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Long-term corporate climate change targets: What could they deliver?

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ABSTRACT

Driven by the rising cost of energy, stakeholder pressure and the expectation that governments will continue to implement policy measures directed at reducing greenhouse gas emissions, an increasing number of companies have set targets to reduce their greenhouse gas emissions. These commitments raise two important questions. The first is whether they can be considered – individually or collectively – to be an appropriate response to the threat presented by climate change. The second is whether they are dependable; that is, can policy makers and other stakeholders can rely on companies to deliver on the commitments that they have made?

This article examines these two questions using the case of the UK supermarket sector to illustrate and explain the issues at stake and, more generally, to examine the contribution that these types of voluntary commitments can make to wider public policy goals on climate change. The reasons for focusing on the UK supermarket sector are that the companies in this sector are some of the largest retailers in the world, they are significant emitters (their direct emissions account for 0.9% of UK carbon emissions, and some indications suggest that their indirect emissions account for ten times as much), and they are less heavily regulated that other sectors with comparable carbon footprints.

The article concludes that the targets being set voluntarily by companies in this sector align with, or may even exceed, the climate change policy goals being set by national governments. Moreover, the article concludes that the companies targets are plausible and have a reasonably high likelihood of being delivered if energy prices remain high and if the companies can sustain recent rates of improvement. However, the article also cautions against relying on these types of voluntary commitments, noting that their scope is limited (i.e. most targets relate to companies' direct rather than indirect emissions), and that the inconsistencies and opacities in company reporting on performance and outcomes make it extremely difficult for stakeholders to have confidence that the targets set have actually been delivered.

1. Introduction

Over the past ten years, interest has grown in the contribution that companies can make to reducing global greenhouse gas emissions. This interest has been driven by the significant proportion of the world's greenhouse gas emissions that can be attributed, directly or indirectly to companies' activities, and by the interest among policy makers about the potential for less interventionist policy approaches such as mandatory

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reporting and self-regulation to contribute to the delivery of environmental policy goals (Okereke et al., 2012).

Driven by the rising cost of energy, stakeholder and consumer pressure and the expectation that governments will continue to implement policy measures directed at reducing greenhouse gas emissions, an increasing number of companies have set targets to reduce their greenhouse gas emissions (Clark and Crawford, 2012; Okereke, 2007; Pinske and Kolk, 2009; Sullivan, 2008). For example, in 2007 Marks & Spencer committed to making its UK and Republic of Ireland operations carbon neutral by 2012, and in 2011, the Co-Operative Group committed to reducing gross greenhouse gas emissions from its operations by 35% by 2017, against a 2006 baseline.

These commitments raise two important public policy questions. The first is whether they can be considered – individually or collectively – an appropriate response to the threat presented by climate change. The second is whether they are dependable. That is, can policy makers rely on companies to deliver on the commitments that they have made. This article examines these two questions using the case of the UK supermarket sector to illustrate and explain the issues at stake and, more generally, to examine the contribution that these types of voluntary commitments can make to wider public policy goals on climate change.

2. Methodology

2.1. *Framing the discussion*

Before examining the specific case of UK supermarkets, it is important to first define a frame of reference for the evaluation of company targets. In its 2007 Synthesis Report, the Intergovernmental Panel on Climate Change (IPCC) presented a number of different scenarios, involving the stabilisation of atmospheric greenhouse gas emissions at different levels, corresponding to different predicted increases in global average temperatures (IPCC, 2007, p. 66–67). To keep global temperatures increases in the range 2–2.4°C, the IPCC suggested that global greenhouse gas emissions would need to be reduced by between 50 and 85% over the period 2000–2050 (IPCC, 2007, p. 67); this is equivalent to reductions in global greenhouse gas emissions of between 1.4 and 3.7% per annum over this timeframe.

However, there is on-going discussion about how these overarching targets are to be applied at the national level. That is, the question is what emission reduction targets should be adopted by national governments and on what basis should these decisions to be made (see, for example, Hulme (2009), Roberts and Parks (2007))?. While the approach adopted in this article – which is to use national greenhouse gas emission targets as a framework for evaluating companies' objectives (see below) – is one way of addressing the question, we acknowledge that there is on-going debate around the alignment between national targets and the indicative emission reduction targets suggested by IPCC (see, further, Stern and Taylor (2010)).

As part of the on-going international climate change negotiations, national governments have made commitments to reducing their greenhouse gas emissions. The commitments that have been made by the European Union, the United States and the United Kingdom – the geographies that are most relevant to the UK supermarkets – are presented in Table 1. These commitments translate into annual, economy wide greenhouse gas emissions reductions of between 1 and 1.5%

Table 1 – National greenhouse gas emission reduction targets.

Country/region	Proposed targets	Annual equivalent reduction (%)	Source
EU	Achieve at least a 20% reduction in greenhouse gas emissions by 2020 compared to 1990	0.74	European Union (2009)
	Reduce greenhouse gas emissions by 30% by 2020 compared to 1990[a]	1.18	European Union (2009)
United Kingdom	Reduce greenhouse gas emissions by at least 34% by 2020, against a 1990 baseline	1.37	Department of Energy and Climate Change (2012)
	Reduce greenhouse gas emissions by 16% by 2020, against a 2005 baseline	1.15	European Union (2009)
	Reduce greenhouse gas emissions by at least 80% by 2050, against a 1990 baseline	2.64	Department of Energy and Climate Change (2012)
United States	Reduce greenhouse gas emissions by 17% by 2020 against a 2005 baseline	1.23	http://www.usclimatenetwork.org/resource-database/us-inscription-to-the-unfccc-on-the-copenhagen-accord (last viewed 12 July 2012) http://www.usclimatenetwork.org/policy/copenhagen-accord-commitments (last viewed 12 July 2012)

[a] This commitment is dependent on other developed countries committing themselves to comparable emission reductions and economically more advanced developing countries committing themselves to contributing adequately according to their responsibilities and capabilities.