

The Madano Partnership: Breakfast Briefing, November 2011

Green Business: Deal Maker or Business Breaker

The event

On Thursday 17 November 2011, the Madano Partnership hosted a breakfast briefing and debate in central London. *Green Business: Deal Maker or Business Breaker* brought together leading figures from the worlds of politics, science and business to explore how organisations can integrate low-carbon initiatives into their business plans and engage with sustainability.

The briefing was chaired by Dr Gabrielle Walker, Chief Scientist at Xynteo, who presided over a panel made up of:

- Ian Cheshire, Group CEO, Kingfisher Plc
- Dr Phillip Lee, Conservative MP for Bracknell, Chairman of the All-Party Environment Group
- James Cameron, Founder and Executive Vice Chairman, Climate Change Capital
- Sir David King, Director, Smith School of Enterprise and the Environment

This report captures the key outputs from the briefing and summarises the discussions that took place. It is intended to serve as a record of the ideas that were exchanged, and as a source of inspiration for future action.

The debate

Ian Cheshire, Group CEO, Kingfisher Plc

Business perspective

The question we need to address is not *whether* companies should develop sustainable business strategies, but *how* they do this. The world has changed in the last five-to-ten years in a way that many organisations have not yet caught up with.

- Customers and employees expect companies to lead the way on sustainability. Increasingly, this leadership is the basis upon which organisations are assessed by their stakeholders. Even in an environment where jobs are scarce, the best talent will look for a company that has genuinely progressive credentials.
- Business strategies need to be re-examined if companies are to prepare themselves for what's coming in terms of resources and government regulation. For example, with the introduction of the Landfill Tax, we can no longer throw away waste for free. This change in law presents an opportunity to engage with more sustainable practices, such as the use of recyclable components and products. Around 12% of Kingfisher sales are now in environmentally-certified goods, and we're seeing an increasing convergence of sustainable and commercial opportunities.
- Ultimately, unless sustainability is fully embedded within a business, progress will only ever be superficial – or “lipstick on a bulldog”, to quote a phrase. To achieve the necessary level of integration, businesses need to invest in education. Sustainability commitments need to run from board level to the shop-floor, and this can only be achieved through dedicated training and communication.

Dr Phillip Lee, Conservative MP for Bracknell, Chairman of the All-Party Environment Group

Political perspective

Whitehall needs to develop long-term strategic thinking around the transition to a low-carbon economy. But given the short-term nature of political cycles and planning, achieving this shift in approach could be a real challenge.

- The transition to a low-carbon economy is both critical and logical in terms of our energy security and commercial growth. For one, there is major instability in the world – in the Eurozone, Iran and throughout the Arab Middle East. But more importantly, the UK has already burned up its fossil fuels so we *have* to embrace low-carbon alternatives.
- Low-carbon business is currently worth around £3.2 trillion globally, rising to £4 trillion by 2015. The UK wants and needs a piece of this action, as we're currently slipping down the economic tables. And with the Green Investment Bank and the Green Deal coming into play, we have the chance to focus on innovation in energy efficiency and usage. These measures will deliver major cost savings and present a 'no-brainer' for UK business.
- In this way, climate change presents Britain with a wonderful opportunity to play a leadership role in the transition to a low-carbon economy. With diminishing energy resources and inefficient housing stock, we need to deliver change in these areas anyway, so we should grasp this opportunity and aim for pole position in 25 years' time.

James Cameron, Founder and Executive Vice Chairman, Climate Change Capital

Financial perspective

If policy frameworks are well defined, entrepreneurship and business innovation can help to deliver public good. But short-termism persists and needs to be overcome if we are to make progress in this area.

- We should re-frame the climate change debate around resource productivity. This will be a key area of action and competition in the decades ahead, and thinking about climate change in this way will address the short-versus-long-term angst experienced in investor circles. Resource productivity and efficiency is also an area where innovation will have to expand to cope with potential conflicts over access to and distribution of energy, water and food.
- Investment should be deployed at scale in innovation and infrastructure. Large amounts of capital will be needed to ensure we are bringing through the kind of technological and business innovation needed to make meaningful energy savings.
- Some people like to present the situation as a trade-off between economic growth and environmental protection – but this is wrong. It doesn't have to be one or the other. We can aim for both simultaneously, and need to bring forward good examples of where this has been achieved.

Sir David King, Director, Smith School of Enterprise and the Environment

Scientific perspective

Economically and ecologically, we face a massive debt crisis. For too long we have been borrowing from our future, mismanaging our financial and environmental resources, and now the chickens are coming home to roost. But amid the many challenges we face, the UK has a chance to really assert its leadership.

- The UK has played a vital role in green business. We were the first country to break the deadlock in the COP process, announcing in 2003 that we would reduce our carbon emissions by 60% by 2050. Throwing this voluntary target on the table, the UK raised the bar and helped to drive competitive performance among other countries.
- UK universities have also taken up the challenge, moving into research focused on resource deficit. We need to get smarter about applying this research so we can recover our strengths, bring more products to market, and restore the link between science, technology and innovation and manufacturing and wealth creation. A link that has been broken through offshore manufacture, but that can be re-established through innovation in green products and industries.
- Sustainable economic growth is achievable. Those nations and industries that can combine efficiencies with growth will be the winners in the low-carbon economy. And given the rise in global oil prices, those that find alternatives to fossil fuels will be well placed to deal with climate change, energy security and pricing.

General discussion points

Following the panel members' statements, the discussion was opened to the audience. Key areas and issues covered:

Economic growth versus environmental protection

- *Risk is perceived to exist in the transformation, but not in the status quo; a view which resonates strongly with the conservative-minded*
- *We need an honest and transparent conversation with the public; those who baulk at the costs associated with subsidising alternative energy may be unaware of fossil fuel subsidies that have been around for many years*

Investment in science and sustainable business

- *The UK pioneered the first industrial revolution; now we need to recover this pioneering spirit*
- *The UK needs greater investment in scientific training and engineering; China is currently focused on training its future scientists – we need to do the same*
- *The financial system is not delivering the right signals and cues for business, and the investment support for sustainable business is not in place*

The problem of short-termism

- *From the way we are using resources to the way we are running the economy, short-termism has to come to an end*
- *In capital markets, short-termism is a competitive disadvantage for western leaders*
- *Long-term thinking and investment often occurs in family businesses and some sovereign wealth funds; we have lost confidence in our capacity to deliver this kind of capital and it is disadvantaging British businesses*
- *Longer-term vision and approach from government and investors is needed to fund large-scale infrastructure projects*
- *The system of rewarding managers on short-term results must stop, or they will keep playing the system to achieve their bonuses; long-term cycles of reward would help to counter this*

Affordable and efficient – the win-win scenario

- *The consumer motor for change holds great potential*
- *But while people are interested in sustainability, they are not willing to pay for it*
- *Sustainability will only sway consumer choice if the product performance and cost is comparable; but save people money in the process and they're sold*
- *So, if we can make people feel good by enabling them to cut emissions and save money (through energy efficiency, for example), we have a massive opportunity for change*

Risk

- *We have ended up with a culture where it's considered good politics not to take risk*
- *But the risk-adverse culture impacts on infrastructure investment*
- *If we don't take managed risks we will never be able to compete with the Chinese; risk aversion could be our undoing*
- *In 1963, the UK was home to world's most sophisticated rocket, but we moth-balled it and gave it to the French because we couldn't see the strategic value in space. We were at the cutting edge of technology, but we passed the opportunity by. We risk repeating this mistake through our obsession with short-term returns on investment*

Political courage and honesty

- *Britain needs to develop a more strategic longer-term vision; politicians need to be braver in this respect*
- *The public want informed and expert leaders, not managers*
- *Politicians need to tell it how it is, not just repeat what people want to hear and what will get them elected*

Resilience

- *GDP is the only signal we put out about how a country is doing, which fuels our obsession with growth*
- *We need to build environmental resilience into our assessments of the wealth of a nation*
- *We need to develop competitive indices relating to water usage or unemployment rates to get a more complete picture of national wellbeing*