Decarbonization of the Economy:
A visible trend

José María Figueres Olsen,
Fundación Costa Rica para el Desarrollo Sostenible

Christiana Figueres,
Center for Sustainable Development in the Americas

A Climate of Change.
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>Jose Maria Figueres Olsen and Christiana Figueres
>describe how business is leading the way into the
>decarbonized economy of the new century.
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>Global climate change has ceased to be a strictly
>environmental threat, lurking in the future. Its
>potential impacts could well make it the greatest
>social and economic challenge that humanity will have
>to face in the coming century.
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>There is alarming data. In March of this year an
>11,000 square kilometre iceberg broke away from the
>Ross Ice Shelf in Antarctica. While breakaways are a
>natural process, this was the largest iceberg ever
>recorded. At the other end of the earth, the Arctic
>Ocean's ice cover has thinned by an average of four
>feet - some 40 percent - since 1960. More recently,
>relatively warm Atlantic water has pushed 20 percent
>farther into the Arctic than scientists have ever
>seen, and that water is 1.6degrees F warmer than it
>was a decade ago. The poles are commonly considered to
>be bellwethers of global climate change, and so
>activists eagerly point to these and other unusual
>occurrences, wanting to convince us that they are
>irrevocable evidence of a warming trend for the
>planet.
>
>Unfortunately, scientists cannot leap to the same
>conclusions with equal passion. Current scientific
>knowledge cannot fully attribute the climatic
>catastrophes occurring before our eyes to
>unprecedented increases in concentrations of
>greenhouse gases. There is an admitted consensus that
>there is discernible human influence on the global
>climate, but its effects - and the speed at which we
>will experience them - can only be a matter of
>speculation.
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>Nonetheless - suspecting that the human race simply
>cannot afford the risk of failing to take action -
>the United Nations produced the Framework Convention
>on Climate Change in 1992. Its Kyoto Protocol,
>negotiated in 1997, would curb the greenhouse gas
>emission trajectories of industrialized nations, with
>the ultimate aim of beginning to stabilise concentrations in the
>atmosphere. However, it is highly uncertain whether
>the Protocol will be ratified by enough countries for
>it to go into effect before 2008, the beginning of the
>period during which the commitments they have made
>must be realised. If neither the Protocol, nor any
>other similar legal instrument were to be in force,
>countries would be under no legally binding
>responsibility to reduce emissions.
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>Scientific uncertainty has always been with us.
>Political quagmire is not unusual when dealing with a
>highly complex phenomenon buttressed by conflicting
>national interests. What is remarkable, as we begin
>the year 2000, is the leadership being shown by the
>private sector.
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>The most striking event of the first months of this
>year is the demise of the Global Climate
>Coalition. Created in 1989, the Coalition is
>the oil and motor industry lobby group par
>excellence: it seeks to discredit theories of
>human-induced climate change and arguing against
>reductions in emissions of carbon dioxide.It began to
>disintegrate when BP's Group Chief Executive (?),
>Sir John Browne, announced the company's withdrawal
>in 1997. Shell, Ford and Daimler Chrysler followed
>suit during 1999. In the first three months of this
>year a quick succession of further withdrawals- by
>Texaco, the Southern Company and General Motors
>brought about its final dissolution as a membership
>coalition open to individual companies.
>
>Many of these visionary corporations are going further
>and incorporating the mitigation of climate change
>into their business strategies. BP Amoco and Shell are
>actively pursuing voluntary plans to reduce greenhouse
>gases, with the ultimate purpose of seeking the lowest
>marginal abatement cost of internal emission reduction
>measures. Tokyo Electric Power has announced an $82
>million dollar investment in reforestation in
>Australia. Daimler Chrysler's recent bid for a
>controlling stake in Mitsubishi Motors Corporation is
>a result of its need to diversify its mix of products
>by adding smaller, more fuel-efficient cars.
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>These, and many other actions by large corporations,
>might seem senseless in a world marked by the
>uncertainty of science and regulation. But there are
>two clear reasons for them.
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>The first is competition. An energy revolution is now
>in the making, with advanced new technologies such as
>fuel cells, photovoltaics, wind turbines, and
>flywheels entering the market. The reason why we moved
>beyond the horse and buggy a hundred years ago was not
>because we ran out of hay. Similarly, there is no
>doubt that the planet still has impressive
>oil reserves. However, as was the case when the oil
>era first emerged, those industries that successfully
>incorporate the new technologies will be well
>positioned to succeed economically in the 21st
>century.
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>Aware that - with or without the Kyoto Protocol - the
>future trend is toward less carbon intensive
>economies, multinational corporations have seen that
>efficient energy systems with low-emissions will
>prevail sooner rather than later. A slow but massive
>reallocation of assets has already begun. The shift is
>having an impact on investment decisions, as analysts
>begin to benchmark greenhouse gas efficiency as a
>mainstream component of the corporate investment
>strategy.
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>Thus corporate strategies to mitigate climate change
>are not environmental altruism, but sound economic
>sense. Projecting an efficient response to global
>warming is becoming an issue of strategic
>competitiveness. The more visionary companies are
>using this tool to gain advantage and market share,
>both at home and abroad. Indeed, industries that avoid
>action on climate change today may find that they have
>been bypassed by the competition, which has sought a
>strategic advance position in the new decarbonized
>economy.
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>The second, and more exciting, reason for a changing
>corporate behavior is shareholder value. In September,
>1999, Dow Jones and the Sam Sustainability Group
>launched the Dow Jones Sustainability Index, which
>tracks performance of the leading
>sustainability-driven companies world-wide. The Index
>addresses increasing investor interest in companies
>committed to innovative technology, industrial
>leadership and social well being.
>Forward looking companies not only manage the >environmental and
social factors - as well as the
>standard economic ones - affecting their businesses.
>There is mounting evidence that such management is
>directly related to their superior financial
>performance.
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>The relationship between these two factors
>demonstrates a real paradigm shift. Although there are
>as many definitions of sustainable development as
>there are people involved in promoting it, the crucial
>common denominator is assigning economic value to the

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>long term management of natural resources. The
>investing public has started to do this. The message
>is being directly received by listening corporations.
>National economies will have to follow suit.
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>The challenge of this new century will be
>mainstreaming environmental  stewardship into our
>economy.  The good news is, we have already started.
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Global climate change has ceased to be a strictly environmental threat lurking in the future. Given the potential impacts, it could well be the greatest social and economic challenge humanity will have to face in the coming century.

There is alarming data. In March of this year the largest ever-recorded iceberg (11,000 square kilometers) broke away from the Ross Ice Shelf in Antarctica. While breakaways are a natural process, the size of this iceberg is unprecedented. In the Northern Hemisphere, the Arctic Ocean's ice cover has thinned by an average of four feet – some 40 percent- since 1960. More recently, relatively warm Atlantic water has pushed 20 percent farther into the Arctic than scientists have ever seen, and that water is 1.6° F warmer than it was a decade ago. Given that the poles are commonly considered bellwethers of global climate change, activists eagerly point to these and other unusual occurrences, and would wish to convince us that they are irrevocable evidence of the planet's warming trends.

Unfortunately, scientists cannot leap to the same conclusions with equal passion. Current scientific knowledge cannot fully attribute the climatic catastrophes occurring before our eyes to unprecedented increasing levels of greenhouse gas concentrations. There is admitted consensus that there is discernible human influence on the global climate, but the effects and the speed at which we will experience them, can only be speculated upon.

Nonetheless, suspecting that the risk of inaction might be unaffordable to the human race, the United Nations produced the Framework Convention on Climate Change in 1992. Its corresponding Kyoto Protocol of 1997, would curb the greenhouse gas emission trajectories of industrialized nations, ultimately intending to stabilize gas concentrations in the atmosphere. However, there is high uncertainty whether the Protocol could be ratified by a sufficient number of countries, in order to go into effect before the beginning of the commitment period, 2008. In the absence of the Protocol, or other similar legal instrument, countries would be under no legally binding responsibility to reduce emissions.

Scientific uncertainty has always been with us. Political quagmire is not unusual for a highly complex phenomenon buttressed by conflicting national interests. What is remarkable as we begin the year 2000 is the leadership, which is being shown by the private sector.

The most striking event of the first months of this year is the demise of the Global Climate Coalition. Created in 1989, the GCC is the oil industry lobby group par excellence, which seeks to discredit human-induced climate change theories and argue against CO_2 reduction. The Coalition began to disintegrate when BP's CEO Sir John Browne announced the company's withdrawal from the GCC in 1997. Shell and Daimler Chrysler followed suit during 1999. In the first three months of this year a quick succession of further withdrawals, on the part of Texaco, the Southern Company and General Motors brought about the final dissolution of the GCC as a membership coalition open to individual companies.

Beyond distancing themselves from the GCC, many of these visionary corporations are incorporating climate mitigation into their business strategy. BP Amoco and Shell are actively pursuing voluntary greenhouse gas emission reduction plans. The ultimate purpose of these efforts is to seek the lowest marginal abatement cost of internal emission reduction measures. Tokyo Electric Power announced an $82 million dollar investment in reforestation in Australia. Daimler Chrysler's recent bid for a controlling stake in Mitsubishi Motors Corporation is a result of Daimler's need to diversify its product mix by adding smaller, more fuel-efficient cars.

These and many other actions on the part of large corporations could seem senseless in a world marked by the uncertainty of science and regulation. However, there are two clear reasons for this corporate behavior.

The first reason is competition. An energy revolution is now in the making, with advanced new technologies such as fuel cells, photovoltaics, wind turbines, and flywheels entering the market. The reason why we moved beyond the horse and buggy a hundred years ago was not because we ran out of hay. There is no doubt that the planet still has impressive oil reserves. However, as was the case when the oil era first emerged, those industries that successfully incorporate the new technologies will be well positioned to succeed economically in the 21st century.

Aware that the future trend is toward less carbon intensity, with or without the Kyoto Protocol, multinational corporations have seen that efficient low-emissions energy systems will prevail sooner rather than later. A slow but massive reallocation of assets has already begun. The shift is impacting investment decisions, as analysts begin to benchmark greenhouse gas efficiency as a mainstream component of the corporate investment strategy.

Corporate climate mitigation strategies are not environmental altruism, but rather sound economic sense. Projecting an efficient greenhouse response is becoming an issue of strategic competitiveness. The more visionary companies are using this tool to gain advantage and market share, both at home and abroad. In fact, industries that avoid action on climate change today may find that they have

been bypassed by the competition, which has sought a strategic advance position in the new decarbonized economy.

The second, and more exciting reason for a changing corporate behavior, is shareholder value. In September, 1999, Dow Jones and the Sam Sustainability Group launched the Dow Jones Sustainability Index, which tracks performance of the leading sustainability-driven companies world-wide. The Index addresses increasing investor interest in companies committed to innovative technology, industrial leadership and social well being. Forward looking companies not only manage the standard economic factors affecting their businesses but the environmental and social factors as well. There is mounting evidence that the management of these important factors is directly related to their superior financial performance.

The relationship between these two factors demonstrates a real paradigm shift. Although there are as many definitions of sustainable development as there are people involved in promoting it, the crucial common denominator is assigning economic value to the long term management of natural resources. That allocation of value has started at the level of the investing public. The message is being directly received by listening corporations. National economies will have to follow suit.

The challenge of this century is the mainstreaming of environmental stewardship into our economy. The good news is, we have already started.