

Interview with María Mendiluce, Managing Director & Senior Management Team, World Business Council on Sustainable Development (WBCSD)

There is growing support in the EU to step up efforts to fight climate change. Views, however, differ as to whether action should focus primarily on a major investment plan, green taxes or new regulation. In your view, what should be the priority for Europe?

The science is clear. In order to stay within the 1.5 degrees of warming, every country in the world must significantly raise ambition -- and realise it through an implementation plan.

I believe that Europe should step up and lead the way to a net-zero global economy by 2050.

Achieving this will require global greenhouse gas emissions to decrease by half each decade, which means that the world must reduce 27Gt of CO₂ emissions in the next 10 years.

The transition to a zero-carbon economy has begun. It's challenging, but achievable and brings significant benefits. But it's not happening fast enough.

The good news here is that we already have the tools and technologies to get us there: by reducing emissions in all sectors of the economy and increasing emissions absorption by carbon sinks, such as forests.

There are four key areas where decarbonization efforts need to happen at speed and at scale: energy, industry and materials, transport and land use.

The accelerated replacement of fossil fuel generation with renewable energies and the electrification of energy end-uses is an absolute priority. Getting there will require changing regulations and market design of the power sector as well as increasing investment in grid infrastructure – internationally, nationally and locally. In the transport sector, the electrification of cars and fleets is gathering pace. But reaching the levels we need can only happen with supporting policies and regulations that incentivize investment in vehicle charging infrastructure, while at the same time ensuring consistency with electricity market reforms.

In industrial sectors, progress towards the circular economy provides us with a valuable opportunity to rethink the way we design processes and products, use and consume products, and optimize waste. In these areas we must also see new regulations that mainstream circular approaches and bring benefits to companies and consumers in terms of reducing costs and creating new market opportunities.

Finally, in the land area, achieving the Paris Agreement goals and the SDGs means that we must completely transform our food systems to provide healthy and sustainable diets, and facilitate investment in natural climate solutions that will re-green our planet and provide additional benefits to communities.

These are huge and unprecedented transformations that will reshape the way we live, travel, consume and do business.

Getting there will be impossible without changes in the financial system towards low-carbon and climate resilient investment. We must see the implementation of carbon pricing policies and removal of fossil subsidies. We must also develop a comprehensive understanding of the impacts that this transition will have on stranded assets and jobs. This is critical to ensuring that we have measures in place to allow for a just transition, where workers are reskilled, and assets are repurposed to create value in the green economy.

Finally, I want to also highlight the importance of moving towards the implementation of the recommendations of the Task Force on Climate Financial Disclosures (TCFD). This will enable the finance community to assess companies based on their climate risk and opportunity profiles, where low carbon assets will benefit from a lower cost of capital.

If the EU wants to lead the green race, it must do so by integrating climate action across the entire European economy. A closer collaboration with business will be fundamental to ensure that new regulations are conducive to investment to reduce emissions, with benefits for the economy and the people.

It is sometimes argued that Europe cannot move too fast in the transition to a green economy for fear of losing competitiveness. What is the business case for speeding up the green transition? And how to tackle potential costs?

There has been a lot of debate on this topic. But according to the [World Bank's recent analysis on carbon pricing and competitiveness](#), even though competitiveness remains a key concern for companies, these should not be overstated. Competitive risks exist primarily for highly emissions-intensive and trade-exposed sectors and specific jurisdictions that depend on such sectors, and these risks can and should be addressed through specific policies.

Little has been discussed about the competitiveness gains that a green economy will bring. Companies can develop competitive advantage with new technologies and skills that can be scaled up and deployed across the world in the coming decades.

The business case for speeding up action on climate is obvious. A temperature increase above 1.5 degrees will have big impacts on company assets and in the communities they operate. Companies cannot succeed in societies that fail. Leading companies understand that reducing emissions and aligning with net zero targets is the only way, and this will bring many benefits in their engagement with employees, meeting customer demands and reducing their risks of climate transition and the physical risks of climate change.

More discussion is needed between business and governments about tackling the costs of the transition, the stranded costs and the job transition. However, what is clear is that business (and also people) must today include climate risks in their investment decision-making and their corporate strategies.

How close are we to moving to a clean energy model?

We are definitely moving in the right direction and a lot of progress has been achieved in Europe in recent years, but we must accelerate the speed of change.

Renewable energies have become competitive, reliable and available. We need to work on storage technologies to deal with the variable nature of renewable generation. We also must connect power markets across Europe.

But the energy system transformation must happen everywhere. The sad truth today is that despite all the advances in renewables and other energy solutions, we still have new coal-fired power plants being built today. Getting on track with the science means that we should be focusing on investments to close existing thermal plants and replace them with renewables and other low-carbon generation technologies.

We need political will and courage to change this dynamic.

We have seen the [European Investment Bank a few days ago announcing](#) that they will not invest in coal plants. Other financial institutions have or should develop similar commitments.

Meanwhile, leading car manufacturing companies are making ground-breaking commitments to deliver clean vehicles, investing massively in electric vehicle models and technologies. While it will take several years to move completely away from the internal combustion engine to electric fleets, we are seeing a major paradigm shift in a sector that has been reluctant to move in the recent past. However, we need to make sure that the electricity supplied in the countries where these fleets are deployed is low-carbon.

Finally, we need to address the way that we produce materials today, because steel, cement, plastic plastics and aluminum account for 66% of the industry emissions globally. A more circular economy is essential to meet climate targets and has the potential to do it for two reasons: recycled materials have far more lower emissions than primary materials (e.g. Steel 2.3 t CO₂ t/steel vs. 0.4 t CO₂ t/steel); and a shared economy increases the efficiency of use, and new ownership model brings cost efficiency down and increases product longevity

What are your expectations concerning the Madrid COP25 conference?

Beyond this, how is the WBCSD contributing to the fight against climate change?

There are three issues that are important at COP25 this year.

First, we must use this opportunity to **talk about ambition**. We must see countries committing to raise the ambition in their national climate targets and plans and long-term strategies to get us on track to the 1.5°C objective in line with the latest science. The current plans bring us to an increase of temperatures to 3.2°C. The EU must lead the way with a very clear net zero target, other countries should follow suit.

Secondly, governments must agree on the rules to implement Article 6 of the Paris Agreement which deals with instruments and market mechanisms that are fundamental for countries and companies to ensure cost-effective means to invest and reduce emissions.

Thirdly, as the international climate talks have largely concluded the negotiations for the new international climate regime which implements the Paris Agreement, countries can redefine the annual Conference of the Parties (COP) as the major vehicle to create the platforms and opportunities that will accelerate implementation of climate commitments.

WBCSD will soon launch a new program called SOS1.5 that helps companies set net zero emissions targets and collaboratively work to implement these successfully. We have developed the [Low Carbon Technology Partnership Initiative](#) over the years on transitions across energy, transport and agriculture. Now we need to move the discussions about how to integrate these technologies and climate action plans into company strategies (investment plans, talent management, procurement strategies, commercial plans, etc.) and how companies can communicate these to the financial community, their employees, providers, customers and communities where they operate.

WBCSD wants to be the engine for moving faster and further with business in collaboration with governments and the people. We want to transform mission possible into mission probable. This is good for business. It is good for the planet. It is good for the people.