

It was government that signed the Kyoto Protocol (or not, as the case may be), but it is business that is delivering on its principles, irrespective of the politics; and although Certified Emissions Reductions are worth more to the markets, there are many more Voluntary Emissions Reductions in the pipeline. In building a post-Kyoto future, business may be striking out alone, but sooner or later government will have to act to restore confidence. Lloyd Timberlake says that the way forward is in partnership.

# a bottom-up, top-down

## global energy policy

**ENERGY IN VARIOUS** forms makes life on earth possible. It cooks food over a three-stone fire in Africa, and it fuels the economic growth of China.

Traditionally, human beings have produced energy by burning things that burn well: wood, straw, dung, coal, oil, gas. Now that we know, with almost but not quite 100% certainty, that the carbon in such fuels is changing the climate in ways that are by-and-large harmful to life on earth, we will have to change the ways we use energy.

We will have to stop getting so much energy from carbon-based materials, and the carbon fuels we do use will have to be used more effectively.

Business is already being more energy-efficient and more carbon-careful. But it cannot go nearly far enough in these directions unless governments establish the frameworks that make investments in energy efficiency commiserate with corporations' fiduciary responsibilities. It cannot invest shareholders' money in constraining carbon unless government policies reward the constraint of carbon by cap and trade systems, taxes, standards, etc.

This is essentially the message of the 190+ companies that make up the World Business Council for Sustainable Development (WBCSD), companies with a combined annual turnover of more than \$6 trillion. Speaking for its members, WBCSD President Björn Stigson said, "Governments must start building the future policy frameworks, and it is necessary for us in business to begin to respond to those policies in time to meet the future emission reduction targets. We cannot continue the 'you first' mentality. We need leadership and action by both governments and business."

### The basics

It is the job of governments to seek policy paths to stabilise the concentration of greenhouse gas (GHGs) in the atmosphere in an equitable and an economically responsible way. The focus must be on improving energy efficiency within the global economy and managing emissions from the energy we use. This will require:

- > Increased societal awareness and understanding of energy and carbon emission issues, leading to greater demands for energy efficiency along the energy value chain;
- > Better use of proven low-emission energy technologies now (e.g. wind, hybrid vehicles, heat pumps, co-generation, hydro electricity, nuclear);
- > Development and deployment of advanced low-carbon technologies (hydrogen for transport, fuel cells, carbon capture and storage (CCS), next generation nuclear power) over the next two decades;
- > Improved energy efficiency in power generation, mobility, manufacturing, buildings, goods and services.

Solutions must include both developed and developing economies and give business the confidence to invest in low-carbon energy projects. For many low- and zero-carbon technologies to take their place in the market, a long-term value for GHG reductions is needed. In certain cases, such as CCS, there is no genuine business case without it.

Before business invests, it evaluates the future. It gauges long-term supply and demand for its products, assesses the prevailing economic conditions including tax

structures and policy frameworks and decides on an investment strategy.

This sort of evaluation is virtually impossible in making energy investments, because business has no idea how government policies and society in general will value decreased GHG emissions. The absence of clear long-term policy may mean no future demand for a given energy-efficient product or could leave a higher cost, early technology project without the needed incentives.

Business needs to articulate its requirements, and in response government needs to provide clear signals as to where we are headed. Under the right conditions, and given the right tools, technologies can develop and be deployed quickly.

### A business consensus

The Council has large blocs of members from Europe, North America and Japan. Governments in these regions cannot agree on the appropriate policy frameworks for managing climate change. But WBCSD companies have managed to hammer out a consensus, hoping to encourage governments to do likewise.

