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"Green Fluff"? The Role Of Corporate Sustainability Initiatives In Effective Climate Policy

By: **Gregg Marland, Tammy Kowalczyk,** and **Todd Cherry**

Abstract

Schendler and Trexler express concern that a small number of corporations cannot solve the global change problem, and neither can a small number of countries. We do not disagree, but meaningful progress does not need a fully comprehensive approach. For instance, just twenty countries contributed 76% of the 2010 global total CO2 emissions from fossil fuels and cement, and Heede (2014) reports that 63% of cumulative emissions of industrial CO2 and methane can be traced back to only 90 corporate or state owned entities that mine the coal, pump the oil, and produce the cement.

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"Green Fluff"? The Role of Corporate Sustainability Initiatives in Effective Climate Policy

Comment on "Science-Based Carbon Targets for the Corporate World: The Ultimate Sustainability Commitment, or a Costly Distraction?"

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The commentary by Schendler and Trexler (2015) strikes us as an intriguing paradox. Schendler and Trexler see responses to the threat of global climate change beginning to move forward in the corporate world, but they fear these corporate initiatives will be a distraction from what is ultimately required. They emphasize the need for "greater government intervention." An earlier text by Schendler and Toffel (2013) notes, and we agree, that "we're failing to deal with the problem at anywhere near sufficient scale." But we feel that the article by Schendler and Trexler does not adequately acknowledge the importance of these corporate efforts as elements of initiation and leadership. Schendler and Trexler express the impatience that many of us feel regarding the continued failure of political progress at the national and international levels. But they do not embrace the thoughts attributed to the sixth century B.C. Chinese philosopher Lao Tzu: "A journey of a thousand miles begins with a single step." They fail to acknowledge that, in democratic governments, there is the need for grass-roots support in order to develop and implement effective policy. Rather than distractions, individual and corporate efforts are generally necessary prerequisites for implementation of and receptiveness to government action.

Schendler and Trexler express concern that a small number of corporations cannot solve the global change problem, and neither can a small number of countries. We do not disagree, but meaningful progress does not need a fully comprehensive approach. For instance, just twenty countries contributed 76% of the 2010 global total CO_2 emissions from fossil fuels and cement, and Heede (2014) reports that 63% of cumulative emissions of industrial CO_2 and methane can be traced back to only 90 corporate or state owned entities that mine the coal, pump the oil, and produce the cement.

We agree that society is not dealing with climate change at anything approaching the needed scale and that, ultimately, a meaningful government and international response to climate change is required. The challenge is finding the way forward to achieve this outcome. In a first-best scenario, the global community would simply negotiate an effective international climate agreement. For more than 35 years, individual countries have collaborated to pursue this first-best scenario, starting with the first World Climate Conference in 1979 and continuing with the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. But this "top-down" approach has yielded little success and even less hope, with global carbon dioxide (CO_2) emissions increasing by more than 50% since adoption of the UNFCCC in 1992. While countries agree on the need for an international agreement, "there is disagreement on almost every aspect of the climate change problem. Countries approach the problem in different stages of development and from different development paths, and thus with different perspectives" (Cherry et al. 2014, 23).

This reality has caused experts to consider alternative paths to addressing climate change, including so-called bottom-up and hybrid approaches. These alternative approaches often require the action of individual segments of society to facilitate a dynamic evolution that moves us toward a more comprehensive solution. This dynamic includes motivating social and political will through fragmented government and nongovernment actions. Initiatives at different levels can provide ways forward by, for example, revealing effective collaborative institutions or driving down costs of related technologies. They can identify ways to motivate action that can save both money and environmental impact, and they carry the dialogue and enlarge the grass-roots support for larger-scale actions. As Elinor Ostrom, Nobel Laureate in Economics, wrote (Ostrom, 2009, abstract): "Efforts to reduce global greenhouse gas emissions are a classic collective action problem that is best addressed at multiple scales and levels." Of course, actions by individual corporations cannot mitigate climate change alone, but they can improve the chances for meaningful actions by individual countries and the international community.

We believe that Schendler and Trexler too easily dismiss the role that the private sector can have in advancing climate-change mitigation. Policy is often viewed as an exogenous act of government, but policies emerge from a social and political process that is driven, in part, by public opinions and business interests. As such, the growing voluntary efforts and programs from households and business should be considered a positive development, rather than a distraction. It helps that responsible leaders in the corporate world are increasingly recognizing the risks associated with climate change and are taking self-directed actions to mitigate their contributions and adapt their operations. It helps that voluntary corporate sustainability reporting has become more mainstream in the last 10 years and is becoming more standardized. The trends point to more and more corporations adopting climate-friendly policies and activities, which can be a positive force for the demand and implementation of climate policy.

As with other voluntary efforts and programs, climate-related performance metrics open minds, build capacity, and encourage decision makers at all levels to be more aware and prepared and therefore less resistant to policy. By disclosing sustainability performance metrics, businesses are not only committing to "manage what they measure," but they are also validating the issue to stakeholders that can reward or penalize sustainability activities by consumer or investor choices. Of course, this is just a start. Elinor Ostrom (2009, abstract and p. 39) pressed the need for "experimental methods at multiple levels," "development of methods for assessing the benefits and costs of particular strategies," "building such a commitment and trust that others are also taking responsibility," and of "units that are linked through information networks and monitoring at all levels." Climate change requires government action domestically and internationally, but we must recognize that government action is not exogenous—it can be motivated by the expanding climate-friendly actions in the corporate world.

Schendler and Trexler express concern that a small number of corporations cannot solve the global change problem, and neither can a small number of countries. We do not disagree, but meaningful progress does not need a fully comprehensive approach. For instance, just 20 countries contributed 76% of the 2010 global total CO_2 emissions from fossil fuels and cement, and Heede (2014) reports that 63% of cumulative emissions of industrial CO_2 and methane can be traced back to only 90 corporate- or state-owned entities that mine the coal, pump the oil, and produce the cement. While a broad climate agreement is needed, it can tolerate a few "free riders" if the major players accept responsibility. And the expanding numbers of individual corporations that are taking responsibilities is a positive step toward a broader collective action. Robert Shiller, another economics Nobel Laureate, writes in *The New York Times* (27 March 2015) of the possibility of improving "the moral atmosphere enough to surmount the free-rider problem," but he also suggests that: "To combat global warming, social movements aren't enough. We also need a concrete framework on a global scale."

What then do we ultimately need from governments? As a minimum, we need a framework that includes meaningful commitments, binding institutional rules, complete and accurate accounting, and effective monitoring and enforcement schemes. We need a system that recognizes responsibility, motivates action, and builds trust. And to this end, we need grass-roots support and actions to advance the process of developing this system. And what do we ultimately need from business? We need the same transformative creativity and innovation that fueled the industrial revolution to spawn a green energy revolution. We need collaborations that enable our society to live sustainably with products that are not only made sustainably, but that can also be used and disposed of sustainably. We need the private sector to identify efficient paths of satisfying commitments and effective operations that exist within domestic and international institutions. Carl Salk and colleagues (2013) point to the roles of both government and business by arguing for a flexible agreement that allows parties to acknowledge their obligations, but deal with them in ways responsive to their physical, social, and political conditions; but with a globally consistent carbon accounting framework, so we can understand obligations, evaluate efforts, and build trust.

We disagree with Schendler and Trexler's claim that "much of what companies classify as 'sustainability' is, at best, green fluff . . . " (Schendler and Trexler 2015).The status of a company's carbon footprint is not a measure of overall sustainability; but it is one measure of environmental stewardship. Companies are disclosing far more than climate impacts in sustainability reports about management of natural and human resources. Granted, some information needs verification, some may be over- or understated, and some may be omitted if deemed immaterial. However, achievement of goals is best accomplished by benchmarking, setting targets, taking steps to reach those targets, and improving procedures to reach more ambitious goals. To discount the willingness to voluntarily disclose corporate sustainability performance and undertake mitigation activities as meaningless is not productive. We applaud Schendler and Trexler's call for action and share their frustration in the lack of action. But rather than "take us backward in our effort to address climate change," corporate initiatives can provide fuel to a process that, to date, has lacked the momentum to realize a meaningful response to climate change. Corporate initiatives provide a much needed positive influence on a process that, to date, has been ineffective.

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