Climate Change and CSR: Can Voluntarism Pay?

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Can Voluntarism Pay?

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Executive Summary

1. Climate Change is undoubtedly **the** major environmental and social challenge of our generation. Real climatic changes are evident with the late years being the hottest on record, extended fires and a proved rise in sea level.
2. Until now, global deliberation efforts have failed to change humanity's direction and reduce GHG emissions.
3. Climate change (also called 'global warming') is incorrectly assumed to involve a unidirectional change from cold to warm temperatures, while the true environmental ramifications of these changes have been revealed as leading to climate imbalance and thus should be properly referred to as “climate unrest.”
4. Corporate social responsibility (CSR) is an evolving and dynamic framework that aims at aligning normative public expectations with the conduct of the business sector.
5. CSR is not just a marketing tool. It is a fundamental 'beyond compliance' issue, as responsibility is associated with voluntarism.
6. Climate change entails not only negative social and environmental risks, but also considerable financial opportunities for certain business sectors. Risk avoidance and taking opportunities are the major motivational factors for engaging businesses, and can be framed as **adaptation**.
7. Environmental NGOs are setting high expectations for the business sector to reduce its GHG emissions and take responsibility for its contribution to climate unrest.
8. If climate change remains a CSR issue only, the necessary fundamental changes in conduct will not take place.
9. Local mandatory GHG mitigation frameworks are necessary to harness the business sector into action and commitment simply because corporations are legal entities subject to local laws and thus obligated to operate under regulatory constraints.
10. The time to act is **now**!

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Acknowledgments

The idea for this position paper was formulated during a seminar organized jointly by the Konard-Adenauer-Stiftung (KAS) in Israel and the Corporate Social Responsibility Institute (CSRI), which operates in the College of Law and Business (CLB).

The seminar was held in June 2014 under the title 'Climate Change & CSR – Between Growing Public Expectations and a Lack of Global Response' and hosted key speakers from the governmental, business, and nongovernmental sectors in Germany and Israel. During the seminar, the complex relations between two major topics, corporate social responsibility (CSR) and climate change, were examined. This position paper aims to thematically organize the link between the two, and to facilitate further discussion and research.

I would like to personally thank all the parties who made this important publication possible. My sincere gratitude goes to Evelyn Gaiser and Daliah Marhoefer from KAS Israel and to Dr. Ofer Sitbon, Manager of CSRI. I would also like to thank all contributors to this paper, firstly Yuval Neuman who assisted in collecting the contributions and wrote the section on the Israeli Voluntary Carbon Trade Scheme and Dr. Gil Proactor, from the Israeli Ministry of Environmental Protection.

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Liad Ortar
Tel Aviv
2014

"Climate Change is the defining issue of our times."[2] *UN Secretary General Ban Ki Moon (November 2014)*

1. An Introduction to Climate Change

Until recently, the notion that the increasing presence of greenhouse gases in the atmosphere was the main reason for climatic unrest was received in a skeptical manner. This skepticism was brought to an end in 2013 and 2014, when the Intergovernmental Panel on Climate Change (IPCC) issued its reports, which stated clearly that human activities are responsible for climate change, and suggested that if drastic measures were not taken soon, a serious threat to our existence would continue to unfold.

On September 27, 2013, the IPCC published its fifth Assessment Report, which states, "Human influence on the climate system is clear."[3] The report also concludes that climate system warming is indisputable and that unprecedented changes have been observed since 1950. In each of the last three decades, the Earth's surface has been successively warmer than in any preceding decade since 1850. As for the future, the report projects that the global surface temperature change for the end of the twenty-first century is likely to be higher by 1.5°C to 2°C relative to the period from 1850 to 1900. Furthermore, heat waves are very likely to occur more frequently and to last longer. As the earth warms and extreme weather events become more common, we expect to see currently wet regions receiving more rainfall, and dry regions receiving less.

In light of these alarming developments, two complementary patterns of action are necessary: **adaptation** to climate change and **mitigation** of the greenhouse effect. Keeping this in mind, we should consider a third action category – business-driven climate change mitigation and climate change adaptation.

[2] Quoted in theguardian.com, Sunday, 16 November 2014– Link
[3] IPCC Climate Change Website - http://www.ipClimate Change.ch/index.htm#.Um0F0vmGqvU

Climate change mitigation aims to diminish GHG emissions in order to "reduce the rate and magnitude of change" (IPCC 2007a). **Climate change adaptation** refers to "adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities" (IPCC, 2007a). Mitigation efforts have long-term benefits and thus are promoted by governments and global institutions, including UN bodies. On the other hand, adaptation efforts often have short-term benefits for businesses regarding the expected (and unexpected) risks of climate change. This approach is referred to as risk management, and specifically climate risk management. As the effects of climate change become more immediate and apparent, the incentive to prepare for potential impacts increases and may even present new business opportunities.

In September 2014, the United Nations Climate Change Panel warned that at current rates, the world risks exhausting its 'carbon budget' (the amount of carbon dioxide it can emit without going into the danger zone above 2°C warming) within 30 years. Based on current increased consumption rates, our carbon budget would be wasted on the present generation, thus disregarding the need of future generations to enjoy the same conditions that we have. The current consumption path goes against the prime principle of the 1987 Brundtland Report that states that "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[4]

2. Failing Global Governance

In November 2014, a meeting of the world's 20 leading countries (the G20) was held in Brisbane, Australia. During this summit, US President Barack Obama pledged a considerable contribution of $3 billion to the Green Climate Fund,[5] which aims to help developing nations cope with the effects of global warming. A historic memorandum of understanding was signed at the summit between the US and China, pledging a commitment to reduce their greenhouse gas (GHG) emissions.

[4] For the full '**Our Common Future**' Report see - http://www.un-documents.net/our-common-future.pdf
[5] http://news.gcfund.org/

Chinese President Xi Jingping promised to increase his country's use of zero-emission energy sources to 20 percent by 2030. The US pledged to cut its emissions to 26 to 28 percent below 2005 levels by 2025. Although they will only take effect a decade from now, these are the most convincing commitments to date made by the world's two largest contributors to global GHG emissions. While these important steps are about to be taken, the body of evidence regarding the harsh ramifications that climate change may have on our everyday lives and our planet continues to grow.

In contrast to the G20 summit, the most recent UN conferences on climate change (COP20 in Lima and COP19 in Warsaw) have been unsuccessful in terms of producing a binding global GHG reduction scheme. The lack of global governance on climate change has led mainly to sporadic and uneven efforts by national governments to reduce their emissions. In the case of Israel, the government has even cancelled a national plan to reduce GHG emissions, contrary to its public commitment at the 2009 Copenhagen Summit. Germany, while phasing out nuclear energy and expanding the use of renewable energy, has recently seen a – hopefully temporarily - rise in its use of brown coal for energy production and as a result will experience an increase in its greenhouse gas emissions.

Today, the main financial instrument with which the UN attempts to tackle the huge challenge of climate change is the Green Climate Fund.[6] A recent UNEP report, *The Adaptation Gap Report* (UNEP, 2014),[7] estimates that the current fundraising goal of $100 billion by 2020 might cover only a third of the actual adaptation cost that climate change will impose on developing countries. This report argues that adaptation costs could climb to $150 billion by 2025/2030 and $250–500 billion annually by 2050, even based on the assumption that emissions are cut to keep temperature rises under 2°C above pre-industrial levels, as governments have previously agreed.

[6] Green Climate Fund Website - http://news.gcfund.org/
[7] UNEP, 2014 - http://www.unep.org/climatechange/adaptation/gapreport2014/portals/50270/pdf/AGR_FULL_REPORT.pdf

3. On the Way to Paris 2015: German Climate Policy in the International Context

Franziska Fabritius

Ambitious goals and innovative ideas for protecting the climate have been recommended worldwide. For a long time, Germany has been known as a pioneer in the field of climate protection. The German government fought passionately during the international negotiation process, during which they tried to convince countries, including the US and China, to adopt German climate policy. Since 2007, when Chancellor Angela Merkel was named 'Climate Chancellor' in the G8 negotiations, Germany increasingly embraced this role at the international level.

Germany's national goals remain ambitious. Germany applauds the IPCC report statements. The new IPCC report was published in 2014 and orientates its national climate policy based on scientific knowledge. German national climate policy will guarantee that the two degrees Celsius limit (maximum global rise in temperature) is not exceeded. At the same time, it ensures that we will be prepared for the impacts of climate change, which are no longer avoidable. In the context of development policy, one of Germany's major interests for example is the water sector. The construction of dikes and flood control basins as flood protection has a high priority in different projects with several partner countries. Also, the construction of fountains, water pipelines and desalination plants to ensure the water supply can be named in this context. On the same basis, the German government confirmed the long-term goal of reducing CO_2 emissions by 80–95 percent by 2050 in comparison to 1990. As a short-term goal, Germany aims to reduce CO_2 emissions by at least 40 percent by 2020 to bring them to 1990 levels.

The main challenge is to close the existing gap of five to eight percent between the desired reduction target and the predicted actual reduction values for 2020, which will show a 33 percent decrease. The German Minister of the Environment, Dr. Barbara Hendricks, announced that Germany will intensify its effort to protect the climate and reach its ambitious targets. She mentioned the new "**Action Plan Climate Protection 2020**", which was approved

by the German parliament in December 2014, as an instrument for achieving this goal. This action plan includes the main goals and the procedures necessary for reaching the targets of German climate policy.

In Germany, the development of renewable energy along with the expansion of energy efficiency raised high expectations. Through its large-scale "energy transition" project and by avoiding the use of fossil fuels and nuclear energy, Germany is working towards energy independence. Through this energy transition, Germany is expected to reach its carbon reduction targets, yet the increasing use of coal as a cheap and available energy source in order to ensure a consistent energy supply in changing times has negative impacts on the CO_2-reduction targets. One of the biggest challenges of the energy transition is the complex and high organization of the pipeline system to bring together the place of energy production and energy consumption. Also, the question of storage capacity in case of renewable energy still needs to be answered. Until these challenges aren't managed, we are depending on the use of coal as a transition energy source. Therefore, additional actions are needed. If this energy transition project proves to be successful, it could pave the way for similar projects in other countries. The German government is planning to meet an 18 percent renewable energy target out of the total energy supply in 2020.

German climate policy is always linked to international and European agreements. In October 2014, the European Union set climate and energy targets for 2020 until 2030, following the "20-20-20-goals." The targets include a 40 percent reduction of CO_2 emissions, a 27 percent increase in renewable energy, and a 27 percent increase in energy efficiency compared to 1990 levels. Although Europe was known as an advocate of environmental protection, it experienced a period of disunity when it did not meet the expected targets.

In conclusion, Germany is committed to establish a progressive environmental and climate policy in order to prepare for and prevent the negative impacts of climate change. Germany has developed a range of environmental and energy techniques and technical innovations, such as those in the energy transition project. The government has also received strong public support for its national climate policy.

4. Corporate Social Responsibility (CSR): A Short Conceptual Overview

Although it is academically accepted that the term CSR first emerged in public discourse during the 1950s (Carroll, 1999), we can trace the early origins of social expectations from the business sector to as early as 1916, when Prof. J. M. Clark emphasized the importance of transparency in business dealings. Clark states that "if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not" (Clark, 1916).

In the early 1930s, Prof. Theodore Kreps introduced the subject of business and social welfare at Stanford University and used the term 'social audit' for the first time, referring to companies reporting their social responsibilities.[8] In 1942, Peter Drucker published a book titled ***The Future of Industrial Man,*** in which he argued that companies have social responsibilities that are primarily addressed by company accountability and the preservation of freedom, in addition to their economic responsibilities.

One of the first milestone publications about CSR was Howard Bowen's landmark book ***Social Responsibilities of the Businessman*** (Bowen, 1953). In it, Bowen explains that businessmen are obligated to "pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." (Ibid, p. 5). Bowen's statement makes it clear that CSR as we know it today goes beyond the general issue of 'responsibility,' and is indeed an obligation that supports societal objectives and values.

Today, almost 100 years after the birth of the term, CSR is becoming a recognized and researched academic field. It includes topics such as corporate governance, employee/employer relations, customer relations, environmental management, philanthropy, community involvement, and more (Deutsche Bank Group, 2012, p. 25). CSR refers to the relationships and obligations that exist between business organizations and their stakeholders, including NGOs, local communities, the environment, and future generations.

[8] From: the Internet site of the Stanford Graduate School of Business, Prof. Krep's class, *Business Activity and Public Welfare*. Accessed on August, 13, 2015, http://www.gsb.stanford.edu/about/history/timeline/faculty_kreps.html

The European Union (EU) states that CSR is "[t]he responsibility of enterprises for their impacts on society" and claims that in order to fully meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights, and consumer concerns into their business operations and core strategy are in close collaboration with their stakeholders."[9] It is also widely accepted that CSR is a set of actions embraced by the business sector on a voluntary basis, e.g., in the realm 'beyond compliance.'

It is possible to trace this conceptual linkage between responsibility and voluntarism to Aristotle, who held that voluntary actions were the only ones for which a person could be praised or blamed. This claim is the justification for viewing Aristotle's account of voluntary actions as responsibility. He characterized a voluntary act as "that of which the moving principle is in the agent himself, he being aware of the particular circumstances of the action." In contrast to involuntary acts, characterized as those "which take place under compulsion or owing to ignorance … an act is done under compulsion when the cause is external to the agent, so that he contributes nothing to it" (Glover, 1970, p. 4).

5. Climate Change and CSR: Making the Connection

Any activity undertaken by any business entity (as by any human flesh-and-blood entity) is either a voluntary action or a mandatory one. In line with the traditional understanding of CSR as a voluntary act, any action taken by a corporation to fulfil its legal requirements should not be considered a CSR activity, but rather should be seen as acting in compliance with the law. In turn, when a country's regulatory system does not operate effectively (e.g., does not create effective deterrence for potential offenders), the interpretation might be that any act carried out (even though the chances of being caught and punished are slim) is voluntary by nature and thus can be considered part of CSR.

In theory, the main reason why businesses are motivated to adopt voluntary practice has to do with the issue of trust and maintaining a 'social license' to operate. This theoretical

[9] European Policy on CSR: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm

framework strengthens the concept that obeying the required laws is required for business operations, but not sufficient. Above all, businesses need to cultivate general social acceptance for their goods and services, since this acceptance is the precondition for success. This concept will be further developed in the following sections.

It is well known that the global regulatory framework for tackling climate change is very weak and perceived as lacking authority. The participants are also subject to never-ending global deliberations on developing a future climate scheme to replace the Kyoto Protocol. De facto, only a small number of countries have implemented a national plan that complies with international standards for GHG emissions reductions. Yet, many countries have adopted a general framework for measuring and reporting GHG improvements and commitments.

For example, in 2008, China created the Department of Climate Change of the National Development and Reform Commission (NDRC). In 2011, the NDRC issued 'The 12th Five-Year Program of Work to Control GHG Emissions,' which instructed local governments to set reduction targets to reduce GHG emissions by 17 percent below 2010 levels by 2015; establish a GHG emissions accounting system to gradually form a carbon trading market; and form a group of low-carbon provinces and cities to serve as examples for future climate change policies. In addition, the NDRC issues an annual white paper on climate change policy to review existing policies and set new goals.

There are two examples of local climate change policies, one in China, the other in the US. Beijing's Development and Reform Commission requires corporations that consume more than 2,000 tons of standard coal per year to report their annual carbon emissions. It also requires a third-party review of the report. Beijing was also selected as a test city for carbon trading. By the end of 2013, 490 Beijing corporations or units with annual emissions of more than 1,000 tons of CO_2e were included in the trading system. The next step is to include corporations and companies with lower emissions levels. In the United States, we can clearly see how states are implementing their own action plans and regulatory frameworks (Rabe, 2002). California’s Global Warming Solutions Act caps the state’s emissions at 1990 levels by 2020. The cap will decrease by two percent each year through 2015 and by three percent from

2015 through 2020. This act includes a mandatory emissions reporting system to monitor compliance. It also allows for a trading system in order to provide an incentive for businesses to reduce emissions. California's cap and trade program will be linked to programs in Ontario, British Columbia, Manitoba, and Quebec, and to the Western Climate Initiative.[10] As described, it seems that currently the only realm in which climate change exists for the business sector is the realm of voluntary actions such as CSR.

Scholarly literature is only beginning to thematically connect CSR to climate change. While this paper is not an academic literature review, it is important to mention two substantial contributions to this field. Rosen-Zvi (Rosen-Zvi, 2011) conducted an analysis of 76 sustainability reports from leading corporations that were published between 2008 and 2009. Rosen-Zvi's research raised the question of whether voluntary codes of conduct can be useful for addressing climate change. His conclusion was that the codes are "*too soft*" (Ibid.) and are a weak regulatory tool. These codes do, however, have some weight in motivating the business sector to establish climate change commitments. Toms (2012) examined the global economic environment and concluded that CSR is an unlikely solution to the crisis of climate change. This is because the basic equation of economic life is increasing the global population and thus increasing consumption. As long as this paradigm exists, business will always choose short-term approaches over long-term ones.

6. CSR Reporting as a Cornerstone for Climate Change Engagement

Transparency has become a keystone of the architecture of CSR. It is widely expected that corporations will embrace CSR by making a public commitment and communicating their ESG (Environmental, Social, and Governance) performances and challenges. A statement in Gazdar's *Reporting Nonfinancials* noted that "[n]onfinancials are the overheads of the 21st century" (Gazdar, 200, p. 19). The World Business Council for Sustainable Development (WBCSD) defines sustainability reports as "public reports by companies to provide internal and external stakeholders with a picture of the corporate position and activities on economic, environmental, and social dimensions" (WBCSD, 2002). This explanation is only one of many

[10] http://www.wci-inc.org/

interpretations given by the various sustainability reporting players. Other titles for such documents include 'Corporate Social Responsibility (CSR) Report,' 'Social & Environmental Report', and 'Corporate Citizenship Report.' In June 2012, in Rio De-Janeiro, Brazil[11] the Rio +20 conference summary declaration stated clearly: "We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle."[12]

Today, non-financial reporting and transparency are the pillars of any CSR strategy, but this was not the case in early CSR perspectives. These pillars were added from the 1980s onwards. Only after environmental, social and governance issues gained popularity were international initiatives established. Their purpose was to provide corporations with the necessary guidelines and principles on how to implement CSR and how to communicate their achievements and influences. Undoubtedly, carbon disclosure is a very important topic among the many social and environmental topics covered in the various sustainability reporting guidelines.

There are many reporting tools that a company can use in order to evaluate its environmental influence regarding climate change, e.g., its carbon footprint. The major global guidelines are those of the GHG Protocol,[13] the International Standards Organization[14] (ISO), the Global Reporting Initiative[15] (GRI), and the Carbon Disclosure Project[16] (CDP). In addition, there are regional guidelines, such as the EU Emissions Trading System,[17] which includes a reporting regulation. There are many additional country- and sector-based reporting guidelines that are not covered in this paper. For further reading, see Bebbington, & Larrinaga-Gonzalez (2008) and Kolk, Levy, & Pinkse (2008).

[11] For the full history of UN sustainable development events see http://www.uncsd2012.org/history.html
[12] Rio +20, 'The Future we Want', article 47: http://sustainabledevelopment.un.org/futurewewant.html
[13] http://www.ghgprotocol.org/
[14] http://www.iso.org/iso/catalogue_detail?csnumber=59521
[15] https://www.globalreporting.org/Pages/default.aspx
[16] https://www.cdp.net/en-US/Pages/HomePage.aspx
[17] http://ec.europa.eu/clima/policies/ets/index_en.htm

The ISO recently issued the new International Standard ISO 14067, 'Carbon Footprint of Products – Requirements and Guidelines for Quantification and Communication,' which was developed to increase transparency in quantifying and reporting CO_2 emissions over the entire lifecycle of products and services, from production to recycling or waste disposal. In the new GRI guidelines, the G4, the emissions section (part of the Specific Standard Disclosures) includes several performance indicators that relate to the carbon footprint of the reporter.[18] These are based on the World Resource Institute (WRI) reporting requirements[19] and the WBCSD 'GHG Protocol Corporate Accounting and Reporting Standard' (GHG Protocol). The CDP is a facilitating organization for companies and cities that carry out the calculations and analyses of the data in relation to their business strategies. Other efforts are being considered.

One of the main motivations for non-financial reporting is to facilitate communication between corporations and their stakeholders. The term 'stakeholders' refers to all of the groups and communities that are influenced by the corporation's activities and can influence its success and ongoing operations. We differentiate between the stakeholders and the shareholders, who own a part of the company by holding shares (whether of publicly traded or private companies). For stakeholders, the reporting procedure is well regulated by the Generally Accepted Accounting Standards and related directives. Shareholders have a greater interest in the single bottom line (E.g., the financial performance) of the company and the increasing/decreasing value of their shares.

Stakeholders have an array of interests that is much broader and can include issues such as community health, availability of employment opportunities, gender equality, ethics, influences on the natural environment, and long-term sustainability for the coming generations. Measuring and reporting on these topics is very complex, but the tradition of non-financial reporting had been able to successfully tackle the challenge.

[18] G4 – EN15-21 : https://g4.globalreporting.org/specific-standard-disclosures/environmental/emissions/Pages/default.aspx
[19] http://www.wri.org/

Non-financial reporting emerged for the sake of stakeholders. For this reason, social and environmental performances are in the same context as financial reporting. Climate change may be considered a major environmental concern in non-financial reporting, but who is the stakeholder that can represent that concern fairly? Many climate change documents cite "the next generation" as having a critical stake in climate change measures, but the representatives of that generation have not yet been born and are thus unable to represent their concerns. These silent participants are periodically represented by NGOs, but always through indirect representation that has a relatively low level of importance. In addition, stakeholders' concerns are usually long-term ones, while shareholders' concerns are measured in annual financial performances and always have a clear financial bottom line.

The main question that arises from the reporting guidelines is how can the expectation for transparency be institutionalized without being directly influenced by stakeholders? The new EU directive for sustainability reporting and the worldwide efforts to regulate non-financial reporting provide a partial answer.

Box 1

Israel and Climate Change

Dr. Gil Proactor*

Energy efficiency and GHG emissions reduction are national economic goals due to their importance in promoting national energy independence and environment protection that will positively affect other sectors (industrial entities, public authorities, and so on). A lack of efficiency and effective energy saving will be accompanied by growing energy demands and large investments to supply, for example, fuels and facilities and will increase costs for all sectors.

As a result of its growing energy demands (due to population growth and economic growth), the State of Israel will not be able to achieve its environmental objectives. Therefore the increase in energy consumption should be decoupled and introduced to the Israeli economy as a main goal. This can be attained through energy efficiency, demand management, green energy sources, and investments in renewable resources.

Governmental investments and incentives are more effective than the private sector at promoting energy objectives. The Ministry of Environmental Protection plays a major role through its regulatory inspection. It encourages industry sectors to adopt energy efficiency (emission permits, environmental standards, and economic incentives). Long-term initiatives include: energy surveys, industry guidelines, and targeted apparatuses for local authorities and businesses.

As an OECD member, Israel is expected to sign an ambitious agreement to reduce GHG emissions by 2030. The Ministry of Environmental Protection is working with international environmental experts on an inter-ministerial strategic plan to achieve these goals.

*The Israeli Ministry for Environmental Protection

7. The Israeli Voluntary Carbon Registry

Yuval Neumann

GHG reduction targets are an important goal of the Israeli Ministry of Environmental Protection. Long-term projections of GHG reductions are significant not only ecologically, but also monetarily (increasing efficiency), internationally (OECD membership commitments), and commercially (global competitiveness). Pollutant levels are rising due to increasing electricity demands and oil dependency. In light of this situation, a well-constructed national plan was prepared by the Ministry of Environmental Protection. The national goal was to reduce 20 percent of GHG emissions by 2020 (in comparison to the 'business as usual' forecast). This plan was put on hold until 2016 by the Israeli government as a result of budgetary cuts.

Nevertheless, the Israeli Ministry of Environmental Protection established a voluntary GHG scheme with general principles for ensuring data quality when reporting and registering GHG emissions. This policy tool aims to present the total amount of GHG emissions annually in accordance with global procedures and standards (ISO 14064, 14065, 14066). The Israeli voluntary program has been active since 2010. As of 2013, over 50 industrial entities had joined the program. These entities have made a commitment to map, monitor, and quantify operational emissions rates. The reported data refers to direct and indirect emissions in the production chain or service supply. The voluntary program is based on credible reporting, verification, and reduction of GHG. The reported GHG emissions are calculated, weighted, and translated into carbon dioxide equivalent units (CO2e tons/year). During the implementation of the voluntary reporting program, the number of participants increased. In the first year (2010), 21 industrial entities submitted GHG emissions data. The total amount of direct emissions was reported at 47 million tons of CO2e. In 2012, the number of participants doubled (42) and total direct emissions increased to 54 million tons of CO2e.

Most entities that participated in the GHG voluntary reporting program continued to report their total emissions on an annual basis. In the 2012 fiscal year, nearly half of all entities (12 in number) reported an efficiency increase of an average of 24 percent compared to the first direct emissions reports (2010 or 2011) for the same reported facilities (one percent to 77

percent range). The remaining entities reported an average of 50 percent in improved efficiency rates (one percent to 187 percent range).

Voluntary GHG Governmental Reporting Scheme vs. CSR Reporting

As part of the above-mentioned seminar that initiated this position paper, Mr. Ortar and I conducted a short study on the differences between uptake for the governmental GHG registry and voluntary CSR/sustainability reporting. We found that voluntary reporting and CSR reporting have shown different levels of participation: 43 entities have participated in the voluntary GHG reporting program of the Ministry of Environmental Protection, while only 21 entities (50%) have submitted a CSR report. It is important to note that only ten entities declared their GHG emissions rates as part of their financial reports.

Although the numbers are very small, the distribution of voluntary GHG reports shows a greater commitment to the program on the part of the retail industry and public entities (hospitals, ministry offices, etc) while most of the CSR reports were published by infrastructure companies.

As for carbon footprint comparison, of the total emissions reported in the voluntary program, approximately one fifth was reflected in CSR reports. In 2012, most of the voluntarily reported GHG emissions were contributed by the Israel Electric Corporation; while most of the CSR reported emissions were contributed by industrial companies such as Nesher and Israel Chemicals.

To conclude, the higher uptake rate of the governmental GHG reporting scheme might indicate that the business sector expects clear guidance and guidelines. Once these are in place under the organizational umbrella, the response follows. Moreover, this voluntary soft regulatory approach might be considered a first step toward a harsher policy that may include fines and other sanctions. The described transition to a harsher regulatory framework may well be identified now by some business entities as future regulatory risks and thus be prioritized accordingly.

8. Two Israeli Corporate Case Studies

The seminar that preceded this publication hosted several representatives of Israeli and German corporations. They all presented their corporate approach towards climate change and expressed their commitment to the issue. Out of those representatives we were happy to accept the approval of two influential executives to include the summary of their presentation in this publication.

8.1. Israeli Corporations on CSR (1) - ICL's Climate Change Strategy

Roy Weidberg[20]

ICL's commitment to sustainability and to mitigating climate change in particular has become a cornerstone of the company's strategy. Since 2008, we have performed a comprehensive annual review of our GHG inventory worldwide, including 62 global facilities and main offices. In parallel, we analyse the carbon footprint of our products (based on the rigorous UK standard PAS 2050), a project that now includes over 60 of our leading products. We annually report on the emissions and our efforts in the field of climate change to the CDP (Carbon Disclosure Project). For our 2014 report, and for the second consecutive year, the CDP has awarded us with a disclosure score of 98 out of 100 for the scope and quality of our reporting. In addition, due to our efforts to reduce our GHG emissions (resulting in a 29 percent reduction in our global GHG emissions between 2008 and 2013), ICL achieved the top performance score of 'A' in 2014, and was included in the CPLI (Carbon Performance Leadership Index).

These achievements place ICL on the list of the 150 highest-scoring companies amongst all global companies, and constitute the highest score ever achieved by an Israel-based company, and the second highest global disclosure score amongst fertilizer-producing companies. ICL is the only Israeli company that has been included in the exclusive CPLI list so far. In addition,

[20] Carbon Footprint and Sustainability Coordinator, ICL (Israel Chemicals Ltd.)

we annually report our emissions to the voluntary GHG registry established by Israel's Ministry of Environmental Protection.

8.2. Israeli Corporations on CSR (2) – HP Indigo

Alon Gendelman[21]

"Living Progress" is a wholly integrated approach to business that drives human, economic, and environmental progress simultaneously. It means that we consider human, economic, and environmental impacts as we develop our products, services, and solutions, manage our operations, and drive interactions with our customers, partners, and communities.

We believe that reducing our effect on the environment is a duty that we all share towards present and future generations. In addition, public and business expectations are reflected through increased demands for eco label products and services and for meeting ISO environmental standards as well as through public policy statements that are backed by supporting reports. They are also reflected in HP Indigo's supply chain approach – we audit our suppliers for their environmental commitments and expect them to meet high environmental standards in the products they supply and in production processes.

We obey regulatory laws because we have to and because we think they are essential to reducing the environmental footprint of industries. Furthermore, this approach secures our continued leadership when voluntary standards evolve into mandatory regulation.

9. Concluding Discussion

The Business Sector - Between the Hammer and the Anvil

A dominant question that arises in any discussion of climate change is the contribution of the business sector to this phenomenon. Naturally, the business sector is the main contributor to humanity's industrial and economic activity and thus to the pumping of GHGs into the atmosphere. But the question remains – are businesses the ones to blame? One might say that

[21] Environmental Executive, HP Indigo, Israel

the large profits generated by companies are a source of shame. Therefore, these companies are deserving of blame because they represent the future undermining of climate stability for the sake of short-term financial gains.

Others might say that that the basic makeup of the business sector is determined by each country's regulation and the single-bottom-line business model is set by this regulatory framework. In both cases, the business sector is a major player in the overall effort to address climate change and its ramifications. Neither blaming and shaming nor regulating alone can provide a remedy for the suffering of our planet. Approaching CSR as a voluntary "third way" could inspire creative ideas and initiatives.

A study from 2014 found that the climate crisis of the twenty-first century was caused largely by just 90 companies that have produced nearly two thirds of the greenhouse gas emissions generated since the dawn of the industrial age (Heede, 2014). The analysis showed that the vast majority of the contributing firms were in the business of producing oil, gas, or coal. Half of the estimated emissions were produced in the past 25 years – well past the date when the majority of the population was aware of rising greenhouse gas emissions from burning coal and oil. Most were aware that this might cause dangerous climate conditions.

The 90 companies included 50 investor-owned firms – mainly oil companies such as Chevron, Exxon, BP, and Royal Dutch Shell, and coal producers such as British Coal Corporation, Peabody Energy, and BHP Billiton. Some 31 of the companies that made the list were state-owned companies such as Saudi Arabia's Saudi Aramco, Russia's Gazprom, and Norway's Statoil. Nine were government-run industries, mainly coal producers in countries such as China, the former Soviet Union, North Korea, and Poland. ChevronTexaco was the leading emitter among investor-owned companies, causing 3.5 percent of greenhouse gas emissions to date, with Exxon not far behind at 3.2 percent. The third largest emitter was BP, which has caused 2.5 percent of global emissions to date.

This ground-breaking research affirmed the public message of the environmental NGOs that there is someone to blame for climate change. These changes were not a natural phenomenon; they were caused directly by human industrial activity. It is relatively easy for environmental activists to target large corporations in their campaigns simply because they are publicly recognized by their name and logo, and because they have executives to target. It is much more difficult to target political figures or regimes because of their frequent changeover. The United States will elect a new president in 2016, and the law requiring accountability for global climate issues after his term will likely change too. This is also the case for other elected political figures. Public figures who are not elected do not have a high regard for public expectations and therefore public advocacy is of less importance to them.

The business-oriented interface can be divided according to several different business approaches towards climate change. The first is the understanding that climate change may cause a substantial risk for certain vulnerable industries. These industries were and still are the major beneficiaries of the 'high carbon' economy. But, undeniably, the consequences of climate change will affect all sectors of the economy. For example, the pharmaceutical industry should prepare itself for an altered global expansion of pandemics and diseases; the insurance industry should expect class actions for compensation claims in the face of future natural disasters; the food industry should expect a sharp rise in the prices of commodities and production, and so on. Beyond all this, governments will have to maintain the basic safety conditions and well-being of their citizens.

An organization’s understanding of its climate risk often originates from an internal assessment of future risk factors, but it can also result from external pressures, excluding stricter regulatory requirements. It is expected that organizations will look to assess risk from the investors’ perspective. Investors express concerns regarding the welfare and profitability of their investments, and organizations must address these concerns. In October 2014, a group of 70 global investors who manage more than three trillion dollars of collective assets launched a coordinated effort to spur 45 of the world’s top oil and gas, coal, and electric power companies to assess the financial risks that climate change poses to their business plans. This initiative

operates under CERES,[22] a North-American non-profit organization that promotes sustainability in the business sector.

A comprehensive report examined business sector approaches in Southeast Asia and found that the main focus was on adaptation efforts, including a need to finance adaptation efforts with private funding (CSR Asia, 2011). The report emphasizes that climate change effects are inevitable and thus a business response is necessary for the viability of the business. This is demonstrated through the term 'risk,' which transforms the environmental message into a business language message. In this context, this report states that, "[o]verall, … enterprise risk management systems tend to be relatively limited in Asia and emerging sustainability risks such as climate change are not well-integrated" (Ibid, p. 3).

When the climate change risk is not well understood, the more effective way to encourage businesses to make real commitments is to demonstrate the profitability of adaptation measures. The report summarizes the transition from a voluntary approach to a regulated one by explaining that, "[s]ome businesses are recognizing the need to prepare for future impacts of climate change. They are looking for guidance from national governments to better understand the impacts of climate change, the business implications, and the response options. Many businesses would welcome the certainty regulation would bring, if it is fair and implemented evenly." (Ibid, p. 3)

Climate change is becoming a great business opportunity, not only for the direct corporate players (i.e., the emitters), but also for other sectors, such as climate change consultants. The *Climate Change Business Journal*[23] (CCBJ) estimated that in 2010 the climate change consulting market was worth $1.9 billion worldwide and $670 million in the United States. These figures are expected to more than double in the next five years. Comparing this forecast to 1976, the environmental consultancy sector was then worth $600 million, but today generates $27 billion (CCBJ, 2010).

[22] CERES site - http://www.ceres.org/
[23] CCBJ Website - http://www.climatechangebusiness.com/

To conclude, today the business sector finds itself trying to satisfy two contradictory approaches. One is making an effort to answer growing public expectations that businesses will showcase true commitment and achievements in reducing GHG emissions, while the other is in favor of almost non-existent global regulation. This stand-still leaves the business sector with a lack of clear governmental guidance and growing societal pressure to act more responsibly. Some corporations have been undertaking public voluntary initiatives as part of their mitigation efforts, but their contribution to the total reduction of GHG emissions is marginal.

The mounting evidence for a coming era of climate unrest should be translated as soon as possible to concrete policy steps and pave a clear road map for humanity so that it can safeguard the planet for future generations.

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