

THE FUTURE IN PRACTICE

THE STATE OF SUSTAINABILITY LEADERSHIP



Leadership: Creating the space to act

Sandrine Dixson-Declève



The fragile figure in *Endangered Species* by Siobhan Davies (2006) gradually becomes overladen, until any movement is brought to a stop.

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Europe’s policy leaders at all levels of the political ladder – from the EU institutions to the member states – are confronted daily with short-term economic challenges. As a result, sustainability and climate issues are often set aside, and leadership is waning.

The hallways of the EU’s headquarters in Brussels and national capitals are full of frantic advisers, trying to provide the right expertise for policy leaders who are struggling to keep Europe afloat. Yet among all the Eurozone chatter is the persistent, nagging climate and sustainability buzz created by brave leaders in the public sphere, business and civil society, who keep on unveiling the risks of ignoring climate change and resource depletion. In the minds of these farsighted leaders, the risks of not acting today are just as important as the short-term Eurozone and economic crisis, and, if left unanswered, could be even more catastrophic than regional economic collapse.

Their message is simple: the European response to the crisis cannot be limited to fiscal austerity,

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structural reform, and saving dinosaur industries. Instead, Europe must come up with an industrial innovation and transition plan, which boosts economic growth and job

¹ The EU Corporate Leaders Group on Climate Change (EU CLG) was set up in 2007, bringing together business leaders from a cross-section of EU and international businesses who believe there is an urgent need to develop new and longer-term policies for tackling climate change. The Group was brought together by The Prince of Wales and is managed by the Cambridge Programme for Sustainability Leadership.

The response to the Eurozone crisis cannot be limited to fiscal austerity, structural reform, and saving dinosaur industries.

creation through reform of the economy in parallel with short-, medium- and long-term resource efficiency and low-carbon investments – all of which will stimulate economic development and job creation. We need a logical leadership plan, in a context of economic and political parity, where EU member states are all of the same opinion and understand the true value of a strong and competitive Union. Unfortunately, Europe is struggling to pull the Eurozone and Union together, not only economically, but also politically.

The regional challenge

One cannot underestimate the important differences between Eastern and Western European approaches to governance, political negotiation and economic growth – nor the impact these dissimilarities have on moving forward towards a united and innovative vision. One can also not forget the years of inherent distrust built up in the newly-independent Central and Eastern European countries towards those seen as pushing their perspective over all others – whether the former Soviet Union, or Western European democracies promoting new low-carbon economic development and innovation policies.

Central and Eastern European nations, in particular Poland, are quick to remind Western European governments that the bulk of environmental and climate legislation was developed before their entry into the Union, and that although the body of EU legislation has to be implemented in their countries, they do not always feel inclined to agree with it. In fact, as I was recently reminded by several Central and Eastern European ambassadors to the EU, policy leaders and citizens in these countries are

still sceptical about climate change, and reducing consumption or becoming more efficient is contrary to their new leadership stance on promoting economic growth – a growth which is symbolic of the new ‘Western’ values they embraced when abandoning Communism and centralised economies.

This, of course, is similar to arguments used by developing countries across the world: just because the West used resources inefficiently to fuel its economic development, this does not mean that ‘developing’ or ‘transition’ economies should not grow in the same way now that they are faced with resource depletion and climate change. Of course, the response seems simple: economic development should occur, but differently, and the ‘mistakes’ made by Western governments should not be replicated. The challenge is quite what an appropriate distribution of resources and growth would look like, and how to persuade Europe’s newest Central and Eastern European leaders to accept and sell this solution to their citizens. But to be fair, this is not only an issue in the Central and Eastern European region. One just needs to look at the recent French and Greek elections to realise that all candidates focused their campaigns on economic stability and a rejection of economic austerity, without any consideration for climate change issues or even green growth opportunities.

So, how do we re-build Europe’s confidence to lead on sustainability and climate change, when half of the region’s countries are convinced of neither the direct benefit to them, nor the relevance of these issues to their economic growth?

Collaboration towards green growth

On 3 May 2012, some of Europe’s largest companies met with President Barroso, Climate Commissioner Hedegaard, Commissioner for the Environment Potočnik, Director Generals from three Directorates, and Commission staff,

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to address this leadership vacuum. They discussed the prospects for EU leadership on development and climate issues, in preparation for the UN sustainable development conference in Rio+20, and the UNFCCC’s Conference of the Parties in Qatar in December 2012. The meeting was organised by The Prince of Wales’s EU Corporate Leaders Group on Climate Change (EU CLG) and the Brussels office of the University of Cambridge Programme for Sustainability Leadership.

At the meeting and in private conversations, President Barroso’s message was loud and clear. He questions how we can move from an era of austerity to an age of prosperity if people do not believe in the benefits of green growth, and is adamant that creating a viable and believable green growth story is the only way forward. The President not only sees the business community and corporate leaders as natural allies in the European Commission’s work towards green and sustainable growth, but also, most importantly, he is convinced that pushing a low-carbon economy is a key growth strategy. Odd as it may sound, he believes, the crisis is an opportunity to make progress towards growth and a new, greener industrial way. But he, along with other key players, agrees that this won’t be easy.

Putting the necessary flesh on this ‘green growth’ story, and leading member states and Europe’s global partners to the table, is today’s key challenge; Europe cannot lead if the member states and countries across the globe do not follow. There are several possible avenues for Europe to truly move forward in its green growth strategy. These depend on building trust and a better understanding of the psyche of the Central and Eastern European region, addressing the growing wave of Western European

economic panic, and finding more non-European buy-in to the green growth story.

The Clean Energy Finance Solutions project undertaken by CPSL’s Brussels office is a small step down the path of trust-building. By working with local renewable energy experts and the finance community, we have opened up a dialogue in Bulgaria, the Czech Republic, Hungary, Poland, and Romania around the necessary elements for a stable transition towards a low-carbon economy. Based on a sound assessment of the barriers and opportunities for finance in renewable power generation, we were able to open discussions around the finance mechanisms needed to enable a genuine switch from ‘black’ to ‘green’ energy.

Not only has the project successfully convened government officials and major stakeholders around a common goal of growth and job creation, but it has now won buy-in from all



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stakeholders around a second phase of capacity building. The entire project may now be replicated across the Central and Eastern European countries of the entire Danube Region.

Non-European green growth and low-carbon buy-in is essential, not only to decarbonise and preserve our natural capital globally, but also to convince member states hiding behind economic arguments against decarbonisation that non-EU countries will have a competitive lead, if we do not invest in low-carbon technology and services.

With this in mind, as President Barroso was on his way from our meeting to meet the Vice-Premier of China, Li Keqiang, I called upon him to continue to build an EU-Chinese dialogue embracing market access for low-carbon technologies in China, and addressing issues around embedded carbon and the fair pricing of all externalities. We all know that the population of China today is 100 times greater than that of the United Kingdom during the Industrial Revolution, and China will achieve levels of growth in 10 years that took the UK 100 years to attain. So we are talking about a potential resource shock that will be 1,000 times greater, in China alone.

In order to meet the predicted growth of the world’s population to 9 billion, we will need three times as many resources – 140 billion tonnes annually – by 2050. The demand for food, feed and fibre is projected to increase by 70 per cent. Yet already today, 60 per cent of the ecosystems underpinning these resources are degraded. Without efficiency gains, by 2030, we will need 40 per cent more water than we can access.

The issue of fair pricing and allocating a value to externalities is firmly anchored in the European Union’s 2020 Growth Strategy, which promotes sustainable development as a core

factor for economic growth. Last year, under the leadership of the visionary new Slovenian Commissioner for the Environment, Janez Potočnik, the European Commission declared that resource efficiency and proper costing of natural resources will actually boost the economy, improve economic performance and stimulate innovation. At our meeting on 3 May, Commissioner Potočnik called upon companies to join him in building the case for an inclusive green economy, which fosters growth and poverty eradication, offering opportunities for all countries around the world in all stages of development. He stressed that leadership must focus on clear goals around five ‘pillars of life’: energy, water, land, ecosystems, and waste.

Beyond growth?

To put in place the right policy frameworks enabling greener growth and resource use, Commissioner Potočnik has invited business and civil society leaders to join a new High-Level Resource Efficiency Platform. Unfortunately society has not yet moved away from the need for quantification, and therefore any green growth narrative will need to be substantiated by the clear measurement of impacts, scientific results, and economic analysis.

Yet Jacqueline McGlade, Executive Director of the European Environment Agency (EEA), which is in charge of quantifying and qualifying Europe’s environmental trends and impacts, stresses that only focusing on economic measurement is not the right approach. McGlade is becoming a leader in her own right through her efforts to broaden the debate

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around quantification and pure economic assessment.

“The world needs to move away from measuring success in purely economic terms, and should instead consider other criteria, including the distribution of resources, sustainability, health, human rights and education,” according to McGlade. Most environmental analyses carried out by the EEA now address decoupling environmental damage and economic growth, to achieve continued prosperity without destroying the natural systems that sustain us. The EEA is also working on alternative approaches to measuring progress, such as valuing the services provided by ecosystems which are essential to human wellbeing.

This work appeared at a landmark, high-level UN meeting in April 2012, calling for new measurements of wellbeing in the run-up to Rio+20. ‘Happiness and Wellbeing: Defining a New Economic Paradigm’ was hosted by the

Government of Bhutan, renowned as ‘the happiest nation in the world’, at the UN headquarters in New York. It brought together hundreds of representatives from governments, religious organisations, academia and civil society, and was chaired by McGlade. Speaking at the meeting, UN Secretary-General Ban Ki-Moon said: “We need an outcome from Rio+20 that says that happiness and wellbeing are measured in more than gross national income – and that they are fundamental goals in themselves.”

The Prime Minister of Bhutan, Lyonchoen Jigmi Yoezer Thinley, agreed. “The economic crisis, accelerating environmental degradation and growing discontent around the world all point to one conclusion: GDP as the sole measure of success has reached the end of the road,” he commented. “In the future, we will look back on this meeting as a turning-point... Many of the most influential people in the world agree that we need to reconsider what makes us happy. It is clearly not rampant consumerism.”

The discussion around happiness and wellbeing indicators has recently spread to a series of unexpected places: France and the UK, with reports being published in both countries. Although the Prime Ministers of these countries have not come out clearly on whether such indicators should complement or replace GDP, this openness to new thinking around growth is heartening, and is being

complemented by new leadership on resource efficiency and consumption from other quite unpredictable sources such as the International Energy Agency.

What next?

Even though Europe’s more progressive policy and business leaders were represented at Rio+20, and not only voiced their commitment to sustainable development, but also demonstrated real implementation on the ground, the final text was a disappointment.

Why did progressive business allow this to happen? Greenpeace International Executive Director Kumi Naidoo goes as far as accusing business interests and ‘business as usual’ as the main reason for failure in leadership. “We didn’t get The Future We Want in Rio, because we do not have the leaders we need. The leaders of the most powerful countries supported ‘business as usual’, shamefully putting private profit before people and the planet.”

Yet ‘business as un-usual’ was present at the conference. Most members of the business community attending demonstrated their commitment to sustainable growth and consumption at a series of side events, and through a variety of agreements including the CPSL-led Natural Capital Leadership Compact. This urged international governments to commit to a global policy framework on the responsible and sustainable use of natural resources. Some would claim that the BRICS countries, led by the Brazilians as chief negotiators, simply refused to listen to the progressive proof and viability of green growth.

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Post-Rio+20, the burden therefore falls on progressive businesses to create the political space for policymakers to make tough decisions, in order to deliver a new, robust, resource-efficient and climate-resilient economic vision – EU-wide and worldwide. The business community is one of the strongest factors influencing political decision-making, and so must visibly be part of this call for change. Once business has made the first steps by demonstrating its belief in green growth, and governments are willing to listen and take this cue to regulate for sustainable development, this will catalyse change.

In Europe that means the story must be sold by business to governments in Central and Eastern Europe. Globally, the same must happen in the US and BRICS countries. Business must shoulder this burden jointly with governments, and show true leadership.



Walking Dance, Siobhan Davies (2005)

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



To the dancer Siobhan Davies, the idea of protection, of care, seemed particularly momentous in the ferocious and cold environment of the Arctic. “I sense a cold, I sense a vulnerability. I feel myself as something hot and bloody. My body, if it were harmed, the flesh would bleed. So if I find the little bit of warmth I have, I need to protect it.” Movement was her answer with *Walking Dance* (2005). 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