



Quick Brief

A news update from the NBI on its programmes, business leadership and issues on sustainable development.

12 July 2016

Business and Climate Summit 2016

The Potential Impact of Brexit on Climate Change Activity

This is the first of several quick briefs that shares highlights from the Business and Climate Summit (BCS). The BCS is co-hosted by The Climate Group and We Mean Business and this is the second year it has been held. It is attended by political and business leaders from around the world wanting to understand the complexities in taking domestic and international action to implement international Climate Agreements. In this year's case, the Paris Agreement. The National Business Initiative (NBI) is the South African delivery partner for We Mean Business.

Brexit has dominated the news lately. One aspect not commonly covered is the potential impact of the Brexit on global efforts to fight climate change. The business and climate summit was held the week after the Brexit vote and there was much questioning of the potentially destabilising impact of the uncertainty associated with a likely British exit of the EU. Christiana Figueres' response was to evoke the classic British meme "Stay Calm... and Transform On." The UK Minister for the Department of Energy and Climate Change, the Rt Hon Amber Rudd MP, moved to assure the audience of the UK's unwavering commitment to leadership and action on climate change. While this is true there is of course some uncertainty about how

the new UK leadership might act.

In reality, nothing is likely to change on the climate front although there are some key uncertainties.

It is likely that in the medium and long term the UK will continue to emphasise climate change. In the short-term, instability within the UK's major political parties will obviously divert attention.

Perhaps therefore the biggest impact of the Brexit may be on the ratification of the Paris Agreement. Ratification in both the UK and EU may be complicated as the disentanglement process is clarified. Timelines for ratification may therefore be extended. Hence there is some pressure being placed on Prime Minister Cameron to ratify the Paris Agreement before he leaves office later this year. The EU was already expected to ratify later than others, the overall timeline for the Paris Agreement entering into force (when 55 countries, covering 55% of emissions have ratified) should therefore not be disrupted.

The Brexit does not affect the fundamental architecture of the Paris Agreement. The Paris Agreement was agreed multilaterally and has been signed by 178 parties. The multilateral nature of the agreement serves as a safeguard against political disruptions in any one country or grouping. It will however prompt a technical clarification of the UK's nationally determined contribution (NDC) and its relationship to the EU NDC. There is no mandate for the level of UK ambition to diminish and it will be maintained under current UK law. The UK has cemented legislation on climate change, and despite the turmoil has just confirmed its 5th carbon budget of 57% carbon cuts by 2032.

Despite this uncertainty the science and consensus on climate action is being cemented. Paris provided a clear signal that the global development path is towards a low carbon, resilient economy. Economies and corporations are now taking considerable climate action. As the UK will now need to renegotiate and establish its trade relationships with other countries a significant component will be around interacting and engaging on this new model of development.

The UK has some of the strongest, most climate-active, non-governmental actors, local authorities and communications expertise. The uncertainty about the role of UK financial institutions and their access to the EU financial markets is one of the biggest exit issues for the UK. This has potentially enormous implications for the UK economy and this combined with the inward looking culture that is likely to develop in the short term may impact the UK's contribution to and participation in development and international climate funds.

The Brexit outcome is one example among many that demonstrates the need for the climate community to pay more attention to a just and managed transition. The "Leave" vote is seen by many as a political protest against poor national governance. This is a trend typical of many country populations who feel disenfranchised and impoverished by current political and economic systems. Climate change is a potentially destabilising risk to many national economies and may exacerbate existing levels of frustration.

A key climate related issue is UK energy policy, which interestingly is making big bets on nuclear. In her Business and Climate Summit Speech, Minister Rudd identified that at least half of UK energy innovation spending will go towards new nuclear generation technology. The UK government believe that nuclear will create 30 000 jobs across the nuclear supply chain. A key challenge of the UK's changing position in the market is how the UK's increasingly volatile financial position will affect sovereign and institutional credit ratings and their ability to affordably borrow the significant upfront capital required for nuclear investment. Of immediate concern is the potential for adjusted risk perceptions on the current, much

publicised Hinkley Point C nuclear power plant development. Minister Rudd was quick to reassure on this issue. Her belief is that there will be no impact of the Brexit on Hinkley Point C. Finally the UK's access to the EU single energy market is also something that is likely to be a key focus of EU exit negotiations. Minister Rudd was uncertain as to how this would play out.

The process of Britain extricating themselves from the EU will take roughly 2 years and so we watch this space. In the meantime at least it is business as usual on the climate front.

For more information on the Business and Climate Summit please see Twitter generally and the NBI twitter feed (the NBI tweeted live from the event; #BusinessClimate) and the Business and Climate Summit highlights recap:

- Day 1: "Stay calm and transform on": Finance, government and energy trailblazers confident in early ratification of Paris Agreement and business motivation for real climate action
- Day 2: UK government still committed to strong, clean energy economy despite EU referendum

For those who missed out on key agenda items, all keynote, plenary and parallel sessions are now available to watch on demand via the **Business & Climate Summit website**. You can also catch up and continue the conversation online by using the hashtag #BusinessClimate.

*For further information please contact **Steve Nicholls**.*

Business Action for Sustainable Development

www.nbi.org.za

The National Business Initiative (NBI) respects your right to privacy, if you do not wish to receive any further Quick Briefs from the NBI, please click [here](#) and your name will be removed from the mailing list.