

The last United Nations Framework Convention on Climate Change (UNFCCC) conference in Cancún, Mexico, built on the outcome of 2009's conference in Copenhagen in crafting an implementation agenda. **Yvo De Boer**, formerly the executive secretary of the UNFCCC and now KPMG's global adviser on sustainability issues, asks the questions that need to be answered before the global community can pull together.

LOOKING FOR A SOLUTION

Politicians and business leaders talk about green growth and sustainable economic growth as a path we should be stepping down. But how many politicians truly understand how this will work on a national level? Getting to grips with the issue of climate change requires a fundamental shift in the nature and direction of economic growth. To do that effectively, we need to address it on a global scale.

Governments are struggling on how to do that. They are asking if it is possible to combine a healthy rate of economic growth, which is vital to developing countries facing the huge challenge of poverty eradication, with a steadily growing population with rising expectations, while at the same time reducing the pressure on the environment. How do you square that circle?

Most governments see an international treaty as an essential step on the way forward, the aim being to limit the growth of emissions or, in the case of industrialised countries, decrease emissions. Negotiating that, and crafting a treaty that differentiates the obligations for different

categories of countries while also mobilising financial resources to allow developing countries to shift the direction of their economic growth, will be a huge and complicated challenge.

In some quarters, the greening of the economy is seen as a threat rather than a boost to economic growth. Yet many countries – China, South Korea and, to some extent, the US and certain European nations – have taken advantage of the recession to put in place recovery packages that allow them to shift their patterns of economic growth.

The business leaders I meet with daily are calling for clarity and a sense of direction – a long-term perspective from their governments that will allow them to invest with greater certainty. There is a desire to change, but they also need answers.

They are looking to governments, therefore, to establish clear rules of the game. They need stable long-term regulatory frameworks to stimulate investment in bringing technological solutions to the market and to support the deployment of such new technologies. What kind of emissions goals are their governments going to



commit to? And they need appropriate transitional arrangements to allow business to adapt to huge structural change to the world's economy.

MOBILISING DEVELOPING COUNTRIES

There are different hurdles to overcome in different constituencies. As recently as 10 or 15 years ago, most developing countries felt climate change was caused, and promoted, by the West as an issue that was mainly of interest to developed, industrialised countries. Now, there is much broader recognition that this is a critical global issue and is likely to affect developing countries perhaps even more significantly than industrialised countries because of their greater susceptibility to, and more limited ability to deal with, the impacts.

The big political question that needs to be asked is how we balance our responsibilities and commitments in an equitable way? Greenhouse gases stay in the atmosphere for hundreds of years, which means the carbon-emissions issue has been caused by industrialised countries from the time the Industrial Revolution in Europe took off in the mid-18th century. This is why many developing countries

still take the line that they did not initiate the problem and, therefore, industrialised countries should deal with it. The developed countries acknowledge the sense in this – but point out that the economies of China, India and major developing countries are now so huge, and are still growing quickly, as are their emissions levels, that we can only find an equitable solution to this issue if such countries are brought on board to become part of the solution.

It's important to remember that the 2009 United Nations Climate Change Conference in Copenhagen brought about the Copenhagen Accord, a significant political statement that provided us with the architecture and infrastructure for a long-term response to climate change. Many fundamental questions were asked in Denmark. What is the maximum temperature increase we are working towards? What is the nature of obligations that countries adopt? Are we going to mobilise financial support for developing countries and in what amount?

The conference that followed, in Cancún in November–December 2010, designed a roadmap to turn the political consensus that was encapsulated in the Copenhagen report into a working agenda. That agenda now must be taken

ABOVE
Yvo de Boer during a summit in Warsaw, Poland, during his time as executive secretary of the United Nations Framework Convention on Climate Change

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01 Rosneft's Yuganskneftegaz operates the second largest oil production complex in Russia. With their emissions levels rising, it is imperative that emerging countries such as Russia buy in to any global agreement on climate change

02 Rapidly growing populations – China has 1.34 billion inhabitants and counting – will take their toll on energy demand. Already, the country consumes the equivalent of more than 10 barrels of oil a person – although this is just one-sixth of the figure in the US

03 Water from Lake Kivu, on the border of the Democratic Republic of Congo and Rwanda, has a gaseous chemical composition of methane and carbon dioxide owing to interaction with a volcano. Rather than being released into the atmosphere, the methane is extracted as part of an offshore project to produce energy

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forward in this year's conference in Durban in South Africa. It relates to how country-specific commitments are going to be formulated, monitored, reported and verified. What will be the role of market-based mechanisms? How is financial support to developing countries going to be organised? What activities are going to be undertaken in context of a national plan?

ESTABLISHING A NEW TREATY

Two major issues dominate the debate from a political point of view. The first is around a new international treaty on climate change. Are we going to see one? Will it include legally binding obligations, and to which countries will they apply? The second issue is on the future of the Kyoto Protocol, which has no end date, only commitments for an initial period that ends in 2012. Developing countries have made it clear they want to see an extension, but Japan, Canada and Russia are among those that see little point in continuing a legal agreement as long as the US refuses to be a part of it.

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I don't believe the US will change its standpoint any time soon – though it has stated that it is willing to make a legally binding commitment to reducing its own emission levels, providing other major economies such as China and India do likewise.

So we need to find a way to formulate a new international agreement that encapsulates the US and other countries. A great deal of the architecture of the Kyoto Protocol can be transferred into a new global approach that involves all countries. The problem we're having is getting countries engaged and focusing together on the issue of climate change. On one side, the US maintains it will only adopt a legally binding international obligation if other industrialised countries show willing; on the other side, developing countries are unwilling to take on the same obligation as industrialised countries because they see themselves as having less responsibility for causing the problem in the first place.

The question is how can countries transform their commitments into a national strategy that makes a meaningful contribution to solving the problem while



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at the same time ensuring it doesn't result in significant economic disadvantage because other countries are not pulling their weight?

ALTERNATIVE ENERGY SOURCES

Any new agreement must encapsulate carbon pricing. What business needs from governments are clearer carbon-price signals. Unless you can successfully put a price on carbon dioxide (CO₂) or greenhouse gas emissions, it will be impossible to tackle this issue in the long term.

Now is the time for industry to look for alternative energy sources to protect us in the future. China, for instance, has devoted a significant part of its economic recovery package to invest in wind, solar and battery technology. More interesting is its five-year plan, published earlier this year, in which the Chinese government makes it clear that the current economic model is not sustainable for growing the national economy at anywhere near the current rate.

The five-year plan recognises that the population boom, the movement to the cities on a massive scale, the increasing material expectations and demands of a burgeoning middle class, and the hundreds of millions who need to be lifted out of poverty, especially in the rural areas, will bring constraints in terms of natural resources, energy and infrastructure. In consequence, it sets out the need for substantial improvements in energy efficiency, a shift towards sustainable cities, and a more intelligent use of natural resources.

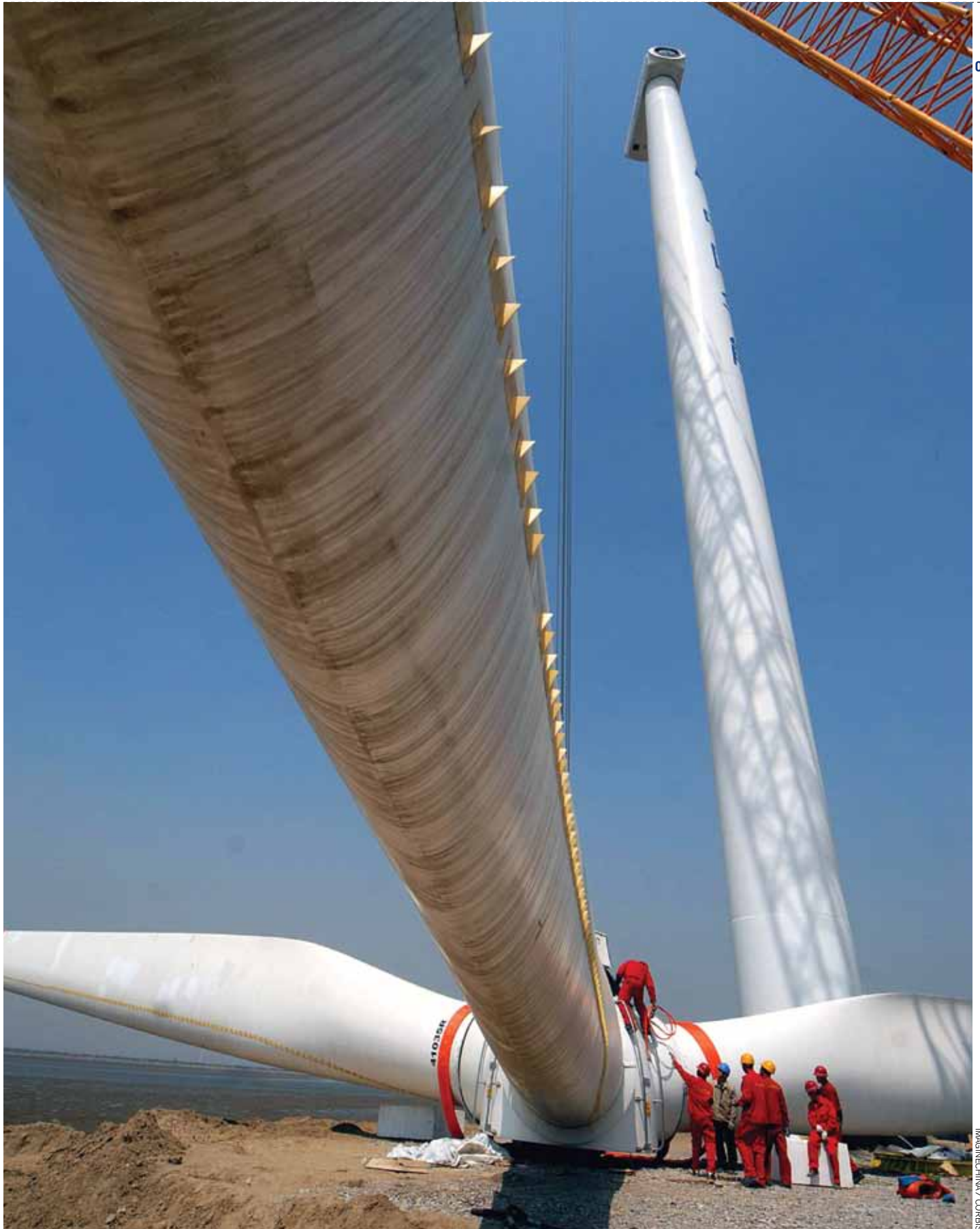
CLIMATE CHANGE: THE EFFECTS AND THE CONSEQUENCES

Extreme changes in climate have been observed, varying from longer and hotter dry periods to more powerful storms and cyclones – trends that are set to continue. In some regions of Africa, for instance, the average annual rainfall has fallen and the total available water has reduced by up to 60 per cent, affecting soil moisture, while the average Arctic temperature has increased by almost twice the global rate in the past 100 years. In contrast, severe flooding in places such as Bangladesh, China, Mozambique and Europe over the past 15 years highlights the increasing intensity of precipitation. The potentially catastrophic consequences of these changes include rising sea levels, reduced crop yields and freshwater access, disruption to food supplies and an increase in diseases, while warmer temperatures affect animal migration and, in some countries, the displacement of populations, which can speed up the extinction of endangered species and put human health at risk.

CORPORATE BENEFITS

In 2010, KPMG commissioned *The Economist Intelligence Unit* to look at the extent to which CEOs around the world have placed sustainability and climate change on their business agendas. We found that, even in the middle of an economic crisis, most companies take these issues seriously. There are increasing numbers of companies developing agendas, or planning to start one. Integrating sustainability into the wider business plan is very clearly moving from being a nice-to-do gesture to an essential part of the corporate strategy.

CEOs are human beings just like the rest of us, and they see these trends evolving and how they are likely to affect world growth from an environmental and economic growth point of



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view. Many companies recognise that getting to grips with climate change and sustainability can make good economic sense from a bottom-line viewpoint, by using energy or water or natural resources more prudently and removing inefficiencies from the supply chain.

Companies are also starting to recognise that being environmentally responsible is important from a brand perspective. Their customers are demanding information about the sustainability of their products and supply chain. Some companies are seeking out the new opportunities by proactively making sustainable products and positioning themselves more sustainably in an international market.

While the increased interest from the private sector is encouraging, and there continues to be considerable communication within the private sector – all the major mining companies, for example, have signed up with the

“How can countries make a meaningful contribution to solving the problem (of climate change) and ensure it doesn’t result in economic disadvantage?”

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International Council on Metals & Minerals, which was founded a decade ago to improve sustainable-development performance in the mining and metals industry – at a national level, I am disappointed about the lack of corporate engagement in crafting that collaborative international approach to address climate change.

An inter-governmental process that offers little or no opportunity for the business community to engage is a huge problem for two reasons. First, many of the solutions that we need to deploy when tackling climate change are in the private-sector domain. Secondly, an international climate-change regime could have huge implications for the private sector – in either positive or negative terms.

OVERCOMING THE FEAR OF CHANGE

The first important challenge, all over the world, is to give people an understanding of what the issues are and how they should be approached. In respect of the US, we need to craft an agreement that will be seen by American people and politicians as fair – and to a large extent that depends on how China engages in the global effort to address climate change. There’s a huge fear in the US, which continues to permeate its domestic politics, that if it acts on the issue of climate change and China does not, or does so inadequately, there will be an accentuation of the shift in economic and employment activity from the US to China.

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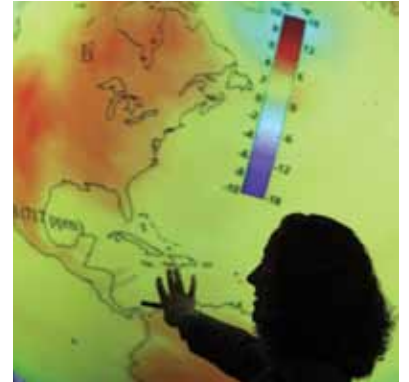
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KAY NIETFELD / DPA / CORBIS

01 Chinese workers assemble a wind power generation turbine in east China’s Shandong province. China has surpassed the US as the world’s foremost wind energy producer

02 A flexible tube for CO₂ at Vattenfall’s power plant in Spremberg, Germany. The site is a pilot project for carbon capture and storage, the world’s first to take toxic emissions from coal and bury them in the ground

03 Hybrid Toyota Prius cars on the assembly line in Japan. Hybrid cars can have near-zero greenhouse gas emissions

04 The impact of climate change is highlighted on a world map at 2009’s UN World Climate Change Conference in Copenhagen

There are many countries that feel we need a new legally binding agreement. There are others that are not quite ready to sign on the dotted line until there is more clarity surrounding architecture. Personally, I do not expect a new international treaty to be the outcome of the meeting in Durban.

In conclusion, I think we need more operational clarity on what commitments our governments are going to be making, what financial support is going to be available to developing countries to deliver on those commitments, what reporting is going to be in place, and what is going to be the nature of market-based mechanisms. I hope Durban can clarify the functioning architecture of a new international approach to climate change, but having that discussion is complicated by what is or what is not going to be the future of the Kyoto Protocol.

More than 80 countries – at least 40 developed and 40 developing countries – have already committed to take action to reduce their emissions by 2020. Those countries account for more than 80 per cent of global energy-related CO₂ emissions. This tells us that the issue is not a lack of willingness to act. That is being demonstrated by countries on an individual basis.

The challenge is how we can pull together to produce an international agreement that will allow for effective global action. ①