. Chen Long, vice-president of Alibaba Group and chair of Alibaba’s Sustainability Steering Committee: “The concept of scope three-plus is based on the potential of leveraging our digital platforms to influence and advocate for low-carbon products, services and behaviour among a wider group of stakeholders in our ecosystem, and share our energy-efficient technologies and innovative business tools with customers and business partners to reduce the carbon footprint together.”

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