

Climate Change and Corporate Environmental Responsibility*

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* Welcome address for participants of the “Corporate Summit on Climate Change: A Catalyst for Climate Action” organized by LEAD Pakistan and held in Karachi on 19 February 2009. For further details on LEAD’s activities regarding climate change see its website: www.lead.org.pk/cc.

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Introductory Remarks

On behalf of the Board of Governors of Leadership for Environment and Development (LEAD) Pakistan, I am pleased to welcome all the participants—comprising corporations, environmentalists, academia, civil society, government, media, and speakers, including international speakers from the UK and US—to the “Corporate Summit on Climate Action” organized by LEAD Pakistan in association with the British High Commission and several other partners.

This is the first ever summit to be held in Pakistan which has convened corporations on climate challenge for climate action. The Corporate Summit on Climate Change seeks to enhance awareness and share best practices about climate change among a wide range of stakeholders in Pakistan, in particular corporations. The Summit is providing a unique platform for corporations to come together, to share best practices and understand what different corporations in Pakistan are doing to mitigate the challenge of climate change. Renowned international speakers will be delivering presentations on climate response and climate action for corporations in Pakistan. Such a platform will provide information and direction to the corporate community about what can be done about climate change in Pakistan and the role they can play to respond to the challenge of climate change so they can take a lead and step forward to address this issue.

The Corporate Summit program is divided into three segments: The Plenary Session, the Technical Session, and the CEO Summit. Each session targets a unique group of stakeholders with a special focus on corporations in Pakistan. The Plenary session’s theme “Convening Partners for Climate Action” will be open to multi-sectoral stakeholders that include corporations, industry, government, the civil society, academia, researchers, and the media. The Technical session’s theme “Mutual Learning for Climate Action” aims at sharing best practices and experiences for action against climate change. Corporations will be presenting case studies of their work on climate change for sharing of best practices. The CEO Summit, an exclusive segment for CEOs, will give CEOs the unique opportunity to convene for discussing climate change concerns. The purpose of this session is to urge CEOs to exercise leadership for climate action.¹

While extending you a warm welcome, I thought I would take the opportunity to share with you my perspective on this session’s theme: “Convening Partners for Climate Action.” This perspective is based on a multidisciplinary examination of various issues relating to climate change in Pakistan: (i) The international concern and Pakistan’s response to climate change in Pakistan; (ii) the State and corporate responsibility for climate change in Pakistan; and (iii) the need for forging corporate partnerships for climate action in Pakistan.

Climate Change

Climate change is causing irrevocable damage to the entire world with tremendous environmental, social, and economic impacts. As aptly noted by Arif Azad of LEAD

¹ For further details, see the Corporate Summit’s website: www.lead.org.pk/cscc.

Pakistan: "The consequences of climate change are starker for the developing world, which is already resource starved. As the climate change is global in its impact, Pakistan, like other developing countries, is vulnerable too."²

Human settlements and economy in Asian countries are being affected greatly by climatic variability. In the South Asian region, large populations live in low-lying coastal areas or adjacent to river deltas. Coastal dwellers and inhabitants of regions near deltas are especially vulnerable to sea-level rise and associated back water flooding which are among the most immediate consequences of an increase in average global temperatures. Rising global temperatures could result in significant changes in crop yields, production, storage, and distribution. In that case, low-income rural populations that depend on traditional agricultural systems or on marginal lands would be particularly vulnerable.³

Pakistan is considered to be among the top twenty countries in the world that will be affected by climate change. Its status as a developing country, dependent mainly on agriculture, makes it particularly susceptible to the effects of climate change. Agricultural productivity in Pakistan is being affected by the changes in land and water resources. Dry land areas in arid and semi-arid regions are most vulnerable and affect agriculture productivity, putting the country's **food security** at risk.

Climate change does not only affect agriculture and water regimes.⁴ It also affects urban centers, industry and human health. Urban centers and industry depend on hydro-power for cheap electricity due to the non-availability of sufficient quantities of indigenous oil, gas or fossil fuels in the country. Therefore, depleting water resources can also put the country's **energy security** at risk with all its attendant consequences.

International Concern

The issue that has gripped the world's attention in recent years is the very serious threat posed by the depletion of the ozone layer. Even the non-believers are beginning to understand and acknowledge the great harm being done by ultraviolet radiation and greenhouse gases; and also the increasing risk of global warming or adverse climate changes posed by greenhouse gases.⁵

The United Nations Framework Convention on Climate Change, Rio de Janeiro, 1992 ("Climate Convention"), acknowledging that change in the Earth's climate and its

² Arif Azad, "The Looming Crisis," *The News on Sunday* (Policy III) 30 March 2008.

³ Gurneeta Vasudeva, *Environmental Security: A South Asian Perspective*, 14, Tata Energy and Resources Institute.

⁴ See generally, Imtiaz Ahmed, "Global climate change and Pakistan's water-resources", Paper published in the Proceeding of National Workshop on Water-Resources Achievements & Issues, in *20th Century & Challenges for the next Millennium*, Pakistan Council of Research in Water Resources (June 1999).

⁵ Professor Dr. Herbert V. Morais, "International Law in Crisis: Reaffirming the Rule of Law in a Divided World", Inaugural Lecture of the Tunku Abdul Rahman Chair in International Law, Faculty of Law, University of Malaya, Kuala Lumpur (9 October 2007).

adverse effects are a common concern of humankind, provides the international legal framework to protect the climate. The Kyoto Protocol to the Climate Change Convention, 1997 ("Kyoto Protocol") further establishes benchmarks for the reduction in emissions of carbon dioxide.

The Climate Convention has laid down the theory of "differentiated responsibilities" for the purpose of observing the principles and fulfilling the commitments thereunder. Article 3(1) thereof provides: "The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof."⁶

The theory is based on the recognition of differences in capabilities and socio-economic conditions between the developed and developing countries. It has been noted that: (i) the largest share of historical and current global emissions of greenhouse gases has originated in developed countries; (ii) per capita emissions in developing countries are still relatively low; and (iii) the share of global emissions originating in developing countries will grow to meet their social and development needs.

These differences prevail in the context of different state actors in developing countries as well. Corporate bodies are by far the most capable and socio-economically developed entities in developing countries. Furthermore, being the biggest energy users, they have the largest share of greenhouse gas emissions in the country. Consequently, they should bear the larger share of the commitment to preserve the climate within national boundaries. Within the corporate setup, foreign companies in developing countries form the higher echelon of the corporate sector and should, as such, voluntarily aim to apply the higher environmental standards prevalent in their home countries in order to set an example for others to follow.

Pakistan's Response

Like in other developing countries, the issue of climate change is important but not urgent in Pakistan. The following observation by James Dailey in this regard is noteworthy: "I looked in vain for any mention of climate change in the opinion pages of local newspapers, and while there was vibrant debate over important international issues (e.g., the nature of democracy, government ineptitude, pollution, poverty, the U.S. playing kingmaker, and energy shortages), there was nothing on climate policy."⁷ He suggests that "Unless it is linked to issues of social justice, energy security, economic growth, and the aspirations of a growing middle class in

⁶ See also, Art. 4, United Nations Framework Convention on Climate Change, Rio de Janeiro, 1992 and Art. 10, Kyoto Protocol to the United Nations Framework Convention on Climate Change.

⁷ James Dailey, "Climate change and Pakistan's priorities", Grist (Gristmill: The environmental news blog) <http://gristmill.grist.org/story/2007/11/6/164856/567>. James Dailey suggests that climate change mitigation is related to building democracy and decreasing poverty: "Responses to climate change should not be put in a box as an altruistic thing to do, but should be a central component to improving the well-being of people around the world and promoting stable, prosperous democracies."

developing countries, support for action on climate change will remain pegged to the fortunes and attention of environmental liberals in the developed North.”

Dr. Harish Kumar Jeswani, who examined the warmth of corporate response to climate change in Pakistan and UK earlier,⁸ has now produced a more detailed study on the subject under discussion.⁹ The results of this study indicate that companies in Pakistan have recently begun to focus on improving energy efficiency even though the motivating factor behind this effort is financial benefit on account of cost savings. The study discusses key factors affecting corporate reaction and recommends several measures to encourage more proactive responses of companies in Pakistan. These recommendations merit serious consideration.

The energy sector is the single largest source of greenhouse gas emissions as detailed in the inventory developed for Pakistan. As such, it is also the sector which is believed to have the greatest potential for development of mitigation options. Pakistan has vast potential for renewable energy development; the three provinces of Pakistan i.e. NWFP, Balochistan and Sindh provide vast untapped resources for hydropower, wind and solar energy. These sectors therefore represent an added opportunity for the corporate sector and foreign governments to undertake viable investments that will also assist Pakistan in utilizing its cleaner forms of energy.¹⁰

Management of climate change related risks mostly involves mitigating measures to save energy. To the extent that these measures provide substantial energy cost savings, companies may find these to be good business practices and hence be drawn willingly into actions against climate change.

Environmental Responsibility

State Responsibility

The Climate Convention requires States to enact effective environmental legislation. Pakistan has enacted the Pakistan Environmental Protection Act, 1997¹¹ which empowers the Federal Government to make rules for carrying out the purposes of the Act and rules for implementing the provisions of various international

⁸ Harish Kumar Jeswani et. al., “How warm is the corporate response to climate change? Evidence from Pakistan and the UK”, 17 *Business Strategy and the Environment* (No. 1) at 46-60 (2006). This research paper (by Centre for Environmental Strategy, University of Surrey, UK) compares corporate responses to climate change in Pakistan and the UK. By analyzing the divergence of strategies adopted by industries across different sectors in two countries, the paper examines the key factors influencing corporate adoption and implementation of greenhouse gas reduction and energy-efficiency strategies in Pakistan and the UK.

⁹ Dr. Harish Kumar Jeswani, “Corporate Response to Climate Change in Pakistan”, 24 *Occasional Paper* (LEAD Pakistan, 2008).

¹⁰ Government of Islamic Republic of Pakistan Ministry of Environment, Pakistan’s Initial National Communication on Climate Change, at 28 (November 2003).

¹¹ For a thorough examination of the provisions of this Act, see Jawad Hassan, *ENVIRONMENTAL LAWS OF PAKISTAN* (2006).

environmental Agreements, specified therein, including the Climate Convention.¹² As part of its environmental commitments, Pakistan Government has also laid down various environmental regulations¹³ and standards.¹⁴ The compliance framework for enforcing the laws, regulations, and standards is a mixture of administrative measures, judicial sanctions and active civil society involvement.¹⁵

Major policy initiatives in the environment sector have been the enactment of National Conservation Strategy (NCS) in 1992 and the finalization of a National Environmental Action Plan (NEAP) in 2001.¹⁶ Both the NCS and NEAP have indirect relevance to climate change issues. The NCS emphasizes that development must be conservation-based. It suggests that development must protect the structure, functions and diversity of the world's natural systems on which our species depend. To that end, it advocates the conservation of life-support systems: "These are the ecological processes that keep the planet fit for life ... They shape climate, cleanse air and water, regulate water flow, recycle essential elements, create and regenerate soil and enable ecosystems to renew themselves." In order to achieve this, the NCS specifies various training policies and measures, which include: (i) the introduction of special courses on sustainable development and conservation issues at existing training institutes for corporate managers; (ii) incorporation of sustainable development in training in business administration, and encouraging these institutes to offer special courses and seminars for the corporate sector; and (iii) organization of periodic, concurrent training programs for senior government decision makers and the corporate sector, and for decision makers at the Federal and local levels, to facilitate a better understanding of each other's roles in achieving sustainable development.

The government training policies and measures provide an opportunity for Non-Governmental Organizations (NGOs) like LEAD¹⁷ to take on the challenge and to play their part in facilitating the resolution of climate change issues.

¹² Sec. 31 read with item 14 of the Schedule to the Pakistan Environmental Protection Act, 1997.

¹³ See, e.g., Pakistan Environmental Protection Agency Review of Initial Environmental Examination and Environmental Impact Assessment Regulations, 2000.

¹⁴ The National Environmental Quality Standards (NEQS) finalized in 1993 provide standards for industrial and municipal effluents and air emissions, including 32 liquid and 16 gaseous parameters.

¹⁵ Nelma Akhund and Zainab Qureshi, "You can make a difference", IUCN publication, Karachi (1998). The Pakistan Environmental Protection Act provides for liability for offences by corporate bodies. See, Sec. 18, Pakistan Environmental Protection Act, 1997.

¹⁶ The NCS lays out the fourteen key priority areas for policy formulation and intervention, while NEAP outlines four priority areas for development and implementation of environmental conservation programs—clean air, clean water, solid waste management, and ecosystem management. The NEAP also identifies five additional areas of concern in which additional support is needed to strengthen the base for environmental management in the long run.

¹⁷ LEAD Pakistan has conducted several trainings and capacity building workshops on renewable and alternative energy, multilateral environment agreements, natural resource management, as well as poverty-environment nexus and community mobilization.

Corporate Responsibility

In addition to the government and NGOs, the largest share of responsibility for mitigating the affects of climate change falls on the corporate sector. It has, therefore, been recommended that the corporate and business sector should be mobilized to finance the transition to a low carbon economy. Transition to a sustainable low carbon economy can be promoted through approaches such as Corporate Social Responsibility (CSR), Socially Responsible Investment (CSI), and Principles for Responsible Investment (PRI).¹⁸

It has accordingly been suggested that “[h]arnessing the power of corporations and encouraging their cooperation is one of the key areas for building environmental security. Both individually and as cartels and coalitions corporations have the size, influence and financial resources to wield control internationally. Multinational corporations can play an influential role in advancing environmental protection by shaping technological advances and commercialization of products and technologies, participating in negotiations on global environmental issues thereby contributing to consensus building, supporting programs for public education and awareness and creating international institutions to advance sustainable development principles.”¹⁹

I believe and have on an earlier occasion stated that businesses need to have a common vision centered on “enlightened self-interest”, a situation where companies would serve community-specific needs and safeguard the environment knowing that such actions generate greater well-being among existing as well as potential customers, and as a direct consequence generate greater business opportunities.²⁰

Corporate Partners for Climate Action

I, in my previous capacity as Chairman of the Securities and Exchange Commission of Pakistan, had made a categorical commitment to advancing corporate social responsibility: “We are fully committed to CSR. We will not shy away from our obligations. But for this we need widespread partnerships.”²¹ A compelling case for

¹⁸ Asia Pacific Regional Statement to the Ninth Global Civil Society Forum and the Tenth Special Session of UNEP’s Governing Council and Global Ministerial Environment Forum, Seoul, Republic of North Korea, 25-26 October 2007. For a detailed examination of this Statement see, Dr. Parvez Hassan, “Climate Change: Some National and Regional Responses”, Remarks made at the APFED Policy Dialogue on Climate Change on the occasion of UNFCCC/COP13 in Bali, Indonesia, 8 December 2007.

¹⁹ Gurneeta Vasudeva, *Environmental Security: A South Asian Perspective*, 22, Tata Energy and Resources Institute.

²⁰ Statement quoted in Ambreen Waheed, “Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation”, Report prepared by Responsible Business Initiative for Securities & Exchange Commission of Pakistan and United Nations Development Program, at 89 (PAK/98/011 PARADIGM-UNDP) (September 2005).

²¹ Quoted in Ambreen Waheed, “Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation”, Report prepared by Responsible Business Initiative for Securities & Exchange Commission of Pakistan and United Nations Development Program, at 90 (PAK/98/011 PARADIGM-UNDP) (September 2005).

partnerships has been made out in view of the broadening and expanding roles and responsibilities of businesses and stakeholders in society, in particular global businesses.²²

Corporate Partners

LEAD Pakistan has reached out to key national, regional and international institutions for partnerships and alliances to share knowledge, mutual learning and joint initiatives. These include: (i) the Global Change Impact Study Center (GCISC); (ii) COMSTECH; (iii) the Metrological Department of Pakistan; (iv) Capital Development Authority (CDA); and (v) Pakistan Institute of Development Economics (PIDE). It clearly needs to expand its partnership base to include business corporations as well. One way to do that would be through various incentive schemes such as the scheme being implemented by WWF-Pakistan in collaboration with the Association of Certified Chartered Accountants (ACCA), called the "Pakistan Environmental Reporting Award". This scheme recognizes environmental reports from among entries in three categories, namely, "best multinational", "best local listed company" and "best unlisted company". The award aims to encourage the development of an environmentally responsible culture in Pakistan.²³

Climate Action

LEAD Pakistan has established an Advisory Board on Climate Change comprising seven distinguished leaders from Pakistan as its members to guide its Climate Change Program. It has also established a National Network on Climate Change and a Knowledge Network on Climate Change to address knowledge sharing and communication needs for climate change.

LEAD Pakistan has successfully developed a multi-year LEAD Climate Action Program that targets and supports both rural and urban people, particularly the most vulnerable communities. The design of the action program is based on the building blocks of small yet essential interventions that LEAD Pakistan has been undertaking to understand and address climate change challenges. These interventions are based on LEAD Pakistan's core functions of networking, capacity building and research.

I hope and encourage the corporate sector in Pakistan to come forward and forge a partnership with LEAD Pakistan and help it to effectively implement the Climate Action Program.

²² Alyson Warhurst, "Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership," in *THE FUTURES OF ETHICAL CORPORATIONS* (edited by Ted Fuller and Jane Collier), 37 *Futures* (Issues 2-3) at 151-168 (March-April 2005).

²³ Ambreen Waheed, "Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation", Report prepared by Responsible Business Initiative for Securities & Exchange Commission of Pakistan and United Nations Development Program, at 87 (PAK/98/011 PARADIGM-UNDP) (September 2005).

Concluding Remarks

In conclusion, I would like to thank all of you for participating in this important event and LEAD Pakistan for giving me this opportunity to welcome you. I would like to convey special thanks, on behalf of the Board of Governors of LEAD Pakistan, to the British High Commission for cosponsoring this event and all the partners of LEAD Pakistan—namely, the Pakistan Ministry of Environment (Government of Pakistan), Karachi City District Government, Heinrich Boll Foundation, Overseas Investors Chamber of Commerce and Industry, Pakistan State Oil, Engro, Pakistan Tobacco Company, Boston University, Global Change Impact Study Center, University of Manchester, Pakistan Metrological Department, and International Business Leaders Forum—for being the catalyst for climate action by corporate Pakistan.