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Climate change: Winners and losers within sectors start to emerge

By Mike Scott

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The response to climate change has been uneven across sectors. Some have taken the opportunity to make widespread changes, while others have moved less quickly.

Two types of companies have been most affected by climate change. First, fossil-fuel-intensive ones, such as energy producers, miners, steelmakers and cement groups, and, second, businesses with a strong consumer focus.

The Carbon Disclosure Project found that utilities and energy companies stood out when it came to identifying risks and opportunities of climate change, but financial services companies – which are very consumer-focused – also did well.

In terms of overall performance, however, the information and communication technology (ICT) sector performed best, probably because it sees real opportunities in dealing with climate change.

"The sectors doing best are those that are able to grow profitably in a rational response to climate change," says Paul Dickinson, CDP chief executive. "Anyone involved in the process of dematerialising the economy – doing more with less, essentially – is well placed."

He cites the example of video-conferencing. Companies such as [Cisco](#), with its slogan "Work is not a place, it's an activity", are taking advantage of high fuel prices, the impending inclusion of aviation in the EU Emissions Trading Scheme, and advances in technology to create an alternative to business travel. The sector has repackaged itself as "telepresence" and analyst Gartner estimates it will replace 2.1m airline seats by 2012.

"In the past two years, the ICT sector has started to create business models and has discovered areas where ICT can be embedded, from smarter buildings and grids to logistics," says Peter Lacy, head of Accenture's Europe, Middle East and Africa sustainability practice. "Some disruptive changes are coming, and business leaders understand that."

Renewable and nuclear energy providers, electric vehicle makers and energy efficiency companies are also likely to see growing markets.

However, performance within sectors remains variable, Mr Lacy warns. "About a third of companies are really making progress, another third are muddling along doing the bare minimum, and the final third are not really doing enough."

David Symons, a director at environmental consultancy WSP, agrees: "Responding to climate change is less about sector, and more about the performance of individual companies in those sectors."

This difference in performance is important, not just for the companies themselves but also for their investors. In a report on the carbon risks in UK equity funds, Trucost, an analysis outfit, found that the carbon footprints of individual portfolios ranged from 209 tonnes of CO2 equivalent per £1m (\$1.4m) to 1,487 tonnes of CO2 equivalent per £1m.

"The significant variation in the carbon footprints of portfolios indicates varied exposure to carbon costs," the firm says. An analysis of US mutual funds found an even starker division – the lowest carbon footprint was 40 tonnes of CO2 equivalent per £1m while the largest was 1,549 tonnes of CO2 equivalent per £1m.

In general, the best records on climate change tend to be in Europe, followed by North America. However, a transformation is under way in some emerging markets triggered by the economic stimulus packages that emerged from the financial crisis, says Nick Robins, head of the Climate Change Centre of Excellence at [HSBC](#).

"These funds – in places such as South Korea – are going towards energy efficiency and transport projects that will position both national economies and companies to benefit from green growth."

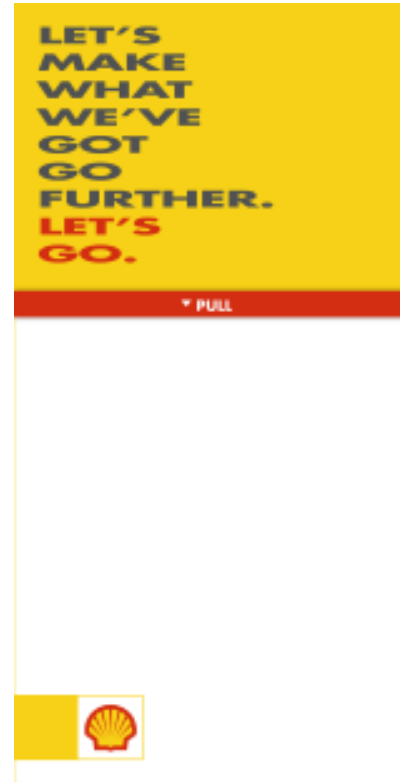
Companies in consumer-focused businesses are at the forefront of many business sustainability initiatives because "the biggest democracy in the world is how people spend their money – every time they buy something, consumers are voting," says Mr Dickinson.

"People are worried about climate change, and it will only increase in importance. Those identified with the problem will face trouble, while those identified with solutions will clean up."

Consumer-focused companies such as retailers have moved on from greening their own operations to driving down the environmental impact of supply chains.

[Walmart](#) has announced plans to cut 20m tonnes of CO2 emissions from its supply chain by 2015, for example.

"It is something customers and employees expect us to be involved in," says Lucy Carver, director of The Bigger Picture, [Sky](#)'s responsible business initiative. The company's activities extend from more efficient set-top boxes for customers to a top-rated broadcast centre and into its programming.



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