

Changing Growth Model to Combat Climate Change

***Dr Madhav Mehra**

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%. Why should we lament? The rub is in the next statement. This would mean GDP reduction of 5%. Why should reduced consumption of material lower GDP? Is it not our obsession with materialistic and consumerist growth that has brought our planet to such a pass? Why should human well being be measured in terms of a bigger house, a bigger car, a bigger TV, a bigger refrigerator, a bigger washing machine? Why growth should mean proliferation of unneeded products that are dangerous for health and disastrous for ecology? Such a paradigm of development has sinister repercussions on environment. This means our efforts to enrich the poor would result in the new wealth being squandered on proliferation of products thus adding to our environmental nightmare.

The tragedy is that this acquisitive culture is not only triggering climate change but also 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 to replace this model by one that creates enjoyment without environmental damage. A whole lot of companies today are creating enormous wealth by letting people have fun. Disneyworld is just one such company. 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 businesses focus on the enormous possibilities inherent in moving our economy from this acquisitional mode to an experiential mode?

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 requires changes in the policy instruments by governments. The governments have to decide they will no longer be taxing income but the use of natural capital. Companies will have to pay taxes based on the

environmental impact of their production and disposal processes. Governments will take away subsidies from extractive industries that damage the environment and provide incentives to those who increase the productivity of natural resources. They have to reward eco-innovations and subsidise renewables.

Innovation can be a great equalizer. But it cannot be fostered in a climate of distrust. You have to allow people to make mistakes; make them proud of admitting mistakes. There should be rewards for owning mistakes. The courage required in owning failures should be inculcated in the schools.

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 African economies can change once we are able to produce photovoltaic cells in a cost-effective way. It would encourage its use 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. The whole economic balance will change once solar power becomes the dominant energy paradigm. The economic inequalities between North and South will become a thing of the past.

Progress on action in combating climate change has been woefully slow because the rich are too trapped in their carbon guzzling lifestyle and the poor nations suspect that this is yet another device of rich nations to prevent the poor from bridging the gap. If businesses could persuade the rich to realize that there are other ways to heighten their pleasures and enhance their experiences than buying unneeded goods, the businesses could make a lot more money and enhance customer enjoyment. This will in turn change the development paradigm of developing nations. They would understand that they can be rich without having to follow the industrialised, consumeristic model of the west. Our salvation lies in making both rich and poor understand that the adoption of an acquisitional model of growth by 80% of the world's poor would result in 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.

Climate change therefore is an issue of governance, developing policy instruments and statutory regulations that will help technological breakthroughs and make people change their ways of consuming and producing. The problem has to be dealt with in a holistic and integrated manner and not the piecemeal, isolated approaches we have used in the past with globalisation, poverty and pollution. There are far greater benefits in promoting the climate change agenda than meet the eye. Our biggest threat stems from the sharpening inequalities. People can stand poverty but cannot withstand injustice. Renewable technologies such as solar power, wind power, biofuel & hydel power can be great equalizers in redressing regional imbalances. These 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.

For initiatives on climate change, waste reduction and poverty alleviation to succeed the business has to be the driver of change agenda. Business has to be made to realize that pollution and waste are nothing more than business inefficiencies and process inadequacies. There is money to be made by their elimination. That 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.

Earlier the World Congress on Environment Management held in the Himalayan town of Palampur brought out an eleven point plan called PROACTIVATE. The acronym underscores 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 and community to execute the change and adopt Experiential model of growth.

PROACTIVATE is 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. It aims to create wealth by enhancing experiences as opposed to acquiring products and proliferating the planet.

It is time we question our economic model and turn the 'dismal science' of Carlyle into an instrument of sustainable happiness. This is the agenda we have set ourselves for the 3rd Global Conference on Social Responsibility in Portugal in February 2008. We believe that combating climate change in a holistic manner will result in social inclusion. This is why combating climate change should become the upper-most social responsibility of business.

Climate change 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 never imagine. 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, low energy, dematerialized growth that emphasizes and enhances the human experience on this planet. A robust response to climate change offers hope to the world's poor that their misery may soon come to an end.

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