The green space race

THE PLANET’S FUTURE IS IN THE HANDS OF WORLD LEADERS AS THE PUSH FOR LOW-CARBON ECONOMIES ESCALATES.

BY JACQUELINE MCArTHUR

Martin Blake and Paul Dickinson both agree 2010 is set to be a watershed year on the road to a low-carbon society.

“The world is on an inevitable course to get carbon off the books – there is a steep decarbonisation trajectory and those that can’t or won’t join in will not survive,” Blake says.

Dickinson concurs. “A global framework to reduce emissions safely and create the green economy is happening, nobody should think that it isn’t – a green economy is the only one we can truly afford to have.”

Blake is a UK-based sustainability guru, and a specialist in advising businesses on practical measures to make decarbonisation profitable, and embedding energy efficiency and recycling in the operating DNA of corporations.
Dickinson is the London-based CEO of the Carbon Disclosure Project (CDP), which operates the only global climate change reporting system. More than 2000 organisations in 60 countries now measure and disclose their greenhouse gas emissions and climate change strategies through CDP. It acts on behalf of 475 institutional investors, holding A$55 trillion in assets under management and 60 purchasing organisations such as corporate giants Walmart, PepsiCo and Cadbury.

Both men are at the forefront of the drive towards the decarbonisation of the global economy. Both see the introduction of the Climate Change Act in the UK as completely changing the machinery of government in relation to climate change, a move that leaves no scope for inertia.

“The UK is an indicator of what is likely to happen around the rest of the world. Australia will get there but it has some catching up to do,” Blake says.

The historic UK Climate Change Act binds successive governments to delivering against the target of cutting emissions 80 per cent by 2050. It also enabled the formation of the independent Committee on Climate Change, and requires governments to set five-year carbon budgets.

Dickinson says that already a massive transfer of value is underway and won’t be reversed. “After nine years full time on this issue I have seen a few revolutions in public discussion and it’s clear that businesses and governments now understand the fundamental changes coming – particularly around the decisions to be made about huge risks and opportunities”.

On a flying visit to Australia sponsored by CPA Australia and Austrade, Blake was keen to assure business leaders that despite Australia’s political wrangling over the cap and trade scheme, massive changes to “business-as-usual” around the world would make Australia’s journey along the pathway to decarbonisation inevitable.

“From every perspective, emitting carbon costs money. You buy the fuel that contains it, you pay tax on your emissions, and if you want to become carbon neutral you have to pay for carbon credits to offset your emissions,” Blake says.

“So it’s a simple case of avoiding paying for the same carbon three or four times by emitting as little as possible. It makes good business sense.”

Blake says innovative carbon abatement methods have delivered not only reputational benefits, but substantial cost and carbon savings.

He points to a recent study by US global management and consulting firm on sustainability, A.T. Kearney, which demonstrates that during the first six months of the global financial crisis companies committed to sustainability outperformed industry averages by 15 per cent. This performance averages out to US$650 million (A$699 million) in protected market capitalisation per company.

The awesome power of the supply chain to apply pressure on businesses around the world is already underway, Blake says. “Natural selection is at play here – those companies that don’t look to
> reduce their own carbon and the carbon embedded in their suppliers’ products will quickly find their own customers looking elsewhere because it is costing them more.”

Meanwhile, Australia has some catching up to do. A business-as-usual scenario published by the Australian Greenhouse Office (AGO) envisages annual emissions growth from 565 megatonnes (Mt) of carbon dioxide equivalent (CO₂-e) in 2004, to 702 Mt in 2020, a total growth of 24 per cent. Such a rapid growth, if it actually comes to pass, poses an enormous challenge to an emissions reduction program. A number of scientists believe that if such rapid growth is allowed to eventuate and continue beyond 2020, it would completely swamp any technological reduction measures that could be implemented over the next quarter-century.

Late last year, Australia was ranked 15th among G20 countries for its “readiness to stay wealthy” as it shifts to a low-carbon economy, according to the report produced by London-based consultants Vivid Economics, and commissioned by The Climate Institute, a Canberra-based think tank. Only South Africa, India, Saudi Arabia and Indonesia fared worse.

“The largest turnarounds in carbon productivity are required by Australia, Turkey, Russia and Saudi Arabia,” the report says. “The longer these countries take to achieve these turnarounds, the more costly the eventual transition will be.”

Australia’s low ranking was a result of its carbon-intensive exports, low use of clean energy and high consumption of transport fuels. France, Japan, the UK, South Korea and Germany ranked best for carbon competitiveness.

Emerging economies like Brazil, a top emitter, are also determined not to be left behind. Brazil aims to cut emissions by as much as 39 per cent over expected 2020 levels – a development that suggests the stakes for all nations have been raised. Spurred in part by Brazil’s “voluntary” commitment, French president Nicolas Sarkozy said he was undertaking a drive to persuade other countries to come up with “ambitious proposals” of their own.

Now the British government has teamed up with a number of green groups to promote the UK’s Climate Change Act across Europe as part of a campaign to get other countries to introduce similar legislation.

With the world looking to China for direction on the major emitter’s route to decarbonisation, CDP’s Dickinson says there remains a certain level of ignorance outside China even at higher political levels, about China’s commitment. “Trust me, the onus will be on us all to catch up with their innovations and leadership on this issue,” he says.

Sir Gordon Conway, co-chair of the China Council for International Cooperation on Environment and Development, a high level, non-governmental advisory body, says Chinese leaders are moved by a sense of urgency. “Following the traditional economic model is not an option: resource, social and environmental constraints make it impossible. They are also aware of the danger that rapid growth will lock China into industrial and urban structures that will become a liability in a low-carbon world,” Conway says.

Climate economist Lord Nicholas Stern recently found that “China has produced the most careful, thorough analysis by any country showing that they intend to gain competitive advantage in the new global carbon economy”.

Conway says China wants to be one of the leading providers of clean technologies. China is already a world leader on solar power, heat and wind turbines and is rapidly developing key technologies for electric vehicles.

The low-carbon road map included in the 12th five-year plan (2011–2015) outlines three key scenarios. One adopts a continuation of current trends that will result in the production of nearly 13 billion tonnes of CO₂ a year by 2050. A second, produced as a low-carbon scenario, reduces emissions to nearly 9 billion tonnes. A third, more radical enhanced low-carbon scenario would produce peak emissions around 2025, reducing to 5 billion tonnes by 2050.

In each scenario China would continue its economic growth. However, the Chinese believe significant reductions can be achieved by decoupling growth from greenhouse gas emissions as Sweden has done.

The Chinese plan is to reduce energy consumption per unit of GDP by 75 to 85 per cent by 2050. It will be achieved through industrial restructuring and efficiency gains in every economic sector, including new low-carbon cities that avoid suburban sprawl and prioritise public transport. Energy-saving measures and new energy sources could reduce carbon emissions per unit of gross domestic product by 20 to 23 per cent or possibly more.

Up to 50 per cent of generating capacity is expected to come from low-carbon sources by
2030. By 2050 all new power sources will be low-carbon.

Technology will be critical. Conway says much can be achieved by adapting existing technologies to Chinese conditions, but if the enhanced low-carbon scenario is to be followed it will require innovation and technology sharing on an unprecedented global scale.

This forms part of the “almost inestimable” changes to ways of doing business Blake and Dickinson are keen to help business leaders take advantage of. But it won’t come easily.

“The private sector will be the source of almost all of the funds required for transition to a low-carbon economy, and the creation of radically different new infrastructure and energy systems,” Dickinson says.

He insists that the next big moves will need to be all governments prioritising and promoting the development of the nuts and bolts that allow this to happen – reporting, accounting and assurance.

“Greater data comparability between companies and a global reporting standard for carbon is essential. In business, what gets measured gets managed,” he says.