

The Politics and Economics of Our Climate Future

September 29, 2010

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Best Green Practices Lunch

I am truly delighted to be here today. What a spectacular group of leading players. And a great agenda.

I was going to give a prewritten speech on climate and green energy and green practices.

But there were a couple of problems. First, it was too boring. I usually occupy the speaking position of being the lunch time or dinner time entertainment. You hate to put the crowd to sleep over a heavy meal.

More seriously, I could not discuss with you the obvious, the well-known and often-repeated, when I have had huge doubts about where we are on climate and where we are going, that have been nagging at me for a few weeks. Over the past months and more recently weeks, I have listened, discussed and read; I have listened and discussed and read again. And questions grow. They fester into mild doubts. And the doubts threaten to grow.

About our future. About our future together.

The goal is easy. This time, with regard to climate and our planet; this time, with regard to corporate prosperity and corporate social responsibility, we have to get it right. And we have to get it right together.

I don't think we can anymore afford journeys in the wrong direction, on climate, on corporate prosperity, or on corporate behavior. I don't think we can afford many more false starts. While we perhaps can afford some delay in heading down the right paths, even the time for delay is growing significantly shorter.

This time, we have to get it right. And we have to get it right together – as Europe and the United States, as one planet. That is the only hope we have to leave a better planet for our children than the one we were given.

So I have formed doubts and, more than the fear of boring a worthy crowd, I need to share the doubts. I need to think this through with others. I need to expose doubts to the sunlight and see if they will turn tan or burn.

And that is where you come in. I would love to share them with you. And see over this lunch, over the weeks, over the months or years, where we go together.

But we need to make a deal.

Towards the end of our time together, the prose and the policy may get replaced. The portion to the end rather than any factual recitation will tend more towards musings . . . questions that nag at me,

somewhat random thoughts and concerns. Not polished policy. So please be patient.

And also, I do not intend to offer at that point to offer approved policy or rhetoric. So such musings are not the official policy of the United States. It is not some cleared speech. We can well direct you to tons of pages of official policy of the United States if you like.

Rather this is simply musings of an American who has had a great deal of international interaction surrounding the debates on climate. This is not final conclusions, but opening questions. They are reflections on where we might be and the problems we might face in getting where we need to be. It is not the end of the dialogue; it is an invitation to start the dialogue.

Agreed?

So the starting point of the story is easy. It is not new, but it certainly is worth repeating. It is not the musings, but the history lesson.

And it begins with the mess that we all made together – of our planet and of our economies and of our corporate images.

For far too long, depending on your age, either our generation or my generation has made a mess of things. My generation got it wrong. On so many fronts.

And as a result, we have left the economy, our security, the environment and our corporate images and standing in disarray. We have left them upside down, standing on their heads.

We had been bailed out once. Following the Second World War and up to the end of the 1970's, my country had been a country– and truth be told Europe as well joined along so we had been a world -- largely dependent on old industries and natural resources – steel, coal, heavy manufacturing. Take a look at Newark, New Jersey and Pittsburgh Pennsylvania and Detroit Michigan. Take a look at Charleloi and the abandoned coal mines in the eastern part of Belgium.

In fact Tom Friedman recently similarly but more stridently pointed out that the “backbone of the modern American economy” used to be locally made cars powered by locally produced oil. And in fact, that is both true and perhaps too narrow. Clearly old line manufacturing using and dependent on fossil fuels was the linchpin of our economy.

But the industries slowly withered. We had not invested in the future—our formerly grand cities had instead reminisced fondly about the past. Again just ask Newark, New Jersey or Pittsburgh Pennsylvania, Detroit, or Charleroi or the Winterslag mine. The economy seemed to have no place to go. And workers may have been faced simply with going home.

Who bailed us out in the late 1970's, 1980's, and early 1990's? Who put my country back to work? Who saw the future when so many were still focused on the past?

People like Bill Gates. Steve Jobs, Michael Dell . . . people creating companies like Microsoft, AOL, Apple, Dell, Cisco. The technology revolution.

At the time, my generation thought Yahoo was something cowboys said when they chased horses and Google was a noise babies made when they finished with their bottles.

But that generation of entrepreneurs and creators saw a little further down the road. And we thrived.

But they thrived and we thrived not by identifying and addressing the fundamental flaws of economies based on fossil fuels for their manufacturing and for their use, not by addressing the flaws of economies that used up rather than sustained, but by avoiding the issue. By putting off the day of reckoning by finding new formulas for economic growth that could divert our attention.

So did it last? Did we learn our lesson? The lesson about the path to continued success? The lesson about creativity, innovation and entrepreneurship? The lesson about sustainability? About the direction we have to go in if the world is going to be truly round so that we can continue just going around and around?

Hardly.

Through most of the first decade of this new century, my generation, our generation, continued to make a mess of things. Continued to leave our economy, our security, and our environment in disarray. And think what that did for their corporate image – of automotives, of fossil fuels, of companies that look only to the past even as we are fear what might happen in the future.

It was all too easy to get there. All it required was the cozy life, the path of least resistance. We needed to drive our cars and fuel our lifestyles. Simple.. Build an economy on manufacturing locally and powering it on local oil.

And when that ran out, when we could no longer build locally with resources, when we were no longer competitive enough to build locally, when our efforts were no longer sustainable either economically or given the division of the planet's natural and human resources, we could simply slowly transition to foreign sources, and never stop to notice from where we had come and to where we were headed.

All we had to do was buy more from other places. Buy more cars elsewhere. And buy the fuel elsewhere. So we switched from fueling our economy on locally made goods powered locally, to buying cars from the East, powered by fossil fuels from the Middle East. Even when some of the countries we were thereby supporting were less than friends of ours.

And we needed to pay for that fossil fuel addiction. Easy again. All we needed to do was borrow heavily, often from the Chinese.

So we ended up borrowing from the Chinese to pay \$800 million/day for oil to folks, some of whom at least sometimes meant us harm thereby undermining our national security and our financial stability;

And in so doing, we failed to invest in new technologies and alternative energies that could fuel the next generation of employment opportunities, thereby destroying our employment prospects;

While at the same time destroying our corporate images making both the fossil fuel industry and the

automobile industry often the target for our frustration rather than for our admiration.

While we at the same time contributed to the physical destruction of our planet choked in carbon.

Could we get it more wrong? At a personal level? At a social level? At a corporate level? At a country level? Or at a planetary level?

Could we get it more wrong?

But as noted above, that is just the history lesson. Not the musings and not the questions. The rendition till now are simply the facts of our past.

And there is more that is clear and factual that should be placed on the table as we follow our journey of our planet, our past, our successes and our challenges. As we follow our journey of “best green practices.”

For it is factual that some – some commentators like Tom Friedman, some corporations like many of you here—have well understood this sad saga of the past and the path of success for the future.

So a large part of your corporate social responsibility programs start with incorporating green practices. Does it matter? Does going green really help the planet? The corporation?

As to the planet, one corporation can not save the planet by its carbon savings. But it is obviously better to be part of the solution than part of the problem. Moreover, corporations never act in isolation. Corporations send messages to consumers, consumers send messages to corporations and trends form. Trends become industry standards and modes of operation. And industry standards and modes of operation can indeed save the planet.

Can incorporating green practices really help the corporation. I had an interesting lunch yesterday sponsored by the King Bauduin Foundation. It brought those who run the philanthropy foundations of some of the leading American corporations to Belgium to discuss our similarities and differences in corporate philanthropy.

American corporations have long understood that giving back – corporate philanthropy programs—is a necessary part of taking out. If you are going to sell pharmaceuticals, you need socially to invest in public health. Sell financial services and you need to support education.

Consumers and citizens expect no less.

But transforming to green operations, I would submit, is indeed a corporate philanthropy program on steroids. Citizens first ask what have you saved before they will ever ask how much you have spent. Corporate philanthropy programs are the language of the prosperous; green energy is the language of the people.

Don't believe me, believe yourselves. Ask Nike for example. For too long, Nike was able to crow about the quality of its sneaker and the benefits for consumers, but feared the debate on corporate social responsibility. At the time, before American companies could get ahead of foreign manufacturing labor practices, try as they might, American manufacturers had difficulty getting on the

right side of the corporate social responsibility divide.

Last week, I attended an award ceremony in Turnhout for Nike. It was not a rare occurrence. They have a video that they show at such award ceremonies. I talk frequently with our Department of Energy about trying to arrange a visit for our Secretary of Energy to Nike's distribution center in Belgium.

Where lies the change? From where came the revolution in matching the fleetness of sneakers and with the flight of conscience?

Nike in Belgium has proven that it can not only economically but also ecologically produce products in the East, send them all to Belgium for logistics and distribution, and resend them throughout Europe, Russia and the Middle East. By using barge and rail, with virtually no trucks or planes, and by running the logistics center on 6 windmills, Nike has shown that it can be more ecological to go East, West, East then going from the East to the East by air and truck.

To now, we have covered relatively undebatable ground. The problem of our past and turning to green in a manner akin to corporate philanthropy.

But can we stop there? I think our discussion and our joint thinking can only be beginning.

Because so far our success and our planet remain in peril. Green as a tool of corporate philanthropy cannot get us to where we need to go.

And thus for a long time, I and most of the planet believed the solution was in diplomacy and politics. Talk out the problem as responsible nations. Figure out the limits the planet will bear and responsibly divide up the manner of meeting those limits.

And although an amazing amount of progress was made at Copenhagen, we did not get there. In Copenhagen, we could not find common ground between the developed and developing nations.

I had no despair. I certainly understood the position of America and our Congress and thus of our negotiators.

The United States was willing to sign and be bound to a formal agreement regarding our climate future. Europe was willing to sign and be so bound.

But the reason to sign and be bound was to save the planet. And 97% of the carbon that will be produced between now and 2050 will come from countries outside of the U.S. and Europe. It seemed like a no-brainer that there was no reason to sign anything unless the countries who will produce that 97% of the world's future carbon agreed to sign and be bound as well.

So to us, there could be no point in sitting at a no-smoking table for 2 with Europe, when the entire restaurant puffed smoke throughout. No reason to be bound alone.

But the others were not willing to be bound. They claimed that we – the West – had our generations of development and used it to raise our standard of living, leaving the planet in its current mess.

They claimed they should not have to play by new rules until their standard of living catches up. That it was unfair to them now to have to play by the rules of the developed West when their per capita annual income was \$3200 and could only be raised by following the same development path that had led to our carbon choked path. They argued that we could not only try to lead by persuasion, but we had as well to lead by example. In other words, we had to go first with no guarantee that anyone in the developing world would go second or that going first would have any effect whatsoever on avoiding our peril.

For months, I assumed the correctness of the U.S. position and that others were engaged in a negotiating ploy perhaps to buy some time. Diplomacy was as always slow and hard earned, but would surely eventually reach the goal line.

And then in the past couple of weeks, I have had a series of discussions and meetings. I hosted 20 Ambassadors to Belgium from G-20 countries including my friends the Ambassador from Mexico and China. I heard them articulate from next to me at lunch the case for China and others that I had implicitly dismissed as gamesmanship. I bought it no more than before. But I learned first hand that they did. That they viewed our position as flawed as I viewed theirs.

And then it struck me. As long as the paradigm pits economic prosperity and development against climate, against green, against saving our universe, perhaps no political and diplomatic solution can be reached. Perhaps in the current state of technology, Copenhagen had to have its limits and perhaps Cancun too is limited by technology to only moderate success.

As long as the nations of the world are negotiating the trade-off between economic prosperity and ecologic salvation, no political solution can be had. That the question so posed – what limits on our current prosperity will we accept to ensure our future viability – no negotiated solutions can be had.

So perhaps the Nike corporate solution is the only one that could lead to a climate deal. Perhaps the only negotiated solution that can be reached is one conducted when no negotiations are needed. When climate is pursued not despite its costs to development, but because it fosters development. When "Green is economic king" refers to both energy and dollars and not to dollars alone. What may be the stumbling blocks for climate summits is not our good faith going in, but the positions from which we start and the tools at our disposal.

If that is indeed the case, where does it leave us?

I am not sure.

But we have some signs and some cues.

First, the powers at the table seem to understand these limits. They realize that the only solution may be to pursue economic dominance and to bring ecologic salvation along as a bi-product.

Thus, as Tom Friedman recently noted, Beijing just announced that it was providing \$15 billion in seed money for the country's leading auto and battery companies to create an electric car industry, starting in 20 pilot cities. In essence, China Inc. just named its dream team of 16-state-owned enterprises to

move China off oil and into the next industrial growth engine: electric cars.

And there can be no doubt. If in fact electric cars actually work – if technology can replicate travel off of fossil fuels to mirror gas-based travel, then whoever gets there will control both the automobile industry and the power industry.

Thus President Obama has spoken as well with both his mouth and his pocketbook. Four months ago, in August, in signing the Memorandum on Standards for Fuel Efficiency, the President explained: “We know that our dependence on foreign oil endangers our security and our economy. We know that climate change poses a threat to our way of life -- in fact we’re already seeing some of the profound and costly impacts. And the disaster in the Gulf only underscores that even as we pursue domestic production to reduce our reliance on imported oil, our long-term security depends on the development of alternative sources of fuel and new transportation technologies.

But we also know that our economic future depends on our leadership in the industries of the future. Around the globe, countries are seeking an advantage in the global marketplace by investing in new ways of producing and saving energy. From China to Germany, these countries recognize that the nation that leads in the clean energy economy will lead the global economy. And I want America to be that nation.

And that’s why, when we fashioned the Recovery Act to get our economy moving again, we emphasized clean energy. Today, we’re supporting the development of advanced battery technologies. We’re doubling the capacity to generate renewable electricity. We’re building a stronger, smarter electric grid, which will be essential to powering the millions of plug-in hybrids -- cars and trucks that we hope to see on the roads. It’s estimated that through these investments, we’ll create or save more than 700,000 jobs. And these investments will help businesses develop new technologies that vehicle makers can use to meet higher fuel efficiency standards.

I believe that it’s possible, in the next 20 years, for vehicles to use half the fuel and produce half the pollution that they do today. But that’s only going to happen if we are willing to do what’s necessary for the sake of our economy, our security, and our environment. ”

So the race is on for green economic superiority. It is seen as a race to save our economies.

But it may well indeed be the only way to cut through the political log-jam. As long as both sides have earnest and just arguments regarding our climate future, future Cancun’s may only be as successful as they are unnecessary because economics may have lead the way.

But one more musing. I have not just watched Chinese \$15 billion investments and listened to my President. I have indeed also spoken to businessmen who have a long and thoughtful history in the world of fossil fuels. They have had their chances – many times – to hedge their bets. To invest in electric cars. To invest in wind, solar or biofuels.

And time and time again, they invest only in enhancing the efficiencies of fossil fuels. They say the numbers cannot ever work otherwise. Not for any of those who race for economic dominance.

Given the constraints of our politics, that conclusion is concerning indeed. I have no idea if it is right. Many are betting a great deal of money that it is not.

Our future may depend on it.

Best of luck and all the best.