



International Chamber of Commerce

The world business organization

Discussion Paper

KEY ISSUES ON ADAPTATION FOR BUSINESS

Prepared by the Commission on Environment and Energy

The issue of adaptation is a critical one and business and industry have it firmly on their agenda. Impacts will affect not only our operations but also the markets in which we participate and the communities where our employees and customers live. Adaptation will be essential both in developed and developing countries. In order to proactively manage these risks and opportunities associated with adaptation the following issues are key:

- Vulnerability to the impacts of climate change is increasing and adaptation measures will unfold over decades based on experience with impacts and adaptation and growing scientific capability to project future changes. Business and society share a common need to enhance information regarding impacts and response measures including improving predictive modelling, developing early warning and response measures, improving current or developing new infrastructure and taking pro-active steps to build adaptive capacity.
- The impacts of a changing climate will have a myriad of effects on business and result in both opportunities and challenges. They will also vary considerably from one region to another, both in the types and consequences of change as well as in the capacity of various countries to deal with the impacts.
- Businesses capabilities in strategic planning and investment, relevant know-how and technology which can be applied to assess and respond to the challenges of adapting to climate change, can aid in developing public responses.
- Business will be a partner in defining mechanisms to identify, develop, commercialise and transfer technologies aligned with national adaptation priorities and development strategies.
- Policies and measures related to adaptation need to be integrated and factored into planning processes. Long term integrated planning should involve a wide variety of stakeholders at local, national and international levels. Adaptation policy development also needs to take cognisance of the potential impacts and knock-on effects of national policy in a variety of related areas, as well as regional and international relations.
- Many adaptation measures will require cross-border and regional co-operation. For example, where business installations could be vulnerable to natural disasters or other catastrophes, coordinated contingency planning and disaster management is vital to governments and business. In many instances business has already developed plans for such contingencies that could be shared with relevant agencies.

- Development and investment plans by public and private actors should seek to incorporate information on climate change impacts in order to implement effective improvements as part of the normal, ongoing investment cycle. In particular, agencies charged with stewardship and protection of resources should take anticipated effects of climate change into account and develop appropriate risk management strategies.
- Where possible, funding for development related activities should be leveraged with other sources of finance and market mechanisms to ensure resilience and an integrated approach to development. We need to move from identification of risks to the prioritisation and implementation of key projects.
- Progress has already been made with many businesses recognising and assessing short and long term risks and designing and managing our facilities, processes, products and services in a way that increases the resilience of operations and manages risks and opportunities.

BACKGROUND

The classic definition of adaptation is “Policy and operational approaches to reduce climate change risk, vulnerability and damage”. It is clear that even if we start to change on a global scale today, we are still going to have to deal with the impacts of climate change for many decades into the future - a double challenge. This means that ultimately humankind is going to have to adapt to the impacts of climate change. Efforts to build adaptive capacity need to share effort and experience beyond individual countries and regions. Models have improved in recent years and are starting to converge and become robust in ways that can inform planning.

Decisions are taken every day in both the public and private sectors related to areas that will be important in building adaptive capacity. These include infrastructure development, human settlements, water provision and new industrial installations amongst others, many of which will be in use for decades into the future. Climate change should be taken into account as part of ongoing planning, development and investment processes.

IMPACT ON BUSINESS

The impacts of a changing climate will have a myriad of effects on business and result in both opportunities and challenges. They will also vary considerably from one region to another, both in terms of the severity and types of change as well as the capacity of various countries to deal with the impacts. It is important to recognise these short and long term risks and to design and manage our facilities, processes, products and services in a way that increases the resilience of our operations and to have adequate plans in place. Much attention has focused on building capacity to protect against or recover from disaster situations. Business already conducts operations in a variety of challenging conditions that can provide relevant experience and learning. There are many ways in which adaptation measures can be designed into our systems. These include taking measures to:

- design and build facilities and train staff to provide resilience against possible changes, such as increases in sea level rise, droughts, floods and storms,
- accommodate the changing climate for example, by storing water in dams for use during

drought periods, and

- moving facilities and human settlements to areas which are more secure for example, building above projected sea levels and taking changing permafrost conditions into consideration in mountainous areas

What is becoming evident, is that in addition to the more obvious examples related to extreme weather events cited above, business may also be faced with additional challenges such as:

- the impact on insurance products and associated costs,
- social issues including impacts on employees, their families and civil society in general such as moving malaria belts and water and other service provision,
- the disruption of large population centres and resultant impacts on supply chains and customer nodes and
- impacts on tourism and related businesses and livelihoods

Climate change may also have important positive impacts on markets, operations and the communities in which we operate. There are also opportunities for business to develop into new product areas such as the development of stress tolerant plants, which are adaptive to varying weather extremes (heat, cold drought, too much water, salinity etc.). As pressure on land is increasing through the quest for carbon neutral bio-fuels, adaptation is also necessary with regard to making agriculture more effective. Plants with higher yields and improved qualities will respond to the demands put on agriculture. The need for adaptation also gives positive opportunities for improvement. For example, new housing to resist the destructive impact of climate change could also be used to improve the efficiency of stock and the quality of housing for mankind.

For many businesses and public planning agencies this will require a change in conventional risk assessment processes and taking a much longer term focus than is the norm. What is however clear, is that as is the case with most of the issues related to climate change, adaptation policies and measures will need to be integrated into other interrelated activities and strategies, at company, local, national and international levels. Business is a key stakeholder in the development and implementation of these strategies and policies and already has extensive experience in planning and managing many of these issues. Given that some of the climate change impacts will affect all parts of society, it is important that where necessary, public private partnerships are formed to include business and optimise resources.

TECHNOLOGY DEVELOPMENT AND DEPLOYMENT – THE ROLE OF BUSINESS

New approaches to deploying existing technologies and operational practices, as well as research and development leading to new technologies and processes, and improvements in modelling and predictive capabilities will be key factors in determining vulnerability as well as adapting to climate change impacts. Businesses dedicate substantial resources in technology advancement and the development of innovation. Business should also be a partner in defining mechanisms

to identify, develop, commercialise and transfer technologies aligned with national adaptation priorities and development strategies. Some of the areas where collaborative efforts will be required include early warning systems, predictive modelling and the robustness of new infrastructure development. Others include the deployment of existing technologies and practices in new ways and to new areas.

In many cases, technologies already exist and it is essential that appropriate mechanisms are put in place to ensure that capacity is built so that these technologies can be more widely disseminated. This has to include developing the capability to ensure that risks and opportunities can be identified and plans and strategies modified where necessary, to mitigate risk and take advantage of opportunities.

ENABLING FRAMEWORKS AND POLICY AND ADAPTATION

Business and society are by nature adaptive to changing circumstances. Many steps that promote adaptation will occur naturally through existing capabilities, without the need for new policy or funding. Other steps may require new policy, for example the mandates of planning agencies may need to be expanded. In addition vulnerable developing countries will need assistance with adaptation. Business welcomes the breakthroughs in Nairobi in 2006 with regards the Adaptation Fund. This agreement needs to be built upon to ensure that the momentum is continued and enhanced and that adequate financing is available for effective assistance to the most vulnerable, in particular those countries whose adaptive capacity is low and who will be most severely impacted by changes in the climate. Where possible, funding for development related activities should be leveraged with other sources of finance and market mechanisms to ensure that resilience is built in right up front, as well as ensuring that an integrated approach to development is taken. In many cases this could result in public private partnerships and reduce overall risk. Business and industry would urge that the Adaptation Fund be structured and streamlined in a way that facilitates the equitable participation of Least Developed Countries. We need to move from identification of risks to the prioritisation and implementation of key projects.

Appropriate long-term policy for adaptation needs to understand all the potential impacts and knock-on effects of national policy as well as regional and international relations. Many adaptation measures will require cross-border and regional co-operation. Where business installations could be vulnerable to natural disasters or other catastrophes, coordinated contingency planning and disaster management is vital to governments and business. This will require on-going and extensive discussion with the private sector and in some cases, international cooperation and planning, to leverage efforts, and ensure that recovery is as quick as possible.

THE INSURANCE INDUSTRY

The impacts of climate change are causing increasing uncertainty with regards to weather related and other risks. This obviously has a significant impact on the insurance industry and their customer base. The insurance industry through its extensive reach can play a significant role in increasing awareness around climate change and ensuring that adaptive capability is built in as

early as possible through various mechanisms such as broad based risk assessments and innovative new insurance products such as incentive schemes. In particular, consideration of extreme events could be highlighted through the use of risk management tools and other modelling capability present in the insurance industry.

CONCLUSION

The issue of adaptation is a critical one and business and industry have it firmly on their agenda. As part of their planning and investment cycles business are already or beginning to account for anticipated changes and seek ways to enhance their resilience. Given the wide range of impacts and interconnectivity of the solutions required, collaborative efforts will be essential in finding a way forward. Business and Industry is committed to working together with governments and civil society to find better ways of understanding the risks and vulnerabilities associated with climate change as well as identifying and implementing the solutions. Concrete steps have already been taken by many sectors in various parts of the world and action will continue to grow as awareness increases.

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