

edie Live explores  
sustainability megatrends



## PART 2 - FROM RISK TO RESILIENCE: IT'S TIME FOR BUSINESS TO COLLABORATE ON CLIMATE CHANGE

Continuing edie's new megatrends series of thought-leadership articles on the global impact of megatrends, World Resources Institute's *Eliot Metzger* and *Moushumi Chaudhry* explore how businesses are dealing with the widespread effects of climate change.

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All over the world, the climate is changing. In some places, storm surges crash over flood walls. Elsewhere, crops wither, parched by drought. Climate impacts are varied and highly local. The only constant is disruption.

So, how will companies—and the communities that rely on them—cope with change?

Disruption is one of those words that some companies love and others hate. Innovative companies often work hard to disrupt themselves. They embrace disruption as a means of accelerating creative solutions and maintaining their competitive edge. Climate disruption creates that same urgency for innovation.

Generally, though, the disruptions associated with climate change bring more risk than reward. Rising seas, extreme

weather and other impacts put products, properties, supply chains and livelihoods in jeopardy. By one count, ignoring climate change will cost \$369trn by the end of next century.

Climate change is bad for business, but those with solutions can find growth opportunities if they look closely and act quickly. Over the past years, we have found companies of all sizes share common interests and face common challenges in adapting to climate change.

### Looking ahead

Resilience is another word that underpins an increasing urgency among companies. Back in 2010, few companies were actively preparing for climate scenarios and the impacts on their value chain. The research behind a report that the WRI published with UN Global Compact and Oxfam suggested plenty of companies were looking at ways to “mitigate” or reduce their emissions that were exacerbating climate change. ▶



But far fewer were recognising that they would also need to “adapt” to changes that a warming world is creating in countries where they source, produce, and sell their products.

Today, companies of all sizes are grasping and crafting strategies for climate resilience—a measure of ability to maintain operations in the face of climate stress. Companies like PepsiCo, for example, are partnering with smallholder farmers in their supply chain to protect against losses in agricultural production. Farms and food and beverage companies are anticipating more erratic rainfall, seen everywhere from California to Ethiopia, and are preparing to deal with the water shortages that burden smallholders and local communities. Otherwise, the supply crunch can send shockwaves through the global commodity market.

Other sectors have “skin in the game” here, too. Apparel companies saw the impact of extreme drought a few years ago, when major droughts in Texas and elsewhere caused cotton prices to spike. Likewise, automobile and disk drive manufacturing took a huge hit when devastating floods hit Thailand and shut down their local facilities and suppliers. In the era of global operations, climate change impacts anywhere are a problem for businesses everywhere.

Interestingly, research has shown that firms large and small must contend with similar barriers as they develop a strategy for dealing with the challenge of climate change.

#### These include:-

- A lack of information about climate risks.
- An inability to identify and implement cost-effective solutions.
- Difficulty accessing capital to implement those solutions.

Strong partnerships to pool finances and technical skills can help businesses overcome barriers to building resilience. For instance, with financial support from donor governments, research institutes can create new cost-effective solutions that companies can commercialise. The International Maize and Wheat Improvement Center (CIMMYT) and the International Rice Research Institute (IRRI) have used technology to develop flood and drought tolerant crops that farmers can purchase and plant, to sustain their businesses and contribute rice and wheat to world markets.

Adapting to climate change need not be overwhelming. Companies can start simply, with exercises to extend time

horizons, particularly on major capital investments. It is far too risky now to use assumptions based on past climate conditions when investing in a major facility or market strategy. Mining and energy companies are updating outlooks and building scenarios that help them understand how climate change will affect operations in the years ahead. Information in these scenarios should be shared widely so smaller companies can use it to build their own resiliency.

In addition to learning from each other, businesses can find and use open data tools, such as WRI's Flood Risk Analyser. There is a wealth of other information to tap into, including Four Twenty Seven's Heat Vulnerability Map, which aims to help the US healthcare sector identify and plan for public health risks. Companies would benefit from similar data and tools across other countries where they have suppliers, employees, and customers.

### Joint ventures

No one company, no matter how big, will be resilient by itself. All companies must increasingly rely on others to adapt to the new extremes and uncertainties that climate change is creating. Winners in tomorrow's markets will anticipate and meet others' growing needs for climate change solutions.

Companies that see a common risk or a multi-sector solution should invest together in resilience. This might mean combining individual skills and investments into larger support and platforms for open scenarios, data, information, and tools. Or it might mean investing to build capacity in supply chains. It might even mean combining core competencies for new efforts to test and build new products, services, practices, and technologies. In any case, companies—big and small—would be wise to tackle climate change together. All companies should be asking: “What are we doing and who could we be working with to build our resilience to climate shocks?” ■



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Moushumi works on developing and building capacity to use tools for adaptation decision making and designing online data platforms to democratize access to climate information.



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Eliot works closely with WRI's corporate partners to develop, test, and refine practical tools, including a sustainability SWOT tool that can translate big trends into risks or opportunities to create new value.

## Sustainability megatrends at edie Live 2017

This new series of thought-leadership pieces will provide an overview of the environmental and social impacts of the world's megatrends; exploring how they are helping to shape the low-carbon, resource-efficient business of the future.

The series will culminate with a high-level discussion focused on megatrends at the Strategy and Innovation conference on day 2 of edie Live at the NEC Birmingham, 24 May 2017. From climate change and resource scarcity to socio-economics and technology as an enabler, this half day addresses the top level trends that answer the question ‘Why act and what happens if we don't?’ [Find out more about edie Live 2017 and get your free two-day pass here.](#)

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