

# CLIMATE CHANGE AND MANAGEMENT CONSULTING – TEAM #4

## EXECUTIVE SUMMARY

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Due to the forecast of a continually changing climate and the potential impact this is expected to have on industry, PwC requested G7 Consulting to engage in a study to assess how they can better serve its impacted Canadian clients. This took the form of a detailed industry analysis which considers eight key industries in Canada and the risks that seven primary climate change impact pathways pose to them.

### Industries

- Resource Extraction
- Manufacturing
- Agriculture
- Infrastructure
- Professional Services
- Digital Business
- Transportation and Shipping
- Retail

### Impact Pathways

- Carbon taxation
- Increased Environmental Regulation
- Extreme Weather
- Rising Sea Levels
- Resource Availability
- Demand for Sustainable Business
- Unsustainable Technology Displacement

From the results of this analysis it was identified that it is not direct environmental factors of a changing climate which pose the greatest risk to business, but legislation that the government is enacting in response to the perceived threat of climate change. In an immediate context, carbon taxation is the single greatest risk to Canada's businesses as it affects all sectors nation-wide.

The industries which are expected to be affected the most by climate change are those with a large number of assets vulnerable to weather events, those with globally integrated supply chains and those who are heavy users of resources and producers of waste. Specifically those sectors

identified as "high-risk" were infrastructure, manufacturing, resource extraction, and transportation and shipping. Professional services and businesses with digital products are identified as "low-risk" due to the intangible nature of their products and the low physical footprint their operations have.

Management consulting services which are targeted to mitigate the effects these impact pathways have on businesses fall into three categories: **Regulatory Compliance, Supply Chain and Systems Resiliency**, and **Sustainability Strategy**. A fourth service package that targets government instead of business, called **Policy and Risk Mitigation**, arises from the fact that governments are the caretakers of the environment and play a key role in guiding industry through legislation. Due to the size and breadth of PwC's presence, it is expected that on a global scale PwC already has the resources and capabilities to deliver all of these service packages successfully.

It is recommended, due to the immediacy of carbon taxation and other tightening environmental regulations under the current Liberal government, that PwC focus its efforts on the Regulatory Compliance service package in the immediate future. These regulations are already causing impacts to business and PwC should be fully engaged in serving this need right now. Using only this service package, **PwC can offer its Canadian clients a value of approximately \$32 billion in savings**. This value savings is calculated from the additional taxes that all analyzed industries will now be exposed to due to the new legislation, which came into effect in April 1, 2019. In tandem with this, PwC should focus its efforts on the Policy and Risk Mitigation service package to advise governments on the most effective ways to implement these regulations.

In the medium to long term it is expected that the environmental effects of climate change are on an increasing trend. An increased focus on its Supply Chain and Systems Resiliency service package is necessary for PwC to be competitive in this space. With greater environmental effects come greater consumer awareness regarding climate change and consequent demand for sustainable businesses. PwC's Sustainability Strategy service package is there to help companies transition to sustainable practices and align strategy with increasing consumer demands.

In the short term PwC should take action to improve its digital media presence. Tailoring the marketing of its climate change related services to a Canadian context will give those Canadian businesses exploring the possibility of hiring management consulting services confidence that PwC understands its needs and can deliver solutions. It is also recommended that PwC audits its resources in Canada to ensure that they have the required skills in Canada to mobilize effectively in this space. It is also recommended that PwC begin the creation of a database of corporate sustainability practices. Once this database reaches sufficient size it will allow PwC a greater ability to define sustainability metrics and benchmark its clients against others in their industry, giving PwC a competitive edge. Finally, due to the highly interconnected nature of climate change impacts and the wide range of industries they impact, the use of siloed teams is discouraged. Practicing in integrated teams with wide industry and impact knowledge will allow more effective service delivery to PwC's clients.