



Research Report

Forum: General Assembly Second

Issue: Ensuring economic competitiveness for sustainable companies

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Personal Introduction

Melissa Kikkert

Dear delegates. Welcome to one of the three research reports of the GA2 of CalsMUN 2018. I am Melissa and I will be your chair this conference together with my co-chair Vincent. I am currently a first year Political Science student at the University of Amsterdam. I used to be a pupil at the Vechtdal College Hardenberg, where I got introduced to MUNs. I started out as a delegate, but since a year or two I mainly chair committees. I love being at MUNs; I think they're a great addition to a pupil or student's life. They teach you debating skills, speaking skills and leave you with a lot of new friends. I hope all of you are looking forward to the conference and that you can find everything you need in this report. Don't be afraid to approach me during or before the conference with any questions you have. Vincent and I will link our email addresses down below, so you can contact us! Besides all that boring MUN stuff I also like to listen and make music, read and write, watch YouTube and do photography. And I dye my hair a lot, so I might look completely different than I do on the picture. See you at the conference!



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General Assembly Second

The Economic and Financial Committee (Second Committee) of the General Assembly at its seventy-second session, is chaired by His Excellency Mr. SVEN JÜRGENSON of Estonia. During this session, it will deal with issues relating to economic growth and development such as macroeconomic policy questions; financing for development; sustainable development; human settlements; globalization and interdependence; eradication of poverty; operational activities for development; agriculture development, food security and nutrition; information and communications technologies for development; and towards global partnerships.

The Second Committee will also consider issues relating to groups of countries in special situations. It will also consider the item on permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources.



Issue: Ensuring economic competitiveness for sustainable companies

Introduction

With the 1987 publication of the report *Our Common Future*, sustainable development was defined as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The breadth of the definition was meant to capture the several dimensions of development that go beyond the usual boundaries of economic growth in order to include both the tangible and intangible necessities of life.

The concept of sustainable competitiveness places more emphasis than the concept of sustainable development does on the importance of productivity as a driver of prosperity and long-term growth. We define sustainable competitiveness as the set of institutions, policies, and factors that make a nation productive over the longer term while ensuring social and environmental sustainability. And we define environmental sustainability as the institutions, policies, and factors that ensure an efficient management of resources to enable prosperity for present and future generations.

Fundamental to the concept of sustainable competitiveness is the notion that, although competitiveness can be equated with productivity, sustainable competitiveness can be linked to a broader concept that focuses on aspects that go beyond mere economic outcomes to include other important elements that render societies sustainably prosperous by ensuring high-quality growth.

Another way of looking at the concept of sustainable competitiveness is that it aims to gauge not only whether a country has the potential to grow over the medium and long term, but whether the national development process is producing the kind of society in which we want to live.

General information

The concepts of competitiveness and environmental sustainability are linked at both the country and the firm level. At the country level, because Earth’s natural resources are either limited or are renewed at a specific physical rate, finding an appropriate combination of technology and the planet’s carrying capacity could prevent the limitations of resources from becoming a drag on growth. Developing sustainable practices could also, to a certain extent, fuel



productivity. For example, biodiversity can be an important source of innovation.

At the firm level, the impact of environmental regulations on productivity is still controversial, especially if externalities are not taken into account. However, many companies have started to become more aware that environmental challenges such as pollution, climate change, and resource scarcity could affect them. First, these challenges could affect a firm's bottom line at some point in time, for example through frequent supply chain disruptions resulting from unforeseen meteorological catastrophes (which are thought to be affected by climate change). Second, stricter environmental regulations could also impact business operations, for example when businesses must face higher prices for commodities used as inputs of production. And third, as consumers become more aware of environmental sustainability issues, companies become more concerned about reputational risks. Consequently, the business sector has started to take a keener interest in environmental issues than it did a couple of decades ago. This is evidenced in the increasing number of companies voluntarily reporting on their emissions, and in the number of financial management firms signing on to the United Nation's Principles for Responsible Investment (UNPRI). Companies are also taking action on issues that may impact the sector in which they do business. For example, food-processing companies have put forward and supported initiatives relating to water scarcity because this scarcity may have—in some cases is already having—an impact on crops and therefore on the supply of raw materials and cost of commodities. Another example is the information technology (IT) sector, where “sustainability is fast becoming an important corporate-performance metric.” Information technology companies—concerned with energy costs, reputational risks, and difficulties they confront in continuing to expand their capacity—are beginning to reduce their footprint by adopting “greener data centers” that significantly reduce energy demand.



Dark areas indicate high sustainable competitiveness, lighter shades lower competitiveness

Previous attempts to solve the issue

As mentioned above numerous companies have started taking an interest in environmental issues which has resulted in reports on emission and participation in the UNPRI. This is not only because of the companies' morals, but also because the public is getting more and more aware of the environmental issues at hand. In turn they want to buy products that are produced environmentally friendly. This means that companies are trying to compete by taking part in producing more environmentally friendly products.

Furthermore, some countries have decided to give subsidies to companies and businesses that take the environment into account to give them a better market position. This principle also works the other way around. Some companies in some countries get fees for polluting the environment, giving them a worse market position. States have also promoted environmentally friendly products through advertisements or rules and regulations.

Possible solutions

The relationship between environmental sustainability and competitiveness is multifaceted and affects an economy in different ways. Multiple channels support a positive relationship between environmentally sustainable practices and productivity gains. Some of them are described here:



- Efficient use of natural resources. The efficient use of natural resources includes both managing exhaustible raw materials and using renewable resources within their regenerative capacity in order to minimize production costs, ensure their availability for future generations, and reduce pollution. As described by the literature on public goods, welfare increases once the negative externalities generated by pollution are corrected.¹³ It follows that environmental sustainability can bring about a better economic outcome if it is associated with formal or informal institutions that define property rights and result in the adoption of sustainable processes over the use of scarce resources.
- Carbon reduction. Climate change is a global issue, but its impact on individual countries and companies is significant. Some sectors are more exposed than others: agriculture is the most exposed to the effects of climate change such as rise of temperature, water scarcity, and extreme weather. Although solutions for global emission reductions require international coordination, carbon-reducing business practices can have a positive effect on long-term competitiveness. In the context of rising energy demand, improving energy efficiency through management changes, investing in technology improvement, and using low-carbon energy infrastructure can produce significant savings relatively quickly. In addition, investments in capital expenditures for emission reduction can generate business opportunities for new sectors.

Climate change is already perceived as one of the environmental challenges with the most far-reaching and most severe negative impact on human well-being, but the debate on how to address it most efficiently is still ongoing. Some studies support the position that increasing energy efficiency and introducing emissions standards are costlier to the economy as a whole than the use of carbon pricing, while others see carbon taxes as having more negative impact on the economy in the short run. For example, according to a study by the Congressional Budget Office of the United States, the impact of a carbon tax could be detrimental to output in the short run by raising the cost of energy and transport; however, this cost could be partially offset by cuts in marginal income taxation. In the longer run, a higher pricing of carbon-intensive goods would reduce emissions and thus reduce the taxation level and the initial economic drag associated with it.



One more element to take into account is the impact of externalities linked to climate change. Choosing a less carbon-intensive development path generates returns by reducing losses that result from climate change.

You could take these points in to consideration when drafting resolutions on this topic.

Major organizations/countries involved

Organisations

United Nations Principles for Responsible Investment (UNPRI): The UNPRI is the world's leading proponent of responsible investment.

It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

SolAbility: SolAbility is a sustainable competitiveness consultancy. It provides tailored advice and solutions that provide lasting competitive advantage through sustainable management: advice, development and implementation of visions, strategy, management tools and communication. It also produces independent, non-commercial sustainability-related research, and offers custom research based on professional analytics and out-of-the-box thinking. SolAbility is the publisher of the Global Sustainable Competitiveness Index, and the maker of three DJSI Super-sector Leaders.

Countries

Sweden: Sweden is the country with the highest score on the Global Sustainable Competitiveness Index in 2017.

Iraq: Iraq is the country with the lowest score on the Global Sustainable Competitiveness Index in 2017.



Timeline of related events

1991: Sweden becomes the first nation to enact a carbon tax.

1992: 172 governments participate in the Rio Earth Summit, resulting in an agreement on the United Nations Framework Convention on Climate Change.

1996: Unilever launches its first Environment Report and establishes an external Environmental Advisory Group.

1997: Kyoto Protocol adopted by the US and 121 other nations, but not ratified by US Congress. American industry predicts “disaster” if CO₂ reductions are enforced, but environmentalists are dissatisfied with the weak goals of the treaty.

1999: The Dow Jones Sustainability Indices (DJSI) are launched, becoming the first mainstream sustainable investment indices.

2000: The Millennium Development Goals are launched by the UN, set to be achieved by 2015.

2000: The first full version of the Global Reporting Initiative’s Sustainability Reporting Guidelines is released.

2002: The Johannesburg Stock Exchange becomes the world’s first exchange to require listed companies to report on sustainability.

2003: Companies respond to the first Carbon Disclosure Project (CDP) survey, which mobilises investors to demand the disclosure of data on corporate carbon emissions.

2006: California imposes a cap on greenhouse gas emissions, the first state in the US to do so. The following year, the EU agrees to cut CO₂ emissions by 20% by 2020, compared to 1990 levels.

2010: An explosion on the Deepwater Horizon drilling rig in the Gulf of Mexico kills 11 and badly injures 17. About 206 million gallons of oil spill, devastating fragile coastal environments from Louisiana to Florida. BP’s CEO, Tony Hayward, is replaced following sustained criticism of his conduct by Congress and President Barack Obama.

2011: Greenpeace suspends its campaign against Singaporean palm oil producer Golden Agri-Resources (GAR), commending the company for its new sustainability commitments. Several of GAR’s multinational clients resume their purchases.

2014: The EU issues a Directive on non-financial reporting, requiring disclosure on environmental, social and governance matters. EU member states must transpose the Directive into law by the end of 2016.



2014: Singapore enacts the Transboundary Haze Pollution Act, permitting the government to criminalise companies for environmental pollution.

2015: The Paris Climate Agreement sets a global goal of limiting global warming to below 2°C

2015: The UN's Sustainable Development Goals are launched, emphasising for the first time the role of business in achieving the global development agenda.

2016: The Standing Rock Sioux tribe's fight over an oil pipeline in North Dakota becomes a US national movement.

2016: Larry Fink, the CEO of asset management firm BlackRock, writes to company CEOs, stressing the real and quantifiable impacts of environmental, social and governance (ESG) issues. He calls on them to lay out to shareholders a strategic framework for long-term value creation. Meanwhile, a survey of global managed assets finds that 26% now integrate ESG aspects.

2017: President Trump announces the United States' withdrawal from the Paris Agreement. The nineteen other members of the G20 re-affirm their commitment.

Key terms

Sustainable competitiveness: sustainable competitiveness is the set of institutions, policies, and factors that make a nation productive over the longer term while ensuring social and environmental sustainability.

Environmental sustainability: environmental sustainability is the set of institutions, policies, and factors that ensure an efficient management of resources to enable prosperity for present and future generations.



Sources

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