

IT IS FEASIBLE AND ECONOMICALLY RATIONAL TO ADOPT FAR-REACHING PLANS

# Fighting climate change makes business sense



**GRIM WARNING:** Large tropical trees submerged in 15m to 20m of water in Lake Bosomtwi, Ghana, provide evidence of severe, long lasting droughts just a few centuries ago, scientists say. Global warming could cause such "megadroughts" to grip the Sahel region again, scientists report.



**JONATHON HANKS**

THIS year has been earmarked as a make-or-break year in the fight to mitigate the effects of climate change amid the economic crisis and reports that initial predications about climate change impacts have been far too conservative. The urgency for business and government to take swift and decisive action has never been more pressing.

The world's climate negotiators met recently at the UN climate change talks in Bonn, Germany, in the first of three UN negotiating sessions this year aimed at laying the groundwork for the all-important climate conference in Copenhagen in December.

The Copenhagen meeting – the 15th Conference of the Parties to the UN Framework Convention on Climate Change – is tasked with agreeing on a global climate treaty to replace the Kyoto Protocol.

In designing a post-Kyoto climate framework, negotiators in Copenhagen will need to reach agreement on at least four essential issues: defining the emission reduction commitments for developed countries; agreeing on the level of ambition of major emerging economies (such as China, India, Brazil and South Africa) in reducing their emissions; identifying the technological and financial assistance required by developing countries for climate mitigation and adaptation; and clarifying the process for managing international assistance for these countries.

Reaching agreement on these issues will be hugely challenging, particularly against the backdrop of efforts to restructure the failing global economy and in the context of increasingly stark warnings from the scientific community that past projections on climate impacts have been too conservative.

Whatever the outcomes of Copenhagen, the implications for the South African economy – and for the local business community – will be profound: either we reach agreement on the timing and nature of ambitious binding policy commitments of some form, with resulting policy implications for business, or we fail to make such commitments and further expose the vulnerable regional economies to the significant anticipated costs – economic, social and environmental – associated with adapting to climate change.

On the issue of adaptation, a recent gathering of more than 2 500 climate researchers from 80 countries concluded that carbon

emissions had risen faster than predicted, with numerous experts presenting studies that suggest that climate impacts could be more significant and rapid than anticipated. Speaking at the conference, Sir Nicholas Stern echoed these sentiments, arguing that the groundbreaking Stern Review on the economics of climate change had “underestimated the risks and underestimated the damage from inaction”.

Stern now suggests that policymakers should be preparing for possible temperature increases of between 3°C and 6°C degrees, a view shared by Bob Watson, the former head of the Intergovernmental Panel on Climate Change, who has warned that governments should be

preparing for a 4°C rise.

According to the 2006 Stern report, such a temperature increase would lead, among other things, to a 30 percent to 50 percent reduction in water availability in southern Africa; a 15 percent to 35 percent reduction in agricultural yields throughout the continent; and potentially place up to 300 million more people at risk of coastal flooding each year.

These suggestions should not be seen as a counsel of despair; but rather as a call for action, further highlighting that rapid action now in spurring a transition to a post-carbon economy will be far more cost-effective than trying to adapt to a warmer world. Various studies are showing that

it is both feasible and economically rational to implement far-reaching climate mitigation measures.

A recent report by McKinsey & Company suggests, for example, that it is possible by 2030 for global greenhouse gas emissions to be reduced by 35 percent on 1990 levels – or by 70 percent against business as usual – which they suggest “would be sufficient to have a good chance of holding global warming below a 2°C threshold”.

The McKinsey report stresses, however, that capturing enough of this potential will be “highly challenging”, requiring all regions and all sectors capturing close to the full potential for emissions abatement available to them.

In its analysis of five different

implementation scenarios, McKinsey suggests that only two of these would achieve pathways with a significant chance of containing warming below 2 °C. Both of these scenarios envisage the developed and developing world each capturing at least 90 percent of all technical levers for mitigation.

Doing so won't be cheap of course. The report suggests that if the most economically rational abatement opportunities are pursued to their full potential – admittedly unlikely – the total global cost could be around €200 to €350 billion (R4.07 trillion) annually by 2030. This is less than 1 percent of forecast global gross domestic product in 2030, and considerably less than the suggested costs associated with

having to adapt to climate impacts.

Some might question whether the costs of mitigation are costs that a developing country such as South Africa can afford to carry. The more appropriate question is whether South Africa – as one of the more vulnerable regions on the planet – can afford not to be playing a constructive role in developing a more resource-efficient, low-carbon economy.

Even without climate change, the global economy will be hard-pressed to meet the demands of an estimated 9 billion people by 2050, most of whom aspire to resource-intensive lifestyles.

Designing a resource-efficient economy is a no-lose objective, and it is a vision that is increasingly

informing those tasked with the development of national and global economic recovery plans.

Although the recent Group of 20 (G20) communiqué has been criticised by many environmentalists for its lack of specific commitments on climate change, it is arguably of some significance in confirming the link between economic recovery and environmental protection.

The communiqué includes a broad commitment to “the goal of building a resilient, sustainable, and green recovery” through a “transition towards clean, innovative, resource efficient, low-carbon technologies and infrastructure”.

While admittedly vague – and perhaps a necessary function of the realpolitik of the G20 – it is important to see this commitment in the context of the move by many political leaders towards developing a “Green New Deal”, including most notably within the economic stimulus package being promoted by US President Barack Obama.

Amid these global efforts to build a green economy, and in the context of the suggestions by scientists that climate change may be more serious and more imminent than previously thought, it is essential that the South African business and financial sectors see climate change for what is: a critical economic and social issue, as well as a potentially significant source of business opportunity.

Responding meaningfully to the climate challenge will require profound leadership, courage and action from political and business decision-makers across national and commercial boundaries.

If South African business is serious about making its contribution to containing warming below a 2°C rise on pre-industrial levels, then it will need to become more actively engaged in identifying and capturing all the available emissions abatement opportunities. This will require not just technical innovation, but also a shift in values and in consumption priorities.

While there has been an encouraging increase in business engagement on climate change in this country – informed by such initiatives as the Carbon Disclosure Project and the South African government's Long Term Mitigation Scenarios initiative – there is still some way to go before local business and institutional investors become sufficiently active in effecting the transition to a post-carbon economy.

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