

'It's quite amazing to see what's already been achieved.'

A chat with Sancroft's founder and chairman, Lord Deben, on climate change and the outlook for responsible business in the UK and beyond

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It's easy to become rather overwhelmed by challenging news. In the quest to understand and act conflicting and confusing news doesn't make it any easier to understand the risks let alone understand how best to respond. Is climate change the most catastrophic risk our society has ever faced? Have we met the challenges with strength and courage, or are we nowhere near the mark? Is now the opportunity of a lifetime to make impactful change for the better? I caught up with our chairman, Lord Deben (John), to hear his views.

Readers will know John as a tireless advocate for sustainable business, but they may be less familiar with his role as chairman of the Committee on Climate Change [1] (CCC) – an independent panel of experts charged with providing advice to the UK government on how to meet the country's commitments under the Climate Change Act [2]. The committee monitors progress against targets, consults


with experts, industry and other stakeholders, and undertakes its own research and analysis into climate change science, economics and policy. All of this informs the advice the committee delivers in relation to national carbon budgets [3] – five-yearly instruments that restrict how much carbon the UK can emit – and how to achieve them.

It is important to know that Sancroft does not work with the UK-regulated utility industry and other companies clearly implicated in UK climate change policy, as we respect and value the CCC's independence.

Even so, this over view of the CCC and in his role as Chair of Sancroft serves to give John a unique view on the reality of the challenge of climate change – and what our elected officials, our businesses and our communities can do to respond. The good news: it's not all doom and gloom.



The Committee on Climate Change was set up in such a way that it has some protection from the vagaries of the political process. However, nothing exists in a vacuum. How do the committee's members view the political context – particularly the impact of Brexit and international relations where climate sceptics hold sway? Does this have any impact on how the committee views its role and sets priorities?




Our good fortune is that the committee was set up under UK legislation, and owes very little to anything outside of legislation. That means Brexit will have little impact beyond some small changes. These are related to the EU Emissions Trading Scheme (ETS) – that is, if we leave the ETS, we may require a different method of calculation for the proportion of our emissions related to traded carbon.

However, the main point is that once our climate change targets are set by the UK parliament, they can't be changed, made tighter or looser, without the say-so of the committee. Our job is to help the government to meet the targets. We monitor what the government has done, and report on it every June; and we propose various things the government could do to fill gaps or extend what has been achieved.


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A Chat with Sancroft's Chairman & Founder

The news on that front is reasonably good. The government so far has been able to meet the challenges of the first and second carbon budgets, and is in line to meet the third. The challenge now is to make plans to meet the fourth and fifth.




What would you describe as the main risks and opportunities for business in the fifth carbon budget?




First of all, we have a system in the UK, in effect a government subsidy, that helps those industries that are particularly dependent on energy by contributing toward those costs. There are surprisingly few of these energy-intensive industries, but they still need to be able to compete with counterparts in countries that don't have similar legislation. While we believe that this approach is sufficient to make up for competitive disadvantages, the real purpose of all this is energy efficiency – and finding ways of spending less money on energy.

The challenge here is that energy saving is not very exciting – people don't feel terribly moved by it. It's also prone to misunderstanding, for example when we fixate on the *price* of energy, when we should be talking about what people *pay* for it. Energy itself is often a very small proportion of a utility bill, and therefore companies don't see an advantage to invest in reducing energy usage, and so look elsewhere for opportunities to reduce their costs. We need to find those opportunities at the point of investment, when the advantages of energy saving become more obvious.

We could potentially learn from our experiences in domestic energy consumption. We really have reduced energy in domestic applications – in part because of the energy ratings on white goods, as a result of which companies are simply no longer producing poorly-rated products. Consumers may in fact be required to pay a bit more for such products than they used to, but they can appreciate the trade-off working in their favour, in the form of significantly lower energy bills, even while green investments have been passed on to households. We've just done a survey that showed the average householder has seen an increase of £9/month for green measures, but they are actually seeing an overall saving of £20/month as they are using less power. If you have a washing machine that uses half as much energy as it used to, the energy bill can go up and you'd still be quids-in.



What might be a realistic assessment of the adequacy of government's response to climate change in the UK and beyond? How far off target are we?



We're on course in the UK and we ought not underestimate what we've done. The economy has grown by 64%, and during the same period our emissions have dropped by 45% – an immense achievement. We've managed to disengage growth in the economy from growth in emissions.

While the average person's carbon emissions have fallen by over 30% wealth has grown by more than 120%. Of course there are some bigger wins to celebrate and considerable challenges still to be addressed, but fundamentally we have demonstrated that it is possible to disengage economic growth from emissions – business and people can still prosper in society that emits far less carbon.

However, we have not got measures in place that are sufficient to reach the 4th and 5th carbon budgets. And we will have to think hard about what to do after the 5th because the Paris Agreement aims to bring down the increase in temperature to below the previous 2C target. We'll need to work very hard in the 6th carbon budget to achieve that.


We need not be depressed about it, however, because it's quite amazing to see what's already been achieved. Industry as a whole – with very few exceptions – is really backing this. You might have seen

that leaders of large, iconic American businesses collectively wrote to President Trump [4] last week that they want to see the US stay in Paris because it's crucial to their business. And we have major companies setting great leadership examples, like Tesco, Unilever and Ikea.

And speaking of Paris, whatever Mr Trump might do isn't going to stop the Paris agreement. In fact, the US federal government played no role at all in its development until well into the second Obama term. Not having the US federal government involved now wouldn't be anything new – but of course it would be much better if they were there.



What do you believe has been the greatest achievement of the committee to date?



First of all the Climate Change Act in itself is remarkable and gives us huge opportunities. As for achievements, one has to say the fact that we have had the 4th and 5th carbon budgets passed by parliament with all-party support – that is a huge base on which to build, because all UK businesses know the commitments and the various weighted parts of our carbon budget right through 2031 – they can plan. Having those certainties is really important.

It's John's last point that I think is often under-appreciated when we consider the business response to global challenges, such as climate change. If governments take steps to introduce certainty and stability into the operating context that affects business, then business will rise to the occasion – even when the challenges are massive, collective and systemic.

Contact

We'd love to hear your stories about planning for a sustainable future, and how you have managed to simplify the complex, making daunting challenges that bit more approachable. Email us at office@sancroft.com or alternatively call us on 02079607900.

Sancroft is a sustainability consultancy with offices in London and Washington DC.

Founded in 1997 by former Secretary of State for the Environment, The Rt. Hon John Gummer, Lord Deben, Sancroft helps some of the world's leading companies improve their environmental, ethical and social performance.

Clients include The Coca-Cola Company, Primark, John Lewis Partnership, Hilton Worldwide, Nestlé and Whitbread.

Links

[1] <https://www.theccc.org.uk/>

[2] <http://www.legislation.gov.uk/ukpga/2008/27/contents>

[3] <https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/carbon-budgets-and-targets/>

[4] <https://www.nytimes.com/2016/11/17/business/energy-environment/us-companies-to-trump-dont-abandon-global-climate-deal.html>