



***Reducing Societal Risks and Creating Business Opportunities Through
An Accelerated Climate Adaptation Strategy***

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As more definitive scientific evidence on the impacts of climate change at the global, regional and local levels continues to accumulate, a greater sense of urgency is arising across political capitals, in the business community and within civil society. Of special concern are studies which now conclude that climate impacts from greenhouse gas levels expected by 2050 will persist for about 1,000 years regardless of how well decision makers reduce future emissions.ⁱ

MIT Professor Peter Senge and his colleagues have compared the atmosphere's capacity for absorbing greenhouse gas emissions to a bathtub. Like a bathtub filling up with water, there is a limit to the amount of carbon emissions that we can continue to pour into the atmosphere. While we don't have an exact estimate of the amount of emissions that our atmospheric bathtub can hold, two conclusions can be stated—we're not draining the bathtub to achieve a net reduction in atmospheric concentrations of greenhouse gases, and the effects of emissions already in the bathtub are already beginning to occur. A growing number of scientists and business leaders have concluded that, in order to prevent our atmospheric bathtub from overflowing, there will need to be a 60-80% reduction in worldwide emissions in the next two to three decades.ⁱⁱ

As scientists, economists, lawyers, diplomats and others intensify their efforts to achieve a truly global agreement by the end of this year, they also face a different set of realities that will reshape the outlook on Copenhagen and beyond. These realities can be expressed in three questions:

- Will national and regional governments be able to implement new or even current climate mitigation commitments in the midst of an accelerating global economic crisis?
- Given the increasing severity of climate change, both now and in the future, will a policy driven mitigation strategy alone prove to be too late to avert the most harmful effects?
- Is the risk of climate change to business beginning to outweigh the rewards of delaying a global agreement?

I believe that the answer to all three questions is an emphatic "yes!" Getting to Yes, however, will require some alterations in our current mindset. Specifically, we need to change our thinking in three different ways:

First, a more concerted effort by leaders of government, business and NGOs has to be made to engage consumers as part of the climate solution. While consumers are increasingly aware of climate issues, their understanding is episodic and has not fundamentally changed their purchasing patterns in enough market segments. When it comes to climate change and the future of the planet, consumers also have responsibilities. However, consumers need to know how they will be better off from behaving and purchasing more sustainably. Better quality, more affordable products and greater consumer

purchasing power is the key to success. Business, government and the NGO community have a large role in better informing consumers on the choices and benefits of their decisions.

Second, we need to radically rethink the concept of innovation and the design of business models. The current economic crisis will undoubtedly stimulate such rethinking across a number of markets. Survival of many individual firms will demand it. New thinking on innovation focuses not just on products, technologies and financing but on supply chains, relationships and solutions to collective social problems. Successful business models will be those that satisfy the needs of one customer at a time and millions of customers at a time simultaneously. Ultimately, innovation must replace the industrial model of “more” with a model that expands the wealth of consumers with who purchase products and services with radically reduced resource intensities.ⁱⁱⁱ

Finally, we need to change our thinking about the importance of adapting to climate change. Until recently, adaptation was viewed with some skepticism because it was perceived by many stakeholders as a tactic to block aggressive mitigation measures. As the dire nature of current and future climate change has become more evident, two conclusions have also become increasingly clear: 1) the risks to the operations of global companies are rising and 2) a public policy driven mitigation strategy alone can't solve the problem because the emissions reduction measures take too long to kick in. Adaptation initiatives offer the opportunity to take actions now even as international negotiations continue on a post-Kyoto framework.

Consider the following:

- On the North Slope of Alaska, the number of days when ice roads can be used has declined in recent years from mid- 90's to the mid-60's. Also, permafrost melt has begun to impact the operations and planning of current and future pipelines.
- In other regions, companies face a growing challenge in gaining access to sufficient water resources to continue their operations and, in a growing number of locations, their need for water competes with that of local communities.
- The frequency of hurricanes and other weather patterns is impacting the productivity of both onshore and offshore business operations and contributing to the rising cost of business through higher insurance premiums, repairs and lost productivity.

Such impacts on business create more opportunities for the private sector to mobilize climate friendly adaptation actions in a variety of ways. These include:

- Redesigning manufacturing, storage, distribution, product development and other operations to reduce the use of energy, water, and other natural resources and raw materials. Such actions have the advantage of reducing costs, while paying for themselves in a relatively short period of time. At a time of economic crisis, lowering your business costs is always a good idea.

- Committing global supply chains to sustainability and climate friendly objectives. Companies such as Marks & Spencer and Wal-Mart in the retail sector, IBM, Intel, Philips Electronics and Ricoh in the technology sector and General Motors in the automotive industry have all undertaken major strategic initiatives to drive climate and sustainability performance improvements across their value chains. The opportunities to reduce greenhouse gases and develop more competitive small and medium scale enterprises through such supply chain initiatives is enormous.
- Working with communities, NGOs and other stakeholders to improve emergency response capabilities, infrastructure planning, community health preparations, watershed management and information systems.^{iv}

Many of these types of actions are unlikely to be initiated through a top down—and much slower—public policy driven mitigation process. An aggressive, properly designed and incentivized adaptation strategy can take advantage of already existing skills and technologies to build smarter cities with cleaner, more energy efficient transportation systems, intelligent utility networks, green information systems and data centers, and more sustainable water networks. Climate adaptation initiatives implemented today will also provide experience in product introductions and marketing strategies for customer acceptance of more radical innovations tomorrow. The beneficiaries of such actions are increasingly in developing countries in some of the areas of greatest vulnerability to a climate changed world.

Adaptation is no substitute for a global mitigation agreement, but neither does a future-oriented mitigation strategy solve the immediate problems that we face as a global community. Our primary goal is to drain the carbon from our atmospheric bathtub--here lies the opportunity for a grand bargain between proponents of mitigation and adaptation strategies to manage and reduce climate risks and impacts.

Thank you

The World Environment Center is a global, non-profit, non-advocacy organization whose mission is to advance sustainable development through the business strategies and operations of global companies in partnership with national governments, multi-lateral institutions, non-governmental organizations, universities and other stakeholders. For more information on the World Environment Center and WEC's Climate Adaptation Initiative, go to www.wec.org. Dr. Yosie can be reached at tyosie@wec.org, or 1-202-312-1210.

ⁱ "New Study Shows Climate Change Largely Irreversible," www.noaa.gov, January 26, 2009.

ⁱⁱ Peter Senge, Bryan Smith and Nina Kruschwitz, "The Next Industrial Imperative," *Strategy + Business* (Summer 2008), pp. 45-55.

ⁱⁱⁱ C.K. Prahalad and M.S. Krishnan, *The New Age of Innovation* (McGraw-Hill, 2008); and A.G. Lafley and Ram Charan, *The Game-Changer* (Crown Business Books, 2008).

^{iv} World Environment Center, *Climate Adaptation Initiative*, 2009.