

Climate Action Simulation: Industry and Commerce



To: Chief Negotiators for Industry and Commerce
Subject: Preparation for the Climate Action Summit

Welcome to the Climate Action Summit. You and leaders from all relevant stakeholders have been invited by the UN Secretary-General to work together to successfully address climate change. In the invitation, the Secretary-General [noted](#) that: “The climate emergency is a race we are losing, but it is a race we can win...The best science...tells us that any temperature rise above 1.5°C will lead to major and irreversible damage to the ecosystems that support us...But science also tells us it is not too late. We can do it...But it will require fundamental transformations in all aspects of society—how we grow food, use land, fuel our transport and power our economies...By acting together, we will leave no one behind.”

The goal of the summit is to create a plan to limit global warming to less than 2°C [3.6°F] above pre-industrial levels and to strive for 1.5°C [2.7°F], the international targets formally recognized in the Paris Climate Agreement. The [scientific evidence](#) is clear: warming above this limit will yield catastrophic and irreversible impacts threatening the health, prosperity, and lives of people in all nations.

Your group includes chief executives of the major industries and corporations of the world that drive energy consumption, including automakers, airlines, shipping and freight, manufacturers of industrial and consumer goods, construction, residential and commercial real estate, consumer products, information technology, and other large corporations.

Your policy priorities are listed below. You can, however, propose, or block, any available policy.

- 1. Keep energy prices low.** Product costs will rise if energy prices rise, making people less likely to buy your products. Maintain low energy prices by working against energy taxes and high carbon prices, while promoting energy subsidies. Consider how policies you and other groups propose would affect the cost of energy.
- 2. Boost the energy efficiency of transportation, buildings and industry.** Energy efficiency means using less energy to provide the same services or production of goods. Raising energy efficiency sometimes increases up-front costs but reduces operating costs, generating savings over the long term. Efficiency improvements can be an attractive option for reducing greenhouse gas (GHG) emissions. However, you oppose policies and regulations that would require dramatic increases in efficiency to avoid rapid and costly changes in your products and processes.
- 3. Explore electrification of transportation, buildings and industry.** Today’s transportation industry depends overwhelmingly on oil to fuel our cars, trucks, ships, trains, and planes. In addition, GHG emissions from buildings arise primarily from fossil fuels burned for heat. If transport, heating and industrial processes are electrified, they could eventually be powered by renewable power, if these sources of electricity are reliable and cheaper than fossil power.
- 4. Encourage actions that don’t directly affect your industries.** While you understand that climate change is dangerous, you also need to protect shareholder value. You therefore advocate

for policies that could reduce GHG emissions without harming your industries. Although CO₂ from fossil fuel use contributes the most to climate change, methane (CH₄), nitrous oxide (N₂O) and other gases are potent GHGs, and their impact is growing. Global agriculture and forestry practices contribute greatly to emissions of these gases. You support policies to reduce these other GHGs, including emissions from land use, agriculture, and forestry. You support efforts to cut deforestation, and to plant new forests (afforestation).

Additional Considerations

The industries you represent developed in an era of inexpensive energy, and your business models assume fuel and electricity will remain cheap and plentiful. Dramatically increasing energy efficiency would require substantial cultural change and new capabilities. Some of your key stakeholders, including incumbent automakers; and the aviation, shipping, and freight industries; may be harmed by policies that raise fuel prices. Some may not survive. In other sectors, energy efficient products can be sold at a premium and generate profit. Energy efficiency not only reduces energy demand, but can also improve society's resilience to climate-related disasters. For example, a well-insulated home retains heat even if a storm knocks out power lines. The energy intensity of the economy (energy used per unit of real GDP) is falling at a rate of around 1.3% per year, a trend expected to continue in the coming decades. Some analysts conclude energy intensity could fall as much as 5-7%/year (at some cost, and not in all industries).

Leaders in your industry report that many energy efficiency projects have short payback periods and offer positive net present value, with little risk. Innovative financing mechanisms can reinvest savings from lower energy costs to fund new energy efficiency projects, making such projects financially attractive to stakeholders.

The global buildings sector is expanding at an unprecedented rate, driven by global population and economic growth. Over the next 40 years, the world is expected to build 230 billion square meters in new construction—adding the equivalent of the area of Paris to the planet every week. New policies and incentives are needed to accelerate energy efficiency and renewable power generation in the global buildings sector, and to retrofit existing structures. New buildings and energy retrofits of existing buildings can cut energy use by 25-80% or more, and “net zero” energy buildings are now both possible and profitable in many areas. Energy-intensive industries such as iron, steel, and cement have become more efficient by deploying new equipment and re-using waste heat. Efficient, correctly sized motors and drives can yield energy savings of 20–25%. However, the long life of buildings, vehicles and infrastructure limit the rate of improvement and highlight the importance of retrofits, not just new investment.

Despite the potential, you must be vigilant against policies that would impose new costs of doing business, including large hikes in the price of the energy you rely on. As a group that has always relied on innovation, you may find technological solutions to cut GHG emissions attractive and you support government subsidies that create new business opportunities.

You know that global GHG emissions must be curtailed to avoid the worst impacts of climate change. Rising sea levels, more extreme weather and the ensuing geopolitical dislocations pose serious risks to your supply chains, customers, and employees. Increasing climate damage also increases the likelihood of extreme policies and regulations that would raise energy costs and harm your industries. While you act to forestall policies and regulations that unfairly burden your industries, you must also seek to reduce greenhouse gas emissions and slow climate change so you can remain profitable, and survive, in a warming world. As Paul Polman, CEO of Unilever, is reported to have said, “[there is no profit on a dead planet.](#)”