

Doing Well By Doing Good: How Business Can Tackle the Climate Emergency

As the US analyst Tom Friedman says “Pessimists are usually right and optimists are usually wrong. But all the great changes have been accomplished by optimists.”

So: full disclosure. I am an optimist. I think we can and will sort the climate emergency and build a better world. I also think we can all get richer by doing it.

My thesis today is that there’s a right way and wrong way to tackle the climate emergency. Doing it the wrong way will be catastrophic. Doing it the right way will not just save the planet, it will also help business thrive and secure a more prosperous future for everyone.

The climate emergency is real

But let’s start with the bad news. There really is a climate emergency. Evidence:

- The carbon and other greenhouse gases we are putting into the atmosphere means – precisely as the science predicts – that the planet is heating up. The 20 warmest years on record have been in the last 22 years. The past 4 years have been the warmest ever.
- Sea levels are rising: sea-ice is shrinking year on year and the world’s glaciers are retreating: both effects are putting more water into the oceans, and warming water expands – all of which is causing more sea level rise.
- Extreme weather events are becoming more common. We are seeing more and more violent floods, droughts, megafires and storms.

The risks are real

And the risks are real too. Unless we tackle the emergency, very bad things will happen.

There are six significant longer term climate-related risks for the UK. We face enhanced risks of: flooding and coastal erosion; to health, wellbeing and productivity; of water shortages for the public, agriculture, energy generation and industry; to natural capital; to food production; and of new and emerging pests and diseases.

The risks to business

The climate emergency also brings some obvious risks to businesses.

There are physical risks: threats to businesses’ daily operations as the climate changes. Some of these risks are acute: more flooding incidents, for

example, will disrupt logistics, transport, communications, staff getting to and from work; and unless we take steps to mitigate those risks, those disruptions will happen more frequently and more severely. Some of the risks are chronic: a growing shortage of water over the next decade or two will affect energy generation, industry and the wider economy. Nor will it be great for the water companies: as the CEO of one big water company told me, "if I don't have any water, I don't have a business".

There are policy risks which could affect business: future governments may tighten regulation, introduce new carbon taxes, or cap the use of resources.

There are legal risks: we are seeing a steep increase in climate-related litigation. Businesses will not be immune.

There are technology risks: new low-carbon technologies will disrupt the economy and reduce the demand for existing products.

There are market risks: demand for existing products and services is dropping as consumers find 'green' products more attractive.

There are financial risks: investors are increasingly shying away from businesses which have not taken steps to adjust. Mark Carney, the Bank of England governor, has repeatedly warned that companies that are not moving towards zero-carbon emissions will be punished by investors.

There are reputational risks: companies which are not taking steps to reduce their own contribution to global warming will take a big hit.

And there's an existential risk: James Gorman, the CEO of Morgan Stanley, has said 'If we don't have a planet, we're not going to have a very good financial system.'

But it's also an opportunity

But here's the good news. It doesn't have to be like that. The climate emergency is the biggest challenge of our or any other generation. But we can tackle it successfully and come out with a better world.

Let's start with how not to do it. We can say there's no problem. We can say there's no hope. Or we can say there must be no more growth. All three of these approaches are wrong.

Simply declaring that there is no problem and therefore no need for action is a position that some prominent politicians – particularly overseas – have taken. However, what's noticeable about that is that a) politicians who deny climate change are increasingly being punished by the voters, so they are an increasingly endangered species b) whatever the politicians say, the businesses in their own countries do believe in climate change and are investing heavily to manage down the risks and c) the science is irrefutable. I'm going with the wisdom of crowds, the hard-headed business people and the scientists.

The second wrong way to respond to the climate emergency is the opposite of

the first. It's to declare that climate change does exist and has already had such severe consequences that we are almost inevitably heading for extinction: in short, that we are all doomed. The problem with this approach is that it isn't true but risks leading people to the conclusion that nothing can be done and so we shouldn't do anything. Despair is never the best way to motivate people, and some of the climate campaigners' more extreme rhetoric risks falling into this trap.

And the third wrong response is the one that says we have to choose between climate security or prosperity – that we can either save the planet or have continued growth, but we can't have both. You hear this from some journalists and academics – particularly western ones.

There are several things wrong with this.

First, it isn't true: with the right policies we can have both growth and tackle climate change successfully.

Secondly, it's the route to failure, because if you force people to choose between growth, jobs, prosperity and housing on the one hand, and action on climate on the other, most of them will choose growth.

And third, it's immoral, because taken to its logical conclusion it says that the West, which has had its growth and caused the climate emergency in the first place can keep its prosperity and way of life, but that the rest of the world – which didn't cause the climate emergency – cannot have the development which the West has had.

I learnt that as the UK's High Commissioner in India in the run up to the UN Climate Summit in Paris in 2015. India is as keen as anyone to tackle climate change: their Himalayan glaciers are melting, sea level rise is threatening to drown millions of people in the Sundarbans, and the farmers in Punjab are finding water increasingly scarce. But there was no way India was going to sacrifice its own future growth and development to help the West out of a problem we in the West created.

Conclusion: if people are going to buy into it, any viable solution to the emergency has to deliver both sustainable growth and stop dangerous climate change.

The right way: growth and a better planet

And we can indeed do both of those things together. Let me set out how.

Successfully tackling the climate emergency requires two things. It requires mitigation: we need to reduce the causes of climate change by reducing the emissions of the greenhouse gases that drive it. That requires us to reduce our carbon output, for example by obtaining more energy from renewable sources and to lock up more of the carbon we do produce so it doesn't get into the atmosphere.

And it requires adaptation: making changes to our lifestyle, places and economy to negate and prepare for the effects of a changing climate to reduce

the vulnerability of communities and ecosystems, for example by building higher sea defences; and making ourselves more resilient, for example by building infrastructure that can recover quickly after a flood, and houses that use less water and energy.

The good news is that while both mitigation and adaptation cost money, they are also opportunities to drive growth and innovation. We already know from the UK's own experience that it is possible to reduce greenhouse gas emissions and have growth: the UK has reduced emissions by 42% since 1990 while growing the economy by 72%.

The need to remove carbon from our economy is a golden incentive to invent alternative technologies that don't require it, which can mean more jobs, investment, growth and profit. Some technologies we already know about: hydrogen vehicles for example (the Environment Agency has two). Others haven't been invented yet, but they might be. Example: some serious scientists have suggested that we could install orbiting mirrors in space to reflect solar radiation away from the Earth and reduce global warming. That might sound like science fiction. So did the Moon landings when Kennedy announced them in 1961: eight years later they happened.

The Global Commission for Adaptation, headed by a pretty successful businessman you may have heard of (Bill Gates) has found that investing \$1.8 trillion from 2020 to 2030 in five specific areas (early warning systems, resilient infrastructure, improved crop production, mangrove protection and more resilient water supply) could generate \$7.1 trillion in total net benefits. In other words, failing to seize the economic benefits of climate adaptation would lose us trillions of dollars in potential growth and prosperity. So with the right investments we can do well by doing good.

There are also opportunities not just to save the planet but to create a better one. Example: place-making. We need our cities to be resilient to the effects of climate change. That's a great opportunity to reinvent our cities, with more blue and green spaces – more resilient, most sustainable, more beautiful, better for the health and wellbeing of all who live there. Doing so won't choke off the growth we all want to see: it will drive it.

What businesses can do

So there's commercial as well as social and environmental benefit in companies taking their own action on the climate emergency. More and more businesses are now actively doing so. They are considering the impact of climate change on their own business; assessing the risks and opportunities and the implications for their current and future business models; setting metrics and targets to address climate change effectively; bringing climate change onto their Board's agenda; and ensuring that climate change disclosures are made in their accounts and annual reports.

What the EA is doing

Tackling the climate emergency is also at the heart of what the Environment Agency does. We have traditionally focused on two things:

We play a key role in mitigation, helping to reduce greenhouse gas emissions by regulating most of the sectors which generate them: power stations, landfill sites, farms etc.

And we play a key role in adaptation, helping to increase the country's resilience by building flood defences, helping plan better cities and working with the water companies to ensure we have longer term water resilience. We are also seeking to up our climate game. Three examples:

- Governance: in my executive committee, every agenda item now comes with a standard question: how will this proposal help us tackle the climate emergency? That is helping focus our minds and our organisation on our biggest task.
- Advocacy: we are speaking out publicly on climate and seeking to encourage action from all.
- Leadership by example: we decided last autumn that we had to walk the walk ourselves.

The EA's Net Zero Commitment

That is why the Environment Agency has set itself the goal of becoming a net zero organisation by 2030. Our aim is that by then we will be taking as much carbon out of the atmosphere as we are putting into it, so that we are no longer contributing to climate change ourselves. We have adopted a tough, internationally recognised definition of net zero: not just the carbon we produce ourselves but also the carbon produced through our supply chain.

We aim to achieve this by reducing our carbon emissions by at least 45% by 2030, and addressing the effect of our remaining emissions through tree planting and other measures that will lock up carbon harmlessly and deliver multiple benefits like reduced flood risk.

Having taken this net zero decision we then decided to make it even harder for ourselves, by setting an even more audacious aspiration: to explore whether we can become, by 2050, an absolute zero organisation – one that does not produce any carbon at all. We know of no organisation that has set itself that target. There is probably a very good reason for that.

Just getting to net zero will be a huge challenge. The EA's current carbon footprint is 180,000 tonnes a year: 44,000t from our own activities, 136,000t from our supply chain. Our main emissions come from construction of flood defences, pumping water to alleviate flood and drought, travel and buildings. We'll need to reduce significantly all of these emissions to get to net zero, and remove them altogether if we want to reach absolute zero.

Success will require wholesale change across the organisation in how we do things. It will require hard choices: we may need to stop doing some things, or do them very differently. It will require innovation, because some of the technologies we'll need do not yet exist. It will require sustained focus on our goal, and ensuring that all our future decisions support it. What our decision doesn't mean is that we will stop building flood defences, pumping water out of people's homes if they flood or around the country to alleviate

drought, travelling, heating our buildings, using energy or all the other things we need to do to create a better place. It does mean we will need to find ways to do these things which produce less – and ultimately zero – carbon emissions.

This decision was quite counter-cultural for the Environment Agency. The EA is an evidence-based organisation that dislikes doing things unless it knows exactly how to do them and what the outcome will be. Setting a target that we don't know exactly how to reach is a leap of faith. It is also a huge vote of confidence in our staff's ability to innovate and think differently.

It has also had an unexpected effect: it has done more than any other single decision we have taken to energise our staff. They are brimming with ideas and energy about how we can get there. And that's another benefit of tackling the climate challenge: it will really energise your in-house talent, and bring you more.

Conclusion

One of the curious but encouraging aspects of the climate debate is that it has brought together unexpected allies. The activists of Extinction Rebellion, who were camped outside my office a few weeks ago, might appear to have little in common with the budding CEOs I met a few years ago at Harvard Business School. And yet.

The best slogan I saw on an Extinction Rebellion flag said: "the biggest threat to the planet is the belief that someone else will save it". Absolutely right.

There is another slogan that they drum into you at Harvard if you want to run a really successful business, and it's this: "The main thing is to make sure that the main thing really is the main thing". I suggest, ladies and gentlemen, that in today's world – whether you are an XR activist, a business executive, or just a citizen of this beautiful blue and green planet – the main thing is the climate emergency.