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The Environment
and Business



The Active Business Series

Part 1: The Background and Copenhagen

It has, experts inform us, been coming for a while. Its head of steam began to build up during the Industrial Revolution as the factories of the Europe and North America first filled the air with billowing smoke from countless chimney stacks. It gained pace during the consumer booms of the 20th century as more and more of us acquired the power-hungry comforts of technological life: cars, central heating. Now it has nearly, but not quite, reached a tipping point, we are told, as the developing world – China, India, Brazil – assumes the mantle of vast, resource-devouring industrial production.

It, of course, is climate change. An atmosphere ever denser in greenhouse gases, particularly carbon dioxide, that trap the sun's energy and that are now raising global temperatures by a scale that all of our available instruments of measurement can agree on.

There are still occasional voices of scepticism that doubt whether it is human activity that is responsible for the steady rise of the mercury in the global thermometer. But the majority, governments included, are conceding that humankind is the cause of effects that, in a century's time or less, could witness parts of the planet scorched by the gathering heat or drowned by rising sea levels.

The business impact

Climate change is affecting all of us. To tackle it, governments say, we will need to introduce changes of our own. To the way we live and, as importantly, to the way we do business.

In the view of Iain Watt of Forum for the Future, an independent organisation set up to promote sustainable development, the impact on business will be twofold: it will change the competitive landscape (new technologies, new product demands) and it will pose physical risks (such as the security of supply chains and the threat of severe weather events to premises and operations). He also maintains that there must be a reduction of 80 per cent in carbon emissions by 2050 if we are to contain temperature rises within a 2C frame and that rapid progress needs to be made in the short-term.



One of the most pressing themes of those campaigning and advising on climate change is not just urgency but common cause: the solution must be collective and global because the problem is collective and global. Tom Burke, a former director of Greenpeace and an environmental consultant to Rio Tinto, argues that governments, businesses and consumers must "think and work together" for carbon neutral economies by 2050.

Businesses specifically, Tom Burke asserts, must ask themselves four fundamental questions. Do we think systematically about future changes? Do we connect the conversation about climate change with the ability of our core business to cope? Do we identify both the risks and the opportunities that a new, low-carbon economic landscape may bring? And do we assess the impact of climate change – costs, prices – on our business models?

For Craig Barnett of Cambridge University, if we don't stabilise the climate, there may not be a meaningful economic or business environment about which to speculate. "Economic development cannot be sustained in the longer term if the climate is not fixed," he says. And fixing the climate, he adds, requires less money than has been invested in mending our broken economies over the past two years.

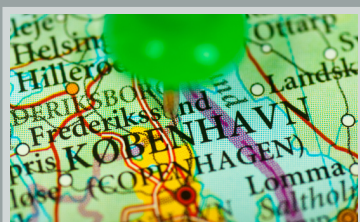
Copenhagen

The United Nations conference on climate change held at the end of last year in Copenhagen was, before its hurriedly managed, last minute conclusion, billed as another milestone, following on from Kyoto, in the efforts of nations to reach an agreement on how we should work towards reducing our collective carbon footprint.

Those hoping for a binding legal agreement on carbon emission cuts were severely disappointed. Much negotiating energy was expended but at the end produced only a "recognition" that there is a scientific case for capping temperature rises, while leaving hazily vague just how that ceiling is to be financed and managed.

The brokered deal, thrashed out between the US, China, Brazil and India, was described by Gordon Brown as a "vital first step." First steps are "difficult and hard," he added, before going on to admit that a legally binding treaty is needed "as quickly as possible."

The Copenhagen Accord



So what was agreed at Copenhagen? The Accord acknowledges that global temperatures should be limited to a rise no more than 2C above pre-industrial levels. This, though, is not a formal target. No date was set for when carbon emissions must peak (Tom Burke thinks the deadline should be no later than 2020). States have until 1 February 2010 to set a marker for the carbon reduction levels they hope to achieve by 2020.

Some £18.5 billion of aid is to go to developing countries over the next three years to help them introduce carbon efficient technologies, along with an ambition to spend \$100 billion a year in a similar cause by 2020.

The Copenhagen Accord is to be reviewed in 2015, following the next report on rising temperatures from the Intergovernmental Panel on Climate Change.

Has Copenhagen made any difference?

In terms of getting 192 states, many jealously protective of their sovereignty, to sign up to an agreement that commits them to targets that are open to international legal sanctions, not seemingly much. Reduction targets, too, were left equally ill defined and could end up on the low side of what may be required. How to verify whether developing countries are achieving even those low-end targets is another unresolved issue.

But there were significant advances too, even if most were in political and business mindsets rather than set down in legal texts. The very fact of the conference reinforced climate change as a shared problem, the consequences of which are now firmly on the economic and business agenda: it won't go away.

Perhaps more importantly, the idea of green and sustainable growth – global warming does not have to mean commercial stagnation – is set to become the prevailing business model of the times. For if we are to combat climate change then the method has to be good for business or we won't succeed.

How, specifically, the greening of the economy can affect businesses is the subject of "Adapting to a Greener Economy," our second paper.