

THE CLIMATE THREAT AND THE IMPACT ON BUSINESS





Sunday 31 October COP 26 UN Climate Change Conference is taking place in Glasgow, UK. The conference aims to discuss climate ambition and lower harmful emissions, and is considered the most important climate conference since the signing of the Paris Agreement in 2015. In the 2021 World Economic Forums Global Risks Report, four of the top five risks to businesses were environment related. Climate-related risks are already disturbing more than one in four organisations and extreme weather events, such as droughts, fires, floods and hurricanes directly affect 70 percent of companies of all sizes and sectors worldwide. Hampered operations, increased insurance costs, resource shortages, and supply chain disruptions, are risks that businesses are already facing due to climate change.

COP26 will bring together 25,000 people, including diplomats and business leaders from around the world. In the coming days, activists will focus their protests and direct actions on the UK and other major European cities. The UK environmental movement is one of the most active in the world, and we expect up to 200,000 protesters to travel to Glasgow to protest and disrupt COP26 events and attendees.

A recent study found that protest movements are succeeding in curbing both fossil-fuel and low-carbon energy projects. Over a quarter of projects encountering social resistance are cancelled, suspended, or delayed. Read more to learn about the impact of climate change on business, as well as the implications of increased environmental activism worldwide and how companies are being affected. This global risk monitoring and strategic foresight paper is an essential read for business leaders.

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The World Meteorological Organization stated that 2020 was one of the three warmest years on record and the global average temperature was about 1.2° Celsius above the pre-industrial (1850-1900) level. The effects of climate change constitute a severe risk that impacts the safety and security of people and businesses worldwide.

The World Bank estimates that if we do not take immediate corrective action, by 2050 the effects of climate change could force more than 140 million people to emigrate, primarily from the poorest countries already most affected by climate change.

Moreover, global warming has increased the risk of economic disasters. Weather-related risks are already disturbing more than one in four organizations and extreme weather events, such as droughts, fires, floods and hurricanes directly affect 70 percent of organisations of all sizes and sectors worldwide.

Disturbance of operations, increased insurance costs, labour issues, and supply chain disruptions, are the main risks that businesses are already facing due to climate change.

Swedish industry's total environmental protection expenditure amounted to SEK 21 billion in 2020 (€2.1 billion), which is 16 percent more than in 2019. This investment places Sweden at the front of environmental protection compared to other European countries.

Meanwhile, Brazil has suffered its worst drought in more than a century, causing coffee prices to increase in July, nearly doubling from a year earlier.

At the same time, recent wildfires in western Canada have challenged local industries' lumber production, leaving building-material supply chains disrupted.

By 2030, the probability that heavy rare earth production will be severely disrupted by rainfalls is likely to increase by two to three times in southeast China. And by 2040, hurricanes will be four to two times more likely in the western Pacific, dramatically affecting companies relying on suppliers in Korea, Japan, and Taiwan. This has implications for many industries' operations, especially those requiring critical components including electronic chips.

Climate change and industry production are extremely linked. The International Energy Agency confirmed:



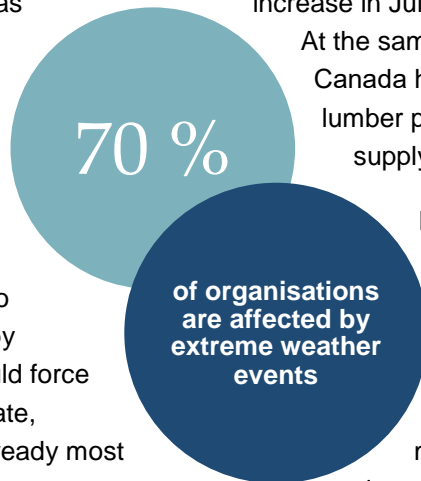
Global CO2 emissions fell by 5.8 percent in 2020, almost five times more than the 2009 global financial crisis decline. This is because CO2 emissions decreased more than energy demand in 2020, as the Covid-19 pandemic affected oil and coal demand more than other energy sources, while, renewable energies increased.



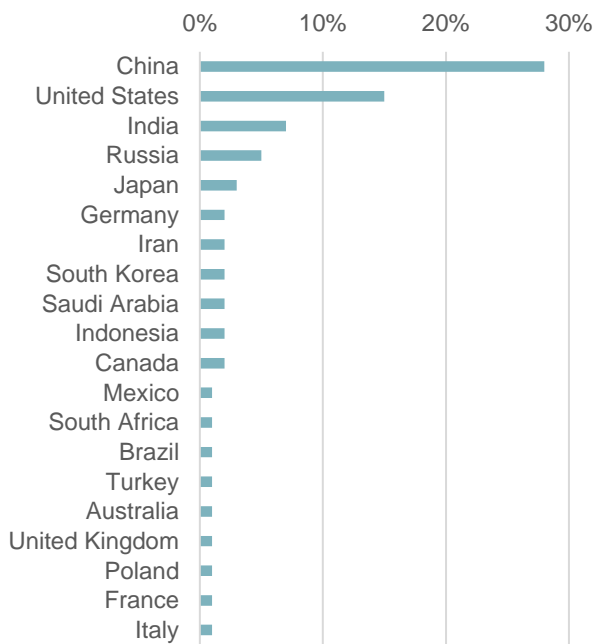
Despite the decline in 2020, CO2 reached its highest annual average concentration in the atmosphere, approximately 50 percent higher than pre-industrial level.



In 2021, global energy-related CO2 emissions are projected to rebound and grow by 4.8 percent, as demand for coal, oil and gas picks up with the economy.



Share of CO2 emissions by country



The evidence is indisputable that the global average temperature will continue to rise. Climate change will increasingly have a global impact and business operations will be affected, either through extreme weather phenomenon, consumer behaviours or political initiatives. As such, business leaders cannot wait any longer before taking action and address climate change challenges. Organizations should include climate change threats into their strategic risk assessment if they wish to succeed in current century.

In the World Economic Forum's Global Risks Report of 2021, respondents from business, government, and civil society rank risks.

In the 2021 World Economic Forums Global Risks Report, four of the top five risks to businesses were environment related, with the fifth being infectious disease explained by the Covid-19 pandemic.

In 2012, only one environmental risk (greenhouse gas emissions) was ranked in the top five likely risks. In the 2020 report, conducted before the pandemic, the top five most likely risks were environmental, such as extreme weather, climate action failure, natural disasters, biodiversity loss and human-made environmental disasters. Industries such as healthcare, consumer and public sector are the most concerned about the business impacts of climate change, with more than 80 percent of executives in these sectors expressing apprehension about the future of the planet.



HOW IS CLIMATE CHANGE AFFECTING ORGANISATIONS?



Operating difficulties: Approximately three in ten companies are already noticing the operational impacts of climate-related hazards. The most common impacts of climate change are damage to facilities, lack of resources, and workforce disruptions. With rising climate anxiety within consumer and employee groups, it is important for businesses to adjust to the new needs of the consumers, reflecting the increased sensitivity around climate action and adaptation.



Rising insurance expenses: The escalating frequency and severity of extreme weather-related events have led to drastic increases in insurance costs and at times even a lack of insurance availability. Insurance pay out for natural catastrophes in 2017 and 2018 increased to €189 billion, the highest ever for any consecutive two-year period.



Resources shortage: human activity and global warming are provoking biodiversity losses and extreme weather events. These hazards are threatening resources like energy, food and water. Consequently, the cost of these resources are increasing. This problem has drastic effects on organizations' operations and supply chains. Energy and consumer sectors are reporting the highest impacts.



Interruptions to supply chains: Supply chains have been affected by extreme climate hazards due to the lack of some resources. Generally, the more specialized the supply chain, the more severe the impact may be. Workplace disruptions caused by climate change have also affected supply chains, causing productivity losses that could reach more than €2 trillion in losses by 2030. For these reasons, to reduce supply chain interruptions due to climate impacts, it is critical for companies to be well prepared and actively monitoring the risk landscape.



Regulatory uncertainty: More than 25 percent of business leaders are concerned about changes in the regulatory and political landscape due to environmental issues. These regulatory changes will affect organisations' operations worldwide. For example, the Swedish Government has set ambitious goals for sustainability, including going fossil-free by 2045 and 100 percent renewable energy. The European Union has similarly set wide-reaching regulation aimed at positively influencing climate change



Reputation damage: In recent months, we have seen an increase in the actions of environmental activists against organisations sabotaging facilities, systems or encouraging end consumers to avoid buying certain brands. To avoid potential reputational damage and loss of value due to climate-related risks, companies should act now and implement environmental sustainability in the organisations' culture and brand identity.

Despite 81 percent of businesses leaders agreeing that companies should make larger efforts to protect the environment, many companies remain cautious to make significant operational changes to address the impacts of climate change.

Implementing sustainability initiatives should be seen as a positive social responsibility activity, and an effective risk mitigation action. Surprisingly, 65 percent of executives has confirmed they have reduced their organisations' environmental sustainability initiatives due to the Covid-19 pandemic. Whilst business leaders must prioritise business continuity, they must not lose sight of longer-term reputational and regulatory impacts of internal climate actions.

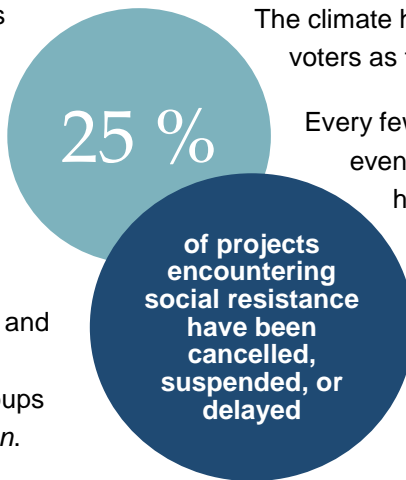


ENVIRONMENTAL MOVEMENT

The environmental activist movement is an international political and social movement addressing climate issues caused by human activity. 2Secure is tracking an increase on environmental activist actions worldwide such as, *Fridays for Future* protests, launched in 2018 by Swedish environmental activist Greta Thunberg, and campaigns against anti-environmental practices and attitudes launched by groups as *Greenpeace* and *Extinction Rebellion*.

A 2020 study found that resistance movements are succeeding in curbing both fossil-fuel and low-carbon energy projects. Over a quarter of projects encountering social resistance are cancelled, suspended, or delayed.

In recent months, environmental activist are again turning their focus to physical protests due to the lifting of COVID-19 restrictions across most of Europe. We have seen protests in countries including UK, Germany, France, Italy, Sweden and Finland in recent days. Earlier this month climate activists conducted 472 protests in Germany alone.



The climate has consistently been cited by German voters as the top election issue.

Every few months there are likely to be major events attracting tens or, in some places, hundreds of thousands of participants around the world. The largest protests will take place in Europe and North America. Governments will continue to be the main focus of climate protests, and the main impact for business will be operational disruption.

Environmental activist businesses targets:



Companies that they consider to be co contributing to high emissions, either directly or by supporting industries that do so.



Oil and gas companies remain the main targets.



The financial services sector is likely to be a major focus of activity in the coming months.

Environmentalists are also increasingly analysing the environmental commitments of businesses to look for signs of what is called greenwashing, the divergence between environmental messages and action.

Environmentalists usually aim to carry out nonviolence but disruptive protests. However, there are usually some clashes with the police if the officers act to physically remove the protests. Activists often carry out low level property damage such as smashing windows or throwing paint at buildings and blocking access to offices. For this reason, companies must be prepared to handle the material damages coming from environmental protests, as well as strategic reputational and corporate crisis.



ACTIVIST ACTIONS AGAINST COMPANIES IN SWEDEN

Preem

On September 2020, a debate regarding fossil fuels took place between Preem and environmental organisations including Greenpeace, Swedish Society for Nature Conservation (SSNC), and Friends of the Earth Sweden (FES). The environmental activists were demanding Preem cancel its plans of expanding one of their oil refineries, Preemraff Lysekil.

The environmental groups conducted a range of activities against Preem, such as creating public awareness about Preem's business plans related to

the environment, and blocking an oil tanker outside the Brofjorden oil port and Preem's refinery for more than 60 hours. After much pressure, Preem decided not to implement its plans for expansion.

SEB, Nordea, Swedbank, and Danske Bank

In April 2021, Extinction Rebellion Sweden carried out several actions outside SEB, Nordea, Swedbank, and Danske Bank offices mainly in Gothenburg and Malmö. The environmental activist group accused them of financing the fossil fuel industry with almost SEK 400 billion (€40 billion). They also accused SEB, Nordea, Swedbank, and Danske Bank of lending SEK 97 billion for exploration and production of oil in the Arctic.

Those actions caused low levels of property damage and a large increase in social awareness. The campaign was part of the international movement "Global Money Rebellion Wave". Several Extinction Rebellion groups around the world took action against financial institutions and banks considered by the activists to be sponsors of the fossil fuel industry.

HK SCAN

In October 2020, a large demonstration with approximately 100 participants from different animal rights activist groups took place outside HKScan's operations in Linköping. The protest was non-violent and the activists tried to block the entrances for arriving transportation vehicles. Due to successful intelligence and prior announcements on social media, the police was well prepared and about 25 officers were present during the demonstration. The police let the activists conduct some symbolic and time-limited blocks outside the gates, and then removed the activists from the area.

A similar protest took place also in Linköping in 2017, but with fewer participants. In 2018, animal activists carried out multiple protests outside HKScan's operations in Kristianstad. The activists caused disturbance to HKScan's workforce and operations.



UN CLIMATE CHANGE CONFERENCE - COP 26

The COP 26 UN Climate Change Conference is hosted by the UK in partnership with Italy and is taking place from 31 October to 12 November 2021 in Glasgow, UK. We assess that 25,000 additional people will gather in Glasgow, including diplomats and business leaders.

The conference aims to discuss and increase climate ambition, build resilience and lower emissions and it is considered the most important climate conference since the signing of the Paris Agreement in 2015 at COP21. The revised climate commitments submitted to date are not sufficient to keep global warming within the limits set by the 2015 Paris Agreement. The geopolitical landscape leading up to COP26 is also much less conducive to climate cooperation among major emitters than in 2015.

Whilst Joe Biden, Boris Johnson and Stefan Löfven are expected to attend, Chinese and Russian presidents' Xi Jinping and Vladimir Putin are not likely to be present at COP26 conference. These absences could be critical.

China is the world's largest producer of greenhouse gases, with 28 percent of global emissions, compared to 15 percent for the United States and four percent for Russia. Without the cooperation of China, scientists consider that restricting global warming to 1.5° is very unlikely.

ENVIRONMENTAL PROTECTION EXPENDITURE IN SWEDEN

In 2020, the total expenditure on environmental protection in Swedish industry amounted to SEK 21 billion, which is 16 percent higher than in 2019. This rise is caused by an increase in both current spending on environmental protection and investments. The 30 percent of the total expenditure on environmental protection was observed in the electricity, gas and heating industry and the second largest was made by the paper and paper products industry, which accounted for 14 percent.

Environmental demonstrations during COP26

In the coming days, environmental activists will likely focus their protests and direct actions around the UK to take advantage of increased media attention. The UK environmental movement is one of the most active in the world, so it is likely to be take action in the days leading up to the conference, focusing on major cities, but not exclusively. We expect between 100,000 and 200,000 protesters to travel to Glasgow to carry out demonstrations during the COP26 conference.

Environmental activists groups have called on its supporters to pledge civil resistance during the celebration of the COP26 conference. Extinction and Animal Rebellion has confirmed they will support disruptive actions at COP26. On 26 October, five days before the start of the COP26 summit, activists from Animal Rebellion scaled the Department for Environment, Food and Rural Affairs building in central London. Four protesters from the group used ladders, ropes and harnesses to scale the UK Government building and unfurled a yellow banner with the message "COP26: Invest in a plant-based future". The group confirmed that they are demanding an end to subsidies for beef and dairy farming as a protest against climate change.

A currently favoured tactic of environmental activists in the UK is to block roads in order to bring traffic to a standstill. On 25 October, the UK authorities obtained a High Court injunction to prevent climate change activists from blocking major roads. The court injunction bans activities that obstruct traffic, under threat of imprisonment and unlimited fines. However, this kind of protest are likely to continue in the coming days and activists will likely try to cause notable traffic and attendee disruption around Glasgow.

Total COP26 mentions by time and day

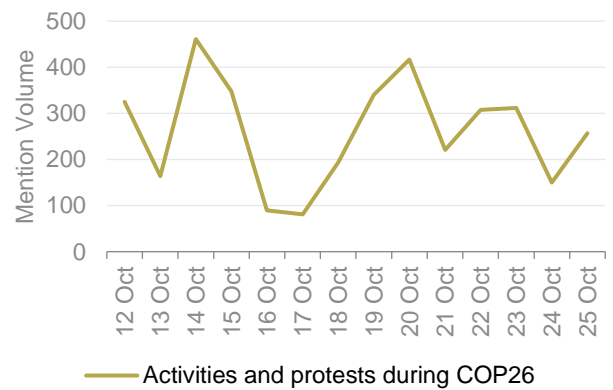




PHOTO: UNSPLASH/LUKE STACKPOLE

2SECURE RECOMMENDS





1.

Climate-related extreme weather events will occur and need to be part of every company's risk register and business continuity plan. Your scenario planning exercises should include robust consideration of extreme weather events. If you do not have in-house experience facilitating scenario development activities, or robustly testing BCPs, contact 2Secure for support.

2.

To reduce supply chain disruption due to climate impacts, it is critical for companies to be well prepared with cost-effective third-party oversight and risk management, maintaining a strategic and responsible partnership across the globe.

3.


Organisations must be prepared to quickly handle the material damages coming from environmental protests, as well as strategic reputational and corporate crisis implementing robust crisis management plans.

4.

Advanced analytical procedures can help companies assess future climate conditions and therefore improve risk mitigation and pricing. Increased climate change information and predictive analytics also have a huge potential to significantly expand risk assessment. Companies should be looking now for how to use available information to improve foresight.

5.

If your organisation participates in COP26, you should conduct a detailed risk assessment before you travel to Glasgow and monitoring key risk indicators associated with COP26 and environmental activism in order to mitigate potential risks. 2Secure personnel will be on the ground and able to provide real time risk assessments and security support to your travelling personnel at COP26. Contact 2Secure today for a free discussion about how we can support your information collection, risk management, security, and duty of care needs.



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