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# Transforming risky 'business-as-usual' scenarios into a more sustainable future



By [Grace Segran](#)

## **Climate change and sustainable development are interlinked problems that pose serious challenges.**

Although the issues are complex, both problems could be solved together, provided we begin immediately, says Professor **Mohan Munasinghe**, co-winner of the 2007 Nobel Prize for Peace for scientific contributions related to climate change and sustainable development.

“We know enough already to take the first steps towards making development more sustainable that will transform the risky ‘business-as-usual’ scenario into a safer future,” he says.

## **The ‘sustainomics’ approach**

Munasinghe proposes two specific ways in which we can respond to climate change -- through adaptation and mitigation. Adaptation is aimed at reducing the vulnerability of human and natural systems to the impact of

climate change stresses, while mitigation is aimed at lowering GHG (greenhouse gas) emissions or even removing them.



The best way of grabbing the attention of decision makers is to integrate climate change adaptation and mitigation measures into national sustainable

development strategies, says Munasinghe, the director-general of the Sustainable Consumption Institute at the University of Manchester. One such approach is 'sustainomics' which requires analysis from three main perspectives: social, economic, and environmental. The goal of 'sustainomics' is to provide a comprehensive, practical framework for making present and future development efforts more sustainable.

## The future

Current 'business-as-usual' trends pose significant risks. The problem, Munasinghe told participants in his keynote address at INSEAD's recent annual Indevor/Energy conference, is that governments tend to be short-sighted when they deal with different problems and handle these in a piecemeal manner or with a 'silo' mentality.

He believes that a transitional step forward is possible -- by influencing key drivers of change like consumption patterns, population, technology and governance, thereby shaping global trends and managing market forces. Business and civil society must work together with government to make this possible.

"The emphasis is on *early* action to overcome the huge inertia of 'super-tanker earth,' and begin steering it away from its risky current path towards safer waters using existing experience and tools," Munasinghe says.

## Nuclear power as alternative energy source

During the energy panel discussion, **Lady Barbara Judge**, chairman of the UK's Atomic Energy Authority (UKAEA), says that we have three big problems to confront as a generation: the security of supply, energy dependence and climate change issues.



“Nuclear energy is *not* the answer but *part* of the answer,” she argues. “It is cleaner and more sustainable in the long run and is thus a good source of alternative energy for countries which need to secure its energy security by diversifying the energy mix.”

“There is too much bad press on nuclear energy,” says Judge, referring to the Chernobyl and Three Mile Island disasters. “People have to understand that new nuclear is not old nuclear. Nuclear is a safe technology and plants are much safer now. It's not risk-free, but you can't be risk-free and expect to move forward.”

## **A lot going on but not much happening**

**Vivienne Cox** (MBA '89D), BP's CEO of alternative energy, says the good news is that there is a lot happening in renewables that can actually make a contribution to climate change.

There's been extraordinary growth in renewable technology, with clean tech investments growing 70 per cent year on year to \$150 billion last year.



But what's the motivation for all these? Is it only about climate change? According to Cox, the issue of energy security is key. Motivated by high oil prices, people are looking for alternative energy sources, and it is noticeable that most work is done in countries that consume the most amount of energy - the US, China and parts of Europe. "They want more energy and they want to control it themselves."

Some are investing because it's mandated by the government - especially in utilities, while many others get into this because it's good business.

"But with so much going on, renewable energy is only three per cent of the energy mix. According to IEA, it may be eight per cent by 2015. That's all. It's certainly not enough to generate coherent global sustainable energy," she argues.

Why is that the case? Cox is convinced it's because the system is stuck. And it is very difficult to unstick the system. There are 'game-changing'

technologies out there: nuclear, off-shore wind power, as well as carbon capture and storage. BP, for example, is involved in carbon capture – every component piece of technology is known today. However, she says it's not happening because of the different players involved – utilities, oil companies, NGOs governments, politicians. "It's extremely difficult to get the coalition together to make carbon capture and storage happen."

The system is also stuck at the macro level. "Look at post-Kyoto 2012 - this huge debate raging between the developing and developed world ... It's extremely difficult to negotiate your way through," says Cox.

At the business level, she says her experience is that shareholders don't value renewables in the same way they do with oil and gas.

At the individual level, we can do things such as change our light bulbs and go to farmers markets, but to have an impact, she says, you have to get scale by influencing seven billion people.

A lot is going on but it's not enough, says Cox. We need to find the levers which we can practically use to unstick the system.

## **Environment as an emerging asset class**

While demographics, resource depletion and climate change pose significant challenges to business and society, **Bernd Schanzenbächer**, a managing partner of Zurich-based alternative asset management boutique EBG Capital, says that these in turn boost green technology and investment themes.

He quotes the Stern Review on the economics of climate change which states, "Mitigation – taking strong action to reduce emissions must be viewed as an investment ... if these investments are made wisely, the costs will be manageable, and there will be a wide range of opportunities for growth and development," alluding to the fact that scarcities create opportunities.

Speaking to INSEAD Knowledge on the sidelines of the forum, he said that the speed with which the environmental investment sector expands will depend on a number of factors. "The manner in which the price of oil develops plays a major role. Prices of \$100 or more will continue to fuel development of alternative energy sources and of technologies that increase resource efficiency. But then again it is also difficult to predict because some

of the markets are the result of regulation, like the Kyoto protocol and the European emission trading scheme which is the market for carbon credits.”

*The Indevor/Energy annual conference was held at INSEAD’s Europe campus Fontainebleau in mid-October.*

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