CORPORATE CLIMATE STEWARDSHIP
Guidelines for best practice climate action in the Paris Agreement era

May 2018
Version 1.1

Sarah Leugers
Director of Communications
Gold Standard

Pedro Faria
Technical Director
CDP

Alberto Carrillo Pineda
Director
Science Based Targets and RE Procurement
CDP
With the ambition of the Paris Agreement set at ‘well below 2 degrees’ temperature rise but country commitments that lead to 3-4 degrees, bolder climate action is needed from non-state actors, with a growing focus on the business sector. At the same time, the new rules taking shape for the Paris Agreement mean that corporate climate action must evolve for a new era.

Gold Standard, CDP and WWF are working toward building a consensus on how companies can navigate the prevalent climate initiatives to elevate their climate strategies from carbon management to climate stewardship within the context of the Paris Agreement. The guidelines for corporate climate stewardship proposed in this paper recommend reducing emissions within corporate boundaries according to the levels that are consistent with the goals of the Paris Agreement and applying the principle of ‘common but differentiated responsibility’ to contribute finance to accelerate the global transition to a zero-carbon resilient economy.
The Paris Agreement, adopted in December 2015 with entry into force in November 2016, sets the new ambition and framework for limiting the effects of climate change to ensure a safe operating space for life on earth. Several characteristics captured in Figure 1 mark a distinct shift from the Kyoto regime.

The level of ambition set by the Paris Agreement requires the business sector to take swift action – in mitigating greenhouse gas (GHG) emissions according to science to stay within the global carbon budget – but also in supporting developing countries’ transition to low-carbon development. Said differently, moving from carbon management to climate stewardship. There are several reasons for this urgency for greater ambition.

**CORPORATE CLIMATE STEWARDSHIP**

*The Paris Agreement calls for a new paradigm*

The Paris Agreement calls for a new paradigm in dealing with climate change. It moves from focusing on mitigation alone to focusing on mitigation, adaptation, and finance, with an emphasis on the inclusion of non-state actors and the use of science to define ambition. This shift is marked by several characteristics which are illustrated in Figure 1.

**Kyoto Protocol vs. Paris Agreement**

- **Kyoto Protocol**
  - Action by Annex 1 countries
  - Focus on mitigation
  - Focus on government action
  - Science as a driver to take action

- **Paris Agreement**
  - Action by all parties
  - Focus on mitigation, adaptation, and finance
  - Inclusion of non-state actors
  - Science as a driver to define ambition

*Figure 1. Characteristics of the Kyoto Protocol versus the Paris Agreement*
1. Near-term action needed

Countries’ Nationally Determined Contributions (NDCs) to the Paris Agreement are insufficient to limit warming ‘well below 2°C’. Experts say that global emissions must peak by 2020 and then rapidly decline. This means that we urgently need to enhance the level of ambition especially in the near term.

2. NDC ambition gap

Even with every country meeting their targets, total emissions committed in NDCs fail to meet the global carbon budget, and in fact are estimated to allow temperature to rise at least 3°C, according to the 2017 UNEP Emissions Gap Report.

3. Finance gap

Furthermore, NDCs are not fully funded, with the largest gaps in developing countries where low-carbon development and climate adaptation needs are greatest. Current contributions for climate resilience fall woefully short of the many billions needed. Beyond the ethical argument, failures of climate adaptation pose risks to business with markets and supply chain activity in vulnerable regions.
The private sector can help accelerate global decarbonisation by securing much needed emissions reductions as well as helping to fill the climate finance gap and serving as an advocate for more ambitious climate action. Climate leadership in the era of the Paris Agreement means that a company not only scales up efforts to reduce its own GHG emissions in line with science, but also contributes to helping meet the world’s most pressing climate challenges according to respective capabilities and responsibility.

These guidelines offer recommendations on how to structure an ambitious climate strategy (see figure 2), built on four key pillars.

Figure 2. The four pillars of corporate climate stewardship
PILLAR 1 - Measure + disclose

1. Conduct complete GHG accounting per the GHG Protocol with third party verification.

2. Transparently report full scope 1-3 emissions.

3. Implement an internal or “shadow” price on carbon high enough to materially affect investment decisions (Guidance: Use the social cost of carbon).

4. Internalise the environmental and social costs of GHG emissions by implementing a carbon fee to support the investment in renewables and climate protection projects and incentivise further emission reductions.

PILLAR 2 - Reduce climate impact and risk in line with science

1. Adopt and implement a science based emission reduction target.

2. Define a transition plan for your company, designing and thinking through your own company transition scenario to a low-carbon economy.

3. Start to implement your transition plan and get it assessed by an Assessing low-Carbon Transition (ACT) methodology to ensure strategic planning and investment decisions are aligned with the low-carbon transition.
PILLAR 3 - Finance the transition to a zero-carbon resilient economy

1. Based on the internalised costs of your unabated GHG emissions, make a commitment to finance the transition to a zero-carbon resilient economy.

2. Fulfill these commitments by using one or several options:
   a. Purchase, fund or build renewable energy, actively contributing to changing the energy system.
   b. Finance measures to reduce risks in value chains.
   c. Contribute to a new fund that will allow collective action for the above options, supporting both mitigation and adaptation activities (to be developed).
   d. Develop or support new solutions for climate mitigation and adaptation around the world.
   e. Finance emissions reductions by purchasing and retiring or cancelling Verified Emissions Reductions (‘carbon credits’) or through Certified Statements of Emission Reductions (in development at Gold Standard) that meet eligibility criteria for environmental integrity and social value.
PILLAR 4 - Advocate

1. Influence market or policy developments by promoting your vision, solutions and achievements and ensure your political influence aligns with your stated climate strategy.

2. Engage suppliers in your climate strategy.

3. Inspire constituents to also take strong climate action through initiatives like employee or consumer engagement programs, which can also lower your own GHG footprint.

4. Begin educating your investors, employees, and customers about climate impacts and your climate strategy.

These recommendations will be updated on an ongoing basis to reflect the latest thinking on best practice and to ensure alignment with the increasing ambition and emerging rules of the Paris Agreement. The next version of these guidelines are expected to be published in December 2018 at COP24.

Feedback or suggestions for future updates may be sent to sarah.leugers@goldstandard.org