

## Chapter 14

# Voluntary Emissions Reduction: Are We Making Progress?

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### ABSTRACT

*While binding regulations on greenhouse gas (GHG) emissions have yet to be introduced outside of a limited number of high-emitting sectors in the EU, several organizations have set up voluntary GHG programs that promote firm-level inventories and/or emission reductions. Many argue that these programs are not forceful or rigorous enough to result in real emissions reductions and may simply encourage “greenwashing.” In 2007, the United Nations Global Compact initiated the voluntary Caring for Climate (C4C) platform for businesses wishing to demonstrate climate leadership. To assess how voluntary emissions reduction programs have performed, this study examines the progress that C4C signatories have made. The results show widely dispersed GHG quantities and a range of reduction plans. Due to the lack of uniform, comparable data, the authors call for standardized, clearly defined carbon accounting guidelines as the first step towards effective corporate GHG management.*

### INTRODUCTION

Worldwide, 371 companies endorse Caring for Climate (C4C), a business leadership platform started by and operating under the United Nations Global Compact. By pledging support for C4C, these companies have voluntarily pledged to

reduce their greenhouse gas emissions. Business leaders commit to:

*taking practical actions now to increase the efficiency of energy usage and to reduce the carbon burden of [their] products, services and processes, to set voluntary targets for doing so, and to report publicly on the achievement of those targets annually in [their] Communication on*

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*Progress. Building significant capacity within [their] organizations to understand fully the implications of climate change for [their] business and to develop a coherent business strategy for minimizing risks and identifying opportunities. (Caring for Climate, 2007)*

Early-movers in emissions reduction could benefit from a smoother transition into carbon-regulated policy frameworks, significant cost-savings, and develop ways to hedge against volatile fossil fuel prices (Hoffman, 2005). However, the strategic decision to transition a company to a low carbon trajectory can often be extremely challenging to implement. In addition, voluntary initiatives with no clear targets may simply induce companies to join and to benefit from being associated with a climate-friendly movement, without actually taking concrete actions towards reducing greenhouse gas emissions (GHGs).

This chapter provides a qualitative and quantitative analysis of progress towards emissions reduction for the 255 Large companies (out of 371 Small, Medium and Large companies) that signed C4C. The Small and Medium-sized companies that have signed Caring for Climate are not included in this study. Graduate students at Yale University conducted this research with the aim of understanding whether voluntary GHG disclosure programs such as C4C and the Carbon Disclosure Project (CDP) are effective. The CDP is a non-profit organization that requests greenhouse gas emissions disclosure data from major corporations throughout the world (Carbon Disclosure Project, 2010). Reporting formats for CDP are far more amenable to systematic collection of data, therefore most of the information in this study is from the C4C signatories that also participate in CDP.

Signatories to C4C agree to submit annual "Communications on Progress" that are made available to the public on the UNGC website (Caring for Climate, 2010). Based on a review of these submissions, a wide range of firm-behavior is observed. For example, 16% of C4C signatories

have disclosed emissions in a comprehensive way, identifying both emission reduction strategies and intensity targets. 28% of firms report achieving reductions in emission intensities, 37% report some form of absolute emission levels. However, 57% of firms have demonstrated little progress, either by submitting reports do not offer insight into the firm's emissions and plans for abatement, or by failing to submit any information at all.

As the environmental community pushes for global and regional regulations on greenhouse gas emissions, the question that is too often missing from the conversation is how successful will companies be at revamping their operations, and what types of guidance do they need, in order to meet potential regulatory obligations. The complex and ever-changing structures of most global corporations make it very challenging to both accurately count current emissions and predict the time, effort and capital expenditure necessary to meet future emissions reduction goals. In addition, until recently, almost all companies lacked access to experts who knew how to properly set targets, update business models and re-engineer manufacturing processes to meet stated emissions reduction targets.

Beyond these challenges, many companies that have committed to reducing their emissions have not received clear, uniform guidelines on how best to tackle this challenge. There are a range of programs that ask companies to report on their emissions, however each program has its own unique set of questions and framework for reporting, making it hard for companies to economize by applying lessons or frameworks from one reporting scheme to another. Too often these programs do not explicitly define how companies should draw a system boundary to avoid double counting while ensuring all emissions they are responsible for are being captured (Pew Center, 2004).

It is unclear whether companies currently have the capacity to succeed in emissions reduction programs. However, companies desperately want

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