POLICY WATCH
Angeli Mehta explains why COP27 is likely to fail in its bid to deliver finance for Africa

BRAND WATCH
Things going badly for Coke as COP sponsor attacked on plastics, writes Oliver Balch

ESG WATCH
Mike Scott on how insurers are upping their game on the energy transition

SOCIETY WATCH
Why indigenous peoples fear they will be ignored in Sharm el-Sheik, by Mark Hillsdon

THE SUSTAINABLE BUSINESS

Review

REUTERS EVENTS™ November 2022

REUTERS/SAYED SHEASHA

'We are sliding from climate crisis to climate disaster,' says UNEP chief

The biggest international climate event of the year is always preceded by a pile-up of reports, timed to be released in the week or two before delegates arrive.

The U.N. Environment Programme's annual Emissions Gap report justifiably steals the headlines, highlighting the growing chasm between where the latest climate science says temperatures need to remain by 2050 to keep planet Earth safe for humans, and how high temperatures could rise, even if all the promises made by governments and businesses were to be fulfilled.

The 2022 report, ahead of this year's event in Sharm el-Sheik, is another sobering reality check piercing through the frothy ›

THE SUSTAINABLE BUSINESS

Review

net-zero rhetoric. It reveals that unless climate commitments are strengthened, the world is on track for a 2.8C rise in temperature by the end of the century, 0.1C higher than was estimated in the UNEP's assessment last year.

The body's executive director, Inger Andersen, seemed close to tears when she briefed journalists in late October:: "We need to cut emissions by 45% by 2030 to keep 1.5C alive .... But this scenario isn't credible because the policies aren't in place. The science in the UNEP report is resounding ... We are sliding from climate crisis to climate disaster."

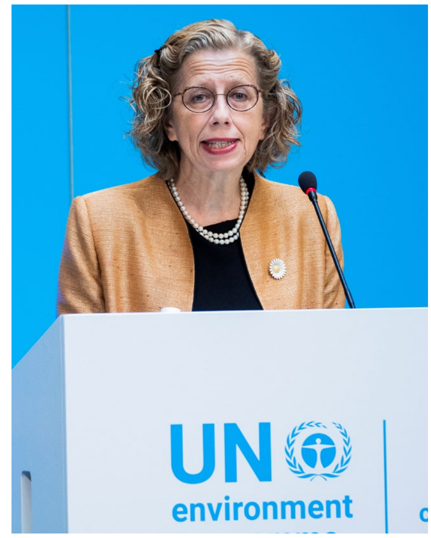
The sense of deepening gloom is also seen in the normally gung-ho U.N. Race to Zero campaign, led this year by High-Level Climate Champions Mahmoud Mohieldin and Nigel Topping, which aims to mobilise non-state actors, including businesses and investors, to set ambitious climate commitments, thereby giving governments cover to be even more ambitious in their own targets.

It was a blow when news came in October that the Glasgow Financial Alliance for Net Zero (GFANZ), which was launched at COP26 last year in partnership with Race to Zero, is dropping its requirement for members to commit to Race to Zero's standards, amid reports that many big banks were considering pulling out of the alliance, following the departure of two pension funds.

A key sticking point for the coalition, who have combined assets under management of $153 trillion, was Race to Zero's requirement that signatories must "phase out development, financing and facilitation of new unabated fossil fuel assets, including coal".

GFANZ, led by former Bank of England governor Mark Carney, is now requiring that its members "take note of the advice and guidance of the UN Climate Change High Level Champions and the Race to Zero".

Other recent reports, highlighted



RITZAU SCANPIX/MARTIN SYLVEST VIA REUTERS

Inger Andersen, director general of United Nations Environment Programme (UNEP) speaks at the opening of the UNEP Copenhagen Climate Centre in April.

the biggest roadblock that is standing in the way of net-zero: the lack of accurate, actionable data.

SAP said its latest survey of 328 business leaders in the UK, had found 90% linking their long-term profitability with environmental sustainability, a jump of 19% on last year, however, just 8% are satisfied with the quality of their data, and 40% rely solely upon assumptions, estimates and industry averages to screen the environmental impact of their supply chains.

Another survey from Boston Consulting Group, of 1,600 large organisations globally, found that only 10% were able to fully quantify their carbon emissions across all three scopes, a tiny improvement on 9% last year. And despite supply chain emissions (Scope 3) accounting for some 80% of most companies' carbon footprint, only 12% of respondents identify Scope 3 as a priority for emissions reduction.

In his testimony to a UK parliamentary committee inquiry into net-zero last month, Mark Carney said a new tool called the Net Zero Data Public Utility will be up and running by this time next year, which he said would make climate › transition-related data publicly available in a single place for the first time. "This will show who is doing well (in achieving net-zero targets), and where there are holes ... Once there's confidence that we (GFANZ signatories) have it right, you could make an argument for regulation" for the entire financial sector, he told MPs.

In his ESG Watch column this month, Mike Scott looks at how meaningful progress on climate action in the finance sector is coming from an area that has been largely overlooked: insurers. He says growing numbers of insurers refuse to cover coal projects, particularly in reinsurance, where 62% of companies have coal exclusion policies. Some have recently announced exclusions of oil and gas, led by Munich Re and Lloyds Banking Group.

Angeli Mehta is more downbeat in her Policy Watch column, writing that the Egyptian COP presidency's hopes that this year's climate summit will deliver badly needed adaptation funding for Africa are likely to be disappointed. This is in the wake of October's G20 meetings and annual meetings of the World Bank and IMF, which ended without a clear roadmap for reforming the IMF and World Bank to address the multiple threats facing the continent.

Calls for a just transition at COP27 will be heard from communities around the world, not just from African activists. Mark Hillsdon reports in his Society Watch column that indigenous peoples fear being marginalised again after being welcomed to the top table by negotiators at COP26 in Glasgow, where there was a pledge of $1.7 billion to boost their role in protecting forests and biodiversity.

REUTERS/DYLAN MARTINEZ

An indigenous woman takes part in a protest during the 2021 U.N. Climate Change Conference (COP26) in Glasgow, Scotland.

However they are received in Sharm el-Sheik, indigenous people will get a proper hearing in the COP15 biodiversity talks in Montreal in December, according to Elizabeth Mrema. Mrema is both executive secretary of the UN Convention on Biological Diversity, and co-chair of the Task Force on Nature-related Financial Reporting.

In an in-depth interview with me, she explains how she is striving to pull off a "Paris moment" for nature, with the support of companies in the Business for Nature Coalition.

Nestle, the world's biggest packaged food company, is among 330 companies that have signed a letter urging negotiators to strengthen a key target of the draft agreement, making it mandatory for companies to report on their nature-related risks.

Our other interview this month is from Oliver Balch, who talks to Nestle's ESG spokesman Rob Cameron about its roadmap for net-zero. In the interview, Cameron talks about how the brand is using its clout to help argue for a global plastics treaty, which is the focus of Balch's latest Brand Watch.

Watch out for more in-depth coverage of COP27 in the coming weeks from our columnists. However, there won't be a pdf version of Sustainable Business Review in December, as we will be publishing the last The Ethical Corporation issue of the year, on financing the energy and climate transition, on 8 December. A very busy month lies ahead

Terry Slavin

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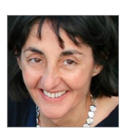
POLICY WATCH

A woman wades through water near Durban in South Africa after heavy rain caused flooding.

ROGAN WARD/REUTERS

An unfair COP that will likely fail to deliver for Africa

Expectations are that this year's U.N. climate conference will come up far short of what is urgently needed to help the continent adapt



Angeli Mehta
Policy correspondent

COP27 is almost upon us. Billed as Africa's COP, the Egyptian presidency hosting this year's United Nations global climate summit hopes it will deliver desperately needed commitments to help the continent meet its development goals and to adapt to a hotter world.

But the mood music is not promising. Any momentum from last year's COP26 in Glasgow seems to have dissipated – with the developed world distracted by war in Ukraine and the energy crisis it has fuelled, and a further cooling in relations between the U.S. and China.

As the 2022 Emissions Gap report makes clear, opportunities to progress have been squandered, with updated national climate pledges shaving just 1% off projected emissions in 2030.

Even the much-lauded Just Energy Transition Partnership to help South Africa begin to move away from coal has yet to deliver. A mid-year analysis of adaptation finance suggested wealthy countries and multilateral institutions are on track to provide just over half of the $40 billion a year promised in Glasgow.

Africa urgently needs funds for adaptation, yet in 2019 and 2020 it got just 20% of the investment its collective nationally determined contributions (NDCs) call for. And according to the Global Center on Adaptation, more than half of adaptation finance commitments were in the form of loans. If trends continue, Africa faces a $454 billion shortfall by 2030.

The continent is responsible for less than 4% of global emissions, yet it is warming faster and the seas around its shores are rising more swiftly than global averages. Tens of millions of people on the east of ›

POLICY WATCH

the continent, in Somalia, Ethiopia and Kenya, are starving in what should have been the rainy season. It's the fifth consecutive rainy season that has failed to arrive.

In west Africa, meanwhile, lives are being devastated by floods – made worse by deforestation and urban expansion onto flood plains.

These impacts of global warming are layered on the pain of the COVID-19 pandemic and a food and energy crisis. Millions are back in the grip of poverty.

According to Jean-Paul Adam, director for technology, climate change and natural resources management at the U.N.'s Economic Commission for Africa, African nations spend (on average) 9% of their budgets responding to climate disasters.

Then there's debt. African debt is four times as high as countries can raise in tax revenues. A recent report from the European Network on Debt and Development suggests some small- island developing nations are allocating more than 10% of their revenues to service debt. For Cabo Verde, on Africa's west coast, it's 23%.

There's no shortage of ideas on how to free up financial flows and turn that picture around. But so far there's little tangible progress on reform of the world's financial systems to put the planet on a more sustainable footing, and ensure that indebtedness isn't itself a barrier to finance. Those who need to push for reform include the very countries – the G20 – that are collectively responsible for 75% of global emissions.

Speaking at the launch of UNEP's Emissions Gap report, Inger Andersen, executive director of the UN Environment Programme, said: "There is some homework to be done in 193 capitals so that those elements of the (financial) system that was set up in 1945 can actually

Barbados's prime minister Mia Mottley at pre-COP27 talks. Her country is the first recipient of the IMF's resilience and sustainability trust.

be reformed." That means central bank governors and ministers of finance talking to their environment or metrology counterparts. "Unless there is a broader understanding of how, in fact, climate projections will be a brake on ... reaching the Sustainable Development Goals – then indeed we will not see those (financial) reforms."

October's G20 meetings, and annual meetings of the World Bank and IMF delivered little.

"With so many warm words about the need for urgent, fundamental action, how have we come out of the 'annuals' (World Bank and IMF meetings) without a clear roadmap for reform of the system? Where is the political strategy?" asks Ronan Palmer, director clean economy at climate change think-tank E3G.

He expects to see some progress on recent G20 recommendations to boost the lending capacity of the multilateral development banks, especially around providing more data, but is not confident of much more.

That means waiting until next spring's World Bank and IMF meetings – too late for those now suffering.

In April, the IMF did agree to set up a resilience and sustainability trust to provide longer term "affordable" financing for climate resilience and pandemic preparedness. It will channel special drawing rights from countries who ›

POLICY WATCH

AFOLABI SOTUNDE/REUTERS

Gas flares at a flow station in Ughelli, Delta State, Nigeria.

need them less to those who need them more. It was warmly welcomed by Mia Mottley, prime minister of Barbados, particularly because it recognises vulnerability as a lending criterion and offers long-term finance with no debt servicing for 10 or 12 years. Her country is the first recipient, although the trust isn't yet fully funded.

But again, hardly swift action, given special drawing rights were authorised in 2021.

Gayle Smith, chief executive of the One Campaign, which works to end extreme poverty, told journalists in another online briefing that "what we need is the radical modernisation of these institutions to meet the transnational threats of the day". The multiple pile-up of crises, she said, "is on a scale that's unprecedented, and this is one that is going to shape global economy for the next 20 to 30 years".

Prime minister Mottley is pushing for such a transformation. The Bridgetown agenda, published this summer, calls for debt suspension; reforms to boost lending by $1 trillion; redirection of $100 billion of unused special drawing rights to nations who need them; new financial instruments that bring in private sector finance for the low carbon transition; and a global mechanism to raise reconstruction finance for countries faced with climate disaster.

But activists in the global south want the World Bank and IMF to go even further and cancel their countries' debts. Sunny Morgan, co-convenor of the Debt for Climate campaign, told journalists that what is owed should be cancelled "against the climate debt of the global north – a climate debt that has accumulated over the period since the industrial revolution". In return, he said, nations would be able to keep fossil fuels in the ground, because they wouldn't have to use them to pay for development.

Whether the activists can make their voices heard at COP27 remains to be seen, but the question of how to enable Africa to adapt to climate change won't go away.

BRAND WATCH

Things go badly for Coke, as activists attack COP27 sponsor

Plastic pollution has risen up the agenda for the annual climate shindig, which comes just ahead of talks on a global plastics treaty

VIEW ONLINE

TEMILADE ADELAJA/REUTERS

The United Nations' annual 12-day climate summit, soon to kick off in the Egyptian resort of Sharm el-Sheik, is pitched as an opportunity for heads of state to take stock of climate progress and (hopefully) accelerate action.

But these meetings of the Conference of the Parties, or COPs, are also increasingly a gathering point for many of the world's largest corporations, raising concerns about corporate influence on political decision-making.

Oliver Balch
Sustainable business correspondent

Even before delegates arrive for this latest COP (number 27), a spat has kicked off around Coca-Cola's sponsorship of the event. Canadian writer and activist Naomi Klein tweeted sarcastically that it was "Super fun to have a climate summit in a police state sponsored by Coca-Cola", while the environmental campaign group Greenpeace said it was baffling for COP27 to choose the "world's biggest plastic polluter" as a sponsor, given that "99% of plastics are made from fossil fuels".

An online petition calling for the U.N. to drop the U.S. beverage brand has so far gathered more than 230,000 signatures. ›

BRAND WATCH

MOHAMED ABD EL GHANY/REUTERS

Sacks of plastic waste form a pyramid made from plastic bottles collected from the Nile.

The argument goes beyond the current climate negotiations. Over recent years, pressure has been building from consumer groups and environmental campaigners for a global treaty to eliminate plastic waste and pollution.

That call passed an important milestone in March, when delegates at the United Nations Environment Assembly adopted a resolution calling for tighter rules on plastic waste.

According to the U.N Environment Programme (UNEP) 7 billion of the 9.2 billion tons of plastic produced from 1950-2017 ended up in landfills or was dumped.

With plastic production set to double between now and 2040 (from its current level of 400 million tons per year), the problem is only set to grow.

The question is, what should a global treaty include and how should it be framed? The U.N.'s resolution merely kickstarts a negotiating process, which is scheduled to conclude in 2024.

The executive director of the UNEP, Inger Andersen, has already endorsed her preference for the treaty to have a wide scope, stating on record that it will "envision actions from source to sea".

Despite the fact that legislation could see brands having to radically upend their manufacturing and packaging processes, the idea for a treaty has garnered strong support from across industry.

Indeed, during the recent Climate Action Week in New York, a group of 21 financial institutions, 14 plastic producers and recyclers, and 25 retailers and brands featured in an 85-strong business coalition that came out in favour of the proposed treaty.

Among the brands participating in the coalition, which will be coordinated by the charities WWF and the Ellen MacArthur Foundation, are high-profile names such as Unilever, IKEA, Walmart, Aldi, Nestle, Mars, PepsiCo, Danone and COP27's lead sponsor, Coca-Cola.

In its shared vision statement, the coalition calls for clarity around the timeline for phasing-out "problematic plastics", and agreement on methods for collecting and treating plastic waste.

It also sets out its hopes for robust implementation mechanisms. These include the creation of a scientific body to understand the full-life impact of plastics and funding for the development and implementation of national plastics legislation.

Also on the list is a desire to see harmonised disclosure obligation and reporting standards, together with common rules on data and information-sharing across the plastics value chain.

The last two suggestions have the strong support of the transparency specialist CDP, which next year ❯

BRAND WATCH


FORMOSA PLASTICS

Formosa Plastics' plant in Texas in the U.S. A court recently denied air permits for a proposed plant in Louisiana.

will be piloting an expansion of its annual questionnaire to corporations to include metrics on plastic use and related risks.

"Given the scale and impact of the plastic pollution crisis, it's surprising and disappointing that we still lack clear, comprehensive, comparable data on the production, use and disposal of plastics across the global economy," says Cate Lamb, CDP's global director for water security. (Read more)

CDP's questionnaire is completed by nearly 19,000 companies, which collectively represent around half of global market capitalisation. Lamb argues that full transparency is "essential" to harnessing investors' power to drive change.

Assisting CDP's pilot, which will initially focus on 7,000 companies in high-impact sectors such as food retailing, fossil fuel production and fashion, is the non-profit Minderoo Foundation.

In its recent report, The Price of Plastic Pollution, Minderoo flagged a "leadership opportunity" for corporations to join with regulators and others to both disclose the size of the plastic waste problem to date and to set aside resources to address it going forward.

The report's co-author, Dominic Charles, says not only do regulatory bodies have the power to mandate corporate plastic footprint reporting at a national and regional level, but moves are already afoot.

He points to the European Union's current work around corporate sustainability reporting norms. "Draft versions of these standards cover reporting on plastic use, the share of recycled materials used, micro-plastic releases and substances of concern."

Minderoo's report also warns of plastic litigation. This is likely to take different forms in different jurisdictions, from damages claims in the U.S. to public interest litigation in Europe. In the UK and Australia, Minderoo suggests, companies could be subject to both.

Companies with high exposure to plastics should be on "high alert", warns Rosa Pritchard, a plastics lawyer at the environmental law charity ClientEarth. She cites the recent decision by a Louisiana court to deny air permits to Formosa Plastics, stalling the company's plans for a $9 billion plastic and petrochemical facility.

"Plastic-related lawsuits are ... also brought by a wide pool of different claimants, reflecting just how many groups are impacted by the plastics crisis," she adds.

After COP27 draws to a close, delegates will gather on 28 November in Punta del Este, Uruguay, for the first meeting of the Intergovernmental Negotiation Committee to commence discussions about the proposed treaty. Under U.N. rules, drafts of the text are open to "consultation with stakeholders", a group that consists both of vulnerable communities and corporate entities, including plastic and packaging producers.

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ESG WATCH

VIEW ONLINE

ANDREW CULLEN/REUTERS

Mike Scott
ESG correspondent

Insurers flex muscles by refusing to finance oil and gas

Ahead of COP27, the industry may be the part of the financial services sector driving the most meaningful climate action

There has been much focus in recent months on the role of investors and the financial community in fighting – or encouraging – climate change. But one pivotal part of the global financial infrastructure has largely been ignored: the insurance sector.

Insurance's low profile comes despite its central role in enabling projects to progress; if you can't get insurance, it is often impossible to secure finance.

"Many people around the world have lived through a summer from hell – facing droughts, floods and heatwaves. The insurance industry is well placed to end this," says Peter Bosshard, global co-ordinator of the Insure Our Future campaign, which has just published its annual scorecard on insurers' fossil fuel exclusion policies.

"Insurance is the Achille's heel of the fossil fuel industry. Without it, no new fossil fuel projects will go forward, and many existing operations will have to cease," says Bosshard.

In the run-up to COP27, it looks like insurers may be the financial services sector driving meaningful ›

ESG WATCH

JOE SKIPPER/REUTERS

The insurance industry is highly exposed to climate change.

action, as banks look to finesse their commitments as part of the Glasgow Financial Alliance for Net Zero (GFANZ) and Race to Zero coalitions.

There has been a steady growth in the number of insurers that refuse to cover coal projects, particularly in the reinsurance sector, where 62% of companies have coal exclusion policies, and for many of the others coal projects are simply outside their area of expertise.

The participation of the reinsurance is important, because there are still a number of smaller insurers – some Lloyd's of London brokers and firms from heavy coal users such as Vietnam and Indonesia – that would insure coal projects. However, without reinsurance that becomes much more difficult. "Outside China, new coal power plants have, for all practical purposes, become uninsurable," Bosshard says.

Insurers are far more directly exposed to the impacts of climate change than banks or investors through the claims they have to pay out after extreme weather events, and they have been warning of the risks for more than half a century. But despite progress on coal, until recently there was little momentum on oil and gas.

"Although the science is clear that we need to move away from oil and gas as well as coal, oil – and particularly gas – has still had a social licence that coal no longer has," Brossard explains. There has been less pressure for firms to move away from oil and gas, which, in addition, provide much bigger revenue streams than coal. But that pressure is now increasing, and there have been recent signs that it is starting to have an impact.

Munich Re, the world's biggest reinsurer, has announced it will stop insuring oil and gas projects, joining Swiss Re, Hannover Re and Allianz in exiting the sector. By April next year, it will stop covering new projects and by 2025, it will require oil and gas companies with the highest relative and absolute emissions to provide "a credible commitment to net-zero greenhouse gas emissions by 2050, including corresponding short- and mid-term milestones".

Lloyds Banking Group (no relation to Lloyd's of London, the insurance ›

ESG WATCH

JENNIFER GAUTHIER/REUTERS

Opponents of the Trans Mountain pipeline expansion attend an indigenous-led rally in Vancouver, British Columbia.

market) has become the first UK bank to say that it will no longer directly fund oil and gas companies, except if they want to borrow money for "viable projects into renewable energies and transition technologies", and if they have credible net zero transition plans in place.

Pressure will grow on the other UK banks to follow suit. The Make My Money Matter initiative is set to launch a campaign calling on the big five UK high street banks – HSBC, Barclays, Santander, Natwest and Lloyds – to stop financing fossil fuel expansion. With Lloyds' action, it says, there is now a clear direction of travel for this.

Meanwhile, Axis Capital became the first North American reinsurer to say it would not underwrite energy, mining and other projects that do not have the backing of local indigenous communities. Many communities say that their voice is ignored when new projects are planned, even though the United Nations recognised that developers should secure the free, prior and informed consent (FPIC) of impacted communities.

Axis joins Swiss Re and Allianz in recognising the importance of FPIC. Supporting FPIC is increasingly seen as a material business issue, following protests against projects such as the Trans Mountain oil pipeline in Canada and the Dakota Access pipeline in the U.S.

And this may be the key to insurers becoming increasingly reluctant to fund oil and gas projects – the business arguments are growing stronger. Societe Generale introduced a "green premium" to insurer valuations, mainly to reflect their efforts to exit coal insurance. It said exiting oil and gas was "the next major 'green' goal for the sector and already in their sights. We feel momentum is starting to gather in this area."

Today, most of the major European insurers and reinsurers won't insure new coal projects and they have a clear roadmap to fully exit coal, SocGen says. "Consequently, coal companies are finding it more difficult and expensive to find insurance, with many reportedly facing rate increases of as much as 40%.

"We think that as they now begin starting to reduce insurance cover to the oil and gas industry, insurers will also have as important an impact as insurers are having on coal."

Insurance may be low-profile, but it will be an essential part of the low-carbon transition. And while they can have significant influence through their huge investment portfolios, their biggest impact could come through what projects they will underwrite.

SOCIETY WATCH

YVES HERMAN/REUTERS

Members of Brazil's indigenous association APIB at COP26 in Glasgow in 2021.

Indigenous peoples fear being overshadowed after moment in the sun at Glasgow

A pledge to protect community rights alongside forests, made at COP26, is being undermined by the scramble for energy security

At COP26 the voice of indigenous people was heard at the top table for the first time. Community leaders from the Arctic to the Amazon spoke of the crucial role that indigenous peoples could play in tackling the climate emergency and protecting biodiversity, but how they were being killed for protecting land that was rightfully theirs, and traditions – along with whole landscapes – were being bulldozed

Mark Hillsdon
Civil society correspondent

Leaders seemed to listen, as governments of the UK, U.S., Germany, Norway and the Netherlands – joined by a clutch of foundations including the Bezos Earth Fund and the Rainforest Trust – pledged $1.7 billion to reverse forest loss and land degradation by 2030, while at the same time championing indigenous rights.

Yet today, as politicians and policymakers prepare to meet in Sharm el-Sheikh, Egypt, for COP27, the fear is that the all-consuming rush towards an energy transition has put new pressures on the rights of indigenous people.

"The (Glasgow deforestation) pledge has been very important for keeping governments from back-tracking," says David Kaimowitz, ›

SOCIETY WATCH

chief programme officer at the Tenure Facility, a financial mechanism focused on securing land and forest rights for indigenous peoples and local communities.

He is seeing plenty of evidence of the $1.7 billion reaching communities and delivering change, citing Colombia, where money is helping the new government move much more quickly to help indigenous people secure land rights, and the Democratic Republic of Congo, where it is helping to establish community forestry concessions.

But he fears that keeping indigenous rights in the spotlight at this year's COP will be difficult, with governments preoccupied with the war in Ukraine, energy prices and a crisis in the world's food systems. "There's a danger that last year's issue will get completely over-shadowed," he says.

In October, the Business & Human Rights Resources Centre (BHRRC), along with Indigenous People's Rights International (IPRI), wrote an open letter to the United Nations, signed by over 200 organisations. It began: "Human rights and climate action are increasingly indivisible and the need to transition to cleaner energies has never been more urgent. Yet this transition will be set up to fail if it focuses solely on being fast, and not on also being fair."

Investments worth an estimated $5 trillion are needed to scale up renewable energy production in a bid to keep global warming within 1.5 degrees Celsius, says Caroline Avan, a natural resources researcher at BHRRC, which tracks the human rights impacts of more than 10,000 companies across nearly 200 countries. Yet renewables are also land-intensive, from the space needed for solar arrays, to the extraction of minerals such as lithium and cobalt that green technologies demand.

EDGARD GARRIDO/REUTERS

Members of the Wixarika indigenous community arrive from Jalisco state to Mexico City to demand the restitution of lands.

JORGE LUIS PLATA/REUTERS

Wind turbines in Oaxaca, Mexico.

"What we are seeing is increased risks to the rights of indigenous peoples as a result of the energy transition," says Avan. (See How Elizabeth Mrema is striving to effect a 'Paris moment' for nature)

Without rights-respecting renewable investment, she says, companies and investors face potential opposition from local communities, which can lead to project delays, ballooning costs and cancellations, as well as reputational damage.

"Investors hold an important balance of power," she says, a role that is outlined in a new investment guide, which details how to ensure human rights are at the core of the energy transition. "Companies need to move away from the profit-driven extractive industry model to a model that ensures shared prosperity with communities through co-ownership," she says.

A key recommendation is that energy companies and project developers consider local communities as rights holders, not just stakeholders. With equity in the project, says Avan: "they become shareholders and have access to project governance and... (can) influence, from the outset, the way in which the project is going to be developed and also prevent impacts on their community."

It's about making "them an integral part of the project in the long-run," she says, so that they too can derive financial benefits from the project. ›

SOCIETY WATCH

AMAZON WATCH

Power to the Protectors is bringing roof-top solar to small villages across the Amazon basin.

The guide also provides evidence of how failure to do this can prove costly, and how badly thought-out projects, which ride roughshod over local communities, can fall foul of the law.

It details the drawn out-proceedings around Gunaa Sicaru, which would have been one of the largest wind projects in Latin America. The wind farm was planned for a site in Oaxaca, Mexico, on land belonging to a Binniza-Zapotec indigenous community. But the community claimed that EDF Renewables Mexico hadn't conducted sufficient community consultation, a right guaranteed under Mexican law. This was a violation of their right to free, prior and informed consent (FPIC), one of the most common human rights infringements in the renewable sector.

The courts became involved, and injunctions were served against EDF. Although the case was dismissed on procedural grounds, EDF is still facing claims for compensation. The delays mounted, and after six years Mexico's state power company cancelled the contract, effectively shutting down the project for good and depriving the national grid of the green energy from 115 wind turbines.

Such developments are frustrating for everyone, says Kaimowitz. Rather than the governments being proactive and trying to work with the communities to find solutions, "a lot of this unfortunately ends up in the courts, which is not the best way it should happen." He adds: "Then the courts rule against the government and that brings the government to the table. That's happening in a lot of countries." There are no winners.

But things can be done differently. The Imagine Light project in eastern Costa Rica is a partnership between the German government's Federal Ministry for Economic Cooperation and Development, the Global Alliance of Territorial Communities (GATC) and the state electricity board. It is bringing solar power to some of the most vulnerable and remote indigenous Cabecar communities, explains GATC co-chair Levi Sucre Romero.

Teams of trained technicians, many of them women, move from village to village installing the panels, while one member of the local community is trained to oversee the long-term functioning of the system. It's about providing a solution but also showing communities that they can do it themselves, adds Romero.

Power to the Protectors is another small-scale solar project, this time run by Amazon Watch, which is bringing roof-top solar to small villages across the Amazon basin, as well as helping communities replace diesel engines on their canoes with solar panels.

But it's a different picture when it comes to big renewables developments, and mining for transition minerals such as lithium, explains Amazon Watch's executive director Leila Salazar-López. "Indigenous peoples and frontline communities are very wary."

Many of the same fossil fuel companies that brought destruction to the forest are now coming back under a different, greener guise, with plans for solar arrays and new mines, she says. But resistance is growing, and there is a much wider acknowledgement of the concept of FPIC. Salazar-López has seen dozens of companies waste billions of dollars trying to get into the territories of indigenous communities who don't want them, so investors to be wary of the risks, she advises.

"If the communities don't give them their consent… then it's a violation of human rights," she says. "Invest in the just transition rather than continuing the Amazon's destruction."

INTERVIEW

Elizabeth Mrema: the woman striving to bring about a ‘Paris moment’ for nature

MAJA SMIEJKOWSKA/REUTERS

Elizabeth Mrema, executive secretary, U.N. Convention on Biological Diversity, at the annual Reuters IMPACT summit in London in October.

There is a lot resting on the diminutive shoulders of Elizabeth Maruma Mrema. The Tanzanian lawyer, chief executive of the Convention on Biological Diversity, will be leading efforts to strike an historic agreement to protect nature at the COP15 biodiversity summit in Montreal in December.

As if that is not enough, she is also co-chair of the Taskforce on Nature-related Financial Disclosures (TNFD), with a goal of creating a framework for companies and investors to report on their nature-related risks: both the impact they have on nature, and their dependencies on nature to conduct their businesses.

Having only been struck in 2021, she and her co-chair, former Refinitiv founder David Craig, are proceeding at warp speed, aiming to produce ›

INTERVIEW

DARREN WHITESIDE/REUTERS

A female orangutan and her two young in Central Kalimantan province, Indonesia. Deforestation is the primary threat to the orangutan.

a workable version of the TNFD by September next year.

The timetable has been pushed to come just months after what is hoped to be a "Paris moment" for nature at COP15, a reference to the 2015 Paris climate agreement, with 196 countries signing off the Convention on Biological Diversity's post-2020 global biodiversity framework (GBF).

But after pre-COP15 negotiations in Nairobi in June ended with only two of the 21 targets in the GBF intact, NGOs warned that it could as easily become a "Copenhagen moment", the 2009 climate talks that ended with no agreement.

Asked in an interview with Ethical Corporation whether she regretted saying "yes" to the TNFD job, given the heavy demands of her U.N, role, Mrema said: "I don't regret it, although it's too much work – the (biodiversity) convention is 200% (effort), the taskforce is 200% – but it gave me a better understanding about the operations of the business community. … That's been a positive gain for me."

There's a growing awareness in business of the risks of not protecting nature, she says. She points out that more than 50% of the global economy depends directly on nature and the ecosystems it provides. "Without doing so, it's their businesses that will be affected. They have an interest. If they want to maximise profit, then they have to take care of nature."

The cost of failure was highlighted again in the latest Living Planet report from WWF, which reported that global wildlife populations have plummeted by 69% on average since 1970.

Another report out last month, the Forest Declaration Assessment, finds that a year on from the Glasgow Leaders Declaration aiming to halt and reverse forest loss and land degradation by 2030, not a single global indicator is on track, and funding to protect and restore forests must increase 200-fold to meet the goals.

Yet business engaging positively with nature could help tackle both biodiversity loss and climate change, she argues. By 2030, nature-based solutions could contribute more than a third of the cost-effective cuts in greenhouse gas emissions.

While the political negotiations will be fraught in December, Mrema expects her TNFD work to pay off, with several targets directly related to business, particularly Target 15, which will ask large business and financial institutions to assess and disclose their impacts and dependencies on nature by 2030.

The Business for Nature coalition announced in October that 330 companies have signed a statement urging governments to strengthen the draft text of Target 15 by making it mandatory.

More than 300 leading companies have already signed a statement, organised by the Business for Nature coalition, urging governments to strengthen the draft text of Target 15 by making it mandatory.

"Currently, businesses and financial institutions don't have the political certainty they need ›

INTERVIEW

to change their business models," the Business for Nature statement reads. "And governments don't have the information they need to enforce these changes and track progress. Assessment and disclosure are an essential first step to generate action, but it will only have an impact if it is made mandatory."

Although the TNFD isn't pushing for adoption of its guidelines to be made mandatory, "that shows the ownership of this agenda that business is taking," says Mrema. "To me, this is business coming on board."

Mrema will need all the support she can get in December. As with the U.N. climate negotiations, consensus with all 196 signatories of the 21 targets must be reached. While Target 15 stands a fair chance of getting passed, whether mandatory or not, other business-related targets face a far harder ride in Montreal: Target 19, seeking to boost financial flows from global north to south, and Target 18, which aims to "redirect, repurpose, reform or eliminate incentives harmful for biodiversity, in a just and equitable way, reducing them by at least US$500 billion per year, including all of the most harmful subsidies, and ensure that incentives, including public and private economic and regulatory incentives, are either positive or neutral for biodiversity."

Mrema says: "We know that every year $4-6 trillion is spent on harmful subsidies, for fossil fuels and food systems. Can you imagine if this was repurposed for biodiversity-positive activities, how much resources would be there for implementation of the framework?"

Yet Target 18 is one of the most controversial. After the Nairobi talks, WWF director-general Marco Lambertini accused Brazil in particular of "consistently blocking progress", adding that negotiators

KENNY KATOMBE/REUTERS

Artisanal miners work at a copper-cobalt mine in the DRC.

would need "a step-change in political will, attention and ambition" to turn the divided text into an agreement in Montreal.

In our interview, Mrema was more measured in her assessment, saying that both Brazil and Argentina had constructively engaged in technical negotiations. "But who knows what will happen when it comes to political decisions at the end .... The negotiators still have a lot of work to do in December" to resolve the 1,800 brackets in the draft text.

"Many people are looking for a 'Paris moment' for biodiversity in Montreal, but that moment will only happen if governments will be able to adopt a really actionable, implementable, simple, flexible framework currently being negotiated," she said. "We don't want to end up with a framework which, for the next three years we are asking: what were the negotiators trying to achieve here? That will only delay action."

Delay is also what she and David Craig are seeking to avoid in their approach to developing the TNFDs. There is no government representative among the 34 members of the TNFD taskforce, just financial institutions and corporates, and its risk assessment framework is being developed in a series of iterations, the first of which came out in March. "It's an agreement by the business community and for the business community," she says.

The 650 companies and financial institutions in the TNFD Forum have been invited to road-test each iteration, and report their findings back so that refinements can be made in the next. A third is due out this month, a fourth in February before the final framework is released in September.

"We studied the TCFD (Taskforce on Climate-related Financial Disclosures) recommendations, taking them fully into account (in the TNFD framework). The idea was not to burden companies with too much reporting because we would ›

INTERVIEW

ADRIANO MACHADO/REUTERS

A Brazilian indigenous protester looks on during a meeting with parliament members over land rights.

immediately have got pushback from those that are already struggling" to report on their climate impacts, Mrema says.

Still, reporting on nature is complex because there is a lack of a single metric or target, such as CO_2 equivalent and keeping global warming to within 1.5 degrees Celsius. And while the Earth's atmosphere is affected by CO_2 emissions regardless of where they happen, with biodiversity impacts, location is key.

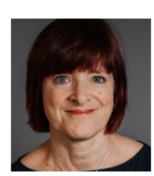
As difficult as the exercise might prove, it's critical for companies to get the full picture of both their climate and nature risks, to equip them to minimise the trade-offs that will be required, Mrema said. It's a hard reality that some economic activity critical for the energy transition, such as wind farms and mining, will take a heavy toll on natural ecosystems, and on the communities that inhabit them.

In particular, the rights of indigenous people, who protect 80% of the world's remaining biodiversity, (read more) need to be safeguarded, she said, adding that the COP15 process has gone to great lengths to facilitate meaningful contributions of indigenous people, women and youth, to the negotiations, including paying for them to attend.

Last month more than 200 organisations signed an open letter calling on the COP27 secretariat to put human rights, and particularly those of indigenous people, at the centre of climate action, arguing that the energy transition "will be set up to fail if it focuses solely on being fast, and not on also being just". Conflicts over land rights related to renewable energy projects have already resulted in 369 attacks on indigenous communities since 2015, according to a new report from the Business & Human Rights Resource Centre.

Mrema says: "We cannot stop development. We need the mines. We need the minerals. (But) it's for the companies to show how they are mitigating the damage. Even though it can't be mitigated 100%, they have to show how they are benefiting local communities."

That also means not treating nature as a "silver bullet" to offset companies' CO_2 emissions, she says. "We need a genuine global energy transition."



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INTERVIEW

A palm oil plantation is pictured next to a burnt forest in South Kalimantan province, Indonesia.

WILLY KURNIAWAN/REUTERS

Brands have failed to protect forests. We can't mess up net-zero, says Nestle's ESG chief

VIEW ONLINE

Oliver Balch talks to Rob Cameron, leading spokesman for the world's biggest packaged food company, about its decarbonisation roadmap

Rob Cameron is only too aware that the clock is ticking. He and his colleagues at Nestle, the world's biggest packaged food brand, have fewer than 1,200 days to slice 20% off the company's carbon footprint. Suppose they manage that 2025 deadline, then they have another 1,865 days to achieve the 2030 target of halving their emissions, compared with Nestle's 2018 base year.

Miss those deadlines, and the Swiss-based company's much-vaunted goal of achieving net zero by 2050 will likely melt faster than a KitKat on a hot summer's day.

Even so, Cameron, the British-born head of public affairs and ESG engagement at Nestle, strikes a confident tone: "We've passed peak carbon, so in absolute emissions terms, emissions are now trending downwards – that's in absolute terms, so even as we grow."

Last year Nestle, which recently posted its strongest nine-month sales growth in 14 years (read more), managed to reduce its total greenhouse gas emissions by 4 million tons, in part by investing heavily in renewables and by electrifying its fleet.

But its ambitious science-based target commitment, in line with keeping global temperature rises to 1.5 degrees Celsius by the end of the century, extends beyond those direct emissions, known as Scope 1, to its entire footprint (Scopes 1, 2, and 3) so the reduction is a fraction of the 65.6 million tons of emissions linked to Nestle's agricultural procurements.

The scale of that challenge is not lost on Cameron. "I'm not going to sit here and say, 'Oh, yeah, well, it's all going to be absolutely fine,'" he says. "We're going to have to make an effort. That's for sure."

So how will Nestle pull it off? And, with 80% of the world's top 250 companies now having public ›

INTERVIEW

BUILDING BRIDGES

Rob Cameron speaking at the Building Bridges conference in Geneva in October.

carbon reduction targets, according to KPMG, what can they learn from its net-zero strategy?

Nestle's recently published net-zero roadmap flags three main solutions: boost renewable thermal energy in manufacturing; shift its agricultural supply chain towards regenerative farming; and give a massive push to tree planting (the goal is 200 million trees by 2030).

As for lessons for other companies, it is still early days, but Cameron has been in the sustainability game long enough (he is a former chief executive of London-based consultancy firm SustainAbility and, before that, of Fairtrade International) to have a good sense of what doesn't work.

He points to the spectacular failure of the 2014 New York Declaration on Forests, which saw more than 470 corporations pledge to eliminate deforestation from global agricultural commodity chains by 2020. To call it a flop would be polite (Cameron's preferred term is "pitiful").

While Nestle wants to see companies across the board commit to net zero, "we want all businesses ... not to make the same mistake as was made with forests, where the commitments were easily made but, frankly, have not been followed up on."

After a decade's work, Nestle says its five "highest-risk" raw materials – meat, palm oil, pulp and paper, sugar and soy – are now deforestation-free. Yet notable exceptions include products for which it is best known: cocoa and coffee. In 2021 its coffee brands, including Nescafe, Starbucks and Nespresso, contributed more than a quarter of sales. Nestle's Forest Positive strategy calls for all its supply chains to be deforestation-free by 2025.

For net zero, success will require more than ticking "achieved" against an interim target or two. A 1.5C future demands multiple targets to be met, over multiple timeframes, until, as a collective whole, we succeed in decarbonising the global economy.

As big a player as Nestle is, its carbon footprint of 92 million tons of greenhouse gases per year represents merely 0.001% of that of the global farming sector, to which it is inextricably attached.

The same goes for PepsiCo, Coca-Cola, Unilever, other consumer goods giants with impressive climate-action plans, Cameron says. ›

INTERVIEW

PIERRE ALBOUY/REUTERS

Nestle has announced it will spend 1 billion Swiss francs to boost sustainability in its coffee supply chain.

But he believes they can collectively use their clout to leverage greater ambition for the entire industry.

"I feel like the more that we're out talking about it ... it creates a permission space for others to move into," he states.

"And I think that this permission space will very soon become a responsibility space."

Brands should also use their corporate clout to try to shape policy, he says. If a corporation of Nestle's size, for example, starts advocating for a treaty on single-use plastics (which it is), then progressive policymakers feel emboldened to push for the same. The same is true for carbon pricing, of which Nestle is also a vocal supporter (albeit on a country-by-country basis).

More important than words, of course, is what action Nestle is taking in its own operations. Take plastic packaging. Nestle has committed to make 100% of its packaging either recyclable or reusable by 2025, and to reduce its use of virgin plastics by one-third in the same period, compared to 2018. Its latest sustainability report, however, says that only 49% of its plastic packaging is recyclable or reusable, while virgin plastic use has decreased by only 8.1%, leaving a huge gap to fill to meet its 2025 deadline.

A Reuters investigation last year identified nine collaborations between consumer goods companies, including Nestle, with major cement makers to burn plastic waste in their kilns, a practice that critics say contributes to emissions of harmful air toxins. At the time, Nestle did not respond to Reuters' queries about health and environmental impacts of the practice. Asked by Sustainable Business Review to comment on the year-old Reuters report, its press office again chose not to discuss the cement industry collaboration.

In our interview, Cameron was keenest to talk about the 1.3 billion Swiss francs ($1.3 billion) the company will be spending up to 2025 trying to convert the 600,000 or so independent farmers it procures from into adopting regenerative farming practices.

That sum accounts for more than a third of the 3.2 billion Swiss francs Nestle has committed to its climate programme through to 2030. Earlier this month, it became clear that the bulk of that money will be channeled into its coffee supply chain, with an announcement that it would spend more than a billion Swiss francs on regenerative agriculture and halving CO_2 emissions by its fast-growing coffee brands by 2030.

Will it be enough? Not according to the non-profit financial think-tank Planet Tracker. Earlier this year, it published analysis saying Nestle would need to spend at least $3.2 billion until 2030 to reverse growing emissions in its supply chain, which rose by 9% between 2016 and 2020.

"Based on our findings, Nestle lacks a well-grounded plan. Instead, it presents a series of intentions and initiatives which cannot demonstrate whether net-zero will be reached," Planet Tracker said. "If the company is to convince investors about achieving net zero by 2050, they ›

INTERVIEW

DOMINIC EBENBICHLER/REUTERS

Nestle is trying to convert the 600,000 farmers it procures from to switch to regenerative practices.

will need more detail and the company will need to increase the investment in its suppliers."

It also says Nestle's climate intentions risk being undermined by its membership of "multiple industry groups with mixed positions on climate policy, including the Confederation of Employers and Industries of Spain and the Kansai Economic Federation in Japan".

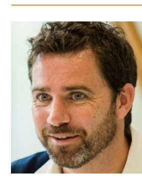
Cameron is dismissive of Planet Tracker's assessment, which it says "completely misses the point" by focusing on past performance, most of it pre-2018. He says it also doesn't take into account that the company has yet to announce spending plans for 2025-2030, which it will decide after assessing results from the first round of funding. "We're perfectly well aware" that more investment will be needed, Cameron said.

However, he readily accepts that time is racing along, and easy wins are increasingly scarce. He uses the analogy of an investment bank to describe Nestle's regenerative agriculture efforts: ie an entity that the company pays into now in the hope of it paying out big time in the years ahead.

If Cameron has a message for other companies, it's not to beat about the bush. Nestle's public affairs chief talks of net zero being "mission-critical", and about how "we're running out of time" when it comes to global climate talks. Meanwhile his boss, Nestle's chief executive Ulf Mark Schneider, is out there banging the drum for an urgent low-carbon transition.

"I was pleasantly surprised ... that our chief executive started talking about the just transition. He goes out and speaks to farmers. He hears it first-hand that farmers are eager to try these (regenerative) techniques and that they want to shift their practices," Cameron says.

"It (net zero) matters a lot to human civilisation, it matters a lot to the environment," he says. "We have to keep hammering that message home."



Oliver Balch is an independent journalist and writer, specialising on business's role in society. He has been a regular contributor to The Ethical Corporation since 2004.