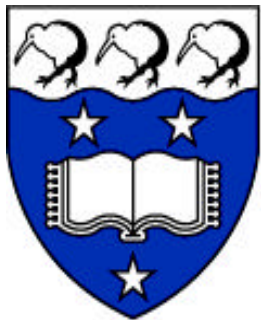


THE BUSINESS OF CLIMATE CHANGE: BEYOND ‘BUSINESS AS USUAL’

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OVERVIEW₁

- **PURPOSE:** explore the serious limitations inherent in business responses to climate change;
- **MEANS:** by use of an alternative ethic to reveal what the limitations are *and* to demonstrate how they may be overcome;
- **ETHIC:** Earth Charter “care and respect for the community of all life”

OVERVIEW₂

- *Responses are defined by and limited to 'corporate self-interest';*
- Don't go far enough and fast enough;
- Reinforce an economic entitlement mentality - perpetuates a key driver;
- Reinforce a false/myopic view of the primary challenges and need for fundamental and urgent change.

OVERVIEW₃

- *Responses based upon the Earth Charter Ethic:*
- Reinforce sense of universal obligation/responsibility beyond corporate self-interest;
- Encompass values beyond ‘economic’;
- Reinforce/reflect core challenge - restoring & protecting Earth’s ecosystems by addressing interconnecting causes.

CLIMATE CHANGE₁

- Inseparable issue - multitude of interconnected ecological issues;
- MEGA/META issue - magnitude (causes/impacts) - need for collaboration (on all scales/levels);
- Direct challenge to traditional notions of economic growth - 'growth is good' - BUT ...
- Un-ravel the real connections between economic growth, human development/poverty, ecological destruction;

CLIMATE CHANGE₂

- “Not at the Expense of Economic Growth”!!
- G8 and AP6 Partnership - maintaining economic growth rates - new technologies are the solution;
- Rapid ‘greening of business’...but some
REMINDERS ..

REMINDERS

- “Environmentalist challenges to “business as usual” *remain outside the mainstream*, and the *unsustainable patterns* of production and consumption of the developed world *persist.*” (IUCN)

REMINDERS₂

- “The greening of business has grown to be a central issue in corporate social responsibility for many global companies, but for many it is still a boutique concern within relationship management [stakeholder theory], rather than something that *drives structural change in the nature or scale of core business*”. (IUCN)

REMINDERS₃

- Studies show - corporate social responsibility “tepid at best”. Problems; voluntary, not doing more, no change in priorities, no clear long term targets, lack of transparency and independent audit. [2004, 1,700 reports...means hundreds of thousands NOT/rate is slowing]

REMINDERS₄

- 4-5 decades devoted to understanding and implementing ‘sustainable development’;
- Lessons of ecology - *all human enterprise* (including that of businesses) operates within physical & biological constraints of ecosystems: Limits to Growth/UN MEA;
- Population Growth: 6.3 - 8.9 Billion by 2050;
- Ecological footprint: exceeding Earth’s carrying capacity by 20%.

REMINDERS₅

- Enormous dominance of ‘businesses’:
 - 69,000 TNCs
 - Of world’s *100 largest* national governments and corporations - 76 were corporations;
 - Only six national governments with expenditures greater than Walmart’s revenues;
 - In USA - huge freedom, power and regulatory capture;
 - Businesses *at all scales* must change - but leadership by BIG MBE’s is crucial.

CORPORATE RESPONSES

- General Electric: “ecomagination”: (a)...doubling investment in green technology -over 10 years and; (b) ...reducing operational GHG emissions by 1% by 2012. Expects \$20 billion by 2010.
- BP: doubling of investment in alternative and renewable energy sources - expecting robust returns of \$8 billion over next few years.
NB:2005-\$US 23 billion (biggest profit in UK corporate history);
- Toyota: expects to sell 300,00 hybrid vehicles (pa) soon;

CORPORATE RESPONSES₂

- Shell Group: piloting emissions trading scheme, investment in biofuels;
- Walmart: increase fleet fuel efficiency; reduce store GHG emissions by 20% within 7 years; green products; ethical (worker) product sourcing.
NB: *given growth rates - will not even maintain GHG emissions at current levels*;
- SC Johnson: contributions to reforestation in Ecuador - off set some (ltd) carbon emissions;

CORPORATE RESPONSES₃

- JP Morgan Chase/Citigroup/Bank of America: some operational improvements, green lending policies eg; Ecuador Principles;
- Duke Energy Corp: lobbying Federal Govt for a carbon tax.

CORPORATE RESPONSES₄

- Do nothing or delay!;
- Use ‘costs’ as a justification *to do nothing!*;
- Not a response to climate change...

BUSINESS ANALYSIS OF RISKS AND OPPORTUNITIES

- Regulatory:
- Financial:
- Infrastructure:
- Reputational:

RIGHT BALANCE - PAY OFF !

- Green is 'green' (US\$) - profits due to accelerated business growth “sustainable business growth”;
- Win/Win;
- Not AT the expense of economic growth;
- Acting in *best interests* of corporation, all stakeholders, government (tax collector) & public/environment at large;
- Businesses responding to ‘economic arguments’ - following corporate self-interest - maximising short-term profit for shareholders).

SHOULD WE BE HAPPY?

- YES - much is good & can't expect more - realistic. Stop harping!
- NO - some good but can expect more - much more is urgently needed! Doing some good but for the wrong reasons ..

REFLECTING ON ETHICAL DIMENSIONS.

- *Values or ethics* are central to all human behaviour;
- Environmental ethics: dominant values are human-centred and instrumental. Environment comprises a store of resources/services for the exclusive use/benefit of short-term human wants and needs (anthropocentrism);
- What alternatives are there?

REFLECTING ON ETHICAL DIMENSIONS₂

- EARTH CHARTER ETHIC - care and respect for all life:
 - Respect Earth and life in all its diversity;
 - Care for the community of all life, with understanding, compassion, and love;
 - Build democratic societies that are just, participatory, sustainable, and peaceful;
 - Secure Earth's bounty and beauty for present and future generations.

KEY FEATURES.

1. *Universal* responsibility;

Principle 2b. Affirm that with increased freedom, knowledge, and power comes the duty to prevent environmental harm and to protect the rights of people [EC].

KEY FEATURES₂

2. Emphasis on *responsibilities* to address interconnected causes - away from traditional rights focus of ownership and use - ‘profits BUT not at the expense of the common good’;

Principle 2a: Accept that with the right to own, manage, and use natural resources comes the duty to prevent environmental harm and to protect the rights of people [EC].

KEY FEATURES₃

3. 'care' taking into account/protecting 'ecological integrity'; and ensuring all humans have all they need;
4. 'respect' - deferential appreciation of ecosystems - basis of *all* life; recognition of 'intrinsic value' and /dignity of human beings; imposition of limits upon ourselves;
5. 'generational equity' for humans and non-humans.

Applying Earth Charter Ethic

Example A: do nothing or delay:

Implications:

- denial universal responsibility to take action;
- legitimises continued externalisation of costs (ecological and human);
- perpetuates *unqualified* rights/entitlement mentality - to make profits from use of resources.

Applying the Earth Charter Ethic₂

Example B: costs too much - CBA

- focuses on known *economic benefit* of parts of ecosystems (resources) to humans; and
- focuses on known *market costs* of environmental harm (internalised):
- focus on financial interests of contemporary stakeholders;

Applying the Earth Charter Ethic₃

Example B: costs too much - CBA (cont) ...

- Implications:
- denies other means of valuing (eg intrinsic, sacred/spiritual, cultural);
- precludes ‘value’ of ecosystems to life forms other than humans;
- overlooks “ecosystems” as providing diversity of life AND as a ‘whole’ of interacting forces that provide life sustaining conditions;

Applying the Earth Charter Ethic⁴

- Denies interests of present & future generations of human and non-human life (not stakeholders but affected by activities);
- legitimises continued externalisation of true costs (ecological and human);
- perpetuates *unqualified* rights/entitlement to make profits from use of resources.

Applying the Earth Charter Ethic₅

- To use ‘costs’ as a justification to do nothing or delay is tantamount to saying that the right to use resources in the pursuit of economic wealth *includes the right to achieve that wealth at the cost of significant harm to present and future generations of humans and ecosystems.*



In conclusion, Mr President, we at Exxon feel that human survival may simply not be economic.

Applying the Earth Charter Ethic₆

Example C: Responses that save \$

Implications:

- responses *limited* by profit motive as determined by management/stakeholders;
- E.g., reductions that are economically efficient;
- Not enough! - *too little; too slow; too selective* = “some slow down of some causes”

Applying the Earth Charter Ethic₇

Example D: Responses that make \$

Implications:

- responses *limited* by profit motive as determined by management/stakeholders - “sustainable growth”;
- E.g., new technologies/new green products;
- Not enough! - *too little; too slow; too selective;*

Applying the Earth Charter Ethic₈

Conclusions:

- Corporate self-interest is currently a very important part of the problem, it can not be used to solve the problem;
- Because of its pursuit within a rights based economic growth paradigm - leads to maximum externalisation of environmental/human costs;
- Because it maintains “separateness” from ecological systems that support life, and interconnected causes of degradation.

Applying the Earth Charter Ethic,

Conclusions:

- **REALLY MATTERS:** helps us choose and judge the right responses; overcome barriers; prevent future harm.

Corporate Use of the Earth Charter

- *Core Messages*: corporate responsibility not to make profit at the expense of the common good; operate within the limits of ecosystems and social norms; and address interconnected causes:
- Inspiring/educational ethical guide for leaders, and management, to follow;
- Basis for code of ethics; educational dialogue with all stakeholders; facilitate audit of whole business operations (nature/scale); platform for law change;

Corporate Use of the Earth Charter

- Basis for building necessary partnerships;
- Framework for models;
- Instrument for rating agencies.

In Conclusion

- Corporations can only achieve so much on their own; govt regulators, customers, other businesses, what constitutes the good life?;
- Anything beyond economic rationale: - too tangential; flowers in the hair; threatens profits = unacceptable. A comfortable illusion!;
- Are *you* part of the problem or part of the solution?