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**THE GEOPOLITICS OF CLIMATE CHANGE  
– IMPLICATIONS FOR BUSINESS**

**COMMUNICATING CLIMATE CHANGE CONFERENCE**

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I am delighted to have this opportunity to return to Beijing. The issue we are discussing this morning is one of the most urgent, and difficult, facing civilisation. It is appropriate that we are discussing it in the seat of one of the planet's oldest, and currently most dynamic, civilisations.

Recently, the chief scientist to the British Government said that climate change was a bigger threat than global terrorism. Not all would agree with him. It is certainly a less immediate threat. But it does share with global terrorism the property of being a new, different and dangerous phenomenon.

Every expert wants to claim that his problem is different. So let me explain why I think that climate change really is different from any other issue civilisation has faced. There are three reasons.

First, the sheer scale of the problem. It is a truly global problem that directly affects every single nation, indeed every single one of the six and a half-billion citizens of the planet and the eighty million new citizens who join us each year.

All of our destinies are joined together by climate change. It creates an entanglement of interests unprecedented in history. There are no opt-outs available. A changing climate will affect everyone.

But just as responsibility for the problem falls unequally, so too will the impacts of climate change which is why the theme of equity my friend and colleague, John Ashton, will address later today is so vital.

If the problem of climate change is truly global, so, too is the path to its solution. At its heart, solving this problem requires nothing less than harmonising the energy policies of some 200 nations.

The European Union, despite all the urgent pressures of creating a single market, has tried without great success for 50 years to align the energy policies of just 15 countries. We have seen repeated attempts by governments of the United States to create a Federal energy policy diminished by internal difficulties.

So we should not underestimate the difficulty of the challenge we face. It is a comparable diplomatic challenge to that of the strategic

arms control talks or the transition from the proposed International Trade Organisation in the nineteen forties via the General Agreement on Trade and Tariffs to the World Trade Organisation.

Both of these processes took more than fifty years to arrive at their present, not yet final, positions. We need to examine carefully what we can learn from them about meeting the climate change challenge. But, we may not have as long as fifty years to solve it.

The second reason why this problem is different is that it is driven primarily by knowledge – by our understanding of reality. It is the findings of the International Panel on Climate Change that have compelled governments to act on this problem. This is a very different motivating force from the collisions of national interest or the clash of deeply held beliefs that have traditionally driven international relations.

By comparison with interests and ideologies, knowledge is a rather weak influence on international relations: it is less compelling; its thrust is more easily ignored or deflected. Human beings have a well developed ability to ignore what they cannot easily address.

The third reason is that with climate change there is a ticking clock. During the Cold War the Bulletin of Atomic Scientists would move the hands on a metaphorical clock closer or further away from midnight depending on the state of relations between the superpowers.

The climate clock is no metaphor. Its ticking is the growing concentration of carbon dioxide in the atmosphere. Today we live in a world in which this concentration has reached 380 parts per million, up from 270 in the pre-industrial age.

Because of the delays in the response of the climate to rising temperatures, we do not know if even this level will maintain a safe climate for civilisation. When, as we frequently did, we missed a crucial deadline in the arms or trades talks it was a setback but we could always try again tomorrow to reach the same goal. Wealth increased a little later than it might otherwise have done, security was at risk for a little longer, but the goals remained available.

It is different with climate change. For all practical purposes we cannot return to the world of 270 parts per million or even to the

380 world that we now live in. Once we pass a certain concentration it is gone for good. The climate it created is no longer available.

Many climate analysts believe that we are already too late to avoid living in a climate shaped by a carbon dioxide concentration of 450 parts per million. We have no idea whether economic development can succeed in such a climate. There is no experience in diplomatic history of having to negotiate under such relentless and implacable deadlines.

We are learning as we go and this has massive implications for the way in which we should expect policy and politics on climate change to develop.

There are two dimensions to effective action on climate change. First, we must decide on our destination and on the routes that are available to get from where we are to where we would like to be.

This is an analytic process. It requires that we decide a safe concentration of carbon dioxide in the atmosphere and then determine the technology pathways that are possible to get to that goal whilst still meeting the expanding demand for energy. It also requires that we evaluate the economic costs of the various pathways in order to determine the most cost-effective policies. This gives us a set of maps to follow as we make the journey to stabilising the amount of carbon dioxide in the atmosphere.

But a map is not a journey. This is the second dimension of solving the climate problem. There are already many maps available to show us a multitude of paths by which we could stabilise atmospheric concentrations of carbon dioxide. Making the journey, and bringing with us all of those who need to come along if the goal of a stable climate is to be reached, is the political challenge of climate change.

The dynamics of this interaction between policy and politics on climate change will largely shape the rate at which solutions are deployed. I would like to comment on three aspects of these dynamics that strike me as being particularly important to understand.

First, whatever policy choices are made to stabilise atmospheric carbon dioxide concentrations will significantly alter the pattern of economic winners and losers both globally and nationally. The interests of countries, companies and consumers will all be affected differentially.

Typically, losers resist more vigorously than winners applaud. Equally typically, politicians given a choice between avoiding and addressing a difficult problem choose avoidance.

Thus we should expect difficult policy choices to be delayed as long as possible. This will make the trajectory of climate policy, both globally and nationally, very bumpy as actions are deferred until the very last minute and then taken all in a rush.

Second, there is risk associated both with doing something and doing nothing. The former is policy risk - the risk that policies to mitigate climate change will have unexpected or unintended consequences and that these will be damaging economically or politically. The latter is climate risk – the risk that a changing climate will have destabilising effects on the economy and society.

Currently, public policy debate has focussed more on the policy risk, which is seen to be immediate, than on the climate risk, which is generally (but erroneously) perceived to occur sometime later. This imbalance also encourages delay in taking action.

Thirdly, adaptation to a changing climate is being seen increasingly in some quarters as an alternative to mitigation (that is, to reducing emissions). This debate is a potentially dangerous distraction since it offers the false prospect of an alternative to the political pain of reducing carbon dioxide emissions.

Some adaptation will, of course, be necessary as we are already committed to some climate change. But it is not a realistic alternative policy option to mitigation anywhere in the world. Nevertheless, it is easy to see the political attractions to some of shifting the focus of policy debate away from mitigation.

I have given these examples of the dynamics of climate policy to illustrate the bewildering prospect facing the business community as it seeks to deliver goods and services and create value in this rapidly changing context.

As we proceed through the 21<sup>st</sup>.Century few other issues will present the business world with quite as many threats or opportunities.

I want to pick out just four of the main implications of these complex interactions for business.

First, changes in the climate will have both direct and indirect impacts on how businesses operate, indeed, sometimes on whether they can operate at all. Let me give you an example from my own experience.

The company for which I work is one of the world's largest producers of salt. One of its major production sites is in Western Australia. When it rains the trucks which move the salt to ships for export to our customers can no longer use the salt roads on the site for safety reasons.

Any increase in the amount of rainfall in this part of Australia as a result of climate change would increase the number of days in which we could not move our product.

We have many other facilities in this part of Western Australia, including those we use to export large amounts of iron ore to China. Some of you may have seen that there is currently a tropical cyclone heading directly for that part of the coast. This will cause all our operations in this area to suspend work.

Any increase in the frequency or severity of tropical storms – one of the more likely impacts of climate change – could therefore adversely affect our ability to supply China's demand for iron ore.

Second, the policies countries adopt to mitigate climate change will potentially have a marked impact on not only on business costs but also on market access and, indeed, on the structure of markets. This will affect the competitive balance not only between nations but also between and within different business sectors and product ranges.

The more uncertain and unpredictable the policy response to climate change, the more difficult it will be for businesses to plan for and respond effectively. The greater the difference between responses chosen in different countries, the more distorting the

impact on competitiveness. The more abruptly climate policy changes, the greater the cost of response.

Third, in the longer run a changing climate threatens to undermine the political and economic stability that supports investment. Without investment business cannot thrive.

Changes in the frequency of droughts or floods, alterations to the length of the growing season, more severe weather events, shifts in the distribution of disease vectors, changes in soil moisture content, all these, and other impacts of climate change, many of which we poorly understand, will have social as well as economic effects.

The scale and pervasiveness of these impacts will place additional stress on social and administrative systems that are already under strain coping with the pace of change in the 21<sup>st</sup> Century. In places which fail to cope adequately with the additional stress of a changing climate there will be growing instability.

Finally, and perhaps most importantly of all, there is another side to this coin: Opportunity. Responding effectively to climate change will create a world of new opportunities rather than growing threats.

There will be opportunities for renewable energy technologies, for energy efficient buildings and appliances, for the suppliers of mass transit systems and new means of personal mobility. Clean coal technologies will be at a premium, as will advanced smelting and manufacturing processes that lower the carbon intensity of the economy. Recycling processes that recapture the energy content of primary production will be vital.

I could go on. There is a world of opportunity created by the challenge of climate change as well as a world of threat and uncertainty. Which world we live in will be determined by our choice of public policies to stabilise atmospheric concentrations of carbon dioxide in the atmosphere.

If the business community is to influence which of these divergent roads we take it will need to learn to communicate effectively on climate change. Far too much of the current debate focuses on the difficulties of living in a carbon constrained world. We need to be

much more concerned about what we have to do to secure a stable climate for ourselves and for the future.

This means changing the emphasis in our communications from threat avoidance to opportunity seeking. We need to find ways of communicating effectively not just with politicians and policy makers but also with the vast mass of consumers and citizens whose choices ultimately define the boundaries of the possible for both business and government alike.

There will be significant competitive advantage for those businesses and governments which can read and best adapt to the changing imperatives of climate change. Those companies which are first to be, and be seen as, part of the solution rather than all of the problem will succeed best.

They will also be able to the greatest influence on the construction of a common framework of policy that the world will need to meet this challenge. Ultimately, we cannot solve the problem of climate change in isolation from the other great problems the world faces – poverty reduction, personal and national security, economic development.

Approached in the right way, climate change can be a spur to a new view of development which is comprehensive, harmonious and sustainable rather than a constraint on human progress. Whether it is or not is up to us and the choices we make.