

# Climate change: Everyone's business

## CBI Climate Change Task Force report

[www.cbi.org.uk/climatereport](http://www.cbi.org.uk/climatereport)

Presentation to Business Delegation at Embassy of Japan, London

10<sup>th</sup> March 2008

# Background & process

Chaired by Ben Verwaayen, Chief Executive, BT

17 Chairmen/Chief Executives -Tesco, Ford, Sun, Rolls Royce, Taylor Wimpey etc

Brought together by CBI but “independent”

Supported by Working Group and McKinsey

CBI member engagement

Report launched on 26<sup>th</sup> November 2007

# Key messages

## Urgency

- UK not currently on track to meet its 2020 & 2050 targets

## Risks

- To business and society, through inaction or wrong action

## Deliverability

- We can get on track by 2030 through known solutions

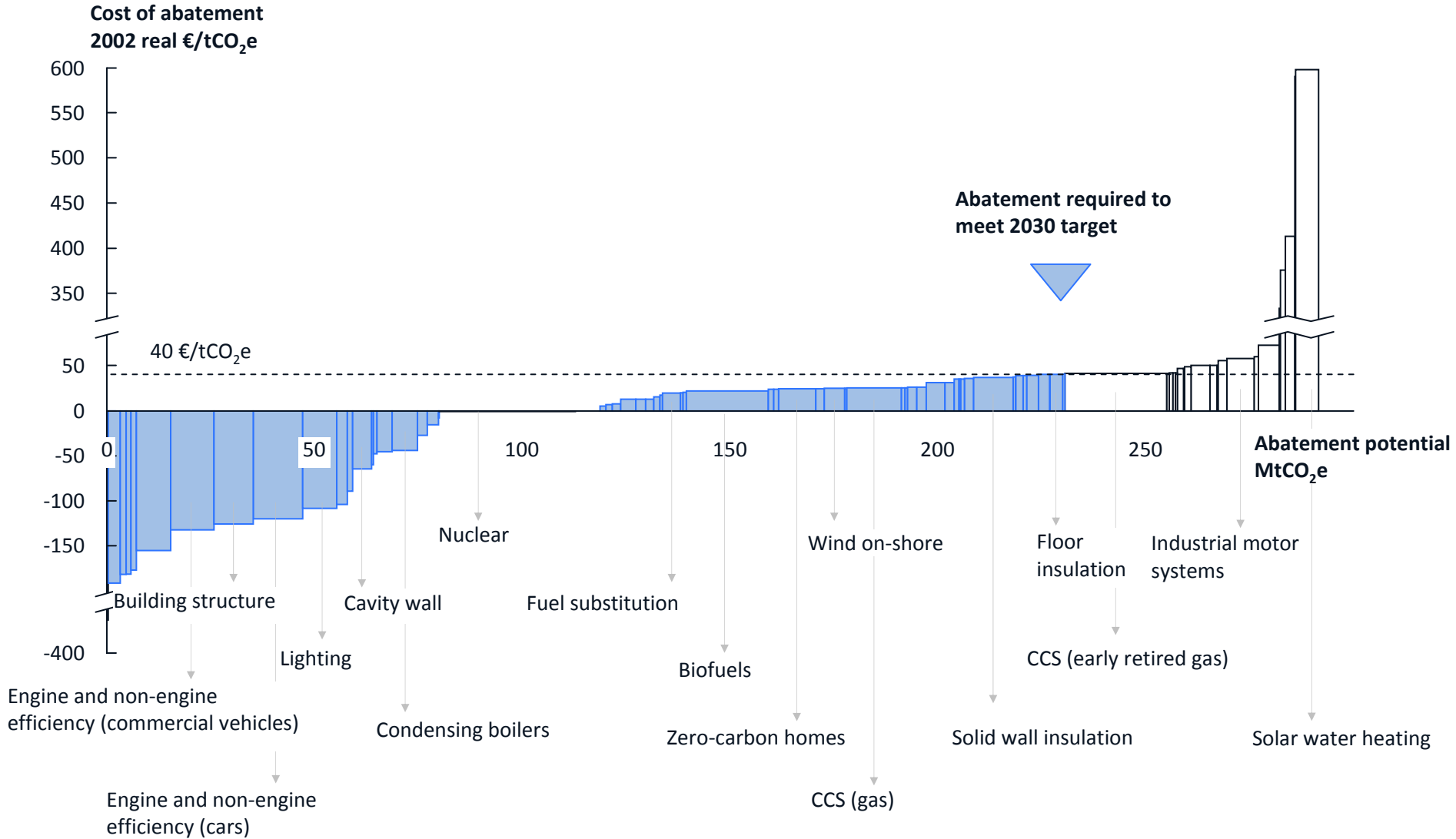
## Inter-dependency

- Government, business & consumers must act together

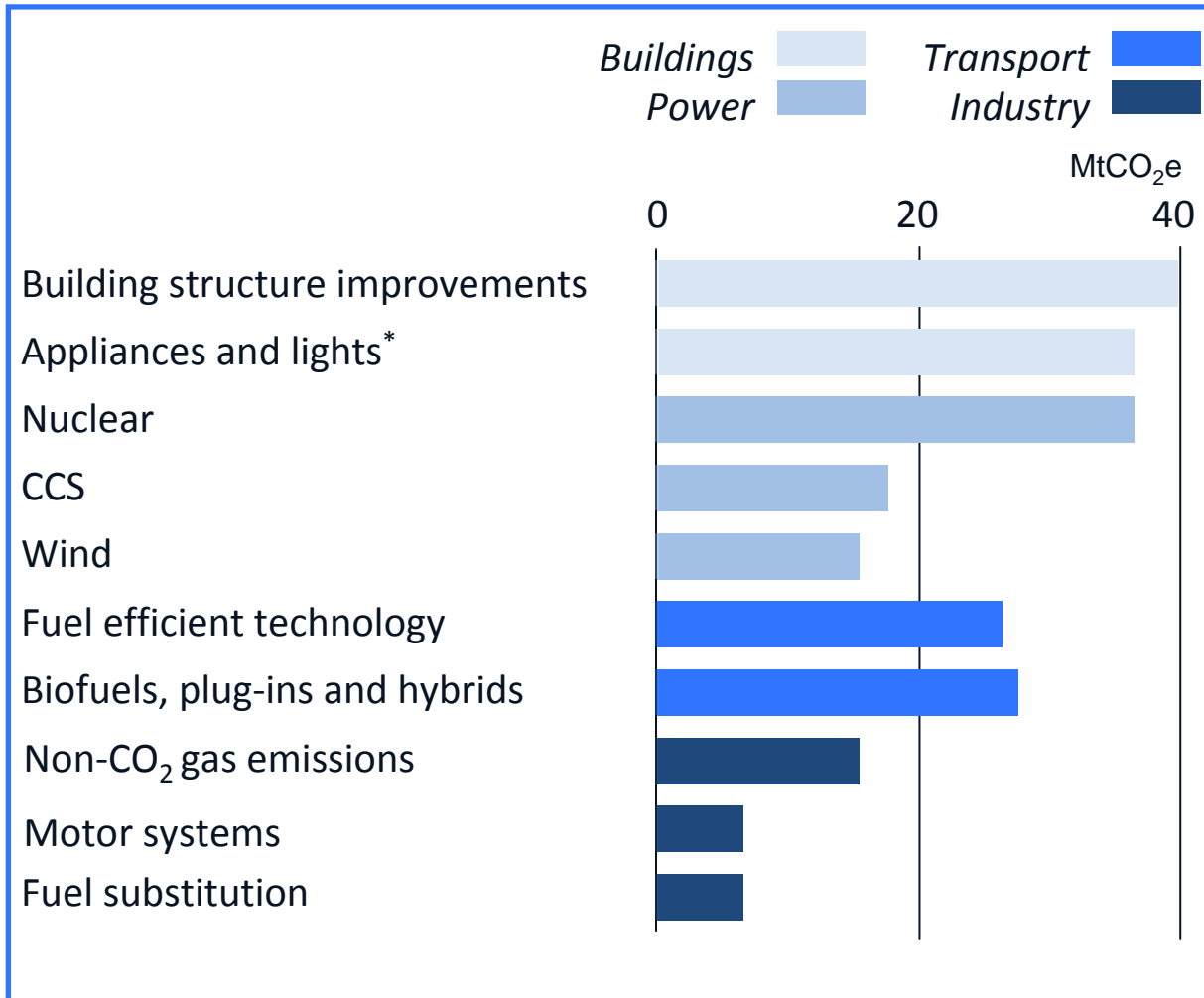
## Opportunity

- Established & emerging UK firms have global solutions

# The UK cost curve for additional greenhouse gas reduction measures



# Action needed across all sectors to cut emissions



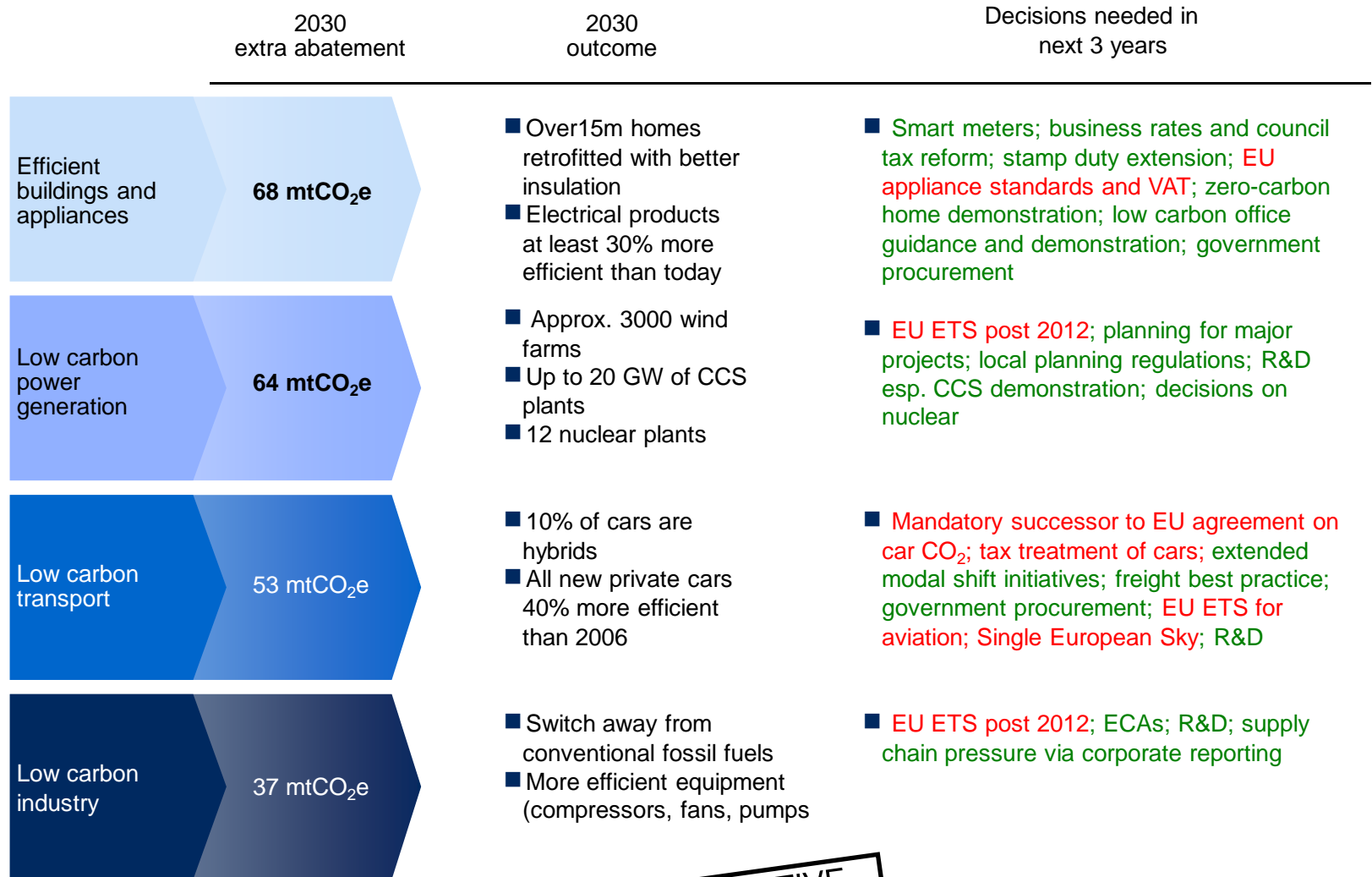
## Key insights from analysis

- 4 main areas for cutting carbon – buildings, power, transport, industrial processes
- Abatements roughly 50/50 energy efficiency + low carbon energy
- Cost by 2020 €60-€90/tMtCO<sub>2</sub>e falling to €40 /tCO<sub>2</sub>e in 2030
- Equates to £100 per household p.a. by 2030

\*Major contributors are lighting, PCs/other office appliances, stand-by losses, water heating, washing and drying

Source: McKinsey UK cost curve; team analysis

# Decisions are needed within the next 2-3 years



ILLUSTRATIVE

# Business opportunities as well as challenges

Global market could be worth \$1 trillion in early years

Opportunities in adaptation as well as mitigation, including SMEs

Range of UK strengths e.g. services, high VA engineering, system wide applications

At-risk sectors such as energy-intensives (e.g. steel, cement, chemicals)

UK public funding for energy R&D only 1/3 EU average ..... vs. “picking losers”

Pressure for rigour & transparency in corporate carbon performance

# Addressing competitiveness issues

- Nearly half abatement opportunities involve no additional cost – but need to act across economy (4 key sectors & 3 main players)
- Need to secure truly international effort to achieve material emissions reduction
- Policy design crucial eg:
  - Future shape of emissions trading eg EU ETS (eg cap, allocation & interaction)
  - Develop policy packages eg supply side regulation + demand side incentive (eg cars)
- Partnership with Government on RD&D vital - to bring down costs of new technologies and create platform for future commercial opportunities
- Other UK positives:
  - Energy efficiency + low carbon generation helps with security of supply
  - UK has to replace >30% electricity generation capacity by 2025 anyway

# Reactions to the report

## CBI membership

- Positive & engaged
- Interested to know what it means for their business

## Wider business community

- Other national federations moving in similar directions (EU and elsewhere)

## Government

- Explicit support offered by UK Foreign Secretary
- Good initial discussions eg in China

## Media

- Positive reporting in UK and internationally

## NGOs

- Differences on key detail eg nuclear, but support for constructive approach

# Areas to take forward from report

6 broad themes – fiscal reform, trading, technology/innovation, regulation/planning, information/reporting, adaptation

4 specific areas – buildings, power, transport, industry

UK delivery

Commercial opportunity

3 operational/consumer commitments – low carbon products & services; employees; cars & offices

International advocacy – CBI engagement with key overseas business federations & road to Copenhagen

# Final thoughts

- Different economies will face different issues – but in principle action on climate change should not be seen just as threat to business
- UK business has gone through a process of learning which continues – should be seen as positive challenge
- A sense of history – low carbon goods and services as the latest industrial revolution?
- Conviction among the CBI Task Force members that in future business must be **green to grow** - driven by employees, consumers, government
- Science is becoming increasingly firm – inaction looks less and less like an option