
Hope, havoc, disillusion and back again?



By Benjamin Warr

What changed between Copenhagen and Cancun on the climate change agenda? Benjamin Warr of INSEAD's Social Innovation Centre shares his views.

It's hard to find a more complex and dynamic issue than climate change, arguably the most pressing challenge facing business and society. But for many companies and several nation states 'Green is the new mantra' and the transition to a low-carbon economy represents an enormous opportunity, one which they are moving fast to capitalize on. By designing new products and services they hope to meet growing demand in a resource constrained world. For these 'hopefuls' the dynamic points to the growth of new markets with significant potential for future wealth creation. Of the nation states, perhaps most committed in this quest is South Korea, who envisages the low-carbon transition as the means to restructure and reinvigorate growth in a national economy that has been so dynamic but now risks the stagnation of maturity. These actors see that the low-carbon economy is not only essential for the stability of future business, but also represents a new way of doing business, a stimulus to innovation and the discovery of new sources of competitive advantage.

So why then are climate change and pressing concerns about the state of the biosphere such a thorny issue, if by crossing the Rubicon we can expect to find such rewards on the other side? Clearly with opportunities come risks and for many, climate change is predominantly a source of risk, a threat to business as usual and to be honest a real pain for present day operations, which are subject to increasing but ever evolving environmental controls and costs. Worse, a total nightmare when it comes to planning future investments.

The demon is of course uncertainty. The necessary investments in innovation, in energy performance and infrastructure are costly. They can only be made in confidence if reliable estimates of the costs (and benefits) can be obtained. Lacking confidence, capital retreats to short-term and more certain prospects. As long as carbon prices fluctuate with each new negotiation and regulatory and market-based frameworks remain short-lived and limited in geographical scope, business and economies will suffer as their ability to make effective investment decisions is perturbed. And this is why reaching agreement on a long-term stable and consistent global framework for reducing carbon emissions is so important and why so much rests on the success of the yearly meeting of the parties to the Kyoto Protocol.

In 2009 the lead up to Copenhagen was perhaps best summarized by one word – ‘Hope’ with Copenhagen, written in 10ft high capitals in numerous locations across the city. The attention of the world, of government, business and civil society was focused to an unprecedented level on these negotiations. Not so the recent talks in Cancun. The French newspaper ‘Le Monde’ even published a story ‘Cancun: is it worth going?’ Copenhagen was a huge disappointment, but it seems that despite the lacklustre build-up, many have new hope post-Cancun. But should they? Let’s first look at why Copenhagen failed to match expectations. What held back progress there? Why was Cancun any different, and what does this mean for the global economy and environment and specifically the UAE?

Putting aside the poor management of the event and the questionable decisions made by the host Chair, Copenhagen was scuttled from the outset by its own ambitions and the pressure to perform. With the Kyoto Protocol due to end in 2012, the quest was on to get major emitters like the US, China, Russia and India to sign up to legally binding agreements for emissions reductions, agree on a verification process and reinvigorate the framework for the coming decades. This was not to happen. Talks stalled on

nearly every issue as rigorous verification and the threat of punitive consequences for failure to meet targets were unacceptable to the major emitters particularly China and the US.

Cancun was quite different, expectations were low. Gone was any belief that a major agreement would be reached, rather the focus was on what could realistically be achieved and which discussions should be avoided to enable this. Instead of seeking global, legally binding agreements, negotiators set to prepare the ground for next year's talks in Durban, South Africa, where the pressure to resolve the bigger Kyoto Protocol issues would be unavoidable. In this respect avoiding deception was perhaps the main goal of the talks.

At Cancun some progress was made. A green financing fund, the “Green Climate Fund” was created to deliver financing for mitigation and adaptation for those countries, mostly in Africa, who are unable to benefit from the Clean Development Mechanism (CDM) because of lack of industrial carbon reduction projects. (The CDM was created to allow carbon credits resulting from investments in carbon reduction projects in emerging economies (called non Annex I countries in the Kyoto Protocol) to be sold and used by organizations in developed economies to cover their carbon reduction targets.) Agreements to advance the initiative on tropical forest protection (REDD+, Reduced Emissions from Deforestation and Degradation) moved ahead, despite concerns of being overly complex and of commoditising the forests. Promises were made to stimulate clean technology transfer through the creation of a Technology Center and Network, work that remains to be done. And finally, perhaps most notably, the stumbling block of verification was lowered. China accepted, in principle, the need for transparency, thanks to a little push from India, and accepted that monitoring and verification were essential, albeit using ‘home-grown’ methods.

So really, what were the breakthroughs? The sum total of pledges to reduce emissions has not changed. Promised emissions reductions will not be sufficient to maintain temperature increases below the target 2deg C. The Kyoto Protocol has not been renewed. No efforts were made to reduce carbon price volatility by setting lower limits and thereby help investors. While new funds have been promised, it is unclear whether they will be forthcoming. In short, scant effort was directed to addressing the central issues. Nonetheless, there seems to be a slight increase in hope following Cancun that constructive dialog will take the place of finger-pointing and inaction that seemed to dominate the scene before and after Copenhagen.

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