

New Strategies to Confront Climate Change

by **ANDREW HEINTZMAN**

This is the first in a series of brief analytical articles by some of Canada's leading thinkers on their views of the issues, needs and gaps in funding within Canada's environmental sector. The purpose of CEGN's Thoughtleader Series is to inform and stimulate strategic thinking, discussion and debate among environmental grantmakers and others, and to enhance their individual and collective focus on high priority and high impact grantmaking.



Climate change is clearly the most profound environmental issue of our time. Not only because of its potential to damage our ecosystems—and by extension our human economies—but also because it is a synthesis of all other environmental issues; energy (in)efficiency, deforestation, pollution, species extinction, water use and desertification, urban sprawl... many of the most pressing environmental issues are related intimately to the problem of climate change. Therefore climate change is a meta-environmental issue: if we solve this problem, we may solve many other environmental problems at the same time; if we don't, it may not matter what happens with the others.

And let's face it: we're losing... badly. At a time when we need to dramatically reduce our greenhouse gas emissions, they are instead climbing rapidly. Governments are not taking action at nearly the rate required. The world's largest emitter, the US, is downright scornful of any meaningful action. Canada, whose performance up to now has been pathetic, is running headlong in the wrong direction. And China and India seem ready to turn on the energy tap. So, for those who feel that climate change poses real risks, we must face the facts: the hour is late.

But despite the bleak outlook, there are some potential opportunities. The first and most important opportunity is an array of new partners. Environmentalists have lost too many battles to pretend anymore than we can fight alone. And with climate change, we have powerful allies. They include some of the more traditional allies of environmentalists: peace activists, academics, labour groups; but more importantly, climate change has brought to the table a number of groups that environmentalists are more likely to have viewed in the past as foes rather than allies. These include

religious groups not normally known for their support of environmental causes, such as the eighty-six evangelical leaders who authored an "Evangelical Call to Action" asking the Bush administration to take urgent action on climate change. Groups such as this hold enormous sway over the political right wing, and open the door to a new series of potential effective partnerships for environmental groups. Even in Canada, where organized religion plays a less overt political role, there is certainly strong potential to team up with faith groups to advance the cause.

Even more important though is the growing support for change in the business community as it begins to grapple with incalculable but potentially enormous future financial risks of climate change. Concern over these issues has led to projects such as the Carbon Disclosure Project, which now involves over 200 institutional investors with assets of more than \$30 billion. Leading the way on corporate change is the insurance industry, which is already feeling the financial cost of more powerful storms associated with climate change. There's even movement in the energy sector: companies like BP have vocally supported Kyoto; Shell Canada's CEO, Clive Mather, describes himself as having a "personal passion" on the issue of climate change; and TransAlta has set the astonishing goal of cutting their carbon emissions to zero by 2024. Further evidence: a strongly worded, pro-Kyoto call to action at



the time of the United Nations Climate Conference in Montreal in late 2005 was signed by numerous high profile CEOs of such stalwart Canadian companies as Power Corporation, Bombardier, Dupont Canada, Alcan and BC Hydro. It is crucial that the environmental community see this growing number of outspoken CEOs and companies as crucial allies in the battles to come.

The prospects of environmental groups leading a broad coalition of groups—including faith and business groups—arrayed together to fight climate change not only significantly increases the likelihood of success, but it could also be an important victory for the beleaguered environmental movement that would help it to define a more muscular role in public policy discussions of the future. Leading a broad group of traditional and non-traditional allies in a significant but winnable battle over one of the gravest threats to our civilization is the kind of challenge the environmental community needs to embrace.

There is another advantage to tackling climate change: it's potentially a solvable problem. It's measurable, which allows society and business to track our results. We have the technologies to counter it, which are viable and cost-effective. And we know that effective economic instruments are available and how they function.

We also have very clear precedents from our recent past in how to tackle this large and seemingly intractable problem. The most obvious is the experience around acid rain in the late 1980s and early 1990s, where cap and trade mechanisms led to dramatic and cost-effective action on SO₂ emissions that radically reduced the threat of acid rain in a very short time period. While that situation was clearly much smaller in scale, the basic strategy can be utilized again in the present circumstances. In that case the Canadian and American governments together implemented a "cap and trade" system that limited the amount of sulfur dioxide that companies could emit. These limits were reduced over time until overall emissions declined to an acceptable level. Equally importantly, the governments allowed those polluters who could not afford the equipment that would be required to meet the targets to buy credits from other polluters who had reduced emissions below their targets. This allowed the companies who were able to take significant action to sell those benefits in an open market, increasing their return on investment. This had the side effect of ensuring that the capital costs were used most efficiently. The result? Acid rain was reduced more rapidly than anyone predicted, and

at a fraction of the cost. The complaints by industry that this system would force unbearable economic hardship on them were never realized. In fact, the net effect is generally considered to be positive for industry, as the capital investments have paid off over time from reduced expenses.

The proof of the acid rain treaties of the early 90s is that market-based mechanisms to reduce emissions work. They are effective in reducing emissions. They are cost effective and do not hamper economic growth (and in fact arguably generate efficiencies that lead to greater economic growth).

While climate change is clearly a more formidable challenge—it is a global rather than a continental problem, covering a wider array of emissions and gases—many of the features are the same as those that were in place for the acid rain crisis of the 1980s, and every indication is that a range of market-based regulatory frameworks could lead to the same result: a dramatic decrease in greenhouse gases with relatively minimal economic hardship (and long term, real economic benefits). The only thing that is missing is political will. So the irony is that climate change—the largest, most intractable and destructive of all environmental problems—may in fact be the problem we have the best idea of how to solve and fix. And because the benefits will be broadly distributed, we should be able to find the means to sell the changes required to the public if they recognize the very practical risks of inaction and the very practical benefits of action.

But despite the urgency—and despite the natural advantages that the environmental movement has on this issue—the environmental movement has not been nearly as effective as it needs to be in countering the threat of climate change. Canada is falling further and further behind our Kyoto goals. The environmental movement, including the large grantmakers, must recognize and address this failure with some urgency.

I am proposing below a series of concrete steps that I believe environmental grantmakers can employ to help move forward on the problem of climate change with the best chance for positive results.

ENCOURAGE ALLIANCES

By this I mean both alliances within the environmental community—where different environmental groups work together to achieve greater results—and also alliances between environmental and non-environmental groups.

We should be actively encouraging environmental groups to partner together, and even more importantly to partner with non-traditional allies such as businesses or industry groups, church or faith-based organizations to try to build coalitions with the broadest representation, and the most firepower possible.

The assumption underlying this recommendation is that broad based alliances will be more successful in getting tangible results on climate change due to greater political clout and a broader constituency. It also helps to escape the dangerous tendency for environmental groups to be pigeon-holed as advocates of narrow special interests. In short, environmental groups must become more successful at building and activating broad coalitions acting in concert to stop climate change, and the environmental grantmakers need to actively encourage this.

DEAL WITH THE OIL SANDS

The oil sands will likely have more impact on global warming and climate change than any other single energy project being developed in the world today. Reducing emissions from the oil sands could provide the largest single change in Canada's GHG emissions. So oil sands are ground zero for Canada's climate change policy. But we are not dealing with this behemoth. Governments are paralyzed because of the tender political issues that this raises, and memories of other past efforts to regulate energy (1980 National Energy Policy). But avoidance will definitely not make this issue go away. The oil sands are going to be developed. And the only question that remains is at what cost to the world's climate (and Canada's reputation). The environmental grantmakers have to urgently push this onto the nation's agenda.

The environmental community needs to engage government and industry to ensure that all possible measures are being taken to reduce the emissions resulting from the oil sands. Done properly, the oil sands could provide a proving ground for a range of new technologies and policies that could help us reduce greenhouse gasses in the future, and that could be exported to other energy producing countries. An example of this is carbon sequestration technologies. Shell Canada CEO Clive Mather has been outspoken in his support of a mechanisms to tap CO₂ output from the oil sands, transmit it through a pipeline, and sequester it underground; not only is he backing this idea, but he

is willing to invest in it. To be viable, it would require political support too, and so far the politicians have not come to the table (though, interestingly, a few former politicians like Peter Lougheed seem to be addressing the issue). This to my view is a perfect situation for environmentalists, to work with business in an alliance to build public support to help to bring governments to the table to ensure that the proper infrastructure for carbon sequestration gets built. I do believe that a well-constituted and properly funded initiative of this type could be very successful, and would stand a reasonably good chance of causing real policy change. In terms of the impact on climate change, this might be the single most important way to reduce CO₂ emissions in Canada. The essential building blocks of a successful strategy are in place, and we need urgently to push it forward.

EMBRACE MARKETS AND MARKET-BASED SOLUTIONS

Part and parcel of working with the business community on this file is to recognize that markets can be leveraged to deal with this problem. Through development and deployment of new technology, through development of new commodity markets (such as the Chicago Climate Exchange and the newly established Montréal Climate Exchange), through the application of best of breed manufacturing, building and extraction methodologies, companies that can turn carbon reduction into a competitive advantage should benefit from these innovations. The environmental community needs to continue to support the potential ingenuity resulting from the private sector to leverage significant change.

Climate change is such a difficult and challenging problem, and its links to our economic well-being are so interrelated, that environmental groups must become educated and aware and realistic to the kinds of market-based solutions that will be required to turn this around. Cap and trade policies, carbon emissions trading, these market-based solutions are absolutely essential to making a difference on greenhouse gas emissions in the short time that we have, but unfortunately they have met at times with tepid response by some quarters of the environmental community, which sometimes view them as pro-business and offering rights to pollute. I view this as an ideological response to a practical problem.

In short, the environmental community must embrace practical pro-market, pro-business solutions to this complex problem. It will require taking a decidedly pro-

market stand in order to achieve, rapidly, the kind of change required.

WALK THE TALK

Grantmakers should encourage all environmental organizations (including themselves) to act in accordance with best practices with regard to climate change. I would recommend the following, at a minimum:

- 1) Make sure that all environmental organizations (including the grantmakers) track their greenhouse gas emissions, and these should be reported along with financial statements in the annual report of every environmental organization. Where possible the organizations should be encouraged to reduce these amounts on a yearly basis, and to trade CO2 emissions credits to neutralize their climatic impact;
- 2) Encourage environmental organizations (including grantmakers) to put a portion of their investment portfolio into investing in new technologies that reduce climate change. US grantmakers have been more aggressive about using their investment portfolios to create change, by investing into companies that are active in averting climate change (not only grantmakers, I should add, but also pension funds like Calpers have been moving in this direction). It doesn't seem to make much sense on one hand to develop programs to counter climate change on one hand and invest in ExxonMobil on the other. An option (albeit a potentially self-serving one I must admit, as I help to run an investment company that does environmental investing) is to seek to place a certain percentage of your assets with funds or

companies that have a direct, positive contribution to the environment and to climate change.

All of these measures, taken together, I believe will have an impact. It is also worth noting that each of these measures supports the other. For example, by coming to grips with how to use market-based solutions to tackle climate change, environmental groups will be much more successful in attracting business as allies. I believe, then, that building coalitions, focusing on the oil sands, proposing market-based solutions, and "walking the talk" are mutually supporting measures through which the grantmakers can have a galvanizing effect on Canada's climate policy.

As the evidence for human-caused climate change mounts, and as the public begins to understand the potential for climate change to cause not only environmental problems, but potentially cataclysmic economic and societal problems, the pendulum will begin to swing in our direction. The environmental grantmakers can help to ensure that we take advantage of this inevitable move in public opinion to tackle this enormous problem.

As I said earlier, the time is late. Most of the key signals on the climate change front are pointing in the wrong direction. But as the old saw goes: when the going gets tough, the tough get going. And so now is the test for the environmental community, a test of our will, energy, insight, perseverance and competence.



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