



Climate Policy And Sustainable Growth - The Inseparable Goals

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In December, over 120 leaders came to the Copenhagen climate conference bearing messages that recognized the response to the climate threat for what it is: a long-term battle to safeguard economic growth and eradicate poverty in a sustainable manner. Many brought unprecedented pledges to reduce greenhouse gas emissions. Climate policy has reached the highest level of government, including in the biggest economies.

It is no coincidence that the importance of climate policy has been grasped at leadership level in the midst of the worst financial crisis for generations. The severe depletion of available global capital has put a premium on policies that will reduce future public and private debt burdens, avoid misallocation of capital, and build infrastructure that is clean and lasting. Bold and effective climate policies that deliver real and verifiable reductions in emissions are entirely compatible with these goals.

Three key outcomes of Copenhagen have set the future of business firmly in the context of long-term climate policy and sustainable economic development. First, the climate change issue was raised to the high political level, which is where it can ultimately be resolved. It revealed that the world is on track to a low-emissions future.

Second, the negotiations came close to completing a full set of measures that would implement climate action on a global scale and an architecture to deliver the money and technology to do so.

Third, the Copenhagen Accord was crafted by a group of the richest, poorest, biggest and smallest countries, including nations representing over 80 percent of global greenhouse gas emissions. It represents a broad political consensus on the long-term, global response to climate change.

The chosen strategies of successful economies are becoming clear. Leadership in clean energy and industry, energy security and cutting the costs of pollution and waste in national budgets, corporate profitability and investment returns are all high on political agendas. Pushing technology innovation is essential. There is also a growing understanding that failure to provide sustainable goods and services will make it more difficult to attract capital, and will limit consumer choice and increase risk.

Europe, China, India, Brazil, South Africa, Japan, South Korea and many more have said they will move ahead with their pledged climate action, whatever happens. Policies to

reduce emissions are becoming an essential part of the stable of economic policies to meet other classic objectives: long-term job creation, budget control, productivity and competitive advantages.

But it is dangerous for business to sit by while national initiatives outpace progress towards an international climate regime that would cut global emissions and help countries adapt to climate impacts in the most efficient and cost-effective way. Nations need to complete the harmonized set of global rules, mechanisms and markets that give business the clearest stage on which to act. Governments are struggling with detailed answers. It is no longer enough for business to ask governments for clarity. Business itself must help to provide it.

What tax incentives will level the playing field for climate investment? What accounting standards will properly reveal the huge value of clean investment? How can new, large and liquid climate-related assets be created? How can public money leverage private participation? How can multilateral development banks be reformed to scale up private sector investment? What will make the carbon market more effective? How can the clean development mechanism (CDM) become a bigger programme to direct new capital to lowest cost solutions anywhere in the world?

The foundations on which to scale up exist. Carbon is a USD 126 billion market, and rising. The CDM totals USD 32 billion, and rising.

Enlightened business can and must offer solutions to these questions if it wishes to benefit itself and the world in the inevitable low-emission economies of the future.

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