Strategies Companies Are Using to Mitigate and Adapt to Climate Change

Key Concept

Climate change is real and major companies are already developing and implementing detailed strategies to reduce their impact on the environment, reduce their vulnerability to the extreme weather caused by climate change, and anticipate or even lead climate change-related market developments, including significant public policy changes now on the horizon.

Idea Summary

Progressive corporate leaders have been at the forefront of many societal changes, and climate change is no different. While different surveys show between 62% and 76% of the general public believes that humans are a factor in global warming, 85% of business leaders agree with the overwhelming consensus of climatologists and scientists on climate change — and they are doing something about it.

A study by University of Michigan Professor of Sustainable Enterprise Andrew Hoffman, who also directs the Erb Institute for Global Sustainable Enterprise, reveals how major companies as diverse as DuPont, Whirlpool, Shell, Alcoa, Unilever and Swiss Re are taking pre-emptive action and developing a strategy both for climate mitigation — reducing the greenhouse gases emitted by the company’s operations — and climate adaptation — taking steps in anticipation of extreme weather that can impact the operations and results of the company.

Corporate climate mitigation strategies and initiatives launched by these major corporations can be summarized and structured as an eight-step process divided into three major stages.

The first stage is developing a climate strategy; this consists of four steps: assessing emissions profile, which
consists of four steps: assessing emissions profile, which involves tracking the quantities of GHG emissions; gauging risks and opportunities posed or presented by emissions (for example, how demand for products and services change); evaluating action options for reducing emissions; and setting GHG reduction goals and targets.

After developing a climate strategy, the second stage is to 'focus inward,' which includes two steps: developing the financial mechanisms to support GHG reductions, and engaging the organization. Achieving buy-in from the workforce is key. A climate change culture is instilled throughout the organization, not just in a few forward-thinking executives.

The third stage of a company's climate mitigation strategy is to 'focus outward'. In this stage companies start with formulating a policy strategy. New policies and regulations are addressed. They also seek a seat at the table, exploring how to have an influence over climate policy at the regional and national level. The second part of focusing outward, and the final step in developing a mitigation strategy is to manage external relationships: engaging with the important external constituents who are vital to the success of climate-related strategies.

While a mitigation strategy is concerned with reducing GHG, companies are also preparing to deal with the consequences of climate change, including extreme weather that can put the company's people, assets and operations at risk. The structure of an adaptation strategy is the same as the three-stage mitigation strategy: first, developing the strategy, assessing the vulnerability of the company to climate change events, evaluating options and solutions, then setting goals and targets to achieve those solutions; then, focusing inward on financial mechanisms and organizational engagement; finally, focusing out on policy strategy and managing external relations.

**Business Application**

Climate change has a direct and severe impact on a nation's economy. In the U.S. alone, up to one-third of the gross domestic product is directly influenced by weather and climate. The disruption of logistical supply routes or the availability of material, and the destruction of vulnerable physical assets can have a devastating impact on corporate operations and results.

Extreme weather caused by climate change causes billions of dollars in damage every year to businesses, destroying facilities and other assets and disrupting their operations. Specific companies and industries that use high amounts of energy, have physical assets in regions prone to extreme weather, or rely on resource such as water than are impacted by climate change are particularly at risk, but nearly any business or industry will feel the impact.

In addition, important market changes are inevitable as
new public policies seeking to address climate change are enacted and as consumers favour more carbon-reducing ‘planet-friendly’ companies and products.

Major corporations are not waiting to enact comprehensive climate change strategies to mitigate their impact on the environment and to adapt to changing marketing conditions. It is time to follow their example.