A Convenient Opportunity

Shifting the operational logic from danger and crisis to innovation and action

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The disruption of Earth's climate system is adding ever more cost and risk to the landscape of human activity—to enterprise, to the work of maintaining political stability, and to the potential for ongoing human development. To address this planet-wide system-design challenge, it is critical to identify, design for, and then work toward, the deep, diverse, and unprecedented opportunities for building value, across each of those spaces: enterprise, political stability, and general human development. The question is how long it will take and how efficiently we will do it. For those committed to a world with zero change, climate disruption is "an inconvenient truth"; for those committed to building a prosperous future, the global need to reverse climate disruption is a landscape of opportunity that can generate improved outcomes on all fronts.

A successful global climate response requires a commitment from national governments to act in the post-Paris space to create an environment of opportunity. The landscape of action and collaboration required to succeed in avoiding dangerous climate change, when viewed as an opportunity, can serve as a purpose driver that delivers coherency to already established national and international institutions and norms. The financial sector can evolve to be climate-smart across the full spectrum of its reach and activity. Heavy industry, transport, basic infrastructure development, can all be shifted to serve as climate action strategies, once we recognize the already existing opportunity inherent in doing business in those spaces in a way that reduces the climate threat and builds resilience.

The Opportunity

To date, "top-down" governmental interventions alone have not been effective in addressing climate change. We are at a moment now where we need a more holistic, systemic approach that incorporates public, private, and civil society sector resources and capacities to be employed simultaneously at all levels. The only way to mobilize at such a scale is to move beyond a singular focus on the threats and risks of climate change and begin to focus on the burgeoning economic opportunities it presents. The key is to focus on market demand—particularly the deep pools of market demand that will result from a growing global middle class and increased rates of urbanization—to create "the opportunity space" for effective climate action.

The swelling ranks of the global middle class, particularly in the urban environment, will translate into three deep pools of market demand that can systemically alter the global trajectory toward climate change:

Built Environment: Around the world, approximately 200,000 people leave the rural environment for the urban environment every day. China alone will bring 292 million people into cities within the next 20 years. This provides an

enormous commercial opportunity to leverage smart growth (higher density, multi-modal mobility, clean energy, service-rich development), design technologies, and efficiency-building services to effectively supplant the current carbon intensive manner in which we develop the built environment. The result will be a far more efficient, durable, and profitable design. In the US, current demand for such "smart growth" housing is approximately three times the demand for housing of the suburban boom following World War II. The postwar US expansion of the built environment and the middle class was a massive investment opportunity, a massive use of resources, and an historic transformation of the landscape for generalized human development. Current demand being three times that size, the US now faces a daunting infrastructural challenge with far-reaching commercial opportunities.

Regenerative Agriculture: Global food demand will spike in the middle of the century due to population growth. According to the OECD, we will need to increase global food production by 60% to accommodate mid-century population growth and 100% of that increase will have to be regenerative in nature due to ecosystem limitations. In order to meet that demand, the traditional centralized, water-intensive, and soil-depleting agriculture methods will need to give way to distributed alternative food production techniques and technologies that require less water, restore soils, capture carbon, and less external inputs such as chemical fertilizers and pesticides. These practices will add efficiency, resiliency and profitability to farming operations, while the service sector supporting the normalization of these practices will add an entirely new landscape of opportunity to the agricultural sector across the world.

Productivity: We have the technologies today in the form of renewable energy, advanced manufacturing, and advanced materials to provide the technologies, goods, and services to meet the demand of a growing global middle class at radically reduced levels of resource intensity, specifically in the energy and built environment commercial sectors. Instead of stranding assets planned for commercial enterprise, an economically efficient shift in market signals or direct incentives can allow those assets to acquire very real value in a different application. Hydrocarbon molecules can be moved out of the combustion-for-energy sector and toward developing the advanced materials needed to feed the commercial building sector (i.e. replacing high-carbon intensive materials such as lumber, steel, and concrete with advanced composite polymers, thereby preserving the commercial value of hydrocarbon commodities while at the same time preventing carbon from entering the atmosphere).

De-carbonization—in terms of new products, services, technologies, and designs—is the fastest way to tap into the emerging global market demand that demographic trends afford and, as such, provide not only an effective and inclusive framework for economic development across the world, but also a viable path forward to addressing the challenges of climate change.

Making It Happen Locally

The private sector, local leaders, and civil society are already making the operational shifts necessary to exploit the new opportunity space. COP21 should acknowledge this, and understand that what is needed are global standards and commitments that support and facilitate what is already happening on the ground. In this new global framework, local leadership is key to provide the connection to citizens and be a conduit for business. As we are undergoing huge demographic transitions—in terms of massive urbanization and middle class population growth—national governments and the international community should leverage the new opportunity spaces that emerge, where local leadership is more effective in unlocking access to these opportunities. Governments should allow and facilitate local leadership in engaging citizens and communicate the emergency, and the opportunities, as they are able to in a way that resonates well with their communities and is often perceived as more legitimate.

As demand follows demography, we must focus on cities, as this is where the most effective change is going to happen. National governments will see more ambitious and efficient national action if they allow local leaders to ease access to opportunity for the increasing number of citizens they must serve. This means engaging with local, municipal leaders to enable them to create economic zones of opportunity to capture the burgeoning demand outlined above and facilitate the flow of capital toward that demand. Shifting investments to companies with high ESG ratings not only supports better climate outcomes; it also diminishes future financial risks. Action to preserve the value of stranded capital assets and commodities like hydrocarbon fuels—by transferring them out of combustion energy end-uses to other non-carbon emitting uses such as construction materials to replace carbon intensive materials such as lumber, concrete, and steel—will ensure the widest and deepest pools of capital move swiftly into climate-smart practices.

Operational Requirements

Standards. Through setting environmental accounting and accountability standards, as well as international financial accounting standards, demand will evolve, and needs shift, as this will allow businesses, from big multinational corporations to small and medium sized businesses to adapt. Businesses understand the value of these new opportunities. Past Paris, globally set environmental standards should be coherent with, and support, world or regional trade negotiations and agreements, and vice versa. Recognized standards of value calculation and measurement should be included; particularly with regard to ecosystem services (externalities) to facilitate a more rapid transition to a more sustainable global economic system. One such standard would be coherent carbon policies—carbon pricing, carbon tax, the removal of subsidies.

Communication. The value of communication on climate change and climate solutions depends on how close the communication in question is to action. We need a fundamental shift in conceptualization of the climate situation—away from language that frames climate change as an unprecedented mass of obstacles and perils to

language that identifies opportunities for action and for enhancing the human condition, across the full spectrum. This shift in communication must be carried out by and for citizens, businesses, and local, national and global leaders.

Financing. A committed effort to break down barriers between the emerging demand signals highlighted above and the current high levels of underutilized private sector capital would create the momentum required to fundamentally shift our present trajectory from expanding challenge to sustainable prosperity and security. COP21 should consider how to reorient existing intergovernmental institutions (World Bank, IMF, etc), nurture and shape emerging institutions (AIIB), and create new institutions that will facilitate the flow of capital toward the most effective—and lucrative—investments that best embody the character of a decarbonized economy.

If such operational requirements are fulfilled, we have a unique opportunity to accelerate the process by unlocking access to the rapidly expanding pool of demand around clean energy, technology, etc., which will be played out in cities, where scale and density mean the stakes—for climate impact and for commercial opportunity linked to avoiding climate harm—are high.

Conclusion

The ultimate measure of the effectiveness of COP21 will be whether it sets in motion an action-focused framework for fulfilling the mandate of the 1992 Convention: to "avoid dangerous anthropogenic interference with the climate system". COP21 will be most effective if its outcome documents and work programs tell the story of what "getting it right" looks like with regard to climate change. To do that, COP21 must outline and activate the first basic, pragmatic operational steps toward getting it right. This will entail consistent articulation—in phrasing and by way of policy detail—of active opportunity in the form of burgeoning market demand, the mechanisms required to deliver capital to activate that demand, inclusive information flows, ongoing multistakeholder engagement processes attuned to precise identification of the specific needs and capabilities, and the standards of accounting and accountability that will be required to responsibly leverage that demand.