23139 Crucial moment to ensure EU companies respect the Paris Agreement

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It's been three years since the European Union vowed to become a climate neutral economy by 2050 – a goal that will be impossible to reach without urgently mobilising the corporate world. Yet in the absence of specific and enforceable legal standards, there is still a systemic lack of action from the private sector. While there's been a tidal wave of corporate climate pledges, the work that is needed to achieve these commitments simply isn't being done.

In a study of the 1,000 largest companies operating in the EU, only 23 per cent of them had strategies to address climate risks, and as few as 13.9 per cent disclosed relevant data on their emission reduction targets. This means that these companies are not aligned to shareholder expectations, and are missing opportunities to properly manage and mitigate the risk a warming world presents to their business.

This week, there's an opportunity to change this sorry situation. The European Parliament is currently debating the Corporate Sustainability Due Diligence Directive. This proposal could be the lever the EU needs to compel companies operating on its market to drastically pick up the pace.

Requiring companies to address environmental and climate adverse impacts in their value chains is an essential piece of the sustainable economy puzzle. It also makes good business sense. But there is a glaring flaw in the current legislative proposal: its narrow definition of what constitutes an 'adverse environmental impact' will allow companies to turn a blind eye to significant issues in their value chains – including their emissions. Under the Commission's draft text, companies would only have to spot and stop impacts that result from the breach of one of the 12 international environmental agreements referenced in the law.

Considering that all sectors - automotive, construction, chemicals, food and drink, raw material, metals, and minerals, fashion and beyond - play an irrefutable role in global heating and nature loss, the current definition of 'environmental impacts' will fail to fully capture companies' environmental footprint. That doesn't exactly foster fair competition.

The Commission's proposal would only require companies to include adverse climate impacts as part of due diligence seven years after the Directive enters into force – likely to run into the next decade beyond 2030.

This is far too late. Climate science warns that unless we have massive emissions cuts now, the 1.5C goal may soon be out of reach. It is also out of step with the companies that are already developing climate transition plans to manage risk to their businesses.

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