

COP25
CHILE
MADRID 2019
UN CLIMATE CHANGE CONFERENCE

INSIGHTS



CLIMATE
LEADERS
COALITION



THE
WAREHOUSE
GROUP



**“You must unite
behind the science.
You must take action.
You must do the
impossible. Because
giving up can never
be an option.”**

- Greta Thunberg, Climate Change Activist

**FRANZ JOSEF GLACIER,
NEW ZEALAND**



SUMMARY

Last December The Warehouse Group attended the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) in Madrid. This was at the invitation of Minister for Climate Change, James Shaw, to be part of a New Zealand business delegation.

COP is the yearly forum where governments, non-government organisations and businesses progress regulation and drive commitments to combat climate change.

We were invited because of our sustainability leadership in New Zealand and to represent the Climate Leaders Coalition, which our group CEO Nick Grayston co-founded, and whose members collectively represent 30% of New Zealand's GDP, and 60% of New Zealand's GHG emissions.

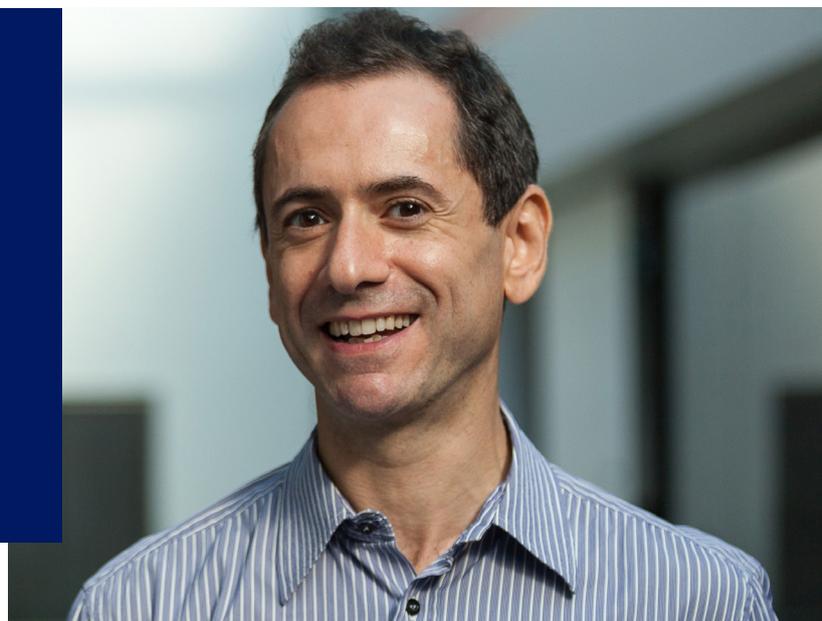
Both Nick Grayston and I attended COP25 to hear global perspectives on how businesses can address climate change, learn from best-in-class sustainability leaders, and take learnings back to our business and the New Zealand business community at large.

As part of our trip we were given the opportunity to share what New Zealand and the Climate Leaders Coalition (CLC) have done here already in the form of a panel discussion in the Blue Moana Pacific Pavilion, which hosted New Zealand and our pacific island neighbours. The panel was introduced by Hon James Shaw and with participation by David Tong from WWF New Zealand, Dr. Ann Smith from Toitu Envirocare, and moderated by Kera O'Regan from Kāi Tahu.

This paper is part of the process of sharing our learnings. We hope it inspires further climate action.

ABOUT THE AUTHOR

David Benattar is Chief Sustainability Officer for The Warehouse Group, New Zealand's leading retail group, where he oversees an array of initiatives to transform The Warehouse Group into New Zealand's most sustainable business. David sits on the board of the New Zealand Sustainable Business Council. Before moving to New Zealand and joining TWG in 2016, he spent twenty years in the USA working on sustainability and business innovation for global brands. David was born and raised in the South West of France.





“The international community lost an important opportunity to show increased ambition on mitigation, adaptation and finance to tackle the climate crisis.”

- UN Secretary General Antonio Guterres

THE COP25 PURPOSE

For those unfamiliar with a COP, it is an annual United Nations conference to hold countries to account on climate change action and is most well-known for the development of the 2015 Paris Agreement on reducing climate emissions country by country.

The 2019 COP25 was hailed as a secondary COP. Although there were 30,000 people in attendance, including some significant political figures such as Michael Bloomberg, John Kerry and of course Greta Thunberg, it didn't have the type of heads of state line-up or historic global commitment that Rio had in 1992 or Paris had in 2015.

For the most part COP25 centred around resolving article 6 of the Paris Accord. Article 6 is responsible for a framework that guarantees the integrity of the global carbon emissions trading market and is essential to achieving the Paris Accord objectives to limit temperature increase to a maximum of 1.5 degree against pre-industrial age. The article essentially regulates the trading of carbon emission units between nations.

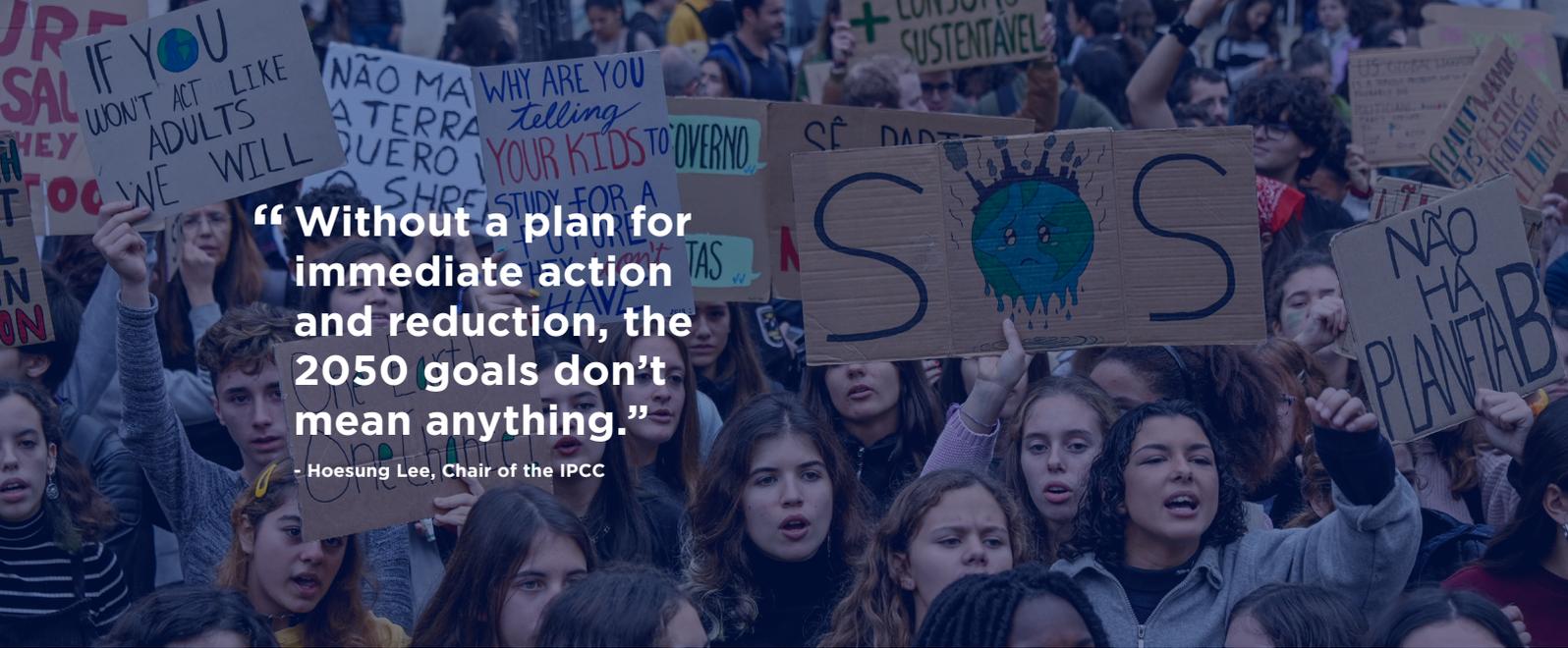
It is fair to say Article 6 is especially important for nations such as New Zealand, for whom delivering the 2050 net-zero emission goals within their own borders is already impossible.



- James Shaw, New Zealand Minister for Climate Change

At the end of the summit, after two extra days and nights of negotiations, delegates agreed to a deal that will see new, improved carbon cutting plans on the table by the time of the Glasgow conference next year. But the essential aspect of the global carbon market mechanism was delayed until the next gathering.

UN Secretary General Antonio Guterres said he was disappointed by the result. “The international community lost an important opportunity to show increased ambition on mitigation, adaptation and finance to tackle the climate crisis,” he said, quoted by AFP.



“Without a plan for immediate action and reduction, the 2050 goals don’t mean anything.”

- Hoesung Lee, Chair of the IPCC

THE COP25 SETTING

COP25 was held within the context of global unrest and frustration with a lack of change and climate action.

Not only did the Chile-hosted event have to be moved to Madrid in a relatively short timeframe due to social unrest, but it came at a time when global greenhouse gas emissions from fossil fuel combustion continued to rise. Worldwide emissions grew by 1.9% in 2019, the planet seeing frequent and more catastrophic weather events, damaging our ecosystems and directly impacting the life of millions. Since COP25 in Madrid, Australia has seen the most horrific wildfires of its entire history, causing tragic loss of lives, economic and environmental devastation.

Further context around the COP was the IPCC, the Intergovernmental Panel on Climate Change’s, (the authority on the science of Climate Change) recent identification that 1.5 degrees is the threshold above which the impact of climate change will become substantially more dramatic and damaging for our biodiversity and economy.

Madrid’s most visible manifestation of the frustration at the slow pace of change were the hundreds of thousands of young people walking the streets and demanding faster climate action. On December 3rd there were half a million people protesting together.



- WWF marching in the streets of Madrid with half a million protesters demanding climate change action

Statements highlighting the need for urgency were consistent.

Bertrand Piccard, Swiss psychiatrist and balloonist, co-pilot Solar Impulse, the first successful round-the-world solar-powered flight, urged the audience, “We have to stop arguing about the commas and the periods of the Paris agreement, because we are supposed to decrease emissions by 7% from this year and it will be 10% if we start in two years.”

Mary Robison, Ireland’s first woman president and a renowned supporter of human rights, is now heading The Mary Robinson Foundation focusing on Climate Justice, Taking the stage at the Sustainable Innovation Forum, she called for stronger government action as an enabler to accelerate the transition to a decarbonised economy: “There is a bottom up approach from children and the population at large. There is a top down approach from the business and finance community. In the middle there is government not moving fast enough.”

LEARNINGS FROM BUSINESS COALITIONS

It is widely recognised that private sector engagement is essential to addressing the climate crisis in ways that Governments and NGOs cannot. Yet, what business is asking for is regulation and certainty through election cycles to make true, sustained progress on climate change.

In attendance at COP25 were representatives from global businesses including Ikea, Unilever, Walmart, Apple and H&M. All are moving to increased ambitious reduction goals and bold climate action in their operations and supply chain. They are moving aggressively to measure the impact of product manufacturing, consumption and end-of-life management, moving effectively from a supply chain sustainability approach to a full value chain management.

It wasn't only business climate leaders taking a stand. In attendance were some of the world's largest emitters and energy investors including Berkshire Hathaway and Shell.

Key to businesses making a tangible difference is their ability to collaborate. Global Fortune 100 companies from Apple to Walmart have joined We Are Still In, a coalition of American cities, states, tribes, businesses, universities, healthcare organisations and faith groups, gathering 3,800 leaders, representing 158 million people and \$9 trillion in GDP.

In fact, if measured by emissions, We Are Still In would equate to being the second largest emitter in the world. Another significant player is the European equivalent, We Mean Business, of which The Warehouse Group is a member. These coalitions are close to super coalitions and operate in a similar vein to New Zealand's Climate Leaders Coalition.

Mexico, Japan, Vietnam and South Africa have national coalitions and had feet on the ground in Madrid, and were all hosted at the WWF pavilion. WWF played a central role in hosting, facilitating and accelerating conversations and commitments from a rich group of stakeholders. WWF at COP25 proved again that global NGOs play a central role in enabling public-private sector collaborations and progress toward de-carbonisation.

Scoping out ambitions together is a tremendous opportunity to build national ambitions.

In one discussion, the International Chamber of Commerce hosted BINGO (a business group) to share their views on the transition to low-carbon economies. Stephen Rose, senior research economist highlighted that with the large potential for new value creation comes transition risks.

He said sectors, regions and activities transitioning will experience different levels of costs and benefits and will go through transition pains. **His advice was to co-operate to reduce societal cost and not let the perfect be the enemy of good.** His view was to consider the savings for citizens as well as incentives to increase participation and ambition.

Business leaders also highlighted the need for strong government action and certainty beyond election cycles.

Nigel Topping, CEO of We Mean Business said, "When business action is paired with clear, consistent government policies it results in positively reinforcing ambition loops that will accelerate the full decarbonisation of every system of the economy at the pace and scale that science tells us is necessary."

As part of a COP25 discussion on the challenges of re-mapping businesses and supply chains to do right by the climate, our Group CEO Nick Grayston commented that New Zealand could do well to impose a carbon tax on products to fund innovation and build products with less of an impact. Like many discussions at COP25 - any change needs to be significant.



10th Annual
**Sustainable
Innovation Forum**
2019

Event Organiser
Climate Action



By 2030
the SDGs

Business again demonstrated a clear eagerness to take the lead, but with frequent nudges for government to enable the transition through policy stability and regulation.



Panellists:



John Neil Loughhead
Chief Scientific Advisor
Head of Mission Innovation
Committee,
BEIS

Jenn

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SUSTAINABLE INNOVATION FORUM (SIF)

Another prominent business focused forum was the tenth annual Sustainable Innovation Forum (SIF) dedicated to addressing collective opportunities and challenges faced by companies internationally.

SIF brought together over 600 business executives, industry and government leaders, CEOs and heads of sustainability from global businesses, and founders of clean tech start-ups. The forum provided a platform to explore Sustainable Mobility, Energy Transition, the Circular Economy, Natural Capital, Climate Finance, Sustainable Cities, Heavy Transport, Emerging Climate-Tech, Climate-Smart Agriculture and the Oceans Economy.

At SIF, business again demonstrated a clear eagerness to take the lead, but with frequent nudges for government to enable the transition through policy stability and regulation.

Luis Alfonso De Alba, Mexican UN Envoy for Climate Change, spoke about the need for an exponential commitment and acknowledged that big business was doing more through major innovations than governments were.

Representatives discussed the size of the opportunity and the obstacles to change. What emerged is that business stood on a threshold of untapped opportunity which presented billions of dollars of potential upsides from the trading of carbon units, climate finance, and business innovations that transform the linear fossil fuel-dependant economic value chain.

During a panel discussion, “Frameworks to Accelerate Capital Flows for a Sustainable Future”, we learnt that ESG funds and green bonds are growing at an unprecedented rate owing to the accelerated participation of the largest American pension funds. Investors took stock of the rapidly expanding market for green bonds, with well over US\$200 billion in green bonds issued in 2019, while ESG investing — or strategies that take a company’s environmental, social and governance factors into consideration — grew to more than \$30 trillion in 2018 and by 15% during the first half of 2019.

Speaking about the future of transportation, Alexandre De Juniac - CEO of IATA presented an update on the aviation industry’s efforts over the past 10 years which included improving fuel efficiency by 2.3% year. The aviation industry accounts for 2% of global man-made carbon emissions.

The industry committed to:

- Carbon-neutral growth from 2020 and confirmed its resolve to implement CORSIA—the Carbon Reduction and Offsetting Scheme for International Aviation, which will be mandatory starting 2026. It will help cap the growth in CO₂ from aviation and generate \$40 billion in climate funds.
- Cut its net emissions to half 2005 levels by 2050, in line with the Paris Agreement 2°C goal, [NDLR: which will need to be revised to meet the 1.5°C goal]. Industry experts are collaborating to map out how the aviation industry can realistically achieve this.

In order to achieve its 2050 goal a huge energy transition in aviation will be required. For over a hundred years, fossil fuel has served the aviation industry reliably. But its time is coming to an end. Sustainable Aviation Fuels (SAF), which have been in commercial development for only a decade, is presented as the answer given its ability to reduce lifecycle carbon emissions by up to 80%. Whilst a reality, SAF is in short supply and serve only 0.1% of aviation’s energy needs. The production facilities currently under construction will bring that close to 2% by 2025.

Critical to the aviation industry’s energy transition, will be the assistance of governments through incentives which aim to bring down costs, while scaling-up production to make sustainable aviation fuels commercially viable.

This is another example of industry requiring government support to unlock the opportunity to transition to lower impact industrial and commercial practices, especially from hard to abate sectors such as transportation and freight.

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- David Benattar with Nick Grayston,
The Warehouse Group CEO



OVERARCHING LEARNING THEMES FROM BUSINESS

There is common ground around the solutions required to deliver a net-zero emissions goal, mostly nature-based solutions such as afforestation and reforestation, which remain the most practical ways to remove carbon from the atmosphere. In fact, all trajectories to a net-zero 2050 rely heavily on nature-based solutions.

Given the evidence of protests and frustration at COP, it begs the question: how will consumers select which brands and products they choose to shop?

Businesses around the world transitioning toward a decarbonised economy are starting to take seriously the need to create new products, services and businesses. More of them recognise the challenge of transitioning out of the fossil fuel economy and infrastructure ecosystem, while highlighting the opportunity that can be captured by embracing climate action in everything they do.

In one conversation with an executive from H&M, I was told that we need to recognise the fog of ambiguity, but also the mounting public expectation of decisive actions from an industry that frequently sets the tone for the market.

There were also several presentations and discussions around Science Based Targets, whose framework is the result of a partnership between the World Resources Institute, the UN Global Compact, the World Wildlife Federation, and CDP, a UK-based not-for-profit that runs

From my perspective as a retail business executive, my key takeaways were:

1. The engagement of the private sector is essential to addressing the climate crisis, which is also an oceans crisis, in ways that Governments and NGOs cannot do alone. Yet, business needs regulation now.
2. The whole economy must be a circular economy. Zero waste is the other side of net zero emissions.
3. We need to make this transformation inclusive, and pay particular attention to the role of indigenous people. Globally, deforestation is 3 to 5 times lower on indigenous lands than otherwise.

the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. SBT has become the most credible and internationally recognised method to set greenhouse gas emissions reduction target against the 1.5-degree threshold.

As of today, more than 700 companies including Walmart, Tesco and IKEA have used SBT to set their reduction goals. They represent 45 industry sectors including high emitting sectors like textile, chemicals, construction and telecom in 40 countries around the world.

It is worth highlighting some of the retailers who attended COP25 to share their stories. IKEA, Unilever, Walmart, Apple and H&M discussed the need for individual products to have a carbon footprint, a reduction strategy - all to achieve neutrality.



APPLE

Apple generates 25 million tonnes of carbon emissions a year, or 0.1% of the world global emissions. That's an incredible impact for one single organisation to have on our planet. A whopping 74% of the emissions take place during the manufacturing process, so they had their work cut out for them when it came to devising a plan to tackle those emissions.

At COP, Apple shared its initiative to help its suppliers become 100% renewable. To date, they have 34 suppliers who committed to being 100% renewable for their Apple production.

Tim Cook has previously stated, "When we announced our goal to bring 100% of our suppliers onto the clean energy grid, we didn't do it to show off. We did it because we knew it would provide a necessary business impulse for some of our largest partners to develop a valuable competency that sets them apart in a changing world. And because it is the right thing to do."

Beyond that, Apple directly invested \$300 million in the production of renewable energy, and they have delivered five gigatons of emissions reduction in their supply chain, when their goal was three gigatons. They now also have used phone recycling, refurbish, back into secondary material global supply chain.



IKEA

CEO of IKEA Group, Torbjorn Lööf, was part of a panel discussion titled 'Becoming Climate Positive by 2030'. The panel was chaired by Mark Griffiths, Head of Climate Engagement for WWF, and featured executives from Inter IKEA Group, H&M, Max Burger, Natura, and Mahindra.

Despite generating 26 million tonnes of CO₂ in FY18, **IKEA announced it will be climate positive and fully circular by 2030. 26 million tonnes equals 0.1% of the world global emissions**, or about a third of New Zealand's total yearly emissions.

Its three-step programme starts with decarbonising its operations and aligning to a 1.5 degree Celsius target. Step two is to address the impact of its full value chain, and step three is investing in nature-based solutions.

By full value chain, it means IKEA is looking at the greenhouse gas emissions generated by sourcing and extracting raw materials, manufacturing and transporting products, its stores, customer travel to stores, product use in customers' homes and product end-of-life.

Already the company is mapping each product against circular design principles and to take action that is transparent, measured and backed by science.

Lööf stated at one point that IKEA, "sees climate in everything we do," which helps define its aggressive approach to circularity.

In 2018, IKEA completed the replanting of three million rainforest trees. 91% of its wood comes from well-managed forests, and it also committed €1.2 billion in renewable energy to spend over the next 10 years. By 2030 they are aiming to use only renewables and recycled materials. The company is also installing more LED bulbs and solar in people's homes and inspiring people to live a healthier and more sustainable life.

H&M

Fast fashion retailer H&M came to COP25 to share the story of its sustainability commitments within the fashion industry.

70% of H&M's total carbon emissions are generated in its supply chain. H&M has worked with other fashion stakeholders to create the Fashion Industry Charter for Climate Action. Under the auspices of UN Climate Change, the group was formed in 2018 and launched at COP24 in Poland. Its charter includes a vision to achieve net-zero emissions by 2050.

H&M also discussed a key question: how do you send market signals that change is happening? The business is asking itself how it can fundamentally remap the value chain of extraction, transformation and manufacturing of packaged goods. It is considering its shipping to the areas of consumption, the fulfilment of orders for delivery to stores and consumers, and the eventual discard to refurbish, recycle or redistribute with a new parallel economy, which isn't parallel anymore but completely circular and decarbonised.

Timing is also fundamental to this change equation - can retailers make this transformational reality happen in a reasonable time. Part of transformation opportunity takes into account the future of energy, mobility, logistics and communications, which could all look quite different to today.

Finally, the topic of business collaboration emerged in an H&M example of circularity. The H&M Foundation is a non-profit organisation that has partnered with The Hong Kong Research Institute of Textiles and Apparel (HKRITA), and together they are working towards groundbreaking solutions to recycling blended textiles into new fibres and yarns. This solution is a major breakthrough in the journey towards a closed loop for textiles.



INDIGENOUS AND MINORITIES

Learning about the environmental protection leadership role of indigenous people was a big part of my COP25 experience. Minorities including the youth from developing and island nations did a show of force to remind the world that they are both the first victims and the essential guardians of our ecosystems.

“Include and listen to us when it comes to climate policies. We’re protecting the earth and facing the consequences, not only of climate change, but also of industries who violate our rights, pollute our rivers and destroy our land,” said one activist.

Indigenous peoples of Brazil spoke about the destruction of the rainforest, violence on their lands and called out major U.S. and Brazilian financial institutions that have ultimately invested in the funding of deforestation outside of COP25 in Madrid.

Mike Smith, the chairperson of the climate change iwi leaders’ group, showed a documentary in the Blue Pacific Pavillon showing the work done to stop offshore oil drilling in New Zealand. Mike Smith is behind a criminal lawsuit against the chief executive of Austrian oil giant OMV.

Mr Smith, of Ngā Puhī and Ngāti Kahu, wants to stop OMV from drilling 12 wells off the coast of Taranaki, and a deep sea exploratory well off the Otago Coast.

“We’re really lucky and we should be proud that our government has recently instituted a ban or has agreed not to issue any more permits to off-shore oil companies to explore in our marine space and OMV is the last of the international companies to be exploring,” he said.

“So, once we get rid of them, we’ll be able to proudly stand on the world stage and say New Zealand is taking the required action to transition away from the exploration aspect of fossil fuels,” Mr Smith said.

Mr Smith claimed OMV had contributed to the destruction of the land and livelihoods of indigenous peoples, including New Zealand Māori.

Youth climate activists called for a global strike to protest that human rights and social justice have been sidelined.

“By continuing the search for new oil and gas to burn in the face of the climate emergency,

companies like OMV are condemning our grandchildren to a future of immense suffering,” said Mr Smith.

Indigenous people are being pushed out of decision-making spaces but are leading the resistance on the streets. Their persecution, especially in Latin America, cannot be ignored.

Campaigners were frustrated not only at the slow progress of the talks but also that groups representing women, indigenous people and poor people have struggled to have their voices heard within the conference halls where the official negotiations were taking place, even while 500,000 people took part in a mass protest in the streets outside.

“Human rights and gender equity are at the heart of what we are talking about on the climate,” said Mary Robinson, former UN high commissioner for human rights and president of Ireland.

“This is about people and people’s livelihoods. Gender and social justice have an enormous impact on what people face from climate breakdown. If we don’t have these issues included we are going to make enormous mistakes.”

She said progress had been made on a gender action plan that was promised as part of the 2015 Paris agreement, but that some countries were still reluctant to include the language of human rights in official UN outcomes from the talks.

Fridays for Future, the movement that coalesced around the world after Greta Thunberg’s solo school strikes, said “We stand in solidarity with indigenous people, people from the global south, and people already suffering from the climate crises.”



“Include and listen to us when it comes to climate policies. We’re protecting the earth and facing the consequences not only of climate change, but also of industries who violate our rights, pollute our rivers and destroy our land.”

- Activist at COP25



**MT ROY,
NEW ZEALAND**

WHAT CAN NEW ZEALAND BUSINESS LEARN?

Business is faced with an opportunity for a decade of defining actions. Stakeholders from employees to consumers are increasingly looking to us to take the lead and make the changes required to enable the transition to a decarbonised economy.

- There are signs that the transition to a net-zero economy is achievable by 2050 and can bring massive economic and health benefits to New Zealand.
- The consensus is that this goal will only be possible through cooperation between government and the private sector, along with science based reduction targets.
- New Zealand is setting a worldwide example through its bipartisan climate policies - such as the one our government recently put forward - and a path to accelerate the transition to a decarbonised net-zero economy by 2050. This includes the Carbon Zero bill enshrined into law, the recently adopted ban of any investments in new fossil fuel capacities and financial incentives to support the transition out of the trillions of stranded assets in old fossil fuel-based infrastructures (think transportation, logistics, energy and construction).
- The decarbonisation of our nation's economy is now framed as the responsibility of every government department, not just the Ministry of Environment. It includes finance, health, transport, energy and beyond.
- New rules around climate reporting against business activities was a discussion coinciding with our attendance at COP25. The government consultation to introduce a mandatory climate-related financial disclosure applied to New Zealand listed companies, banks and other financial institutions will ensure that the effects of climate change become routinely considered in business and investment decisions. It describes a board's oversight of climate-related risks and opportunities.





TWG SUSTAINABILITY ROADMAP AND KEY ACTIONS

Global retailers are in the process of remapping their value creation, their products and their supply chain, all underpinned with transparency, changing consumer behaviours and adhering to science-based targets. Retailers, with their ecosystem of transportation, logistics, operations, large employee base and frequent customer interactions, can play a central role in advancing the delivery of a low- emissions ecosystem.

- By May 2020, TWG will be implementing the Science Based Targets initiative and use the strength of the Carbon Disclosure Project (CDP) to implement new supply chain decarbonisation solutions.
- Throughout 2020 and the years ahead, we will be delivering new sustainable packaging and products in our merchandise, and will continue our efforts to create a circular economy within our organisation. This will impact how we source and deliver products to our customers, and help them recycle products after use.
- By 2021, our goal is to move to the full value chain assessment, and understand our products manufacturing and consumption footprint.
- By mid 2021, we will assess the application of our climate related risk reduction using the Task Force on Climate Related Financial Disclosures (TCFD) framework taking into account transition and physical risk to recommend a timeline for application.
- By late 2022, we will have successfully front loaded the capital expenditure of our Active Emissions Reduction initiatives in our operations and logistics. We aim to accelerate our investments through green financing, which layers emission reduction as a core investment driver.

“When business action is paired with clear, consistent government policies it results in positively reinforcing ambition loops that will accelerate the full decarbonisation of every system of the economy at the pace and scale that science tells us is necessary.”

- Nigel Topping, CEO of We Mean Business



thewarehousegroup.co.nz

climateleaderscoalition.org