

Why it's time to put a price on carbon

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This post is part of a series of interviews on the impacts of climate change and the COP21 talks in Paris. The author is one of 78 signatories to an [open letter](#) from CEOs to world leaders urging climate action.

Why does climate change matter to you and your business?

Climate change is real, that is why it matters. Both to me personally and as CEO of Royal DSM. This unfolding crisis already has had a major impact on both people and planet and this impact will continue to increase in the coming decades, putting a tremendous burden on the future of our children. The ironic truth is that those countries who didn't contribute to climate change suffer the most, like Bangladesh and the Horn of Africa. The more we fail to address climate change, the higher the costs of adaptation for the next generation. Whether or not history will be written in Paris depends on our collective determination to secure a sustainable future. As a company active in health, nutrition and materials, we take our role in mitigating climate change very seriously. We do so in three ways.

First, by reducing emissions in our own operations. Within the next decade, we will further reduce our greenhouse gas emissions, improve our energy efficiency and source half of our electricity from renewable sources.

Second, by enabling our customers to reduce their emissions, through our products. Half of our sales and nearly all of our new innovations are ECO+, having a significantly better environmental performance than existing alternatives. We facilitate the whole value chain to be more sustainable, by introducing products that reduce the weight of cars, make electronics greener, and produce paints and coatings that don't contain harmful substances. In addition we develop alternative energy forms via plant residue-based advanced biofuels, coatings that boost solar cell yields, for example.

And third, we demonstrate leadership through responsible and consistent advocacy about climate and energy. By reassuring government leaders across the globe that many companies are ready to partner on climate action, we hopefully take the economic argument for delayed action out of the equation.

What are the greatest challenges for businesses in your sector to overcome in the fight against climate change?

The (bio)chemical industry holds several keys to enable efficiency gains, advanced innovation and faster, scalable deployment of solutions. DSM's low-carbon technologies

enable a low-carbon economy by reducing emissions in a variety of markets: from cheese, cars, solar panels, advanced biofuels, to LED lighting. We are not alone in this: for example, the WBCSD's Low Carbon Technology Partnerships Initiative brings together dozens of companies – including those from the chemical sector – each with their own solutions.

An important challenge is that our type of companies often play the role of “invisible enabler”: our science-based, sustainable innovations and products are usually anonymous for consumers, but indispensable for our customers. Our industry's challenge is to shape markets in such a way that the environmental and social value we create is actually financially rewarded by our customers.

A global deal in Paris is an important step – what would you like to see next?

Without a global climate deal in Paris, we give society and business the illusion that emitting carbon has no limits. I have yet to find a bank that allows limitless withdrawals. Interestingly, we have been treating our planet like an undepletable bank account. We've been creating “planetary interest rates”: leaving the bill not just for many who have contributed to climate change least, but also for those who yet have to be born.

This is why it's time to put a price on carbon. Carbon pricing mechanisms should play a key role in the implementation of the intended nationally determined contributions (INDCs). Today's leading companies don't wait for governments to set a carbon price. To prepare for the opportunities that emerge in the transition to a low-carbon economy, and understand the risks of not leaving greenhouse gas emissions unaddressed, over four hundred companies already use an internal carbon price. DSM has set an internal carbon price of €50 per ton.

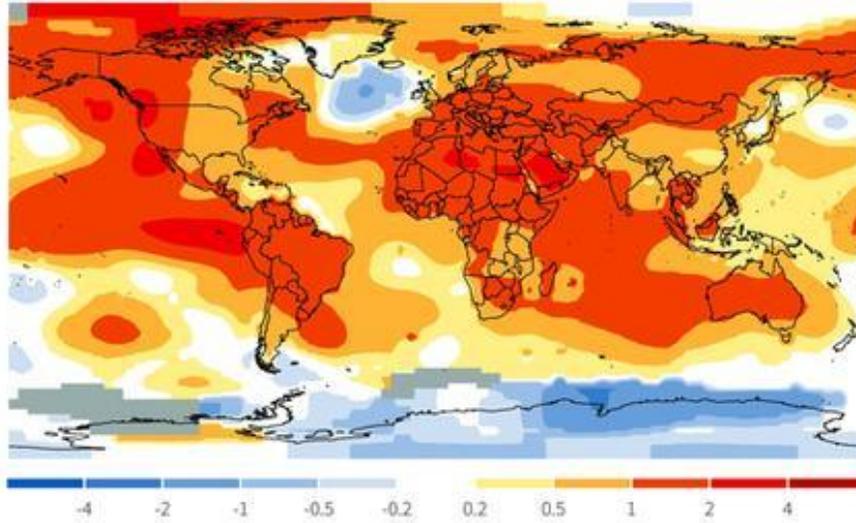
However, a real, meaningful price will level the playing field across the globe while effectively incentivizing companies and consumers to avoid emitting carbon. As the latest World Bank report points out, dozens of countries, cities, states and regions – representing almost a quarter of global greenhouse gas emissions – are already putting a price on carbon. Therefore, we welcome the emergence of carbon pricing mechanisms around the world.

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Rising temperatures

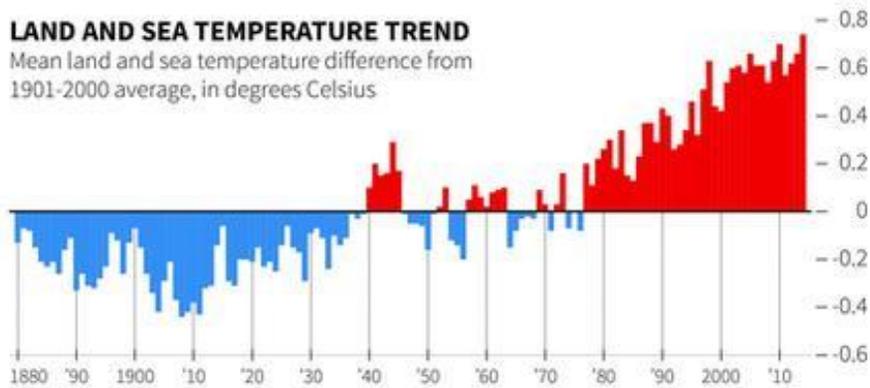
MAY-OCTOBER 2015 SURFACE TEMPERATURE

Mean land and sea temperature difference from 1951-1980 average, in degrees Celsius



LAND AND SEA TEMPERATURE TREND

Mean land and sea temperature difference from 1901-2000 average, in degrees Celsius



Source: NOAA National Climatic Data Center

W. Foo, 30/11/2015

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