

Business models for combating climate change and social inclusion

While we are reveling in the jubilations sparked by the joint award of Nobel Peace Prize to IPCC startling evidence is emerging that IPCC downplayed the impact of climate change. Christopher Rapley , director of Antarctic Survey claims that Arctic could become ice free by the middle of this century. He says IPCC's report suggesting ice cover until the end of the century is misleading. The denial machine that started functioning ever since a Swedish chemist Svante Arrhenius asserted back in 1896 "we are evaporating our coal mines into the air", is revving up full throttle. An oil company is reported to be paying \$10,000 for each article that runs down the recommendations of the IPCC. It is time to act.

Climate change and environmental degradation are far too complex issues to be solved simply through proclamations. Sir Nicholas Stern has a stern warning. Climate change could reduce global consumption by 20%. Is it not a good thing? The rub is in the next statement. He says, this could mean GDP reduction of 5%. The question is why should reduction in consumption of materials reduce GDP? After all it is our obsessive materialistic consumerist culture that has brought us to such a pass. Is the fault not with our belief that success means a big house, a big car, a big TV, a big refrigerator , a big washing machine and proliferation of unneeded products that are dangerous for health and disastrous for ecology. It has sinister repercussions. This means if we help the poor to become rich they will only add to our environmental nightmare.

The tragedy is that this acquisitive culture is resulting in Afluenza, an emotional disorder caused by envious greed described by Oliver James in his book by the same name. The question is what can business do that cause happiness without environmental or social damage. How can companies create wealth by simply letting people have fun? Daniel Kahneman, a psychologist at Princeton University who won the Nobel Prize for economics in 2002 reckons people cherish experiences over commodities. The most durable amusements are the ones which have application and attention. People love doing than having. So, can we move our economy from this acquisitional mode to an experiential mode?

We have to question how did we come to create an economic system which is so contrary to nature's biological processes and is based primarily on extraction, depletion, waste and disposal. As Paul Hawkin, the author of Natural Capitalism questions: how is it we create an economic system that confuses the capital liquidation with income? How is it that our pricing system tells us it is cheaper to destroy the earth than to conserve it? Is it normal to have an economic system that discounts the future and sells of the past? Wasting scarce natural resources to achieve immediate profits does not lead to value creation and wasting environment to achieve economic growth is neither economic nor growth.

In October 1994 a group of 16 scientists, economists, policy makers and business leaders met at Carnoules in France and published a declaration, which is known as the "Carnoules Declaration". The declaration called for radical increase in resource productivity and expressed the hope that within our generation, nations can achieve a ten fold increase in the efficiency with which they use energy, natural resources and other materials." While the group which called itself the "Factor Ten Club" had made only basic commonsensical recommendations for satisfying human needs without unduly damaging environment, the implementation has faced monumental resistance.

Business has to account for the value addition to the natural and human capital. Society will not gain if financial capital increases at the cost of natural capital. We have to create new production and distribution processes to reverse the loss of natural capital and eventually increase its supply. This will involve more than product design, more than marketing and competition. It will mean a fundamental redesign of business models, its roles and responsibilities.

This also requires changes in the policy instruments by governments. The governments have to decide they will no longer be taxing income but the use of environment, the environmental impact caused in production and consumption. They have to take away subsidies from extractive industries and provide incentives for increasing the productivity of natural resources. They have to reward eco-innovations and give subsidies to renewables. Innovation can be a great equalizer. It is a tragedy that even after a century of fossil fuel based automobile centered, wasteful economy, we have little of substance to boast about our record for change to renewable. Think how the whole world's economy can change once we are able to use photo voltaic cells on a massive scale for heating our homes and powering our cars. While the fossil fuel may not last beyond the current century, the solar power is synchronous with human life and therefore has Infinite potential. Think how the world economic balance will change once solar power becomes the dominant energy paradigm. It will finish, western hegemony and put Asian and African economies with the abundance of solar energy in the forefront.

There is a huge potential in solar energy waiting to be realized. The material which forms the basis of the vast majority of today's solar cells, silicon is expensive and cumbersome. There is no compelling reason why new materials of a tenths of a twentieth the price of silicon could not be used – all that is needed is ingenuity, incentives and finance for relevant research. None of these factors is at present a limited resource. Recently, a Silicon Valley start-up, Nanosolar, has opened the first really large non-silicon solar-cell factory.

There is a grander vision in promoting climate change agenda. We believe that the renewable technologies such as solar power, wind power, biofuel & hydel power can have a transformational effect on the poverty situation by transferring wealth to rural areas and “have not regions”. India's 600 million tons of agricultural waste can generate equivalent of 80,000 megawatts of electricity i.e. 60% of its installed capacity, create 30 million jobs and empower rural India.

The problem with the implementation of climate change agenda as with other issues such as globalisation, poverty and inequality is that it is still being dealt with in isolation and not as a part of a cohesive, integrated approach.

We believe our biggest threat stems from the sharpening inequalities. People can stand poverty but cannot withstand injustice. It is an irony that the grueling and mind-numbing poverty that we face in this world exists alongside extreme affluence and abundance. Indeed when we look at the amount of money we waste it would seem that the world has no shortage of financial resources. United States, which prides itself as the richest country in the world itself, is a classic example of waste. It has been estimated that of the \$9 trillion spent every year in the United States, at least \$ 2 trillion annually is wasted.

For initiatives on climate change, waste reduction and poverty alleviation to succeed these have to be dealt with holistically keeping the business as a driver of the change agenda. Business can be made to realize that the pollution and waste are nothing more than business inefficiencies, process inadequacies and there is money to be made in their elimination. Business has a lot to gain from strategies for combating climate change. The deliberations of the 8th International Conference on Corporate Governance held in London in September 2007 revealed that companies that integrated social and environmental issues into their business goals created greater wealth for their shareholders.

We believe that progress on action in combating climate change has been woefully slow due to the fear that this would mean retardation of economic development. 80% of the world's poor who aspire to share the prosperity promised by globalization are unwilling to buy into it even when they know that its consequences will be revisited upon them with greater severity. Yet, if we allow the consumerist, acquisitional model of

development, our mission to bridge the inequalities could become an environmental nightmare. The saving grace of poverty is that the ecological footprint of poor nations is less than one twelfth of the developed ones.

Just as it is real that climate has changed due to human activity, humans have the power and technology to reverse the damage. For this to happen business has to be brought to the forefront of the climate change agenda. Our focus has to be on galvanizing businesses for a robust response to climate change in a way that opens new vistas of growth and development, advancing human happiness.

The 8th World Congress on Environment Management in Palampur brought to the fore an eleven point plan called PROACTIVATE. The acronym denotes the action required for regeneration of the planet. It calls upon businesses to Price natural capital; Radically increase energy efficiency; Opt for minimalist lifestyles that emphasise the value of experience as opposed to acquisition; Adopt zero waste and closed loop systems; Capture CO₂ through forestation; Turn to renewables; Invest in green issues; Vigorously pursue market mechanism to punish polluters; Activate women and children to drive the change; Train staff to eco-innovate and focus on Execution by example rather than exhortation.

Climate change calls for a holistic approach designed to reduce the human footprint on the planet by committing to make a 180-degree shift in lifestyles. It challenges our current paradigms of wealth and prosperity. Who would prefer to be a billionaire with a parched throat in the arid world of 2030?

It is time we started recognizing the price of natural capital – of greenery, rivers, mountains, oceans and glaciers and moved our natural assets way above the financial capital in the balance sheets. The pendulum of asset valuation has moved beyond tangibles. People have begun to question the very purpose of work and wealth creation. It is time we question our economic model and turn the 'dismal science' of Carlyle into an instrument of sustainable happiness.

The challenge lies in developing policy instruments that can turn the impending catastrophe into an opportunity for change and innovation of business models and make them compatible with environmental resurgence, CO₂ reduction and poverty alleviation. This means a model of growth determined not by proliferation of products but quality of emotional experience, a model based on renewable energy, solar power, wind energy and biofuels that can have a transformational effect on the lives of people in rural areas.

Climate change, therefore, is an opportunity for social change that we have been waiting for. It can bridge the North South divide and reduce the urban & rural inequalities with the speed we could have never imagined. Decisive evidence is emerging that stabilizing earth's climate is not only profitable but will revolutionise the fight against poverty. Climate change will shape the future of business as never before. It will power unprecedented growth through new business models based on low carbon, dematerialized growth that emphasizes the human experience rather than acquisition. Climate change could provide a huge hope to the poor of the world that their misery may soon come to an end.

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