

"A Climate for Cooperation and Strategic Leadership": Business & Industry Global Dialogue '07



United Nations Environment Programme

hosted by UNEP with the support of Brazilian business and industry and the UN Global Compact

Maksoud Hotel, Sao Paulo, Brazil, 15 - 16 October

Meeting Report

The UNEP 24th annual consultative meeting with business & industry took the form of a “Business & Industry Global Dialogue”, held in Sao Paulo from 15 - 16 October 2007 with the support of Brazilian business and the UN Global Compact. Over 140 delegates and representatives from business organizations, industry and financing institutions, public institutions and non-governmental organizations attended the discussions on new trends, policy developments and UN-business partnership opportunities to address climate change, energy and responsible chemicals management.

Delegates participated in six plenary sessions addressing new developments and challenges, both at the global and Latin American levels. These included matters such as renewable energy options, employee training for safer chemicals management, awareness raising on sustainable consumption, and new market mechanisms to promote cleaner technologies. Speakers participating in the panel discussions included representatives from institutes such as the Pew Centre and the World Resources Institute, The Energy and Resources Institute (TERI) in India, the Council for Scientific and Industrial Research (CSIR) in South Africa, financial sector institutions such as the Carbon Disclosure Project and Global Environment Facility (GEF), as well as representatives from business and trade unions. The meeting concluded with a public-private roundtable debate on how the regulatory environment and markets can better complement one another in advancing progress on reducing GHG emissions and promoting safer production.

Opening the meeting, UNEP DTIE Director *Sylvie Lemmet* challenged participants to think in terms of not only risks but also opportunities for a variety of industry sectors, both at the global and local levels. She thanked the UN Global Compact and Brazilian partners for their support in hosting the meeting, in particular the Confederação Nacional da Indústria (CNI), Associação Brasileira da Indústria Química (ABIQUIM), Federação das Indústrias do Estado de São Paulo (FIESP), Instituto Ethos and the German agency InWent.

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Noting that this was the first UNEP DTIE Business and Industry conference to be held outside Paris, *Maurício Mendonça of the Brazilian Confederation of Industry (CNI)* welcomed UNEP's decision to encourage more direct contact with business in emerging economies. The partnership with UNEP was important to bring visibility and promote access to new markets, demonstrating that developing countries were not only recipients of technology but also capable of exporting new technologies and expertise. On climate change, Mendonça explained that Brazil's energy mix, using a high level of renewable energy sources, was clean. He believed that Brazil could offer experience that could be replicated abroad, the use of ethanol and biomass for energy generation being examples. With global energy demand rising, it was essential that such possibilities were actively explored. *Nelson Pereira dos Reis* of the host state industry federation FIESP introduced Sao Paulo as a state at high level of industrialization, yet one that still needed to look at new production models. Up to 70% of national production of ethanol in Brazil came from the state of Sao Paulo. Referring to the overall theme of the meeting, he spoke of a climate of leadership among industry in Latin America towards cleaner production and corporate responsibility.

In his **opening address**, *Ambassador Rubens Ricúpero* spoke of climate change as the greatest market failure - as confirmed by the report by Sir Nicholas Stern. But markets alone could not save us; the state played a vital role. The engagement of large developing countries and a common global carbon price were needed to create a market of critical mass in low carbon technologies, goods and services. In recent decades, what the meeting title called "cooperation and strategic leadership" had shown that it was possible to tackle environmental challenges through what he described as the "amazing capacity for market-creation". Far from going against the market, approaches to problems like the threat to the ozone layer or global warming were increasingly relying on market mechanisms as part of the solution. Strong action to reduce emissions would prove the best pro-growth strategy for the longer term. By creating price signals for new low-carbon markets and technologies, governments would provide the best assurance that there would not be a need to choose between mitigating climate change and promoting growth and development for all. He noted that the chemical industry had shown a good example of what could be done in public-private cooperation, for example under the ozone regime, on hazardous wastes, and under the Strategic Approach to International Chemicals Management (SAICM). The chemical industry encompassed key sectors for modern life such as fertilizers, pesticides, pharmaceutical drugs, the whole family of petrochemicals and plastics. It would be hard to think of any possible solution for environmental evils that did not depend on a crucial contribution from the chemical industry.

Session 1 of the meeting addressed "New business climate - emerging approaches in climate friendly management and business". Led by conference moderator Paul Hohnen, panellists opened with a discussion on company experiences, collective action and recent initiatives by the private sector. *Luis Cesar Stano of Petrobras* reminded participants that the world would be dependent on fossil fuels for decades to come. This spoke to a need to optimize the ways of using these forms of energy better. This was a problem for the entire society, and not just for companies. Petrobras was focussing on the optimisation of fossil fuels use, using life-cycle analysis, and the reduction of carbon intensity through the expanded use of natural gas. Building on this theme, *Richard Sykes of the International Petroleum Industry Environmental Conservation Association (IPIECA)* noted that progress towards a sustainable energy era required the industry to meet growing demand, keep supplies secure and reduce environmental and social impacts. There will be transitions and trade-offs but government cooperation, effective carbon markets, conditions to enable effective technology development and deployment of technology and partnerships are necessary to progress." With respect to energy standards, he felt that the oil & gas industry would benefit from working with UNEP on international standards for the

production of sustainable biofuels. *Tim Juliani of The Pew Center on Global Climate Change*, which hosts the Business Environmental Leadership Council (BELC), described how his organisation had been working with the business sector on climate issues for many years. Recent activities had included support on how to develop corporate strategies to address climate change. He highlighted a call from the US Climate Action Partnership (USCAP), which included companies as well as NGOs, for mandatory climate legislation in the US. *Robert Hofstede of the IUCN Latin America* spoke of the recent Parks Congress in Patagonia, where the conservation debate was very much about economic development, climate and poverty. In the IUCN work programme for coming years, the issues of climate, energy and private sector cooperation would be central. Cooperation with business was used by IUCN, for example, to address the link between conservation and carbon sinks. Underlining the fact that the building and construction sector was a major source of greenhouse gas emissions, *Arab Hoballah of UNEP* pointed to the potential of the new UNEP Sustainable Buildings and Construction Initiative to raise awareness, push emissions reduction, and develop a more integrated approach across the sector. The role of energy standards and certification systems for sustainable building and construction are issues that would be examined closely.

Session 2 focussed on “New business climate - emerging markets in climate friendly technologies and trade”. Panellists discussed new technologies and the evolution of carbon markets, entrepreneurial solutions and investments. *Girish Sethi of The Energy and Resources Institute (TERI)* highlighted energy and development challenges in India, arguing that developing countries needed clear energy action programmes. The rise of wind power technologies in India was one example of how combined government and business action could build markets. *Paul Simpson of the Carbon Disclosure Project* agreed that clear policies were essential. A historic shift had occurred in that there was a price on carbon: it had become a commodity that could be traded. What was needed now was a global carbon market with a global carbon price. Together with the European Trading Scheme (ETS), the Clean Development Mechanism was stimulating much interest in emissions trading in rapidly industrialising developing countries. Companies increasingly recognised that they needed to get climate strategies in place, and ensure they had systems to effectively measure and manage their polluting emissions. The *World Resources Institute (WRI)*'s *Hilary McMahon* reported that the WRI-WBCSD GHG Protocol was used by over 900 corporations. The WRI was now focussing on its use at the sector level, and looking at a methodology to apply to biofuels. Picking up on this theme, *Vitor Feitosa of Samarco Mineração* noted ongoing difficulties in making emission calculations. The lack of an agreed regulatory framework meant that possible gains from credits remained speculative and voluntary. Companies would benefit from clearer guidance on how to define and assess the relevant risks.

Session 3 involved discussion on “New business chemistry - responsible chemicals management and persistent pollutants”. The session began with an update on progress on the Strategic Approach to International Chemicals Management (SAICM). This was followed by a discussion on the role of business in implementing the goals of global chemicals management conventions, and on new initiatives by the business sector to advance responsible chemicals management on site and through supply chains. It was noted that Canada was currently supporting the development of reporting modalities with regard to SAICM implementation. There was a shared sense that the linkages between public policy goals, international and national processes and operational actions at the company and site level still needed to be better defined. Noting industry technological expertise, *Mathew Gubb of the SAICM Secretariat* and UNEP Chemicals, encouraged industry to use SAICM to widen its support for research on unsafe products and share knowledge and information. *John Phillips of The Dow Chemical Company* and representing the International Council of Chemical Associations (ICCA) outlined a number of new

developments under the Responsible Care initiative, including its new set of principles to underlie chemicals management systems and policies. The central challenge for the industry was how to engage downstream users in efforts to improve global product stewardship. Speaking from the perspective of an industrialising country, *Sergia Oliveira of the Brazilian Ministry of Environment* noted that there were often several laws applicable at the national level, but no single integrated regulation such as the EU REACH regulations. In Brazil, the authorities had still to fully assess the implications of REACH, and she thought this was also the case for other Latin American countries. Action by the government to fight the use of prohibited chemicals had begun years ago, prompted by the Stockholm and Rotterdam and other agreements which had been vital in this process. NGO representative *Jeffer Castelo Branco of the Associação de Combate aos Poluentes*, argued that SAICM needed to be integrated at a regional level, with specific regional and national action plans. He also called for an improved dialogue with business and finding ways of hearing the voice of poor people, who suffer most from pollution. While recognising the wider benefits of the chemical industry to society, he appealed for improved dialogue between the industry and civil society, including workers' unions.

Session 4 addressed “New business chemistry - building capacity for responsible chemicals management”. Joined by *José Carlos Grubisich, President of the Brazilian chemicals company Braskem*, panellists discussed ways of integrating environment, health and safety, whilst considering the interests of employees, consumers, and local communities. They were also asked to address safer production and related standards, discussing whether we had the right tools and whether these were known and being used. For his part, Grubisich argued that the chemicals industry today was keenly aware of its collective reputation in the eyes of society. Reputation influenced the company's ability to employ qualified employees. He supported the sector's focus on value chains, looking both at the demand side and not only productivity. He said that if previously the integration of safety, health and environment used to be considered an accessory for the chemicals industry, today this was at the core of the business. This had also been further encouraged by technological advances and the need to maximise energy cost savings. *Antonio Gomes de Mattos Neto of Suzano Petroquimicas* then explained that while there had been significant high-level changes in the Brazilian industry there was now a need to focus on small and medium-sized enterprises, supply chains and education on sustainable consumption. In the chemical industry, value chains were often complex and sometimes misunderstood. This point was endorsed by *Jan-Uwe Klüssendorf of BASF AG*, who described the use of life cycle approaches and how marketing departments were now also engaged to better explain product safety to consumers. Concluding the session, *Nilton Freitas of CUT-Brazil and the International Federation of Chemical, Energy, Mine and General Workers' Union-ICEM* highlighted the recent adoption by the 96th Session of the International Labour Conference of the concept of the “sustainable enterprise”, reflecting a triple bottom line approach. He emphasised the role of already existing global, sector-based Framework Agreements between employer and trade union groups and also pointed to a plethora of existing international agreements connected to the UNEP, ILO, WHO and other bodies. He called for improved training of workers to help build safer production and human capital at the workplace, a point that was supported by other participants.

Session 5 examined “New climate and energy - business perspectives and company experiences from the region”. Discussion included a focus on responses by regional companies to deliver climate strategies and new trends in renewable energy in Latin America. As a general issue, concern was expressed at the low level of awareness of environmental issues among business in the region. Economic considerations remained dominant. Nonetheless, argued *Dante Pesce of VINCULAR in Chile*, there were clear signals coming from investors and cost-benefit analysis that indicated awareness of eco-efficiency

benefits and rising concerns on the part of consumers and investors overseas. The drivers of globalization and competition made it inevitable that sustainable development themes would only increase in importance. To succeed, Latin American business would have to respond appropriately. The strong push for standards - for example the ISO 26000 Standard - was driven with export markets in mind. This was especially relevant to capital intensive and export industries. Participants also noted that there was increasing pressure coming through supply chains. Developed world companies and investors were insisting on standards that often exceeded legal requirements. A key challenge was how to implement these. There was a twin need to better 'scale up' local standards and also 'scale down' to bring these to SMEs. *Sergio Almeida of Eletrobras* mentioned that his company had been gathering data on climate change-related issues since 1992. The *Alternative Energy Source Incentive Programme* had been developed to cope with the expected increase in energy demand. *Laura Tetti of the Union of Sugar Cane Industry of Sao Paulo* reminded participants of the history of sugar cane industry in Brazil. Since Kyoto, she argued, public policies had generally failed to deliver the scale of emission reductions necessary at the global level. By contrast, Brazil had demonstrated the capacity to neutralize its greenhouse gas emissions by planting, harvesting, production, and transport using the bio-fuels. By 2010, Brazil expected to increase production of ethanol by 7 billion litres (based on plantations and facilities already in place). This was equal reduction 49 billion tonnes of carbon. the wider use of pipelines for ethanol distribution was under examination. The energy mix in Brazil also made an important contribution to reduced and avoided emissions. Contrary to speculation about of export potential, she believed that up to 2010 efforts would concentrate on supplying internal markets. *Roberto Smeraldi of Friends of the Earth* argued that the challenge was not so much about production, but improving and rationalizing the use of energy. In substituting or adding new production, clear base lines were essential. The indirect impacts (e.g. socio-economic) had to be considered as well.

Session 6 provided a regional perspective on "New chemistry and social responsibility - business perspectives and companies experiences". Items addressed included responsible investment, product stewardship, employee capacity, and customer and community relations to implement the Responsible Care Global Charter. *Christopher Wells* of ABN-AMRO Brazil underlined the need to address environmental risk and integrating environmental, social and corporate governance issues in investment decision-making. Investors were increasingly demanding more information about sustainable development performance, and accountability for losses due to irresponsible management and related environmental damage. *Marcelo Kós Silveira Campos of ABIQUIM* spoke on the importance of social awareness among consumers on where chemicals featured in their lives and the need for improved knowledge of the product. His industry understood the importance of demonstrating leadership and responsibility by going beyond minimum regulated standards. This was endorsed by *Carlos Simon of Oxiquim*, who underlined that the Chilean economy was export oriented and needed to comply with international standards. At the company level, this required awareness of the value of a Responsible Care ethic and the importance of values such as public trust and confidence. Programmes of working with local communities around plants were very important, since the local community had both the role of consumers and partners to help signal warnings and mitigate risk. He confirmed that SMEs needed help from business associations to understand international standards and norms. Linking to this point, *Luiz Ramalho of the German InWEnt - Capacity Building International*, mentioned the demand for standards such as ISO 26000, and described work by his firm in developing instruments for training, mediation and dialogue with local communities. *Frank Guggenheim of Greenpeace* felt that many companies lacked a vision of environmental issues as presenting opportunities. He spoke of the value of clear and formal rules based in law, as opposed to vague voluntary commitments. Targets and timetables were essential in creating markets and changing behaviour. Here, voluntary initiatives were no substitute in Greenpeace's view. As part of its work, Greenpeace did

however work with business on technological solutions. It had done this in the 1990s on alternatives to ozone-depleting chemicals, for example, and was doing so currently with the ICT sector on electronic goods not containing persistent organic pollutants.

Session 7 took the form of two sessions with a public-private debate on “New climate, energy and chemicals - public policy, regulation and partnerships”. Participants in the 1st session explored lessons from the chemicals industry on technology support and capacity building, business engagement and challenges and prospects for cooperation through new public-private partnerships addressing responsible chemicals management. An overview of new environmental policies in Uruguay was given by *Mariano Arana, Minister of Housing, Territorial Planning and Environment*, who chaired deliberations in the negotiation of the Strategic Approach to International Chemicals Management (SAICM). *Ricardo Young, President of Instituto Ethos*, spoke on the challenge for the private sector to reinvent itself to respond to the rapidly changing business environment. *Lucien Royer of the Trade Union Advisory Committee to the OECD and International Trade Unions Confederation (ITUC)* cited the importance of trade unions and “workplace agreements” with employers. He highlighted as good example the initiative by the Government of Spain in convening business and labour in a joint body to oversee implementation of commitments under an international agreement, the Kyoto Protocol. The importance of education of employees and youth was also underlined in discussion with questions from the floor.

A second session of panellists discussed climate change, policy recommendations and reflections on Bali negotiations for the post Kyoto 2012 regime, challenges in financing cleaner development, engagement in improved enforcement of standards and policies for Sustainable Consumption and Production (Marrakech Process) as well as the recent UNGC / UNEP / WBCSD business leaders climate statement “Caring for Climate”. *Monique Barbut, Chief Executive Officer of the Global Environment Facility (GEF)* spoke of its role as bridge between the private and the public sector. The GEF, she said, supported technological leapfrogging by developing countries through, among other means, multilateral funding. Governments were challenged to fund innovation and help cover the risk involved. The GEF recently committed US\$100 million for adaptation projects. An Adaptation Fund was being created and would be launched at the UNFCCC Bali conference in December 2007. She underlined the need to replace obsolete technologies and find alternative revenue streams as well as innovative ways of matching public and private funding. The GEF was promoting this through new issue platforms under its public-private sector strategy. *Beatriz Nassur Espinosa, Director-General for Safety, Environment and Health at Petrobras*, outlined actions by her company to advance corporate social responsibility and implement the 10 principles of the UN Global Compact. The company had been an active participant in this UN initiative over the last six years and remained ready to discuss climate related dilemmas business faces with other participants in the initiative. *Monga Mehlwana of the Council for Scientific and Industrial Research (CSIR)* in South Africa highlighted challenges in addressing questions of additionality, business as usual as well as community protest, and in dealing with indirect costs & benefits when implementing Cleaner Development Mechanism projects. National climate change policy and implementation of Kyoto requirements in his country was discussed on an ongoing basis by a multi-stakeholder National Climate Change Committee, convened by Government.

In concluding *Business and Industry Global Dialogue '07*, Paul Hohnen, in his role as overall moderator, pointed to some of the key themes that he had taken from the meeting. As he saw it, speakers and other participants shared common ground that the international community (business, governments, civil society) needed to do more on the following fronts:

- To use existing organisations and initiatives (e.g. SAICM, UNEP collaborating centres, UN Global Compact Local Networks, the GRI, ILO and ISO). Wherever possible, however, there was a need to look for ways of finding greater coherence between these approaches (i.e. to lower the transaction costs of implementation, to increase their effectiveness, and to stimulate wider uptake);
- To encourage expanded use of the convening power of Governments (to do the above and forge new partnerships);
- To deepen and broaden multi-stakeholder approaches, especially on a sectoral (e.g. energy, building and construction) and regional (e.g. Latin America) basis. Public Private Partnerships (PPPs) were considered to hold potential that had not been fully tapped.
- To increase attention given to the challenges facing developing countries and their specific interests and situations. This included SMEs, where greater effort was required to build awareness, capacity and appropriate implementation tools.
- In the context of developing sectoral approaches, there was a need for greater profiling and sharing best practices. Here, one idea was to adopt 'twinning' or 'buddy' approaches, involving big and small enterprises, for example.

In her closing remarks, *UNEP DTIE Director Sylvie Lemmet* also offered an overview impression of the meetings. Discussion on climate, maybe not surprisingly she said, had included a number of calls for mandatory regulation. It also showed the centrality of improved measuring, monitoring and reporting of greenhouse gas emissions, and the role of auditing in identifying sometimes unexpected areas for improving energy efficiency. It was clear that demand-side innovations and 'low hanging fruit' in the area of energy efficiency still remained under-explored and exploited. The meeting had also heard that the Kyoto instruments were triggering greater interest in emissions trading in emerging market economies. Countries such as Brazil were discovering new export market opportunities, not only for technology but also importantly - for advisory services, expertise and know-how. Discussion had also reminded everyone of the dilemma many countries faced in moving beyond the fossil fuels economy to greater use of renewable energy sources.

Discussion on responsible chemicals management had shown a strong awareness of collective responsibility upstream and downstream in the supply chain. This was driven by considerations such as reputation, new regulation and possible liabilities, but also by new market opportunities and better relations with more loyal consumers. The discussion had also shown a desire for regional approaches, such as having a regional SAICM. Reflection on new regulations such as the REACH Directive in Europe showed the challenge of legislative reform in many countries and the reality of dispersed and fragmented legislation. Finally, participants had been reminded of the importance of a corporate responsibility strategy in helping a company build its human capital, improve internal employee relations and engagement. However not only employees needed support and training. Discussion on mercury and light bulbs had pointed to the need for guidance for consumers on use and safe disposal.

Ms. Lemmet concluded by highlighting references to the need for closer cross-sectoral collaboration. This was evident in discussion on what could be accomplished in the area of building and construction, which required joint planning and cooperation across different industry sectors. UNEP saw this at first hand with its Sustainable Buildings & Construction Initiative, which was engaging companies from a variety of sectors. In the area of infrastructure, the challenge of integrated transport systems and intermodality was noted in consideration of different transport and distribution systems (for example distribution of ethanol by road, rail or pipelines). Climate friendly investment was also requiring improved understanding of how different sectors interrelate. Also on the topic of integration, contributions from labour delegates showed a strong awareness of the need for addressing employee issues with a broader social and sustainable development perspective.

Thanking again UNEP's co-hosts and partners, she then declared the meeting closed.