What does the Paris Agreement mean for businesses?

In December 2015, the world’s nations agreed a landmark deal to reduce carbon emissions and combat climate change. The deal, struck at the 21st UN Climate Talks (COP21) held in Paris, is known as The Paris Agreement.

**Why is the Paris Agreement needed?**

- Global temperatures are currently on course to rise by up to 4°C above pre-industrial levels by 2100
- Scientists predict potentially catastrophic impacts once temperatures rise by 2°C
- 2015 was the hottest year since records began. 14 of the hottest 15 years on record have been since the year 2000
- The World Economic Forum cites the failure to mitigate or adapt to climate change as the global risk with the greatest potential impact (*)

**What did countries agree?**

- The world will limit global temperature rise to 2°C and make “best efforts” to limit it to 1.5°C
- The world will become carbon neutral at some time between 2050 and 2100
- All countries will set national targets to reduce carbon emissions and update them every 5 years
- Countries will report transparently on their progress towards reducing carbon emissions
- By 2020, richer countries will provide US$100 bn per year to help poorer countries address climate change

**What corporations might expect**

- **Tighter regulations** to limit carbon emissions and improve energy efficiency
- **Higher costs**, e.g. carbon taxes and trading systems
- **Stronger requirements** to report on emissions
- **Pressure to disclose the financial risks** the business faces from climate change
- **Greater opportunity** in the low-carbon economy
- **Improved incentives** for low-carbon products/services
- **Stronger demand** for low-carbon suppliers
- **Pressure to manage emissions** across the value chain

**Possible impact for business in getting it wrong**

- **Increasing costs** for high-carbon companies
- **Penalties for non-compliance** with new regulation
- **Competitive disadvantage** as customers seek lower-carbon suppliers
- **Threats to shareholder value**
- **Brand and reputational damage**

**Potential opportunities for growth**

- **Low-carbon economy offers opportunity for innovation and new markets**
- **Shareholders reassured** that risks are addressed
- **Customers demonstrate brand loyalty** and select suppliers that reduce emissions

---

* WEF Global Risks Report 2016
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

Create Graphics | CRT067722