

THE FUTURE IN PRACTICE

THE STATE OF SUSTAINABILITY LEADERSHIP



Hard limits – flexible strategies

Mike Brown

Sunand Prasad's work *Greenhouse Gas* sets out to delineate 540m³, and represents one tonne of CO₂, the average monthly CO₂ emission of each person living in the UK.



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Mike Brown is Chief Executive of Nedbank Group Limited, one of the major South African banks, and a member of the South African Corporate Leaders Group on Climate Change.¹ He was previously Chief Financial Officer and Head of Property Finance at Nedbank, and an executive director of BoE Limited.

COP17 – the 17th Conference of the Parties for the United Nations Framework Convention on Climate Change – proved a catalyst for South African business to engage more deeply with the challenges of climate change. What became clear through my attendance at the event, and my active participation in the South African Corporate Leaders Group on Climate Change, is that the global climate system is not open to negotiation.¹

Though humans are affecting it profoundly, the global climate system will follow the inexorable laws of physics as it absorbs the carbon and other gases we have been pumping into the atmosphere, and we will be left with the consequences. If the climate system speaks to us, it will be only be through those consequences.

Nedbank, where I have been Chief Executive since 2010, has long prided itself as a regional leader in taking sustainability seriously. That

said, it was only when the idea of a global carbon budget was explained to me prior to COP17 that I began to include the notion of ‘hard limits’ in my understanding of what businesses must do to respond to the problem.

I find the concept of a global budget for carbon emissions, which must not be exceeded if we are to avoid runaway climate change, quite appealing. Budgets are the stock-in-trade of businesses so this is a language I and my colleagues feel at home with. At Nedbank, our annual business planning process is a mixture of top-down targets and constraints, combined with bottom-up aspirations



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and plans from within the organisation. Taking into account what we now know about the earth’s climate system, the critical difference from usual planning is that the top-down constraints implied are not only non-negotiable, but also, if breached, carry penalties for future generations far beyond the scale of even the worst business failure.

The mathematics of a global carbon budget can be set out quite simply. According to research by Meinshausen and others, if we are to give ourselves a 75 per cent chance of staying below the 2°C temperature increase that governments have committed to, then we must restrict our 2000–2049 emissions to 1,000 gigatonnes of CO₂. Allowing ourselves a further 440 gigatonnes raises the risk of exceeding 2°C to 50 per cent – a level of risk I would not want to take.

I cannot imagine a clearer, harder limit for the global economy to have to work within. The implications for a national economy such as South Africa’s, and a bank such as ours, are at the same time both refreshingly straightforward and breathtakingly harsh. In South Africa, we face the task of working out what our equitable share of that global carbon budget amounts to (a process indicated by the Durban Platform that emerged from COP17), and then determining how, as a national economy committed to reversing poverty and inequality, we use that carbon budget most effectively to ensure the best possible outcomes for society.

The first thing that struck me about this challenge is that it has few, if any, precedents. We are all accustomed to negotiations where, when push comes to shove, there is a degree of flexibility on both sides. This is certainly so in the world of business and finance and, it seems to me, in the world of politics and government. In these familiar worlds there is really no such thing as an immovable object. With the global carbon budget, however, we are in different territory. For all that there must be some degree of imprecision in the exact details of the science, with our present state of knowledge we would surely be negligent to assume that 1,000 gigatonnes of emissions was a flexible target. The consequences of getting it wrong are so enormous that the only ethical principle to adopt is surely one of precaution.

So what will it mean for us, as business leaders, to negotiate with government and amongst ourselves within such a ‘hard limit’? Some or all of our businesses will clearly have to make tough adjustments. I think three things will become crucially important:

Firstly, all parties will need reliable data, and enough of it, upon which to base our discussions. Hard decisions will need

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¹ The South African Corporate Leaders Group on Climate Change was set up by the South African office of the University of Cambridge Programme for Sustainability Leadership, with the intention of developing and articulating a progressive voice on climate policy and strategy from the business community. The group is affiliated to the global [Corporate Leaders Network for Climate Action](#).

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to be taken and I believe it is possible for our scientists and economists to provide us with the assessments of risks and costs that we will need.

Secondly, for South Africa to arrive at a plausible, widely-supported national plan for transition from its present high-carbon intensity to a low-carbon, climate-resilient economy within 40 years, doing its fair share, a mature leadership dialogue will be required. We

in business must negotiate on the assumption that government and business must work together to ensure appropriate legislation and regulation, as it seems unlikely our goals can be achieved solely through voluntary action.

While we must treat the 2°C threshold as a hard limit, our strategies for delivering vibrant businesses and a growing economy within this should be as flexible and innovative as we can make them. My sense is that the scope for new forms of business value is wide, in direct proportion to the scale and pace of the changes called for by the 2°C threshold.

Negotiating our way to a safe future for all in the face of climate change is, perhaps, a leadership challenge without precedent. We have to rise to this challenge to ensure the future of the generations to come.

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Meinshausen, M, Meinshausen, N, Hare, W, Raper, SCB, Frieler, K, Knutti, R, Frame, DJ and Allen, M, 2009. 'Greenhouse-gas emission targets for limiting global warming to 2°C.' *Nature* 458, pp.1158–1162

The State of Sustainability Leadership is CPSL's annual thought leadership report, delivering insight and challenge from our world-wide network of business leaders, policymakers and academic experts. This year's edition, to be published in full in December 2012, is focused on the theme of business and the long-term – what leaders can do to understand and shape the future. CPSL is an institution within the University of Cambridge's School of Technology. www.cpsl.cam.ac.uk



The installation *Greenhouse Gas* was first realised in 2008 on an Arctic beach to which Sunand Prasad had voyaged with Cape Farewell. The valley had previously contained a glacier that has been lost, and Sunand Prasad used the vacated space to install four helium balloons, each tethered to the ground. The balloons delineated the area that equals the volume of one tonne of CO₂. This huge sculptural space represents merely the average monthly CO₂ emissions of each person living in the UK. CPSL is proud to be collaborating with Cape Farewell, which works with artists and scientists on a cultural response to climate change.

www.capefarewell.com



Ackroyd & Harvey's *Ice Lens* (2005) symbolises how the Arctic offered the artist duo a new world to engage with. The struggle to survive in the Arctic – shared by polar bears, whales, and all life, including the artists themselves when caught on board the sailing boat in a terrifying storm – resurfaced in several works created since their voyage. A polar bear's femur has been turned into a diamond; and the carcass of a beached whale was cut back to its bones, and then decorated with crystals grown upon the skeleton itself as an exquisite *memento mori*.