



THE PRINCE OF WALES'S
CORPORATE LEADERS GROUP

POLICY BRIEFING

Future Proofing:

Sustainable plans for
prosperous economies



The Prince of Wales's Corporate Leaders Group

The Prince of Wales's Corporate Leaders Group (CLG) is a select club of European business leaders working together, under the patronage of The Prince of Wales, to advocate solutions to climate change to policymakers and business peers at the highest level, both within the EU and globally.

Cambridge Institute for Sustainability Leadership

Change to: For 800 years, the University of Cambridge has fostered leadership, ideas and innovations that have benefited and transformed societies. The University now has a critical role to play to help the world respond to a singular challenge: how to provide for as many as nine billion people by 2050 within a finite envelope of land, water and natural resources, whilst adapting to a warmer, less predictable climate.

The University of Cambridge Institute for Sustainability Leadership (CISL) empowers business and policy leaders to make the necessary adjustments to their organisations, industries and economic systems in light of this challenge. By bringing together multidisciplinary researchers with influential business and policy practitioners across the globe, we foster an exchange of ideas across traditional boundaries to generate new solutions-oriented thinking.

We Mean Business

We Mean Business is a coalition of organisations working with thousands of the world's most influential businesses and investors. These businesses recognise that the transition to a low carbon economy is the only way to secure sustainable economic growth and prosperity for all. To accelerate this transition, we have formed a common platform to amplify the business voice, catalyse bold climate action by all, and promote smart policy frameworks.

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Corporate Leaders Group members



Introduction

The Paris Agreement is a historic landmark for both international diplomacy and action on climate change. 175 Parties (174 countries and the European Union) came together in Paris in December 2015 to unanimously deliver the Agreement which sets out an ambition, and a framework, to limit global warming to well below 2°C.

The Paris Agreement delivered a strong steer for business including a clear long-term political commitment to curb carbon emissions; five-year review cycles to continually review progress and targets; and binding rules to improve transparency with common methodologies for reporting progress (CISL, 2016). The unanimous agreement became legally binding on 4 November 2016, 30 days after reaching the threshold of more than 55 countries accounting for 55 per cent of global greenhouse gas (GHG) emissions ratified the agreement.

‘2050’ long-term plans of the Paris Agreement

One of the Agreement’s key features is Article 4.19 which calls for ‘long-term low greenhouse gas emission development’ (LT-LED) strategies. Article 4.19 says that ‘all Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies’ (UNFCCC, 2015). By doing so **the Paris Agreement opens the door to new, science-based, longer term strategies, capable of giving business a clear framework on which to plan future business models and investments.**

Although the Paris Agreement references these long-term strategies, it does not set out any regulations, guidance, or process for how countries should arrive at them (IDDRI, 2016). Regardless, it is both wise for countries to make longer term plans that support the reviews of their National Determined Contributions (NDCs), and extremely helpful for business to have the long-term policy trajectory further clarified. The UNFCCC invites countries to submit such long-term plans by 2020, along with updated national commitments, with a view that these plans will help countries work towards a horizon of 2050.

Why was Paris significant?

- It is the first truly **global and binding** agreement on climate change that includes specific actions on how to deliver a zero carbon economy.
- It has huge **political traction**, uniting heads of government, religious leaders, activists, NGOs, businesses, business associations, cities, investors and more, in support.
- It is **ambitious**. The global temperature goal has been strengthened from a target of keeping global warming below 2°C, to an aspiration of 1.5°C in the final Paris Agreement.
- It **gives space for non-government stakeholders** (ie cities, investors, business, local government, civil society) to participate in generating solutions (see box on business engagement with the Paris process).
- It is **built on bottom-up national commitments**, many of which are already being put into place by governments.

Sustainable Development Goals

The Sustainable Development Goals (SDGs), adopted in 2015 by world leaders, provide an overarching framework for global development under the 2030 Agenda for Sustainable Development. The SDGs extend the work of the Millennium Development Goals, established in 2000, by attempting to address the root causes of poverty through three dimensions of sustainable development: economic growth, social inclusion and environmental protection.

To realise the goals, governments, business and civil society must work in parallel and collaboration. The SDGs cannot be delivered in isolation. The University of Cambridge Institute for Sustainability Leadership has condensed the SDGs into six broad areas of ambition which breaks down the challenge of the SDGs into a practical, actionable agenda of 10 key tasks fundamental to ‘Rewiring the Economy’.

Connecting long-term strategy to immediate plans

Decision-makers in both business and policy circles may struggle to connect their immediate priorities and planning to a 2050 timeline. However, long-term vision is a crucial tool for developing sensible and rigorous short- and medium term-policies.

The Paris Agreement and its goal of limiting temperature increases to well below 2°C is an accepted (scientifically and publicly) long-term plan in and of itself. Tackling climate change will require us to collectively and significantly reassess our long-term social, technological, and economical systems. Governments and business cannot afford to make policy and investment decisions today that do not consider how a low carbon society will operate in the decades to come. **Creating a strong governance structure that grounds that long-term commitment in shorter, more flexible planning cycles is good planning.** Although 2050 seems distant there is evidence that such long-term policy planning has been positive and successful in the past.

Many national governments have already made some progress toward developing long-term plans, including the United Kingdom (see case study 1), the European Union (see case study 2), South Africa, and many Latin American countries (see case study 3). G7 countries have already committed themselves to decarbonising their economies by phasing out fossil fuels before the end of this century.¹ Critics have commented that these countries should now also be showing their leadership through the development of initial long-term plans and sharing of best practice.²

Long-term policy can also be developed and refined in partnership with think tanks, academic institutions, and civil society organisations. There are current examples of this working effectively including the United Nations working in partnership with the Institute for Sustainable Development and International Relations (IDDDRI) on Deep Decarbonization Pathways for individual countries.³ On the private sector side, 200 companies have already committed to set 'Paris Compliant' emissions reductions targets as part of the Science-Based Targets initiative (a collaboration between CDP, UNGC, WRI and WWF), part of the We Mean Business coalition action framework.⁴ The International Air Transport Association's engagement with the International Civil Aviation Organization (ICAO) has resulted in an initial commitment by countries to tackle aviation emissions.⁵

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Case studies

Case study 1 UK Climate Change Act

The UK Climate Change Act, passed in 2008, provides a good example of a policy that provides a long-term lens for emissions reduction planning.

The Act has been in place for almost a decade now, surviving government changes and political cycles, and is still in force.

The passing of the Act showed great climate leadership internationally and set a standard for other countries to follow. The Act includes a long-term legally binding 2050 target of reducing emissions by at least 80 per cent on 1990 levels. This 2050 target is supplemented by rolling five-yearly Carbon Budgets and plans that set a more detailed framework for the next immediate 15 years. However, a more detailed LT-LED strategy could further outline the policy pathways and societal transformations needed to achieve this long-term target and help guide these five-yearly reviews.

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Case study 2 EU 2050 Low Carbon Economy Roadmap

In 2009, the European Commission adopted a roadmap for transforming the European Union into a competitive low carbon economy by 2050.

The roadmap describes the cost-effective pathway to reach the EU's agreed objective of cutting greenhouse gas emissions by 80-95 per cent on 1990 levels by 2050.

To assist with the development of this roadmap the European Climate Foundation (ECF) initiated an independent and objective analysis of what the practical implications are for European industry, particularly in the electricity sector. This work drew on the expertise of a consortium of companies (including members of The Prince of Wales's Corporate Leaders Group), research centres and NGOs increasing the credibility of the analysis. A process to deliver an update of the EU Roadmap is currently being discussed.

The EU Roadmap describes the cost effective pathway to cut emissions by 80-95 per cent by 2050.

Case study 3 Chile's 'Energía 2050'

Chile launched its 'Energy 2050' initiative in 2014 following a review of Chilean energy policy.

The initiative committed to building a long-term energy policy for Chile based on a shared vision of the ideal 'energy matrix' in 2050. The government sought to develop this policy using a participatory planning approach, consulting at a political, technical, and public level through consultations, discussion workshops with energy experts, a cross-sectoral advisory committee involving business, academia, and civil society. International examples of long-term policy and best practice were also drawn upon. In 2015 the Chilean Government presented the culmination of this effort in its 'Road Map 2050: Towards Sustainable and Inclusive Energy for Chile. The roadmap outlines six strategic pillars for achieving the 2050 vision, underpinned by a short-term action plan and 34 strategic goals to be achieved by 2030 and 2050. The roadmap sets, among others, a target of generating at least 70 per cent of national electricity from renewable sources by 2050.

Road Map 2050 sets a target of generating at least 70 per cent of national electricity from renewable sources by 2050.

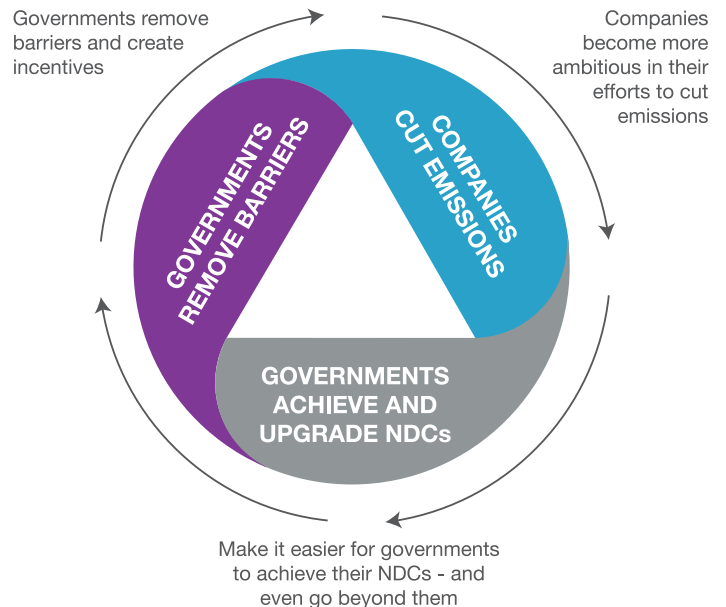
Designing business-friendly long-term plans

Given a predictable policy environment, businesses can plan and order their investments, and innovate to ensure they are able to deliver sustainable value aligned with future outcomes.

Climate change is a long-term problem with real impacts for business, requiring collective and consistent action. Clear and credible plans, with the certainty to give a long-term direction of travel and the flexibility to cope with an uncertain and changing future can provide insight into future policy and build business confidence to invest securely in products and services that can be part of a net zero carbon future. With business investment and energy unleashed climate and sustainable development goals can come within reach more quickly and efficiently.

Similarly although significantly reducing carbon emissions now will help limit future global temperature rise, the negative impacts of warming we have already experienced will continue. All actors, from governments to business to civil society, will need to work together now and into the future to ensure these negative impacts are managed and further negative impacts of climate change are avoided.

Government and business can, and should, have a complementary relationship when it comes to policy, particularly on climate change. By working together, implementation can be smoother and is more likely to result in effective and long-lasting policy and change. Long-term policy can help business make medium- to long-term business decisions into the context of a longer term strategy framework. Business decisions made with a more distant horizon in mind can then help reinforce government's long-term strategy by providing the signals the market needs to be confident of its plans.



Three key characteristics of long-term plans

1. Comprehensive

Just as more and more businesses are adopting science-based targets and planning accordingly, government's long-term plans should be set in line with the science of climate change and the goals set by the Paris Agreement, as well as the Sustainable Development Goals.

This means **ambitious, 'Paris-compliant' targets** for emissions reduction, ultimately delivering a zero carbon economy, and grounded in the wider context of needing to deliver **sustainable development**. The likely **impacts** of climate change on livelihoods and industries should be accounted for as well as **adaptation and development** needs. Plans can also guide the deployment of required **finance**. Long-term plans must be seen as being **sensible, yet effective** in relation to the scale of the challenge.

2. Flexible

No long-term plan will survive unchanged throughout its lifetime, and this is doubly true for plans as comprehensive and far-reaching as required to address climate change and secure sustainable development. The five-year 'review and ratchet' cycle outlined in the Paris Agreement ensures countries are regularly taking stock of progress towards meeting their goals and regularly increasing their ambition.

These review periods also offer the opportunity to review the long-term plan, and make sure that policy and plans are **flexible** enough to cope with changes in the political and economic environment. This is a particularly important characteristic of long-term planning: plans should provide a system of governance which **allows for, and fosters, innovation** without trying to predict the future. Business will benefit from confidence in the direction of travel and clarity in the investment signals received – to deliver that requires **smart policy that can learn from a changing context**.

3. Credible

To be credible with business, long-term plans should have **broad political support**. This means they must be developed through **transparent and accountable processes** including **robust evidence**, in **partnership** with all relevant government departments, and in consultation with a variety of non-party stakeholders, prior to being finalised.

Business, in particular, is well suited to add to governments' evidence base on changes in technology, investments, and future markets. **Clear ownership** and leadership from government will increase accountability and allow for increased engagement from non-party stakeholders. **International links** can provide more certainty for companies whose business and supply chains are global.

Creating plans for 2050 will stretch governance processes and challenge the boundaries of public policy. There are limits to how granular and detailed the plans can credibly be, and they need to be developed with the perspective that they will have to be revisited repeatedly as new learning and context arrives. However if done correctly such plans can build understanding across society about the nature of the changes underway, surface

important assumptions and trigger key conversations about the plans and actions required. Well-developed long-term plans can provide a framework for developing strong and credible short- and medium-term policy. As such they can help strengthen the framework that will allow business to act on climate change and deliver sustainable development.

References

From the text

- For more information on the Sustainable Development Goals (page 3) please see the United Nations Sustainable Development Goals website (<http://www.un.org/sustainabledevelopment/>) and University of Cambridge Institute for Sustainability Leadership 2015 publication 'Rewiring the Economy' (www.cisl.cam.ac.uk/rewiring-report).
- For more information on why Paris was significant (page 3), please see the University of Cambridge Institute for Sustainability Leadership 2016 publication 'A new climate for business: Planning your response to the Paris Agreement on Climate Change' (www.cisl.cam.ac.uk/new-climate-business-report).
- For more information on the UK Climate Change Act 2008 (case study 1, page 4 and 5) see the UK Government website (<http://www.legislation.gov.uk/ukpga/2008/27/contents/>) and the Committee on Climate Change website (<https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/global-action-on-climate-change/>).
- For more information on the EU 2050 Climate Roadmap (case study 2, page 4 and 5) please visit the European Union Climate Policy pages (http://ec.europa.eu/clima/policies/strategies/2050/index_en.htm) and the Roadmap 2050 project website (<http://www.roadmap2050.eu/>).
- For more information on Chile's 'Energia 2050' (case study 3, page 4 and 5) please visit the Chilean Ministry of Energy website (<http://www.energia2050.cl/en/energy-2050/>).
- For more information on the virtuous cycle that could be created between governments and business (page 6) please see the We Mean Business report 'The business end of climate change' (<http://www.wemeanbusinesscoalition.org/sites/default/files/The%20Business%20End%20of%20Climate%20Change.pdf>), produced in partnership with CDP (www.cdp.net), with analysis from the NewClimate Institute (<https://newclimate.org/>).

Further reading

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Footnotes

¹ The G7 consists of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. The commitment cited was made at its meeting in Germany in 2015, conclusions available here: <http://www.g8.utoronto.ca/summit/2015elmau/2015-G7-declaration-en.html>

² See Rob Bailey and Shaun Tomlinson briefing for The Royal Institute for International Affairs on 'Post-Paris: Taking Forward the Global Climate Change Deal' <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-04-21-post-paris-bailey-tomlinson.pdf>

³ For further information see <http://deepdecarbonization.org/>

⁴ For further information see <http://sciencebasedtargets.org/>

⁵ See conclusions of ICAO's 39th assembly, available here: <http://www.icao.int/Meetings/a39/Pages/default.aspx>



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