

Natural Capital Partners' Initial Contribution to the Talanoa Dialogue

April 2018



Where are we now?

Natural Capital Partners is very pleased to respond to your invitation, as the High-Level Champions of the Marrakech Partnership, to make an initial contribution to the Talanoa Dialogue. We are deeply appreciative of this opportunity to assess the contributions that the private sector has and can make to collective efforts to secure the long-term ambition of the Paris Agreement for a stable climate that protects and enhances social and natural capital on earth.

Our company was founded in 1997 to help civil society and corporations respond to the risks of climate change ahead of and beyond regulation. Since our launch, we have retired 20m tonnes of carbon credits and secured 7m MWh of renewable energy for our clients – with 50% of the carbon credits and 100% of the renewable energy delivered to our clients in the last five years.

Our formative years focused on serving civil society's desire for action on climate. We now work with over 300 corporate clients ranging from Microsoft, to Marks & Spencer, to ING. We work across the spectrum of business responses to climate change. What started as philanthropic responses separate from company operations became part of Corporate Social Responsibility programmes run in parallel to core operations. More recently, progressive clients have placed their climate responses directly within their long-term strategic plans and tied them to commercial objectives, risk management, and their competitive resilience.

Leading businesses now set internal emission reduction commitments, increasingly using Science Based Targets. They use market-based instruments, such as carbon credits and Energy Attribute Certificates (including Renewable Energy Certificates and Renewable Energy Guarantees of Origin) to reach net zero emissions and 100% renewable energy commitments. They select carbon credits from a wide range of emission reduction projects across the world to put a price on carbon, and to deliver substantial social, environmental and economic benefits that contribute to the Sustainable Development Goals. They address their Scope 3 emissions with collaborative supply chain programmes to extend their reach and impact. They are committed to transparent reporting of verified outcomes following guidance from the Task Force on Climate-related Financial Disclosures, and through independent platforms including NAZCA and the CDP.

About the Talanoa Dialogue

When the Paris Agreement was struck in 2015, it was also agreed that a 'Facilitated Dialogue' would be held to bring a fresh perspective as details on implementing the Agreement are finalised. Under the Fijian presidency of climate negotiations in 2017, the Talanoa Dialogue was adopted for 2018, Talanoa being a traditional word in the Pacific Islands to reflect a process of inclusive, participatory and transparent dialogue.

The Talanoa Dialogue is being used to engage people other than the countries and diplomats who negotiate the Agreement – namely civil society and businesses – to understand what conditions are needed for ambitious climate action. The Dialogue focuses on three questions:

Where are we?

Where do we want to go?

How do we get there?

The business value from such voluntary commitments to climate action comes from a variety of indirect 'returns on investment': hiring the best talent; building and motivating high-performance teams; sales and revenue for their products and services; building brand reputation; driving efficiency in the business; and, managing climate risk and opportunity for competitive advantage.

Critical to the growth of voluntary action by business has been the emergence of highly credible standards and infrastructure to ensure the highest environmental integrity. In 2002 we launched the CarbonNeutral Protocol as an open standard to help companies certify their operations, products, services and events as CarbonNeutral®. Over the years, the CarbonNeutral Protocol has been able to reference an increasing number of third-party standards including the emission reduction project standards of Clean Development Mechanism, Gold Standard, Verified Carbon Standard (recently renamed Verra), American Carbon Registry and emissions accounting standards developed by the International Standards Organisation and the WRI Greenhouse Gas Protocol.

We were founding partners of ICROA, the industry body for voluntary offsetting launched in 2008, and now through our role on the board of RECS International are helping to build the standards for renewable electricity instruments. Standards, registries, and frameworks for best practice have helped facilitate the growth of an industry that between 2012 and 2016 delivered 0.2 Gt of emissions reductions and 0.8 Gt in avoided emissions from renewable electricity instruments¹.

While this represents a small part of the total of climate action delivered in the last decade, voluntary action has endured and is growing as a valuable complement to the yet-to-be-implemented Paris Agreement. On its own, voluntary action by the private sector will not and should not replace the core provisions of the Paris Agreement. However, it has proven that it can play a valuable role in increasing ambition and delivering the urgent requirement to achieve net zero emissions across the global economy. We believe that the forthcoming '1.5°C' report from the IPCC later this year will underline the importance of deeper, steeper reductions in global greenhouse gas emissions to reduce the risks of overshooting the safe landing zone for a stable climate.

Where do we want to go?

We are working towards a world where the action by businesses to set and achieve net-zero targets immediately becomes "business as usual". We see this as a highly effective way to bring forward the reduction in carbon emissions and the point at which the world is net-zero. We see the provisions of Article 6 in the Paris Agreement playing a critical role in enabling a next generation of market-based instruments. The net-mitigation objectives for Article 6's new market mechanism will make a powerful contribution to the draw-down of greenhouse gases concentrations in the atmosphere.

A ten-fold increase of what corporate clients have achieved between 2012 and 2016 through the voluntary market would achieve, every year, approximately 0.4 Gt of emissions reductions through voluntary carbon offsetting and 1.7 Gt of avoided emissions through renewable electricity purchases².

Voluntary corporate action can be leveraged and scaled. The corporates that we have worked with in the last two years alone employ approximately 4 million people: who can

be engaged by their employer to reduce their own carbon emissions. In addition, emissions from an organisation's supply chain are on average four times greater than those from direct operations³. We are seeing that leadership by corporates can have an important knock-on effect to these and other actors under their direct influence.

Finally, we anticipate that a groundswell of action by corporates will enable government to raise ambition. The playbook for the path to net-zero is for governments to report and ratchet over time, namely: set targets, report results and then increase the ambition of the next cycle of targets. The collective mass of corporates going further than a government's existing targets would help give governments the confidence and political legitimacy to increase the ambition of their targets and to put in place stronger measures to ensure they achieve them.

How do we get there?

Our experience from working with corporates leading on climate action gives us confidence that scaling positive impact through the widespread adoption of net zero operations, products and services can, and will be, a critical contribution to raising ambition under the Paris Agreement.

To develop a view on how best that can be achieved, we will convene a series of mini-dialogues with the clients, project partners, IGOs, NGOs, industry experts and investors with which we have had the privilege of working over the past two decades. On the business side these will range from pioneering leaders to 'smart followers' and large multinationals to small businesses. On the environmental project developer side, we'll talk to those delivering emissions reductions and renewable energy. We will use the Talanoa's three questions to explore how we can work collaboratively to accelerate private sector commitments to net zero now.

Natural Capital Partners' Talanoa Dialogue

We are hosting a series of five round-table discussions in the U.S. and Europe, each gathering companies from a range of industries which are already taking steps to significantly lower emissions and contribute to sustainable development.

Through a frank and open conversation with other companies, our clients will explore what the future of private sector climate action and leadership looks like under the Paris Agreement and the role of business in achieving net zero carbon emissions.

The discussions will be moderated by Jonathan Shopley, our Managing Director, who has been involved in the climate negotiations since 2003. Following the discussions, we will produce a final written Talanoa input which we will submit to the UNFCCC in October.

We expect that our dialogues will highlight and explore key aspects of the post-Paris world, specifically:

- **At the UNFCCC level:** The translation of Article 6 of the Paris Agreement into a pragmatic set of operating principles, rules, procedures, management and governance structures to support market-based solutions that can build on the solid foundation laid by the Clean Development Mechanism. We will need market-based instruments and emission reduction accounting systems of the highest environmental integrity to ensure corporates have the means to achieve net zero at lowest cost and highest positive impact.
- **At the Party level:** The evolution of NDCs into plans that enable corporates to identify and fund emission reductions activities that are additional to national policies and targets, and which avoid double counting and claiming that could undermine the environmental and sustainability benefits of voluntary action. Also at the Party level, the deployment of policy initiatives that recognise, endorse and reward private sector actions that fund emission reductions that are additional to NDC requirements.
- **At the corporate level:** Leveraging the experience of corporate climate leaders to enable 'smart followers' to replicate their approaches – for example, sharing the lessons from winners of the UNFCCC Momentum for Change winners.

Case Studies from UNFCCC Momentum for Change winners

- **Microsoft** for its innovative carbon fee model that is used to fund its carbon neutral programme, which includes supporting a portfolio of carbon finance and renewable energy projects around the world.
- **Marks & Spencer** for achieving and maintaining carbon neutrality across its global operations since 2014, which includes sourcing 100% renewable electricity.
- **Fetzer Vineyards** for leading the wine industry in sustainable practices by becoming the first wine company in the United States to become certified CarbonNeutral®, growing 100% organically in their Mendocino vineyards since the 1980s, becoming the first Zero Waste certified wine company in the world and becoming the first winery in California to operate on 100% renewable energy.

- **At the Carbon Market level:** Natural Capital Partners continues work with our peers in the industry to champion high standards in the deployment of market-based approaches that make net zero solutions widely available to business. Our starting point is set out in ICROA's "Guidance Report: Pathways to increased voluntary action by non-state actors". The Guidance includes the concept of an 'international voluntary market account' to track and report private sector voluntary action by disclosing how much and what type of units are being retired.

We look forward to using the Talanoa Dialogue as an opportunity to engage our peers and partners in an exploration of greater ambition and impact under the Paris Agreement, and to reporting our conclusions in the second round of submissions for COP24.

References

- 1 ICROA, *Voluntary Carbon Market Volumes Remain Close to Record High*, 2017, <http://www.icroa.org/News/4874744>, National Renewable Energy Laboratory, *Status and Trends in the U.S. Voluntary Green Power Market*, Table 4. Estimated Green Power Sales (millions of MWh), 2010–2016a <https://www.nrel.gov/docs/fy18osti/70174.pdf> and Association of Issuing Bodies (AIB), European unbundled REC statistics https://www.aib-net.org/aib_activity_statistics. Assumption made that avoided emissions is approximate 0.5 tonnes of CO₂e from 1 MWh of renewable electricity.
- 2 ICROA, *Voluntary Carbon Market Volumes Remain Close to Record High*, 2017, National Renewable Energy Laboratory, *Status and Trends in the U.S. Voluntary Green Power Market*, 2017 and AIB, *European unbundled REC statistics*, 2018
- 3 Carbon Disclosure Project (CDP), *Missing Link: Harnessing the power of purchasing for a sustainable future*, 2017, Page 6, <https://www.bsr.org/reports/Report-Supply-Chain-Climate-Change-2017.pdf>

About Natural Capital Partners

Natural Capital Partners is a world-leading provider of innovative solutions for positive impact on the world's natural capital. With more than 300 clients in 34 countries, the company delivers high-quality solutions for renewable energy, carbon emissions measurement and reductions, water stewardship, building supply chain resilience and protecting biodiversity.

[Email us to find out more about the Natural Capital Partners Talanoa Dialogue](#)

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