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Global Viewpoints

Energy, Environment & the Impact on Business



The third part in a series of features that bring together different viewpoints from thought leaders across the globe

For some people, the threat of climate change is the single most important issue facing the world today. For others it is at best an inconvenience. Businesses cannot bear the whole weight of environmental responsibility, but neither can governments achieve the necessary results by themselves. On the eve of the Copenhagen climate change summit, we ask notable academics, writers and commentators what must be done to save the planet.

London-based writer David Nicholson conducted all interviews for the articles in this publication. He can be contacted at dn@davidnicholson.com.

Please go to www.50globalviewpoints.com for the full audio and video records of these interviews and to join in the debate.

What we want from Copenhagen

As the world's leaders prepare to converge on the Danish capital Copenhagen on 6 December for the 15th Conference of the Parties (COP) on climate change, there is intense speculation over the potential outcome of their debates. US President Obama will be aiming for a commitment that he can push through his domestic legislature. China and India will be under pressure to compromise their own growth ambitions by agreeing to reduce emissions.

The situation has been complicated by the global recession, provoking some participants to argue that they have more pressing priorities than to worry about the environment, when their countries face rising unemployment and economic collapse.

Others argue that making wise environmental choices and investing in green technology is the best way to get

out of the recession. "Reducing energy saves money," points out Andrew Winston, author of *Green Recovery: Get Lean, Get Green and Emerge from the Recession on Top*, published by Harvard Business Press. "The cost of energy is going to get higher, so companies that invest in reduced energy use can see very short payback periods."

He would like to see the parties in Copenhagen agree that it makes sense to "get off fossil fuels and oil as quickly as we can", both for economic and security reasons. Winston applauds the idea of a new version of the space race, with China building ever larger and more efficient solar and wind production industries, while the US attempts to catch up.

Sir Julian Priestley, former Secretary General of the European Parliament, argues that President Obama will need to show exceptional courage in navigating serious change through the US Congress, after the trouble he has experienced on healthcare reform. More financial and technical help for developing nations must be offered by the West, along with increased awareness of the opportunities that tackling climate change presents to companies and countries alike.

Academics such as Professor Bob Ayres at INSEAD are optimistic that cleverly targeted investments will make a significant difference. "These investments can pay off really quickly," he says. "Up until now we have made a number of really stupid investments, like ethanol from corn. In 20-30 years renewable will be cost competitive."

Former President of Costa Rica, and fierce environmental proponent José María Figueres, puts forward what he calls a 'variable geometry' agreement. "Some countries have already started the fight to mitigate carbon emissions, others are just beginning. What is important is that we establish benchmarks, where we can all come back and see that we are fulfilling the reductions we have promised."

The Greening of future business leaders



The combined pressures of population growth, accelerating energy demand and carbon constraints represent an unprecedented challenge to society and businesses alike. Many commentators see this as an opportunity for businesses to innovate what they do and how they do it, but to do so needs a generation of business leaders brought up on an ethos of delivering sustainable economic growth.

Through the INSEAD Social Innovation Centre, which brings together a diverse group of leading INSEAD research teams under a common agenda of developing and delivering innovative, sustainable solutions to social and environmental challenges, we aim to inspire and develop leaders and organisations to transform business and address these important issues.

Frank Brown, Dean of INSEAD



Promising ideas & technologies

Environmental activist group Greenpeace has long understood the power of media pressure. Its dramatic campaigns against whaling or polluting oil companies are always captured on film, to inform a wider public.

Today, social activism and the spread of the internet mean that environmentally irresponsible acts can be filmed and communicated to a global audience within minutes. "This means that individuals, companies and governments are forced to take more responsibility for their actions," says Dr Ben Warr at INSEAD. "It's no longer good enough to say 'I wasn't aware of the problems I was causing.'"

Whereas the role of energy in driving economic growth has traditionally been undervalued, according to Warr, there is an increasing awareness of the CO2 cost of food and other goods, along with the pollution that their production entails. But innovative solutions exist. For example, using sensors to target fertilisers to a specific part of a crop reduces the cost of production, increases productivity and reduced pollution, he points out.

Campaign organisations are collaborating in new ways, according to John Elkington of Volans. "We're developing a new form of political ecosystem that behaves like our immune system." Safety, health, the environment, corporate social responsibility and sustainability are becoming integrated in entirely new ways.

Rather than use less fuel heating your home, why not do without heating altogether? With greater insulation, double-glazed windows and other measures, 'passive' houses are emerging in Europe using 95 per cent less energy than would be used in conventional houses, according to Professor Robert Ayres at INSEAD.

New products that use less energy, such as cold water detergents or cleaning equipment using ionised water instead of chemicals, promise to make an enormous difference, since they remove the root of the problem rather than simply ameliorate a bad situation. "You'll see thousands of new products launched in the coming years trying to capture this space," says Adam Werbach of advertising agency Saatchi & Saatchi Sustainability. He sees tremendous opportunities in climate change industries, along with equally major efficiency opportunities.

Werbach argues that small initiatives, such as the Australian town that recently banned bottled water, are symbols of a larger societal movement to bring the era of disposability to an end. "It will be seen as a strange blip in history," he says.



Green lessons for business

The biggest hurdle for companies to overcome in the environmental debate is to stop thinking that green equals cost, says author Andrew Winston. "A great deal of the green agenda is about doing more with less, it's about saving money," he says.

Even if you doubt the science behind climate change, you cannot argue with the political and business reality: "Almost every country in the world is heading towards regulating carbon in some way," says Winston.

Dr Matthew Kiernan, author of *Investing in a Sustainable World: Why Green is the New Color of Money on Wall Street*, maintains that both academic and empirical evidence shows that taking sustainable issues into account yields better investment returns. "On Wall Street the long-standing view has been that environmental factors are at best irrelevant and at worst injurious to your financial returns." He argues that the environmental investment baby has been thrown out with the socially responsible bathwater, but that just in the past few months, there has been a radical change of direction. "Speaking to real estate professionals 18 months ago I would be pelted with rotten fruit and derided as a heretic. Today, the response is 180 degrees different."

According to Dr Paul Kleindorfer at INSEAD, companies such as Unilever are now taking exceptional care to understand their carbon footprint and their energy and water use. Even so, he stresses that we are "only at the beginning" of this process and enormous tensions are bound to emerge, between land use for agriculture or biofuel for example.

Many experts point to the transformation that has taken place at Wal-Mart, one of the world's largest retailers. Its transport fleet has managed to cut its energy use by 30 per cent, through innovations such as aerodynamic skirts on its trucks and power units to replace idling engines, while its relationship with its 60,000 suppliers has undergone a radical shift towards sustainable practices. The fact that Wal-Mart remains a low-margin, low cost retailer attests to the economic viability of its green measures.

Other firms will no doubt follow where Wal-Mart leads, finally convinced that green and lean are congenial partners in the pursuit of long-run profitability.

Experts' views

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For this issue of Global Viewpoints we collected the thoughts of eminent academics, writers and experts on energy, the environment and the role of business. They detail the major threats and opportunities as the climate change debate intensifies.

Professor Robert Ayres, INSEAD "The challenge of the next decades is to avoid two threats: Either freezing in the dark, or cooking like a frog in boiling water. It's a very difficult choice."

José Maria Figueres, former President of Costa Rica "We need to decouple growth, wellbeing and future economic activity from the emission of carbon."

Dr Matthew Kiernan, RiskMetrics "There's a growing body of academic and empirical evidence that taking environmental factors into account can definitely yield better risk adjusted returns."

Dr Paul Kleindorfer, INSEAD "Sustainability means that locally, regionally and globally we should leave to our children and grandchildren the opportunity to lead a life with roughly the same quality as we have, perhaps with better."

Sir Julian Priestley, Chair, European Public Policy Advisers "If we stick to strong targets for wind and photovoltaic solar energy, here and elsewhere, we will create jobs."

John Elkington, Volans "Environmental groups and community activists are linking together in a very different way. What is evolving is much akin to the human immune system."

Dr Ben Warr, INSEAD "Poverty is the worst enemy of the environment."

Adam Werbach, Saatchi & Saatchi Sustainability "We have been in an era of disposability where you use something once and you throw it away. That's going to be seen as an anachronism, as a strange blip in history."

Andrew Winston, author "Renewable energy will be a two trillion dollar market in ten years' time."