

## Edge Debate/Seminar 47 – The Politics and Geopolitics of Low Carbon Growth

2<sup>nd</sup> November 2011 – Royal Institute of Chemical Engineers, London

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### Edge Seminar

[conducted under the Chatham House Rule]

#### Themes

Third generation environmentalism

“Highly developed sense of ethical foreign policy”

Force from inside UK govt to push up ambition in contested space

Climate change off the boil. Politicians hugely distracted. Attention between immediate and merely urgent. (Dealing with climate change during the Euro crisis like playing snooker on the deck of a boat in a force 9 gale.)

There is currently a lack of political momentum behind the climate change agenda.

Monumental strategic setback resulting from the Copenhagen COP15.

#### How to locate response to climate change in churning historical forces

Massive disaffection of the young with conventional politics and politicians.

Who can the young trust? Not the media, police, government, bankers, judiciary, business leaders or the caring professions as a result of recent public scandals. But who can you hear in the establishment acknowledging we have a problem?

Young think there is not an effective response to climate change underway and it is their future

But the clock is ticking as concentrations of carbon in the atmosphere continue to rise. A problem unlike any other. We are wonderful in our empiric ingenuity. For most things the timetable is under our control. Not with climate change.

Need collectively to get our heads around this. We need to shift an Amazon-like flow of capital from a high-carbon to a low-carbon economy. We are not facing up to the amplitude of what we need to do.

Developing countries have a better grasp of this, Ethiopia – culture closer to natural systems. They understand the value of resilience.

Does not need to be a counsel of despair. We have the technology and capability to build a response.

Germany moving from a 20% renewables electricity system to 100% within a generation. How many other countries could you talk with a leader of a political party who could talk so technically about an electricity system.

We know the solution is affordable. We are failing to do this because of the politics and it is a political problem before it is anything else.

Why? Because it is transformational. A low carbon economy is structurally very different. One lesson from 2008, business as usual is not going to solve our problems. First thing we need to acknowledge is we need something different. What have we got? A frenzied attempt to maintain business as usual (BAU). There has been no truth and reconciliation approach to economic failure and the guilty men. And yet

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resilience has no economic value. The last 5 oil shocks were followed by a global recession. We should not be surprised.

We need a transformational exercise. One of the mistakes is pretend it is all about cost and not about opportunity. There are costs and thus distributional consequences. This is what politics is about? There is a problem of ‘entanglement’ (coinage: Tom Burke). Following the Macondo oil spill part of US reaction was to demonise BP. Then the penny started to drop, if you damage BP, you damage pension prospects of Americans, and then you would start to damage the tax base. All parts of the economy are dependant - we are all in this together.

### Transition

Carmakers and oil and gas companies talk very differently about making the transition to electric cars. Carmakers want the right policies in place, but say we could get there by 2020. But if you ask oil and gas companies, they think maybe 10% of all cars could be electric by 2050.

Car companies can see there is a way that the transition is compatible with their business model but the oil and gas companies can't. And yet, society at large takes on the oil and gas perspective at its peril.

Currently we have fundamental soul-searching about growth, on a scale not seen before – where is growth going to come from? Seems an opportunity. Two reasons for soul searching: the crisis and an intuitive sense. That became apparent in 2008. What was it that made it difficult for poor families to keep up with payments on their sub-prime mortgages? They faced both an oil and a food price spike. This pushed enough families over the edge. They were inter-connected as food prices oil-dependent but part of this was climate-induced drought in New South

Wales. We have had a generation of globalisation that has been benign for most people. But the rapidly expanding middle class in emerging economies puts an upward pressure on price of energy and food. There is a deep secular trend that has not gone away.

### 4 pillars of resource security

- \* Climate
- \* Food
- \* Water
- \* Energy

They can't be independent and can't exist in one place and not another.

You can't have a high carbon answer to the growth question. We need a low carbon answer. We know it is there. Can we bring it to life politically?

We are seeing the early salvoes in pretty serious conflict. Is low carbon a central part of the growth engine or a distraction. There has been a clear commitment from the principals of the Coalition Government to a low carbon approach. But is this under threat within The Treasury?

Low carbon means challenging deep assumptions. The Left want a mixed economy and capital from growth invested into public services. Low carbon needs a lot of infrastructure, public capital for carbon capture and storage. The Left want this money spent elsewhere. But on the right, the low-carbon approach sounds suspiciously like interventionism. It is socialism.

Need new political thinking to find the right narratives and get over the problem on both sides of the political spectrum.

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Massive opportunities. Political argument is a cost we can't afford on climate change. It is a red herring ("red herrings urgently need to be shot" - Willie Whitelaw)

### **International perspectives**

#### **USA**

*New Scientist* this week - Retreat from reason. Very deep political conflict underway. Not a policy conflict but about what America is. One side is in retreat from enlightenment values. The approach of using science to analyse problems is under attack. While this is underway the US is out of the game. Nonetheless exciting climate things are happening; in CA, Jerry Brown; in NY Bloomberg is very committed. But as a nation they are out of the game.

How to deal with this? It is about not letting this pull back our ambition and try to pull them back in to the game. There is not a choice

#### **China**

Among a few hundred people in their establishment shaping the Chinese economy, there is an understanding that BAU is broken and is taking us over a cliff. Need something else and it has low carbon at its heart. Problem is they have not constructed the alternative and we have to construct an attractive pathway that gets them to where they need to be. The one thing that dominates their thinking is stability. Communist party will always vote against regime change.

#### **Europe**

Rather distracted at the moment. But can see more real progress in building low carbon economy in the EU than anywhere else at the moment. Germany is frustrating. They are good at doing it and bad about talking about it. 20% electricity from renewables. They have improved their building stock to be much higher performing. By phasing out nuclear power they have reaffirmed low carbon commitments. At local level co-op enterprises are coming together to build mid-sized renewable generation capacity. It is the "democratisation" of energy. In Germany it is not about if but about how.

There is enough happening in the EU to sense that if we do the politics correctly, we can take this to the next level. It offers examples for building a strong narrative.

#### **Climate change negotiations**

About building a legally binding approach or it is about nothing at all. What is a voluntary political promise worth?

Political promise, fine until you run into trouble. Need to reassure the people who are making capital flow decisions in the private sector. With voluntary promises, this is not on yet.

Don't want a death of Kyoto outcome. If Kyoto collapses, it is game over. Is this a possible Durban 2011 outcome? Yes.

Live in a tired and decadent democracy. We believe there are grown ups in charge and they will make the right choices. But there are no grown-ups in charge. We need to get stuck in. Buildings are a crucial piece of the jigsaw.

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Need to develop a global single market in low carbon goods and services and build on that. Need to make voices heard in a politically relevant way.

UK Chief Government Scientist John Beddington, believes we are locked on to 3.5°C increase. In science world there is despair. But it can still be saved.

Need to shout down red herring about the threat to growth and build a low carbon growth proposition

### Open Discussion

- **Are people talking about adaptation in the negotiation?**

What could the UK Government do to make it commercially viable to build in more resilience?

What to do – energy standards. Watering down by stealth of energy certificates.

Germans not looking at short-term financial benefits. They are thinking it the right thing to do. How can we get people to think long-term?

Starts with the politics. There is today and tomorrow. And no-one is going to do any heavy lifting about tomorrow.

Economists: All economic outcomes seen as being fungible and in their view beyond a certain point in time nothing has any value – we are all going to be so rich.

Construction gap. People on benefits are a cost and we need skills for retrofitting.

- **What went wrong at Copenhagen?**

We had not built the conditions for the negotiations to succeed. Too many felt it was a risk and not an opportunity and too many were not afraid enough.

- **Public figures (Lovelock, Smit and Rowan Williams) resonating in a way that chief scientists are not; scientists have failed to deliver the public engagement?**

Science tends to be too reductionist. Means you can't understand the nature of the problem. Lovelock showed how you could and be true to science. He makes interventions but not as a politician.

This is not about analysis but about power relations. Intellectual as well as business encumbrances. It has to be a politics-driven project.

- **Cause and effect distance so great, that self interest does not work**

Rhetoric also drives politics. Construction over promised. Too little evidence

Politicians – they see processes that rely on good behaviour. What is the role of crisis here? Much better driver for change

German example - democratizing electricity is self-interest and is motivating people. Wrestling power from big electricity companies appeals to people.

Crises are hard to control and can give you bad as well as good results

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- **Contrast between leadership during WW2 and now.**

Leaders thinking about the post-war world. Where is the Beveridge; who is looking more than 5 years ahead?

If you lose sight of history you lose sight of the underpinnings of your identity. There is also a question of iconography. Where is the equivalent to the mushroom cloud from protect and survive days

- **Trade agreements.**

Any levers through international agreements. Use trade policy to accelerate low carbon goods and services. It is the most powerful engine. The obstacle is the trade policy experts – they are a priesthood and don't want anything to do with it. This is winnable.

- **Research on energy efficiency in the built environment in London and NY. Only 2 London boroughs of 13 have sustainability plans**

Will the current hydro-carbon policy be the solution or the problem?

Note work of John MacArthur of Shell.

Treasury is the problem and Treasury officials – don't want green investment bank. If we get it we will get engineering investment. Need to reach the Treasury

- **Climate politics is led by rich countries**

Now have also got new players (BRICS).

Who should be scared the most. With 2 metre plus rise in sea level, what about 37 cities on the coast

Our destinies are bound together by climate change in a way that they are not in other ways.

Need, at some level, to build a conversation that reflects this.

Ethiopia focusing on a 'Climate resilient green economy' and it is empowering for them to be doing it. Not for us to be telling them.

- **Why are we shoring up banks with quantitative easing rather than stimulating green economy?**

We got agency when we came out of the Garden of Eden. We get the politics we deserve. . There are powerful forces at work behind BAU

Orwell highlights the importance of language. In the US the language of climate change has gone through successive cycles of toxicity. Could talk about cap and trade but not Kyoto. Cap and trade failed and then you could not talk about it because Republicans had captured the language. Now you can't use the words climate change. This is not an accident, but a clever outcome

Politics is not about winning the argument. It is about getting your way. (Margaret Beckett) We can still get our way if we organise properly.

- **Politics in Scandinavia seems to be supported by a different sort of civil service. Civil Service used to be stronger in the advice it could give.**

We don't have civil service that is fit for service. It is silo-ed and reductionist. If you are in one policy area, response is to stop others stepping on your turf. Where you have such a deeply systemic problem you can never see enough of the problem to pull the right levers.

Scottish Government has been experimenting. Abolished departments. Want to identify the outcomes and then pull together teams to get those outcomes. Appalled that this is not recognised in Whitehall. Civil servants need to have curiosity. Collectively they have less now than ever.

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- **Different ways we can act on politics, getting the narrative right and stronger, getting to the right people with precision. How much are we in danger of being counter-productive? Environmentalism is seen as left wing. How to get arguments precise enough to get around this danger and avoid allowing the American culture wars to come here.**

There are risks but what is the counter-factual?

### **Actions**

Get to Nick MacPherson (Permanent Secretary to the Treasury)

Get op-ed pieces into the newspapers

End and thanks