



World Business Council for  
Sustainable Development

Executive Member Update  
April 2009

Dear Council Member,

One of the important fallouts from the financial crisis and economic recession is the decline in trust in business and business leaders.

There is substantial public anger, particularly against financial sector leaders, for losses that individuals have suffered, be it related to financial investments, pension funds or jobs. At the same time, these leaders are walking away from failing companies with big bonuses, pensions and severance packages. Comments from some of these leaders are also seen to reflect a disconnect from the real world.

In serious newspapers and magazines, there are numerous articles with headlines like "Anger management" and "Get the rich". It will take a long time to rebuild trust in business to earlier levels.

If the high unemployment rates continue (Spain is presently at 17%) then we could be at risk of social unrest and political backlashes in different countries.

#### Climate change

2009 is very much flavored by the energy and climate debate leading up to COP15 in Copenhagen in December. Over the last couple of months I, together with colleagues, have been participating in many events and processes connected to how individual countries and global society plan to address the energy and climate challenges.

I have chosen to write a somewhat longer Update to give my perceptions of what is going on in this area. I hope you will find this a useful reference and background for your own thinking and actions.

#### Low carbon economy

With the new US Administration determined to address climate change, we have moved to a new solution phase on the journey toward a future "Low Carbon Economy" (LCE).

It is no longer a question of IF we should address climate change, but HOW and WHEN do we act?

Underpinning the need to act is the "growth story" of the world over the decades up to 2050:

- Population will grow by 50%, or 3 billion people, and by 2050, 85% of the world population will live in what we today call "developing countries".



- Already today, more than 50% of global GDP is in emerging economies and they will push poverty alleviation strongly in many areas, including:
  - Energy access
  - Water access
  - Housing standards
  - Mobility access
- There will be an increased flow of people into cities and by 2050, 70% of the world's population will be urbanized.

Demand for investment in new societal infrastructure to service these needs will be tremendous. To counteract the impacts this will have on ecosystems, we need to deploy and develop resource efficient low carbon technologies and systems on a massive scale. This will, in turn, provide a great economic stimulus, create business opportunities and generate the new “green” jobs that many are talking about.

Let's look at some of the specific areas of solutions and actions to achieve LCE's.

### Energy efficiency

Approx 50% of carbon emissions reductions up to 2050 will come from improved energy efficiency, primarily on the demand side.

On April 27<sup>th</sup>, in Paris, we launched the second report from our Energy Efficiency in Buildings (EEB) project. This is a very specific roadmap for the buildings sector based on a thorough analysis, with support of leading technical universities. The report, “*Transforming the market*”, can be found on our website and will be available in print soon.

A warm thanks for the dedicated work by the EEB taskforce co-chaired by UTC, George David, and Lafarge, Bruno Lafont. I believe this will be a very important platform for the WBCSD advocacy on energy efficiency.

To demonstrate that business is “walking the talk” the EEB project will propose a Manifesto to the rest of the WBCSD membership in which members will be asked to commit to take actions to improve energy efficiency in their own building stock.

On land transport, there is a massive program in place in the automotive industry to develop and launch a new fleet of electric, hybrid and flexi-fuel cars. This is not least the case in the US where the crisis for the car companies has further pushed this development.

Energy efficiency will also receive enhanced attention internationally. A new International Partnership for Energy Efficiency Cooperation, (IPEEC), has been formed with a separate secretariat hosted by the International Energy Agency (IEA).

### Technology

An LCE is not possible without deployment of new technologies.

Diffusion of existing technologies is closely connected to the push for energy efficiency. But, we also need new breakthrough technologies like carbon capture and storage (CCS), new batteries for electric cars, next generation biofuels and solar power, etc... This will require new public private partnerships and involve actors that are not part of the traditional climate negotiations, which are usually handled by environmental ministers.



A particular issue that is receiving growing attention is “technology transfer”, or technology diffusion, to emerging economies. I am concerned about the international debate which reflects a serious lack of understanding of how technology is developed and deployed by business. Especially concerning is the request for relaxation of the Intellectual Property Rights (IPR). The environmental ministers and country negotiators discussing this do not, in my view, understand the serious consequences this could have on the willingness by business to innovate and spread technologies globally. We need to step-up our advocacy to explain this, both in international fora and via you as members in your respective countries.

The IEA is working on technology roadmaps for different technologies and industry sectors, for example:

- our Cement Sustainability Initiative (CSI) is cooperating with IEA to develop a roadmap for their sector;
- the Energy Efficiency in Buildings (EEB) report is also a technology and policy roadmap for this sector;
- And at the end of 2008 we launched a report from our Electricity Utilities project, “*Power to Change*”, which provides a technology roadmap for this sector. On April 8 we co-hosted a very successful dialogue based around this report in Washington with American Electric Power and our Council Member, Mike Morris. A warm thanks for your strong commitment to this.

#### Carbon markets

There seems to be agreement that we need a price of carbon to help manage emissions. But there is no agreement on how to establish this price.

The European Union (EU) has an operational Emissions Trading System (ETS) while, in contrast, the Japanese industry is completely against cap and trade. The debates about cap and trade systems are ongoing in other countries like the US and Australia; we don't know what the end result will be.

A global carbon market can be established from the bottom-up based on different national schemes linked into a global system via what we have called a “docking station”. Our two year old report “*Policy Directions to 2050*” and the report launched at the Bali COP13 in December 2007 “*Establishing a Global Carbon Market*” describe such a process.

The debate on how to further develop the Clean Development Mechanism (CDM) continues. It might be better to complement the CDM with new, dedicated, flexible market mechanisms, rather than try to substantially redesign the CDM.

#### Infrastructure

I have stressed the very substantial need for new infrastructure. Here I would just like to mention that we have a scoping initiative, “*Urban Infrastructure*”, to look at what system solutions we need for the future primarily urbanized world. It builds on our work in our projects for buildings, mobility and water, among others.

#### Deforestation

20% of the world's CO2 emissions come from deforestation in tropical forests like Amazonia, Congo and Indonesia primarily caused by conversion to agriculture and biofuel crops. This is a growing concern and work is ongoing to try to find market oriented solutions to address this. Could countries receive Carbon Emissions Rights



(CER's) that reflect the value of not cutting down forests which could be sold on a global carbon market?

#### Geo-engineering

*“As forecasts for global temperatures grow increasingly dire, scientists are taking a serious look at one idea once considered crazy: re-engineering the atmosphere”.*

This quotation is taken from an article in the April 27th issue of Newsweek. It reflects the growing concern that we might not be able to mitigate emissions and adapt to climate change via the actions discussed so far. We might need a Plan B - re-engineering of the Earth. This is a serious discussion also in the “America’s Climate Choices” committee that I am a member of. I recommend the Newsweek article as a good summary of this matter.

#### COP15, Copenhagen and other climate processes

Against the background of what I have described above, what will happen on the road to Copenhagen and at COP15 in December?

I think it is unlikely that the US will have enough time to agree on its domestic climate policy by December and therefore will find it very hard to commit to anything substantive at COP15. And without US commitments there will be no strong global deal.

Consequently, COP15 will most likely agree on a set of principles and structures to be further negotiated in 2010. We are continuing to follow closely the UNFCCC process to make sure that the principles discussed are not locking us into policies that will be difficult for global business to live with, or that they “close doors” for business oriented solutions.

A key climate process enabler going forward will be the “Major Economies Forum on Energy and Climate Change” (MEF). Launched by the Bush Administration, it includes the 17 biggest global emitters representing 80% of global CO<sub>2</sub> emissions. It is championed by the US Government and the Obama Administration. I believe this is going to be the forum where a global climate deal will be hashed out and which will provide the basis for an agreement that will be confirmed by the 190 countries in the UNFCCC.

#### Ecosystems

We have seen a decline in the world’s ecosystems and to date, 60% of all ecosystem services are degraded to varying degrees. As I stressed earlier in this Update, with the increases in population and water demand as well as the effects of climate change, the future of ecosystems is not looking bright. The consequences for business could be grave.

The WBCSD is, through our Focus Area Ecosystems, engaged in helping companies assess, measure and value ecosystems impacts as well as influencing policy frameworks. We are an active contributor to processes like the Biodiversity Convention and The Economics of Ecosystems and Biodiversity (TEEB), managed by UICN and UNEP.



### Member events

Our most important member event this year will be our Council Meeting in Washington, October 13-14.

In cooperation with our chairman, Sam Di Piazza, and other US-based ExCo members Chad Holliday (DuPont) and Jim Rogers (Duke Energy), we are looking to make this a very high profile event.

We believe the timing and location are right for bringing a global business perspective to a US audience that is much more receptive to sustainability issues, in particular the energy and climate debates.

Our "Vision 2050" project will also be concluded by October and will report its findings at the meeting.

Further, we are planning a series of national / regional member meetings and "road shows" around the world to engage you as member, but also to bring our messages to external audiences in a stronger way.

The launch of "*Power to Change*" in Washington was an example of this and we will be in contact with you to plan further events.

I am looking forward to meet as many as possible of you at these and other occasions. I hope you have the October 13-14 Council Meeting in Washington in your Calendar.

### Secretariat

Our Communication Director, Lynette Thorstensen, has left us to move to Paris. In light of the economic situation, we have decided not to replace Lynette in this position. We have reorganized the Communications function giving Margaret Flaherty the responsibility for this in the Executive Team and we have appointed Moira O'Brian-Malone as Manager of the Communications Department.

With kind regards,

Björn Stigson  
President