

New principles to guide corporate investment towards climate goals

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Faced with climate change today, companies and investors face many complex ethical questions. Should investors continue to invest in fossil fuels or should they divest, sending a signal about the perceived illegitimacy of particular business models in a changing climate? Further, given the internationally agreed aspirations towards achieving net-zero emissions, how should investors manage the legal and financial risks of this transition?

In response to a very different moral dilemma in the 1970s, the Sullivan

Principles were developed to help investors and companies by providing a practical set of guidelines on how to engage with businesses in the South African apartheid regime.

A new set of principles are needed to address the moral challenge of [climate](#) change. These principles, developed by a team of researchers at the Oxford Martin School, and published this week in *Nature Climate Change*, are a set of scientifically-grounded tools for the use of both investors and companies to assess corporate strategy against climate change.

The role of the investment community is pivotal to the success of the transition to a net zero carbon economy. There is a maze of standards and disclosure criteria arising around the issue of climate. The Oxford Martin Principles provide concise and fact-based guidance that can be widely applied to companies.

The principles are:

1. Commit to reaching net zero emissions from their business activities
2. Develop a plausible and profitable net zero business model
3. Set out quantitative mid-term targets compatible with their net zero goal

The paper applies these principles to three very different companies - BHP Billiton, Unilever, and Statkraft. Dr Richard Millar, Oxford Martin Fellow at the University of Oxford said: "Our case studies show that while most companies would be unlikely to satisfy all the principles today, doing so would not be beyond the reach of most companies in the future."

Professor Cameron Hepburn, Co-Director of the Oxford Martin Net Zero Carbon Investment Initiative added "Climate change presents a cornucopia of risks for business: companies need to think through their strategic position as the industrial economy changes, not only in terms of immediate policy and regulation but also in terms of their supply chain."

Professor Myles Allen, also Co-Director of the Oxford Martin Net Zero Carbon Investment Initiative emphasised, "In a nutshell, investors need to know how companies plan to thrive both during and after the transition to net zero emissions. Everything else is secondary."

Professor Sir John Beddington, Senior Adviser at the Oxford Martin School, concludes, "The involvement of the commercial sector is essential if [climate change](#) is to be mitigated. The simple solution of no investment in fossil fuel related companies is not the answer. These principles provide a significantly more sophisticated way for investors and companies to engage beyond simple divestment."

More information: Richard J. Millar et al. Principles to guide investment towards a stable climate, *Nature Climate Change* (2017). [DOI: 10.1038/s41558-017-0042-4](https://doi.org/10.1038/s41558-017-0042-4)

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