

Business Considerations on the
OECD Horizontal Project:
***Building Climate and Economic Resilience
in the Transition to a Low-carbon Economy***

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Business at OECD and its members see the need to better integrate climate change factors into efforts to improve economic resilience as a priority in the aftermath of COVID-19. To this end, we look forward to conveying global business input to the *OECD Horizontal Project on Building Climate and Economic Resilience in the Low-carbon Transition* at all levels.

As we underline the importance of aligning adaptation and mitigation action looking for co-benefits and reinforcement, we also welcome the OECD's *International Programme for Action on Climate*, to ensure progress towards mitigation objectives through evaluation of climate action, benchmarking and good practice sharing among like-minded market-based democracies.

We recommend the OECD and governments to strengthen the ability of business to better anticipate, prepare for, and respond to hazardous climate change events, trends, or disturbances, including by:

ADVANCING CLIMATE RISK-MANAGEMENT WITH BUSINESS:

- **Strengthening climate data, information, forecasting and early warning systems:** Business' efforts to effectively respond to climate crises depend on early availability and access to public information. Therefore, reliable data – including on weather, water, and the most climate-risk exposed goods and services – should be easily accessible, and effective forecasting and early warning systems should be established and strengthened.
- **Improving public sector resilience and crisis management:** Clear, timely and forward-looking government decision-making, communications and support are critical to allow companies prepare and adapt quickly in times of crisis. Governments should ensure inclusive planning scenarios working with the private sector, including at municipal and state level, and also facilitate co-ordination and collaboration across ministries and levels of governance. Improving public sector resilience and crisis management may be of particular importance in developing countries, which may not have the same capacities as OECD countries.
- **Raising business awareness and building capacities, including for SMEs:** Many businesses are strengthening their efforts to better integrate climate risks into company strategies, and adapt their risk assessment, risks mitigation and risk insurance coverages. However, the connection between the company and how its can be affected by climate change is not always easily comprehensible and quantifiable. As risk awareness and management capacities vary, support should be considered for SMEs in particular.

BUILDING POLICY FRAMEWORKS THAT ENABLE PRIVATE SECTOR RESILIENCE

- **Integrating climate risks and resilience into financial decision-making:** Environmental, social and corporate governance issues – including climate risks and businesses’ ability to manage these – may affect companies’ long-term performance and should therefore be given appropriate consideration in investment decisions. Investors should consider the investee’s broader approach to decarbonisation, including but not limited to carbon footprint disclosure as the evaluation criterion for investments. The OECD and governments should consider further steps to enable the integration of climate risks and resilience into financial decision-making, including by avoiding further fragmentation of ESG metrics.
- **Enabling global supply chains and their resilience:** Fostering diversification of supply chains increases the scope for business to cushion shocks, particularly those that may occur locally or regionally, such as extreme weather events. Governments can also enable alternative sources of products by reducing the heterogeneity of technical standards, and eliminating unnecessary non-tariff measures. Green public procurement should be a major driver for the scalability of environmentally-friendly products, such as commodities with low-carbon footprint and/or high recyclability rate, while ensuring timely delivery, economic and efficient manner without decreasing quality attributes. Facilitating and digitizing border procedures should ensure continued cross-border trade flows and avoid global supply chain disruptions in times of crisis, among other [steps to build supply chain resilience](#). The application of circular economy principles into the management of supply chains can have a meaningful impact on both climate change mitigation and supply chain resilience.
- **Underlining the robustness of the international trade and investment system:** The Covid-19 pandemic has shown that particularly in times of crisis, a robust and predictable regulatory, trade and investment policy environment is indispensable to alleviate uncertainty about the framework conditions in which global supply chains operate. To this end governments should work towards a common understanding of essentials, keep national security exceptions narrowly focused and based on well-defined criteria, explore security of supply agreements, and work towards coherent and transparent international emissions disclosure rules, thus enabling businesses to choose low-carbon materials through the value chains.
- **Investing in low-emission, energy-efficient and climate-resilient infrastructure:** As many OECD economies have been struggling with chronic underinvestment in their ageing infrastructure, significant infrastructure investments are needed to increase the climate resilience of various sectors. Policies to increase the use of renewable energy such as hydro, solar, wind, and hydrogen should be considered. In this regard, the OECD report *Investing in Climate, Investing in Growth* also highlights that the stock of public capital relative to GDP decreased by 15% globally over the past 30 years. Governments should ensure Covid-19 recovery packages are aligned with climate targets as a means to accelerate action.
- **Developing, adopting and disseminating digital technologies:** Digitalization can make business operations and supply chains more efficient, more resilient and more sustainable at the same time. Governments should enable cross-border data flows, reduce tariffs on information and communication technology goods and measures affecting access to digitally enabled services including for communications. Enabling regulations on e-payments, e-contracts and e-signatures could help business adapt faster, and improved e-governance could reduce administrative burden. In this context, enhancing access to digital technologies and infrastructure is particularly important in developing countries.

- **Ensuring coherent policy frameworks:** An effective approach to climate resilience means aligning adaptation and mitigation policies consistent with climate targets, and ensuring their mutual reinforcement, including streamlined administrative and permitting process for “green investments, industrial policies to promote green sectors ensuring technological neutrality, R&D towards zero-emission energies, education and awareness policies to develop the skills and buy-in, Just transition.

SUPPORTING SECTORAL POLICIES IN HIGH CLIMATE-RISK SECTORS

- **Understanding sectoral climate impacts and needs with the private sector:** Public-private dialogues can advance sector-specific understandings of climate hazards, the exposure and vulnerability of key assets and value chains as the basis for effective sector approaches.
- **Supporting sectors with the highest exposure to climate-change risks:** The needs and climate-risk profiles for each economic sector and even individual business models are different, and therefore climate resilience cannot take a monolithic approach. Resilience building approaches should particularly focus on high exposure sectors including agriculture and fisheries, raw materials, utilities, manufacturing, construction, infrastructure and logistics, and communication and IT.