

A Business Case for Reducing Greenhouse Gases

Ralph Martin, Dec 16, 2019

What if a smart way to make money was also a smart way to reduce greenhouse gas emissions? It is apparent that those with a nose for business are not only asking this question but are also investing accordingly.

Copenhagen, on its way to being carbon neutral by 2025, has managed this transition with a concurrent 25% growth in its economy, over two decades, as reported in the Guardian on Oct 17 (<https://bit.ly/2PqYkAp>). “The Danes have a trading mindset, meaning ‘What will I have to sell tomorrow?’ is just as important as ‘What am I producing today?’”

I recall being in Copenhagen in January, about 15 years ago. My colleague at the university in Copenhagen biked and did not own a car, renting one if he needed to travel in rural areas. On my first morning while walking, I stared at 4 lane city roads which had the curb lane on each side assigned solely to bikes. Danes pedalled their children (sometimes two) in bike seats to childcare and then carried on to work with briefcases and tote bags, as if it was the most normal routine in the world. Their youngsters perched calmly in full winter gear and sometimes chatted with buddies on adjacent bikes.

I thought about them last month when my 12 year old Georgetown friend, Spencer Lippa, was on his regular all-day Friday school strike for climate. He was so well bundled, I had to lift a hat flap to make sure it was indeed Spencer. His smile said it all. He’s investing in the future in a tangible way, within his range of choices.

David Berman wrote in the Globe and Mail on Dec 13 (<https://tgam.ca/2PqXJyF>) about three companies, based on wind and solar energy, which had rising share prices within the last year of 27% (Northland Power Inc.), 34% (Algonquin Power & Utilities Corp.) and 72% (Brookfield Renewable Partners LP). In contrast, the fossil-fuel heavy S&P/TSX Energy Index had modest gains of 12.6%. “The cost of renewables has come down substantially over the past five to 10 years, to the point where they are competitive, even without subsidies,” said Chris Namovicz of the U.S. Energy Information Administration.

During the recent federal election, a former auto executive, now a consultant, told me that the auto sector will beat the Green Party plan for all new vehicles to have non-internal combustion engines by 2030. He assured me that research has shifted from the engines of the past to a focus on better batteries and electric motors.

In order to make profits for shareholders, companies must manage risks. Coal companies face big risks today as well as anticipated pollution lawsuits. In a Guardian article on Dec. 2, Julia Kollwe (<https://bit.ly/36HneSc>) reveals that “at least 35 insurers with combined assets of \$8.9tn, equivalent to 37% of the insurance industry’s global assets, have begun pulling out of coal investments.”

Mark Carney former Governor of the Bank of Canada and now Governor of the Bank of England refers to their latest survey (<https://bit.ly/2RYH4UQ>) whereby “almost three-quarters of banks are starting to treat the risks from climate change like other financial risks—rather than viewing them simply as a corporate social responsibility. Banks have begun to consider the most immediate physical risks to their business models—from the exposure of mortgage books to flood risk to the impact of extreme weather events on sovereign risk.”

Carney goes on to describe “tilt” investment strategies, with high proportions of environmental, social, and governance (ESG) stocks, and “momentum” investment strategies. These investments have outperformed global benchmarks for close to a decade.’

Timothy Lenton and his well qualified colleagues in climate and earth system sciences argued in a paper in Nature (www.nature.com/articles/d41586-019-03595-0) last month that “the intervention time left to prevent tipping to a hothouse climate state could already have shrunk towards zero, whereas the reaction time to achieve net zero emissions is 30 years at best.” They deliberately used insurance calculations to emphasize that “the stability and resilience of our planet is in peril.”

Business people expecting to make profits beyond this decade should listen up. Business acumen cannot trump physics. Nevertheless, entrepreneurship, applied quickly and effectively, can reduce greenhouse gas emissions, while also providing livelihoods.

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