Could we be nearing a tipping point in the way we react to the challenge of global warming? The calls in March from the CBI and, separately, from the CEOs of 12 leading companies, in a special letter written to the Prime Minister on 27 May, for government to "set a clear, long term, emissions reduction target" were astonishing for the simple reason that we are not used to such people telling the government to go greener. Research shows the public does not care about climate change, yet behind the scenes there is a huge amount of work going on to address it that is not publicised. Here, we look at this landmark letter from the leading industrialists, and at some of this work and views from different perspectives.

the tipping point are we near it?

BY DAVID THORPE

Cynics will say that these business leaders are squealing just because they know that oil and gas suppies will peak in around five years and that from now on oil and gas will only become more expensive. They therefore need financial incentives now to invest in energy efficiency and new technology in order to make long-term plans.

The government's aspiration of a 60% GHG cut by 2050 needs to be made into a firm target, they say. A projected graph for oil supplies would show that 60% is a pretty good match for the gap between current supplies and what is estimated to be available in 2050.

"We think that taking serious action to prevent dangerous climate change makes good business sense, and that the only way that the private sector can deliver the level of change needed is to work in partnership with government. We believe that the details of how our proposals could best work in practice will need to be worked out in consultation with you, and look forward to discussing ways forward."

The signatories to the letter write that at present "the private sector and governments are in a 'Catch-22' situation with regard to tackling climate change, in which governments feel limited in their ability to introduce new climate change policy because they fear business resistance, while companies are unable to scale up investment in low carbon solutions because of the absence of long-term policies".

They call for a "step-change in development of low-carbon goods and services", and say that delivering this will require a strengthening of policy mechanisms, with an emphasis on the careful and focused use of market mechanisms which will minimise impacts on competitiveness. In particular they argue that the Government should work to extend targets for emissions trading policies to 2025 to increase market confidence and reduce the risk of investing in low carbon technology.

"While it is clear that tackling climate change will impose some upfront costs on businesses, governments and the public, we believe that with the right policy framework in place, these can be minimised and the UK's overall competitiveness need not be adversely affected."

This view is supported by the economic analysis presented in the Third Assessment Report of the International Panel on Climate Change, which shows that:

- Estimated global impacts on GDP of pathways that ultimately stabilise CO^2 concentrations at 550ppm range from 0.2 to two percent in 2050 (ie an impact of less than one year's economic growth);
- The cost of reducing climate emissions can be substantially reduced by intelligent policy design;
- Delaying action is likely to significantly increase the costs of mitigation and be damaging economically.Moreover, potentially the economic costs of adapting to unconstrained climate change could far outweigh the costs of mitigation - both for the UK economy and, more importantly, for the vulnerable economies in the developing world."

Link: *www.cpi.cam.ac.uk/bep/downloads/CLGpressrelease_letter.pdf*

SIGNATORIES TO THE LETTER

Sir John Bond, Group Chair, and Stephen Green, Group CEO, HSBC

Neil Carson, CEO, Johnson Matthey

Howard Carter, CEO, F&C Asset Management

Mike Clasper, CEO, BAA

Iain Conn, CEO, BP

Jonson Cox, CEO, AWG

Mervyn Davies, CEO, Standard Chartered Bank

Sir Stuart Hampson, Chair, John Lewis Partnership

Rob Lloyd, Pres EMEA, Cisco Systems

Ian Russell, CEO, Scottish Power

Hugh Scott-Barrett, COO, ABN Amro

James Smith, UK Chairman, Shell

Trudy Norris-Grey, MD UK & Ireland, Sun Microsystems

Do you think we as a nation are near a tipping point - about to flip over to a massive public commitment to address the problems of global warming? If not, how will we tell when we are? Write and tell us your views and we may publish a summary soon.

Are we moving fast enough to meet the challenge of climate change?

Martin Fry, Vice President of the Energy Institute and Chair of the Communications Advisory Panel

Martin Fry

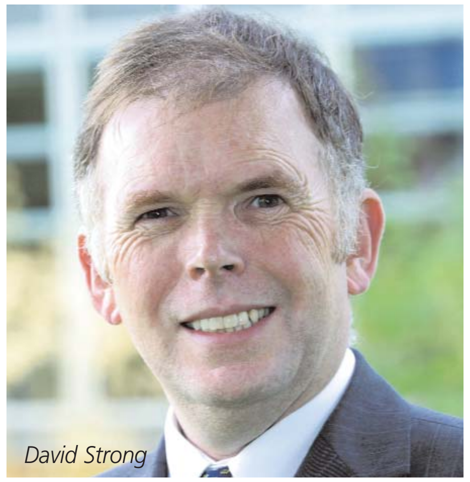
"On the supply side, the speed at which the debate about whether we need nuclear is going in government shows its high priority. A win by the nuclear lobby seems almost inevitable. On the demand side we need to link a commitment to energy efficiency to the nuclear debate. Reducing demand as much as possible could save up to 20% of electricity currently used, so we would not need as many nuclear power stations, but this aspect of the argument is always left out. What is needed is much greater urgency, especially if we don't go down the nuclear route, together with a solid driving force and tightening of the screw, especially in the two big areas of domestic and transport energy use, which unfortunately are both vote losers.

"We need more Energy Service Companies (ESCs) and answers to the question: who pays for it? ESCs need the chance to incentivise. For instance Ofgem could require utilities to set up ESCs to offer customers greater energy savings and low carbon solutions. It should be a lot easier to have decentralised electricity generation. The latest idea is that small generators, say people with a couple of photovoltaic panels on their roof, are charged a standard amount, but this does not incentivise them to save energy. They should be paid for what they export to encourage them to save more and generate more."

David Strong, Managing Director of the Building Research Establishment Environmental Division

"According to the Climate Change Plan, 15.4 million tonnes of carbon are supposed to be saved per annum by 2010 and 25% of this should come from revising the building regs. But nobody is ensuring this will happen. Soon the changes to Part L of the Building Regulations and

We asked eight representative people. The consensus was that we are not, but that a vast amount of goodwill exists, matching the feelings of the signatories to the letter.



David Strong

the Energy Performance of Buildings Directive will be introduced. It seems extraordinary that we can build complex constructions and have rigorous checks on fire, safety and health aspects of the regs, but not for Part L.

"We found that in the case of airtightness more than 60% of houses were noncompliant under the last, 2002, revision of Part L. This is even more worrying when you consider that our own least acceptable standard for airtightness is four times worse than in Germany. What is needed is a quality assurance, self-financing competent persons framework. The dynamics will change with the introduction of building energy labelling, for new buildings from January 4 2006 and for existing buildings by 2009. Every building will have to have such a document when it changes ownership. Actually, in tackling climate change it's the unsexy stuff that will deliver the best savings - things like cavity wall insulation and loft insulation rather than technical fixes."

Andy Kerr, Principal,climate change consultancy E3:

"The level of understanding in publicly funded organisations is very mixed. Some, like Woking Council, are well-informed, but the markets are developing fast. The priority for the public sector is for them to understand, then manage, their emissions, initially by awareness-raising internally, then by looking at local opportunities for small scale renewables such as Combined Heat and Power and energy from farm waste."

Councils can use indirect sources of finance such as The Liveability Fund and Regeneration finance. Additionally, councils can use Renewable Obligation Certificates to generate an income stream and use their buying power to stimulate the market for renewables."

Dale Vince, managing director of ecotricity

"The Renewable Obligation requires utilities to increase their supply of green electricity by 1% every year. We are now in the third year, but only one third of 1% of the annual increments came last year from new electricity. So this is not going to help us reach our targets. If we put turbines on site, we take all the risk and bear all the costs and in return offer a guaranteed price that's usually discounted and cheaper than our customers were paying for brown electricity. All we need are a land lease, and, whether on or off site, a power purchase agreement for 10 to 12 years. So we believe that you really can have your cake and eat it - there is no downside. Increasingly councils are coming to talk to us, so there is a lot of awareness out there, but it's moving too slowly."

Dale Vince

Nicky Gavron, Deputy Mayor of London, responsible for sustainability issues

"Transport emissions are a big factor. London's congestion charge has reduced carbon emissions by 20% and traffic by 30%.We have just launched The Climate Change Agency for London. We will look at renewables and combined heat and power fuelled by liquid petroleum gas. Current incentives for using renewables are inadequate and we are raising with central government the price review mechanisms and barriers under NETTA for grid-connected small renewables, which make it far too expensive and bureaucratic.

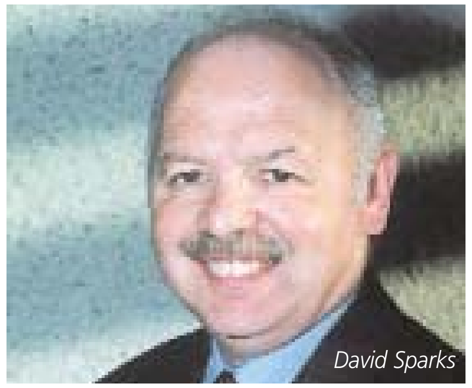
"The CCA will set up energy services companies (ESCs) to use the markets to deliver what we want in a way that has been trailblazed by Woking Council. We are reviewing The London Plan, especially where there is a requirement for developers to provide 10% of energy from renewables and CHP. We are working to have removed the government caveat "where feasible". We are also developing a Low Emissions Zone in London and looking to make our portfolio of buildings more energy efficient.

Nicky Gavron

Councillor David Sparks, chairman of the LGA Environment Board

"We need top-level commitment in local government. On 28 June we launched the first part of our work to give detailed guidance to local authorities on the role they can play in delivering government targets on climate change. A 50 page document, web site and leaflet explain how LAs can be influential. There is local energy generation, recycling of greywater, water butts and gravel soakaways by roads because of the increased rainfall expected. So some of this advice is practical and some ambitious - implying a lobbying role targeting central government, eg on developing financial incentives. Local government has no statutory duty to take account of climate change, so any conflicting messages from Westminster do not help people wanting to implement policies and get support."

Continued on page 20



David Sparks