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Keeping politics out of companies' climate action

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Corporate climate action will succeed and sustain itself best if politics are kept out of it – but the way many companies are tackling climate action is politicizing the issue.

Climate action is not inherently ideological, but it becomes so when mixed with issues that are. We propose a model that separates climate action, together with similarly existential issues, from the many societal issues on which companies may choose to take a position. This separation is critical in protecting climate action from the emerging backlash against stakeholder capitalism.

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Summary
Separating necessity from political choice

The risk from stakeholder capitalism
In the pursuit of stakeholder capitalism, many companies are inadvertently helping to make climate action ideologically political. But because climate action depends on near-universal participation at speed, it cannot succeed as a political project: it is inconceivable that the world's societies could converge on any political consensus of the required depth in the short time available. Already, we are beginning to see signs of a backlash – against 'ESG' and against the idea of corporations determining what citizens should or should not do. Businesses that thought they were doing the 'right thing' are subject to challenges from dissenting stakeholders – customers, employees, investors, regulatory authorities.

The world does not have a universal set of values; one person's social justice is another person's woke capitalism. The societal stance that companies have taken on climate, as part of their embrace of stakeholder capitalism, is provoking reactions that are putting our vital progress on climate action at risk.

Is there another way? Can companies act on climate change without taking such a stance? Can we keep politics out of companies' climate action?

This research paper explores the politicization of the corporate climate agenda and what it means for effective climate action going forward. First, we examine why this politicization matters, where it comes from, and whether it is inevitable. We show how climate action is not inevitably political; yet, when we examine existing models and practices in search of an apolitical approach, we don't find one.

But we do find well established and useful building blocks. From these, we propose a model for how to manage a company's overall sustainability/ESG agenda in two separate domains.

A model to protect climate action
The first domain comprises societal issues, together with local environmental issues, that are often to do with fairness, access or redistribution – these are rightly and inherently political questions, related to people's welfare. Progress on these issues would make the world a better place, under most ethical perspectives, but corporate objectives can be legitimately contested by people with different interests. Failure to make progress would result in a missed opportunity for societal development, but it would not threaten the way we live today. Most of the UN's seventeen Sustainable Development Goals sit in this domain.

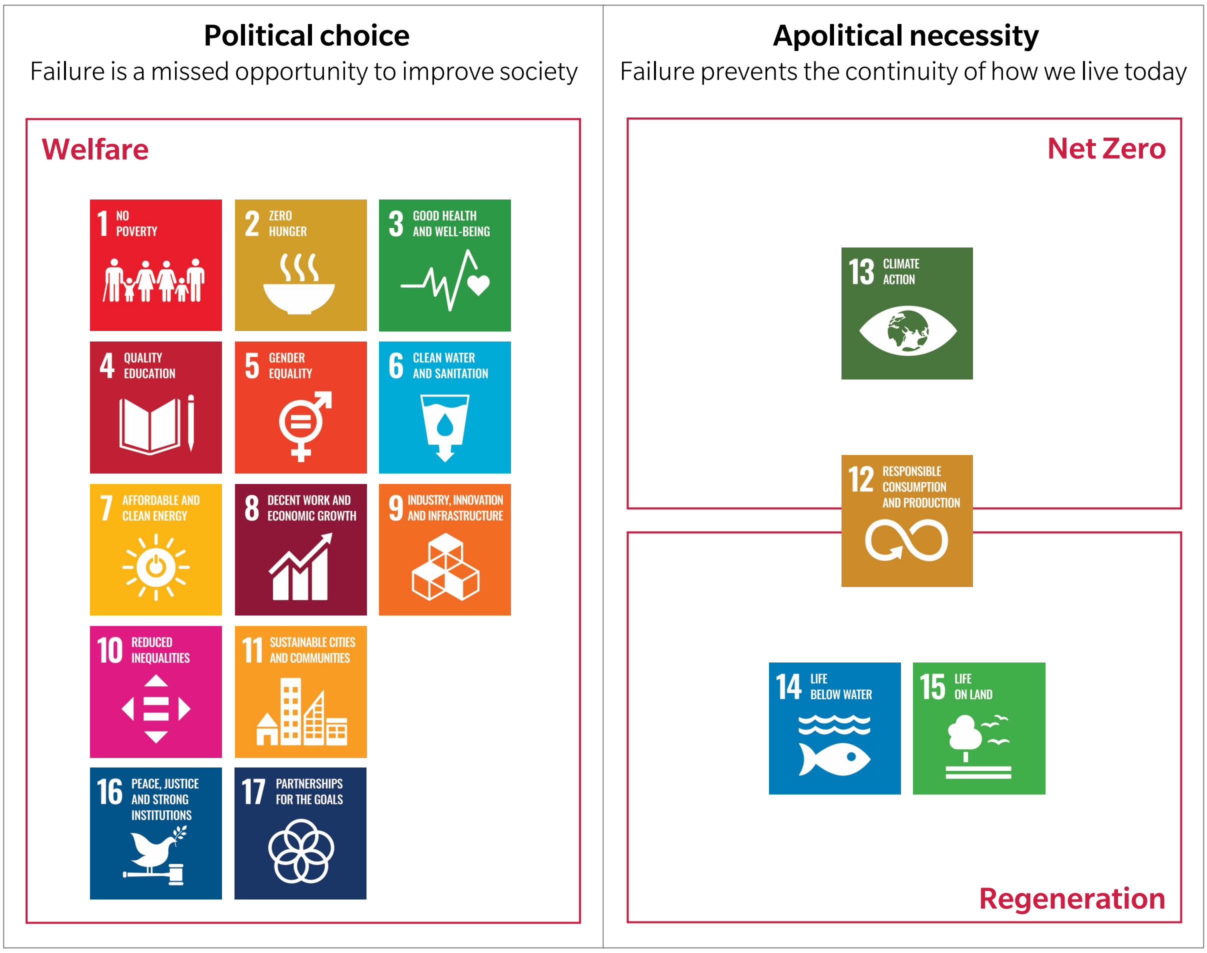
The second domain comprises the few issues where action is so urgently, universally and existentially needed that it becomes objectively necessary, regardless of your political persuasion. Specific approaches can be legitimately contested, but the objectives cannot. Failure to make progress on these issues is not about missing opportunities; it would stop us from continuing to live the way we do today. Getting to net zero is in this domain – but so are some other, critical issues where we are using up our natural resources at such a rate that the shift from depletion to regeneration is similarly urgent and existential (see Figure 1). Climate change is not the only vital planetary boundary that is under immediate threat.

Today, a company's approach to climate typically crosses both these domains. Climate action is not inherently political, but it becomes political when we mix it with issues that are: redistributive questions with-in the climate context (a just transition, climate justice), and adjacent issues in the broader spectrum of SDG goals or ESG risks. By treating climate change as

one strand of ESG, and as just one of the UN's 17 Sustainable Development Goals, we conflate it with social issues that are profound societal ambitions but are inherently political choices.

Our model offers a way to distinguish the most essential climate action – together with the select other actions that share its objective necessity – from actions that are inherently and rightly a political choice. This distinction may prove vital in protecting the actions we all need, from the subjectivity and ideological tensions of competing political agendas. If ESG reporting and investing were to make this distinction, it would resolve the political tensions now threatening the whole approach to sustainable investing.

Figure 1: A conceptual model to insulate climate action and other apolitical necessities



1.
Making climate action political makes it harder

Too urgent to be divided over

Climate change is a universal challenge, which affects all of us and needs everyone's participation, now.

Some argue that its urgent need for deep change is what makes it an ideologically political project, because we can't solve it through tinkering with business as usual. That's the case Naomi Klein made back in 2014 in her book *This changes everything*.[1] It's the case Greta Thunberg makes today.[2] But as we continue to delay serious climate action, the growing urgency that drives this argument also undermines it. Now that we have a ten-year timeframe (or less) for climate action to be decisive, it is not plausible that we can get there by converting the whole world to one universally shared political persuasion – something that has never been achieved, or even attempted, and that the world is currently receding from rather than approaching.[3]

The more we make climate action ideological, the harder we make it to enlist the support of the powerful interests whom we need to drive the transition. As we lose that support, progress on climate action slows, the desperation for action grows, the issue gets more political, and we head down an ever more extreme vicious spiral.

For that spiral to be productive, it would need to build to a revolutionary burst of disruptive, transformational energy at a global and societal level. That is a legitimate vision for a climate activist – though the need for such a deep and dramatic change in a very few years gives this path a virtually insurmountable risk of failure. In any case, it would require a revolutionary program that nobody is realistically pursuing.

The alternative path – and the only path for actors not seeking to precipitate such an immediate and world-scale economic revolution – is to work for broad acceptance and support for urgent climate action today, so that we can each get on and take the costly and transformative action we need, in the short time we have left, through the system we have in place. And to achieve that, we can't afford for the idea to belong to one or other political persuasion. We need to think differently. We need to collaborate and participate, not divide and exclude.

The siren of redistribution

What makes climate change politically contentious is when we respond with policies that involve redistribution within society. Redistribution questions are concerned not with overcoming planetary limits, but with how we share within those limits, which is a legitimate and fundamental political question. Examples are the Green New Deal, the 'climate justice' agenda, and negotiations about apportioning the available carbon budget between actors. When we bring in issues of redistribution, then legitimate disagreements about *how to share* manifest themselves as disagreements about climate action – and climate action itself loses its claim to universality and objectivity.

Aiming for redistribution in the context of climate action is a natural and reasonable temptation: while climate change is universal, it is not uniform in its cause or effect. The inequities are real – but the implications are problematic.[4]

Greta Thunberg's The Climate Book includes a piece in its section on 'what we must do now' by Lucas Chancel and Thomas Piketty, titled 'Decarbonization requires redistribution'. Their argument is based on the substantial and growing inequality in carbon emissions: 'Over the past three decades, the share of emissions of the global top 1% of [individual] emitters… rose from about 9.5% to 12%.'[5] They conclude that 'it's time for us to acknowledge that there can be no deep carbonization without profound redistribution of income and wealth.'

The practical problem with this argument is not in the arithmetic, but in the motivation it drives. For the majority on the 'poor' side of the carbon inequality, it says: focus on other people's emissions rather than your own. For the minority on the 'rich' side of the carbon inequality, it says: don't engage with climate change and climate action if you want to preserve your lifestyle. It divides and excludes when we need us all to collaborate and participate.

Navigating the siren

If the arithmetic is right but the motivation is wrong, what is the solution? At a national rather than individual level, this is the challenge that bogged down the UN's intergovernmental negotiations on climate change – the COP process – for many years. As long as the debate was about which countries would get what share of the world's 'carbon budget', and whether countries' share of responsibility and contribution to the cost of adaptation would be based on current carbon emissions or cumulative historic emissions or something else, agreement proved impossible. The breakthrough that led to the Paris Agreement in 2015, after years of stalemate, was to separate the issue of countries' commitments to climate action from the issue of sharing. Christiana Figueres, former Executive Secretary of the UN Framework Convention on Climate Change and architect of the Paris Agreement, observes that 'fair allocation of the remaining atmospheric space has proven to be a futile exercise no matter the formula. A fair outcome is not viable as long as we pursue it from a mindset of scarcity and competition… The state of the planet no longer allows for this mindset.'[6]

Instead, the Paris Agreement is based on a 'new understanding [that] established that reducing emissions is indeed a responsibility of every nation, for its own enlightened self-interest as well as for the benefit of the planet as a whole.'[7] Countries' 'nationally determined contributions' are their individual contributions to solving the planetary problem – they are not claims on a global carbon budget. The insight behind 'net zero' – a core concept of the Paris Agreement – is that there is nothing to share. Since each one of us needs to get to net zero, let's focus on how we each chart our path to get there; then we can explore how we support each other along the way.

In focusing this way, the Paris Agreement does not neglect the question of fairness and redistribution. Most of the clauses in the preamble focus on it. Article 2 states that 'this agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.'[8] Article 4 expresses the collaborative mindset of shared interests vs. competition: 'Support shall be provided to developing country Parties… recognizing that enhanced support for developing country Parties will allow for higher ambition in their actions.'[9]

What the Paris Agreement demonstrates is how the existential imperative for collective climate action, and the societal agenda for justice and redistribution, can both be better served when they are separated out and treated distinctly. When they are combined, climate action becomes a competitive, zero-sum game of sharing a limited budget: views of how to share are divisive, reflecting divergent interests and values. Separated, climate action can be collaborative and consensual, transcending and insulated from the inevitable diversity of different groups' politics and circumstances.

When the siren wins

Redistribution returned to the core of the United Nations negotiations at COP-27 in Sharm El-Sheikh – not just as helping out developing countries in driving the transition, but as compensation for 'loss and damage'.[10] The agreement on potential funding of 'particularly vulnerable' developing countries, to pay towards the cost of the loss and damage they experience from climate change, attracted much of the media coverage. It was fairly heralded as 'historic' and a victory for climate justice, by the beneficiary countries, the climate activists supporting them, and many others.

Meanwhile the editorial board of *The Wall Street Journal* led with: 'Biden Signs Up for Climate Reparations... The use of climate policy to soak Americans keeps getting worse, and the United Nation's climate conference in Egypt ended this weekend with agreement on a new fund to pay reparations to poor countries. Welcome to the latest climate shakedown.'[11] The problem is that if we want the world's biggest economy and second biggest emitter of greenhouse gases to decarbonize, the readers of *The Wall Street Journal* are some of the people that we most need on side.

Finding our falafel

The mindset shift that Figueres prescribes, for both countries and individuals, is not about winners and losers but about shared winning: from scarcity and competition to collaboration and abundance. We can't get to net zero just by doing less; it can only be by doing different, which is a different type of quest.

Is there enough of a shared worldview to build such a mindset? We know climate change can be politically charged, especially in the U.S. where it has been particularly polarized. But even there, there is common ground to build on. It is true that concern is much stronger among liberals than conservatives, but the distribution is not symmetrical. While more than 90% of liberals in the U.S. are very or somewhat worried about climate change, so are 51% of conservatives: A lower number, certainly, but still a substantial one , reflecting a mainstream concern[12].

The underlying concern is probably even understated in these numbers. What is holding some people back from acting on – and even acknowledging – their concern, is their aversion to the actions that they fear such a concern might require, particularly if these actions threaten their quality of life (as in the Piketty argument above or the *Wall Street Journal* editorial). While it might seem logical to think about a problem and act in response, we know that people resolve their cognitive dissonance by doing the opposite: 'Rather than changing my actual behaviour, I can modify my thinking to match what I do.'[13] Or, 'put differently: many conservatives don't oppose climate science because they are ignorant. Rather, it is a way of expressing who they are.'[14]

It is less the idea of climate change itself, and more the narratives that argue for changing behaviours, restricting consumption, sharing limited resources and rejecting growth, that make climate action a political issue.

A cartoon from the New Yorker back in 2000 shows an Arab and a Jew sharing a park bench in Jerusalem, one asking the other: 'Why is it we never focus on the things that unite us, like falafel?' Once we collaborate to find the climate solutions that will bring shared abundance, particularly in clean energy, we will find plenty of falafel in the climate change scene. This is the power of the mindset shift, and the danger of pursuing climate action through ideological politics.

"Why is it we never focus on the things that unite us, like falafel?"

www.CartoonStock.com

2.
Companies are politicizing climate action today

Finding purpose beyond profit

Companies find themselves under growing reputational pressure to play an active societal role beyond making profits – to be part of society, not apart from society. This pressure has come from investors seeking long-term value growth, but also from other stakeholders. Employees want, and increasingly expect, to work for an organization that lives their values. And civil society demands a more positive role from organizations that have become quite so powerful: in particular from banks, after they were publicly bailed out in the 2008 global financial crisis, and big tech, increasingly seen to have transitioned from a force for societal good to a risk to societal norms and values.

Many leading companies have responded to these pressures and taken on a more active societal role. In 2019, America's Business Roundtable broke with more than 20 years of allegiance to shareholder primacy, and released a 'Statement on the Purpose of a Corporation signed by 181 CEOs who commit to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders.'[15]

The commitment itself was mostly symbolic. One signatory company described it as 'really nothing new… We don't think it's a big, fundamental change.'[16] BlackRock CEO Larry Fink had already made an enlightened-self-interest argument for a stakeholder-led purpose, writing on behalf of the $6 trillion of assets his firm managed at the time.[17] 'Profits,' Fink wrote, 'are in no way inconsistent with purpose – in fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time – not only shareholders, but also employees, customers, and communities. Similarly, when a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability.'

But once given this mandate, companies have found more and more occasions to step in on societal issues – and have largely been welcomed, particularly where people feel that governments have struggled to provide a satisfactory response. The Edelman Trust Barometer tracks people's trust in institutions across the world. Its 2022 report[18] shows people on balance seeing business as a unifying force in society, while they see government and media as dividing. Most people say it is a strength of business to take a leadership role, coordinating cross-institutional efforts to solve societal problems; only a minority say the same thing of government. Today, 60% of employees say that 'when considering a job, I expect the CEO to speak publicly about controversial social and political issues that I care about' – that's up five percentage points in just three years.

On every societal issue tested, far more people said that business is not doing enough (42-52%), than said that business was overstepping (8-10%). Business is more trusted than governments in 23 of the 28 countries that Edelman researched. (The exceptions are Russia, China, Saudi Arabia, the United Arab Emirates and Singapore.) Edelman sums up its findings with the headline: 'Societal leadership is now a core function of business.'

We used to turn to public policy to fix market failures; now it seems that we turn to markets to fix public policy failures.

Legitimizing corporate political power

The idea that societal leadership is now a core function of business, according to what people around the world say they want from their business leaders, is a tremendous vote of public confidence and trust.

But it is also potentially a massive privatization of policy and rule-making, to already-powerful organizations for whom societal benefits are a means to the end that is their own self-interest.

BlackRock, the world's biggest asset manager which now manages $10 trillion of investments for its clients, illustrates the societal benefits and limitations of this new power. As the core player in the asset management industry, and until recently one of the world's biggest investors in coal, BlackRock's advocacy – even activism – for climate and ESG issues has surprised many. But the alignment of BlackRock's and society's interests has been compelling.

First, the firm's sheer size aligns its financial interest with the performance of the stock market as a whole. Smaller asset managers may seek to 'win' by outperforming the market, but managers at the scale of BlackRock pretty much *are* the market, and can't outperform it. Nor does the firm have that much discretion in what it owns, because much of its business is in passive investing, where its ability to influence the performance of the stocks it holds is limited to 'loyalty' and 'voice' rather than 'exit'[19]. Only a small slice of BlackRock's revenues come from fees driven by its performance rather than the overall value of its assets under management. BlackRock has a self-interest in the sustained wellbeing of the economy at large, because 'the returns of large institutional investors are determined primarily by the performance of the market as a whole and only marginally influenced by their ability to outperform the market.'[20]

BlackRock also has a self-interest in the regime of corporate disclosures about their ESG risks and activities, for which it has been advocating. This regime puts the burden of ESG accounting and reporting on the individual companies, which is vital for BlackRock. An alternative scenario, in which investment managers would have had to account for the ESG risk and activities of their portfolio companies, would have been an impossible burden, probably literally.

The important point about the alignment between BlackRock's and society's interests, however, is that it is contingent, not inevitable. The interests happen to align well, in the particularly circumstances we have described. This is fortuitous, but not guaranteed.

A revealing test came in 2022 when the state treasurers of a number of Republican-controlled states chose to withdraw funds from BlackRock's management, saying that the firm's 'anti-fossil fuel' policies would damage their economies. BlackRock's response was not to justify the positive impact of its policies on the future wellbeing of society through the fight against climate change. Instead, it made the case for enlightened self-interest: 'Investors and companies that take a forward-looking position with respect to climate risk and its implications for the energy transition will generate better long-term financial outcomes.'[21] Then it accused the state treasurers of being politically driven, letting their politics get in the way of making money: 'Given our commitment to those saving for retirement, we are disturbed by the emerging trend of political initiatives that sacrifice pension plans' access to high-quality investments – and thereby jeopardize pensioners' financial returns.'

On our present path, we are ceding 'societal leadership' to organizations that act in their own self-interest, confident that this interest will align with the interests of society. Should we rely on such alignment?

Pushing the limits of self-interest

The principle of enlightened self-interest is that there is no tension between profits and purpose, or between shareholders and other stakeholders: all these different outcomes and interests are conveniently aligned.

Enlightened self-interest was the driving idea captured in the title and theory of *Who cares wins*, the influential report by the United Nations Global Compact in 2004 that originally invited the world to 'better integrate environmental, social and governance [ESG] issues in analysis, asset management and securities brokerage.'[22] The self-interest of participating companies was made clear:

> Companies that perform better with regard to these issues can increase shareholder value by, for example, properly managing risks, anticipating regulatory action, or accessing new markets, while at the same time contributing to the sustainable development of the societies in which they operate. Moreover, these issues can have a strong impact on reputation and brands, an increasingly important part of company value.[23]

ESG was to be win-win, driving 'Better investment markets + More sustainable societies.'[24] Similarly, investors stood to benefit not only directly from a better knowledge of the ESG risks facing the companies they invested in, but from a better future world:

> Ultimately, successful investment depends on a vibrant economy, which depends on a healthy civil society, which is ultimately dependent on a sustainable planet. In the long-term, therefore, investment markets have a clear self-interest in contributing to better management of environmental and social impacts in a way that contributes to the sustainable development of global society. A better inclusion of environmental, social and corporate governance (ESG) factors in investment decisions will ultimately contribute to more stable and predictable markets, which is in the interest of all market actors.[25]

This win-win language hides, and thrives on, an ambiguity about purpose. It suggests that there is no choice to be made between shareholder capitalism – companies' single-minded pursuit of shareholder value – and the greater good, because with the right mindset and time-frame, the two interests are aligned. Enlightened greed is good. But how does this play out in practice?

Not long after the UN Global Compact launched *Who cares wins*, HSBC pledged $100 million to four NGOs, in the HSBC Climate Partnership. In announcing what was then the UK's biggest ever corporate donation, it was concerned that its shareholders might see it as being too altruistic. So one of its prepared answers for the media launch defended the grant as in HSBC's commercial self-interest, helping to preserve the future world in which its business could thrive. Inger Andersen, Executive Director of the United Nations Environment Programme pitched the same message to business leaders in 2022, saying that 'there can be no profit, if there is no planet.'[26]

Over time it has become clear that this convenient alignment is a myth, at least in the practical timeframes that companies and investors work in. In reality, focusing on a societal outcome rather than a financial outcome often drives a different choice.

Stuart Kirk, the former head of responsible investment at HSBC Asset Management, describes the problem of this ambiguity for ESG: 'ESG has carried two meanings from birth. Regulators have never bothered disentangling them, so the whole industry speaks and behaves at cross purposes.'[27] One meaning considers ESG 'as inputs into an investment process': risks (or opportunities) that should influence the financial valuation for driving shareholder returns. The other considers ESG 'as outputs – or goals – to maximize': a guide for people wanting to do 'the right thing' with their money by investing for social impact. The trouble is that each meaning might pull in a different direction when considering a particular stock, and investors are frustrated at not getting the clear guidance they want for whichever meaning they are looking for.

ESG, in other words, embraces pretty much every business or investor consideration beyond short-term financial returns. So, as investors have been putting increasing pressure on companies to perform on ESG ratings, these different considerations have blended together in companies' agendas.

Looking into the far future, the alignment is clear. But in the present, the ambiguity about purpose has become stretched to breaking point – for both the purpose of ESG as an approach and the purpose of an individual company.

Drawn into the war on woke

The challenge with companies playing a societal leadership role is not only in the tension it introduces between societal and financial goals. It is also about the choice of which societal goals to pursue, and who gets to make that choice. BlackRock and the state treasurers may each be grandstanding about who is pursuing a political rather than purely financial agenda, but their real difference is about what that political agenda is. Societal goals are rarely universally shared, and are often in conflict with one another (such as between fighting climate change and building local employment and wealth in the fossil fuel industry). When a company takes a stand, it takes a side. Usually, it takes a relatively liberal side, in keeping with the stakeholder pressures it feels from activist employees, investors and civil society groups.

Sometimes the side-taking is overt, as when Delta Air Lines opposed 'anti-gay' legislation in Georgia, and Disney did the same in Florida, pitching their own values against those of democratically elected state governments – examples of what has been labelled as 'woke capitalism'.[28] To point this out is not to criticize these companies' values or question the merits of their causes. It is to recognize that these values are not universally held (or they would not need defending against democratically elected lawmakers), so their actions give an inherently political character to a company's societal agenda, and legitimize an opposition to it.

In Edelman's Trust Barometer for 2023, respondents were asked if they agreed that 'it is possible for a business to engage in addressing contentious societal issues in ways that I would not consider to be political or politically motivated.' In most countries, including all the countries Edelman tested in the Americas and Europe, only a minority of people agreed. Edelman's conclusion: 'societal engagement puts business at risk of being politicized.'[29]

This matters for climate action, because climate change, as we said right at the start, is a universal challenge, which affects all of us and needs everyone's participation, now.

In December 2022 Vanguard, the second biggest global asset manager after BlackRock, pulled out of the Net Zero Asset Managers initiative, in a significant blow to that initiative and to the broader Glasgow Financial Alliance for Net Zero. It passed up the opportunity to use its scale and influence to accelerate the world's climate action because, as its CEO put it, Vanguard is 'not in the game of politics'.[30]

Losing objectivity on climate

Empowered to take on 'societal leadership', steered by the composite indices of 'ESG', and responding to pressure from employees in particular on diversity and inclusion, many companies have naturally set their climate action withing a broader sustainability agenda, including issues of redistribution and justice that, as we have seen, are ideological. Many use broad sustainability frameworks, such as the United Nations' Sustainable Development Goals, which positions climate action as one goal on a level with 16 peers. This broad approach has become accepted as the way to define and address sustainability.

'Climate justice' and the integration of climate action with a redistributive and inclusive social agenda have become the norm at climate conferences and in climate reporting. Of Fortune 100 chief sustainability officers who post on LinkedIn, nearly half (43% in our survey) post on social issues alongside climate – most often on diversity, equity and inclusion. Goldman Sachs says that 'one reason our clients turn to us is that we define sustainability broadly, treating climate transition and inclusive growth as two sides of the same coin.'[31]

At the opening ceremony of Climate Week NYC in September 2022, Colette Pichon Battle, vision and initiatives partner at Taproot Earth, was asked whether we need more corporate activism. Her answer was Yes: companies should bring both their money and their political clout. But she added a condition: 'You can't come in with your own agenda. You've got to be willing to follow ours. And it's going to be different from yours. And that's okay… Yes, but only if you can follow Black, indigenous and people-of-colour leadership, and the leadership of women, and the leadership of the front line. If you cannot do that, then just move out of the way, we'll take it from here.'[32]

This was an answer that received a good applause from the business sustainability teams at Climate Week NYC. But it is not a condition that most businesses will want to meet. And it is this subjectivity that is the challenge, on a topic that needs and deserves an objective, universal response.

It is this subjectivity that can make executives and boards cautious about their climate agenda, concerned about which stakeholders will and won't approve of it.

It is this subjectivity that can restrict company's explorations to only part of the possible solution set, when we need the full deployment. Because the accepted climate agenda leans left, it tends to emphasize solutions that lead with reductions and efficiency, and has underplayed solutions that involve technology innovation. The accepted agenda is overly cautious about the risk of doing something, and underly cautious about the risk of doing nothing.

It is this subjectivity that exposes climate action to a backlash against ESG and the active role of companies in society.

Social objectives will always be subject to a societal context: what outcomes different societies (and different parts of one society) value; and what role those societies, or their parts, want corporations to play. The answers are not universal. Resolving the trade-off is just the sort of societal choice that we have politics for: pitching 'fairness' against 'freedom', where one person's social justice is another person's woke capitalism. But climate action needs to be universal.

So how can we look at the climate agenda differently, independent of the political currents, cultures, and power bases of society?

3.
Politicization is built into our theoretical models

A legacy of political agency

The core problems we need companies to solve regarding climate change are essentially technical. How do they internalize costs they have been externalizing to society – specifically, the societal cost of their greenhouse gas emissions? How do they deploy new technologies, business systems or operating models to create value without today's greenhouse gas emissions? How do they make these changes commercially, in order to survive and thrive in business, when competitors may choose not to take on the same costs of transition? How can they provide products and services that help other companies to make their own transitions?

But a company looking for a theoretical model for how to think about and manage its climate agenda won't find anything so purposefully focused on these technical questions. The choice of models today reflects the interests and objectives of the modellers, and they have – sometimes deliberately and sometimes instinctively – baked a broader societal agenda into their models.

This political agency started deliberately as far back as the Rio Earth Summit that established the United Nations Framework Convention on Climate Change (UNFCCC) more than 30 years ago. The Brazilian delegation hosting that summit lobbied successfully to put the climate negotiations directly under the aegis of the United Nations General Assembly, and away from available specialist UN bodies such as the World Meteorological Office or the UN Environment Program. Their reason: management by these bodies would have led to a 'depoliticization' of the negotiations, 'putting the emphasis on scientific and technical aspects'. Instead, they wanted a negotiation that could (and did) further the political interests of developing countries.[33] The politicization effort in favour of developing countries went beyond how the negotiations were governed: it also blended 'environment and development' in one integrated agenda, paving the way for this broad interpretation of 'sustainability' that has since been adopted in the UN's Millennium Development Goals in 2000 and Sustainable Development Goals in 2015.

For businesses, as we have seen, the initial engagement with ESG issues was not political: it was the enlightened self-interest of *Who cares wins*. In practice, however, they have been pulled into a political stance through their choice – conscious or otherwise – of who to care about. Businesses have embraced the new dimensions of ESG at just the time that 'the post-1945 international order is being challenged by claims of justice. Diverse actors criticize the order for its economic inequalities, social hierarchies, institutional unfairness, intergenerational inequities, and historical and epistemic injustices.'[34] Climate change brings its own justice issues, largely economic and intergenerational. But companies have found themselves responding also to a growing set of identity-related justice issues, centred on race and gender. This trend has been particularly strong in the US – and for US-based multinationals globally – as many people looked to corporates to provide the 'progressive' leadership they were not getting from the Trump administration.

Many models, one ideology

With this legacy, it is not surprising that the range of theoretical models that companies can draw on reflect this ideological perspective. There are different models available, but they all tend to see the problem to solve as an integrated challenge of environmental sustainability, social justice on a global scale, and inclusive development. This problem statement may be so ubiquitous today as to appear self-evident; but it is not obvious that the best way to tackle as intractable problem as climate change in an impossibly short timeframe is to bundle it with other problems that are both intractable and contested. Yet that is the consistent framing of the models on offer (see Table 1).

Table 1: A broader ideology is implicit in each model's approach to climate action

Model	Objectives that the model solves for	Ideology implicit in the model's approach to climate
UN Sustainable Development Goals	Seventeen goals, all on an equal level, covering social and environmental aspirations. Among the specific targets within these goals, some have close to universal benefits (e.g. 11.4, 'Strengthen efforts to protect and safeguard the world's cultural and natural heritage'); others are redistributive (e.g. 10.4, 'Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality').	Positions climate action as one of many parallel goals, many of which involve social policies
Environmental, Social and Governance rating models	A mix of risk-protection and social-impact goals across environmental, social and governance topics. Mix, definitions and scoring are proprietary to different ratings agencies, with relatively little consistency between them (compared with financial ratings agencies).	Implies an equivalence between climate and social goals, in that performance on different metrics, e.g. on emissions and on diversity and inclusion, can be traded off to maximize a company's score. The relative weighting of these scores is set for specific industries by the ratings agency.
World Business Council for Sustainable Development's *Vision 2050*	'To help business fulfil its full potential and societal responsibility, providing a framework that it can use to lead the transformations that will enable 9+ billion people to live well, within planetary boundaries.'[35]	'Living "within planetary boundaries" means that global warming is stabilized at no more than +1.5°C, and nature is protected, restored and used sustainably.' But the transition pathways in the WBCSD model aim to deliver this together with a social goal that sounds hard to argue with, but is very different from the real world today: '"Living well" means that everyone's dignity and rights are respected, basic needs are met, and equal opportunities are available for all.'
Circular economy	Keep our use of natural resources within planetary limits by using those resources circularly, so they go round again and again, rather than in a linear path from extraction to disposal. 'Key principles: eliminate waste and pollution; circulate products and materials (at their highest value); regenerate nature.'[36]	Circulating products and materials 'at their highest value', while done for efficiency, asks people to share, use for longer and redistribute, in preference to recycling and other technical solutions. The effect is to reinforce an ethos of restraint and social obligation regarding scarce resources, rather than solve for the scarcity through regeneration.
Doughnut Economics	The goal is not GDP growth, but getting 'into the doughnut': that's the space beneath the 'ecological ceiling', beyond which we 'place too much pressure on Earth's life-supporting systems,' but above the social foundation, so 'no one falls short on life's essentials.'[37]	The target space is 'the safe and just space for humanity', defined in the liberal moral dimensions of safety and fairness. The social dimensions of the 'social foundation' are derived from the UN SDGs, putting e.g. food, water and energy alongside gender equality and social equity. Writing for the World Economic Forum, the Doughnut's author Kate Raworth titles her article, 'Meet the doughnut: the new economic model that could help end inequality.'

The conceptual models that businesses use to tackle climate action lean into broader societal issues and seek to solve the integrated societal challenge:

- The UN's Sustainable Development Goals do so by constructing seventeen targets for governments and businesses to tackle, ranging from no poverty, and gender equality, to climate action and responsible consumption and production.
- ESG rating models measure an eclectic (and proprietary) mix of environmental, social and governance factors, allowing companies to trade off performance in one category with another in order to strengthen their scores.
- The World Business Council for Sustainable Development's *Vision 2050* pursues the dual goal of '9 million+ people living well, within planetary boundaries', describing pathways for business actions that will lead to social progress.
- The model for the Circular Economy model, which favours sharing, keeping things for longer, prioritises restraint over regeneration.
- Kate Raworth's model of 'Doughnut economics' seeks 'the safe and just space for humanity' between a social foundation and an ecological ceiling.

Back in 2006, the Stern Review for the British Government was clear about the uniqueness of climate change as a problem to solve:

'It has a number of features that together distinguish it from other externalities:

- It is global in its causes and consequences;
- The impacts of climate change are long-term and persistent;
- Uncertainties and risks in the economic impacts are pervasive:
- There is a serious risk of major, irreversible change with non-marginal economic effects.'[38]

The Stern Review did recognize the social impact of climate change and climate action. 'The breadth, magnitude and nature of impacts imply that several ethical perspectives, such as those focusing on welfare, equity and justice, freedoms and rights, are relevant.' But these are impacts to consider in how to solve for the climate change goal. That is very different from undermining climate action by mixing it with a broad agenda of social world-improvement.

Nearly twenty years on, we seem to have lost that distinction. As a result, a company that wants to focus on solving the climate change problem, without engaging in a broader and inherently political social agenda, will not find a model to guide it.

4.
We need a new model for climate action at scale

Defining the objective, objectively

Before we demand special and exclusive treatment for climate action, distinct from the broader and politicized social agenda, we need to ask if climate action is alone in warranting this treatment. The distinction we are making is not between 'climate action' and everything else. It is to protect issues that are objectively universal and existentially urgent from the politics of other issues that, however societally important, are not essential for our continuity and involve choices that are subjective and therefore contested. Where should that line be?

The Economist has proposed that we should focus on only the 'E' part of ESG, and make that 'E' stand for 'emissions'.[39] But this is too narrow to be useful. First, climate action is not just about directly managing emissions.[40] Secondly, there are a small number of other critical issues which have a similar claim to being objectively urgent and necessary: Our continuity depends on our sustaining our global biodiversity and other essential and irreplaceable environmental resources, which are also under varying degrees of threat.

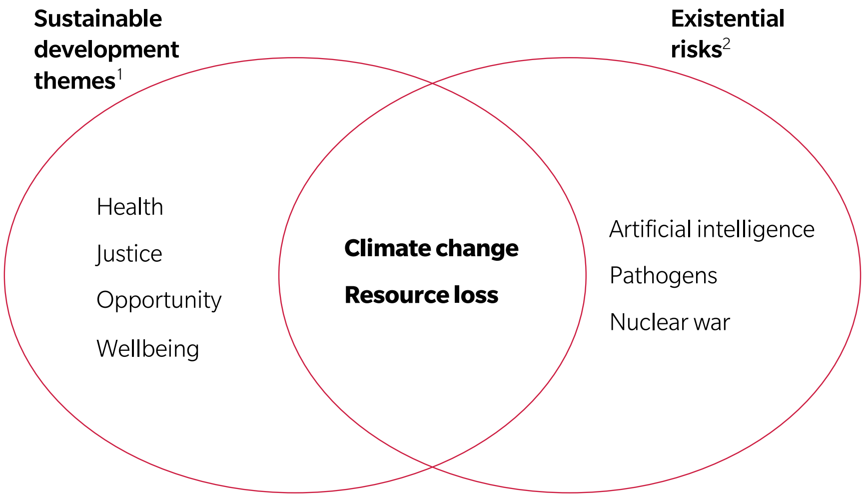
The *circular economy* model is one approach that looks beyond climate change to focus on these broader resource issues. This model describes the actions needed to stop the depletion of the world's vital natural resources, in the agricultural chain and the manufacturing chain. But, as it is typically defined, this model is broader than our definition: the line it draws is too far out. It includes circularity for resources regardless of whether they are anywhere close to a global limit, so it lacks the existential urgency. And it includes behavioural changes that are societal choices, putting restraint in consumption as the first priority, regeneration second.

The economic concept of *market failure* is a good proxy for separating the objective and universal from the politically subjective issues of redistribution. A market failure happens when self-interested market forces produce inefficient outcomes for a society overall, often because some societal costs are externalized. This is the case with emissions of greenhouse gases, which is why market failure is often cited in the context of climate change. The proxy is good for our purposes here because market failure is defined in terms of Pareto optimization, which looks at the value created for a whole society, not for its different parts. (A situation is Pareto-optimal if there is no change that could create a gain for some without a loss for others.) However, market failure does not select for existential urgency, so it would need to be used together with some other test of materiality to avoid drawing the line too inclusively.

A potentially useful distinction is between *intragenerational and intergenerational justice*. Intragenerational justice is inherently political – the fault line between Left and Right is, in essence, between opposing views on this distribution question – and therefore subjective territory for multinational corporations. Taking sides will legitimately alienate one section of a company's stakeholders. Conversely, intergenerational justice is ill addressed by politics, because only one side of the debate is politically represented, and the other side is not yet born. But it is particularly well addressed by corporates, because they alone can and do survive through multiple human generations, giving them a long-term self-interest that they can legitimately represent today.

We get the clearest sense of what should be in our category for special treatment if we look not just at the world of sustainable development, but also at the *existential risks* our civilization faces. The literature on such risks highlights five broad themes. Three lie outside the scope of sustainable development (and outside the influence of most companies, except in specific sectors): these are artificial intelligence, pathogens and nuclear war. And as we have been arguing, most of the sustainable development themes do not relate to existential risks: themes such as health, justice, opportunity and wellbeing. Two core issues, however, show up as both sustainable development themes and existential risks for our civilization (see Figure 2). These are climate change and resource loss which, translated into their respective actions, match to the apolitical themes of net zero and regeneration.

Figure 2: The unique position of climate change and resource loss



1. Derived from the UN Sustainable Development Goals and ESG frameworks
2. Derived from William MacAskill, *What we owe the future*, Ian Bremmer, *The power of crisis*, Martin Rees, *On the future*, etc.

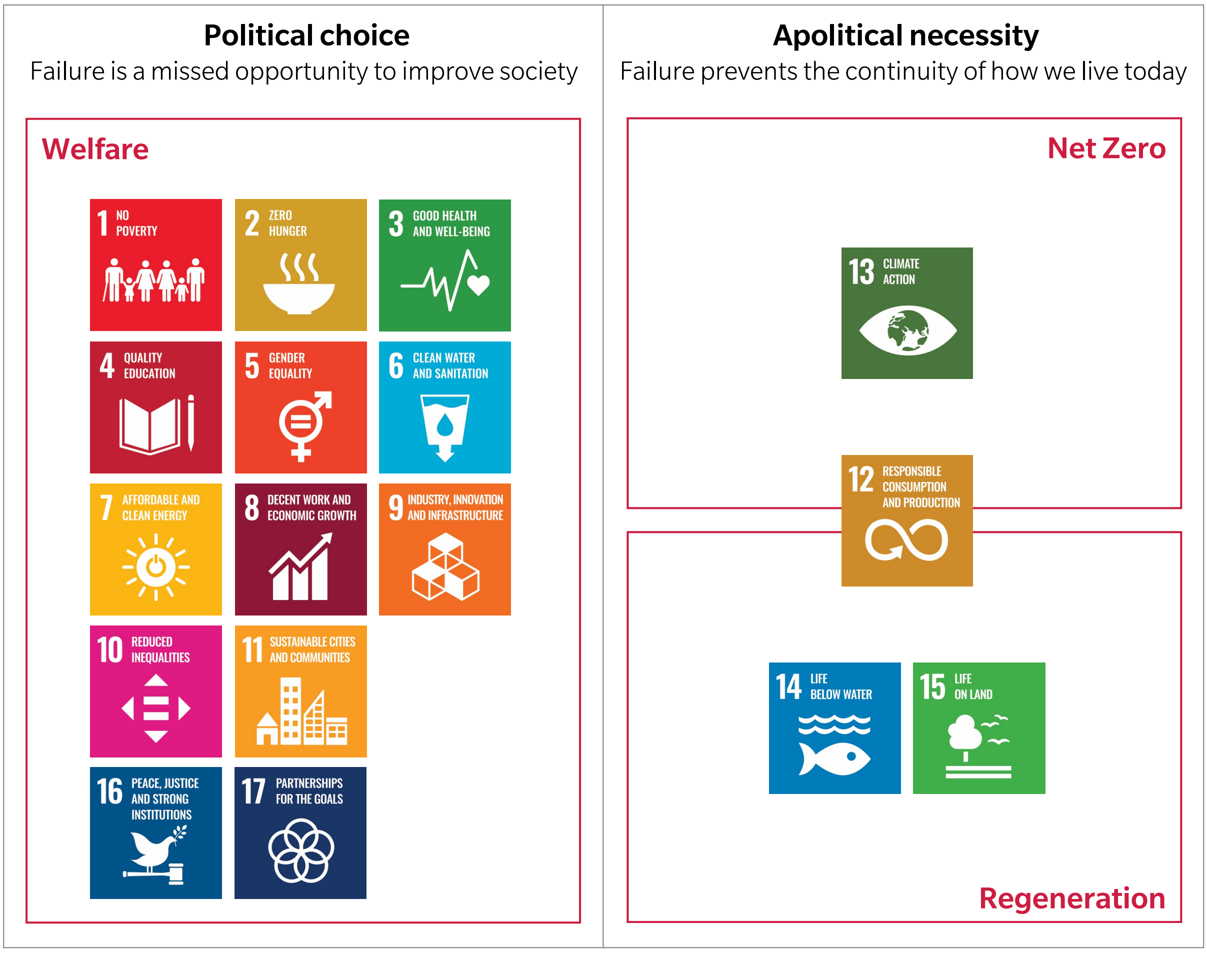
So where do we make the meaningful distinction that we need between (a) the domain of apolitical necessity, enabling faster actions to achieve net zero and regeneration: and (b) the domain of political choice, comprising action on various aspects of welfare? Guided by the four proxy models above (circular economy, market failure, intergenerational justice, existential risks), and respecting the qualifications attached to each, we reviewed the targets set within each of the seventeen SDGs.

Actions that are truly an apolitical necessity are those where failure prevents the continuity of how we live today. In our initial assessment, we see these as limited to:

- Action to achieve net zero
  – *Climate action* (SDG 13)
  – Part of *Responsible consumption and production* (SDG 12)
- Action to achieve regeneration
  – The remainder of *Responsible consumption and production (SDG 12)*
  – *Life below water (SDG 14)*
  – *Life on land* (SDG 15)

For all the other actions, failure is a missed opportunity to improve society, not a threat to how we live today. These actions are a political choice. They include all the remaining SDGs, which fall in the broad territory of welfare (Figure 3).

Figure 3: A conceptual model to insulate climate action and other apolitical necessities



At one level, this may appear simply to be following the recent emphasis on considering 'nature' alongside climate, as for example in the Taskforce for Nature-related Financial Disclosures. We see two critical differences in what we are proposing.

The first is in the separating out of the Welfare agenda – not to discard it, but to recognize its inherently political character, treat it in ways appropriate to that character, and so make space for an objective, apolitical approach to Net Zero and Regeneration. The current trend is the opposite: to see climate, and nature even more so, integrated in issues of (often local) welfare: issues that are societally important, but should not be conflated with the climate imperative.

The second is in being specific about why nature belongs on the 'apolitical necessity' side, and specifically which parts of the nature agenda qualify. The Regeneration agenda belongs on that side because (and only to the extent that) specific planetary boundaries are threatened. It is vital we recognize that other boundaries than climate change are under threat – but the line we are seeking to draw is around those threatened boundaries, not all of nature.

The model of planetary boundaries pioneered by Johan Rockström and the Stockholm Resilience Centre provides a robust foundation for this.[41] Our model seeks to highlight this critical distinction, and to avoid losing it in the wide array of local nature conservation choices we face – as well as among the many social choices.

This is not the usual homogeneous agenda about everything 'people and planet'.

Pursuing two agendas – separately

This framework is not suggesting the exclusive focus on one domain over the other. It is about recognizing the difference between the two and approaching each accordingly. The welfare agenda matters deeply. But to keep politics out of the 'apolitical necessity' domain, it is critical to respect the boundary.

For 'Net Zero', this means focusing corporate action on the technical challenges of decarbonization and technology substitution, while creating a theatre not led by the corporate world to debate and resolve the rightly political questions on *how* to act as a society, both globally and locally. Globally, there are essential political issues about 'climate justice', which are inevitable given the inequities in climate change itself, but risk politicizing climate action if not treated separately. And in any particular society, there are numerous political choices to be made about what to ask of the public to drive the transition:

- 'Just transition' issues of protection of workers where jobs are threatened by the transition. Britain, for example, has led the world in how fast it has transitioned its power sector away from coal, but not in managing that transition for its coal communities.[42]
- Spending of public money, whether on subsidizing the take-up of green technologies for home energy or transportation, or incentivizing investment and innovation as is happening at scale in the US's Inflation Reduction Act.
- Imposition or expectation of behaviours e.g. in recycling or energy efficiency.

For 'Regeneration', this means prioritizing truly, urgently scarce resources, without a religious effort to circularize all resources for zero waste. It means compromising the principle of circulating products at their highest level: enabling, but not imposing, sharing and other 'restraint' behaviours, while valuing regeneration not only as a last resort for what restraint can't achieve.

For 'Welfare', this means recognizing the issues as intrinsically political and local, without diminishing their importance. The public sphere, local and societally led, is the theatre to resolve society's political priorities – with whatever corporate role stakeholders may have the appetite for in a particular place and time.

While we have gone deep into theoretical frameworks to get to this recommendation, its importance is not theoretical, but practical. If ESG reporting and investing were to make our distinction between political choice and apolitical necessity, it would clarify what is now murky, it would help companies to make and explain their choices, and it would resolve the political tensions now threatening the whole approach to sustainable investing.

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Zero Ideas is challenging business thinking on climate change. We seek to accelerate and deepen the approaches that businesses take to tackling climate change by stimulating a curious and visionary mindset among business leaders, encouraging them to go beyond today's focus on carbon accounting and reporting.

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