

Climate Change and Business Organisations

Business

- A business is defined as an organisation or an entity engaged in commercial, industrial or professional activities
- They can be for profit or non-profit
- Generally business is understood as organised efforts of individuals to sell goods and services for profit

How Climate Change will Affect Business Organisations

Increased Risk Due to Extreme Weather

- Storms, Floods, Droughts and Heat Waves
- Disruption in operations and businesses causing financial and physical damage
- Business risks
- Risk of increase in insurance costs

Changes in Resource Availability and Cost

- Extreme weather events have the potential to disrupt supply chains
- Obtaining resources and materials for businesses will be more challenging
- Shortage of crops can lead to disruption in food production and all products dependent on them
- Rising electricity and transportation costs will increase the cost of moving goods from one place to another
- Cost of goods can increase due to regulatory restrictions due to climate change
- Shortage of resources may lead to use of alternative materials and also recycling of waste

Changing Demand

- Shift in demand e.g temperature rise will lead to decline in demand for heating oil
- Low temperatures will increase the demand for winter products
- More people shifting to environmental friendly sustainable products
- Harsher weather will change the working conditions e.g sectors where labour has to work outside will find it more challenging, health and safety issues may also arise.
- The costs of the production will accordingly increase

Changing Regulations

- Regulations for mitigating and preventing pollution (leading to climate change) will significantly impact businesses
- Emission producing industries will have to invest in technology that can capture and eliminate pollution
- Many energy companies are working towards moving to cleaner sources of energy from coal and non-renewable resources
- ‘Cap and Trade’ programme – where there is a strict regulation in the emission levels and if a company has lower emissions it can also sell its credits.
- In this company can lose or gain depending on its emissions credits

Public Pressure

- Public is becoming increasingly conscious of the negative impacts of climate change
- They are moving towards environmental friendly sustainable products and this is also a pressure for business organisations to transform to renewable energy (100%) – IKEA, Swiss RE, Apple and Nestle are committing to become fully renewable

How businesses can prepare?

- First Step – conduct an analysis of how business is impacting the environment and the potential risks it faces due to climate change
- Find opportunities to improve environmental performance
- Should find alternative source of raw materials
- Alternative sources of energy – renewable – solar, wind, Hydro and Biomass
- Create an environment management system using the above and improve their performance