

## If the public demanded action on climate change, politicians would be forced to comply – and so would utilities, says Martin Duckworth

Last week, the government published *Avoiding Dangerous Climate Change*, part of its continuing effort to convince the public that urgent action is needed. Among scientists, there is more or less a consensus that climate change is real and happening now. They agree that the models are getting better and more credible and that the IPCC climate projections over the next century are reasonable, although a big margin of uncertainty still remains.

The political response has been noisy, but government action has often been limited to low cost measures that do not trouble public opinion or political lobbies. The reason is that although public awareness is growing, the perception is that climate change is an issue for future generations, if it is an issue at all. Any willingness to embrace radical changes of lifestyle is limited to the “lunatic fringe” and climate change is seen as somebody else’s problem.

Companies have assumed that government will continue to tread carefully around an indifferent public. But what if efforts to educate the public were successful and government could take radical and extensive measures?

In conjunction with the Futures Forum, we looked at four scenarios where the likely outcome was determined by public attitudes and by whether continuing research found the climate change threat to be limited or serious.

In two scenarios, public indifference turns into concern and anxiety. In these scenarios, climate change is seen as a big threat to the future of the human race and people are prepared to accept major changes to their lifestyles. Politicians jump on the bandwagon of the “precautionary principle” and public anxiety drives the future of whole industries.

In the first scenario we examined, it was assumed that public anxiety would force governments to do something, even if climate change was found to be limited in reality. This is the case even if the decisions may be economically irrational. Public opinion, whether informed or not, is an extremely powerful political force. Remember how the nuclear power industry of Western Europe (except in France) was wiped out by public anxiety. Anxiety over climate change could transform other industries – if aviation fuel duty was at road fuel levels, it could add £50 to the cost of a flight to Barcelona and £500 to a flight to Australia. How many leisure travellers would travel at that price?

For government, the political priority will be to be seen to be doing something. And this will be true for businesses too. Currently, this is an issue for corporate social responsibility (CSR) and it is the CSR director who must ensure his company or industry is not the one that gets picked on by the environmental lobby. But over the five-year period envisaged in our scenarios, brand perception becomes stronger and the threat looms of consumer boycotts. Then it becomes an issue for the marketing director.

An alternative scenario is that public anxiety is still high but it is clear that the effects of climate change will be dramatic and far reach-



PHOTO: SoHo (the Solar and Heliospheric Observatory)

### Feeling the heat: companies need to prepare for climate change

ing. Responsible organisations must prepare contingency plans for this eventually.

In this case, government targets to reduce carbon by at least 60 per cent over a matter of a few decades become imperative and a raft of measures is required.

Companies must expect radical changes to many aspects of their business as the government uses tax and legislation to force people to change their behaviour. We must assume that the government raises taxes sufficiently to change behaviour, so companies can accurately anticipate the outcome even if the size of any tax change is uncertain.

Businesses that depend on foreign travel or air freight, for example, or on car-borne shoppers, must expect disruptive change. Energy-intensive processes are likely to face higher costs. Companies need to test their investment plans now to ensure their robustness to major changes to tax and planning policy.

This scenario is driven by the changed economics of carbon mitigation. If feedback loops mean that a tonne of carbon emitted this decade can be reversed only by a reduction of two tonnes next decade, then mitigation this decade becomes the lower-cost option for all

organisations with a real discount rate of less than 7 per cent a year.

What does this mean for business? Companies must monitor the science and its impact. They should develop contingency plans in case carbon use is restricted and stress-test corporate strategies for resilience to a carbon tax world. They should take simple steps such as undertaking energy audits, encouraging employees to live near their workplace, and providing technology that reduces the need for travel for work.

They should also forecast the effects of climate change in the business case for new investment and include the possibility that such investment may be affected by future legislation, energy prices, customer behaviour, flood and higher insurance.

Equally, companies must monitor public opinion, both regarding general attitudes to climate change and the public perception of the company itself. They may have to undertake symbolic acts signalling a willingness to embrace change. ■

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