



# Sustainable Development in Corporations: The Phoney War

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**30th October 2010**

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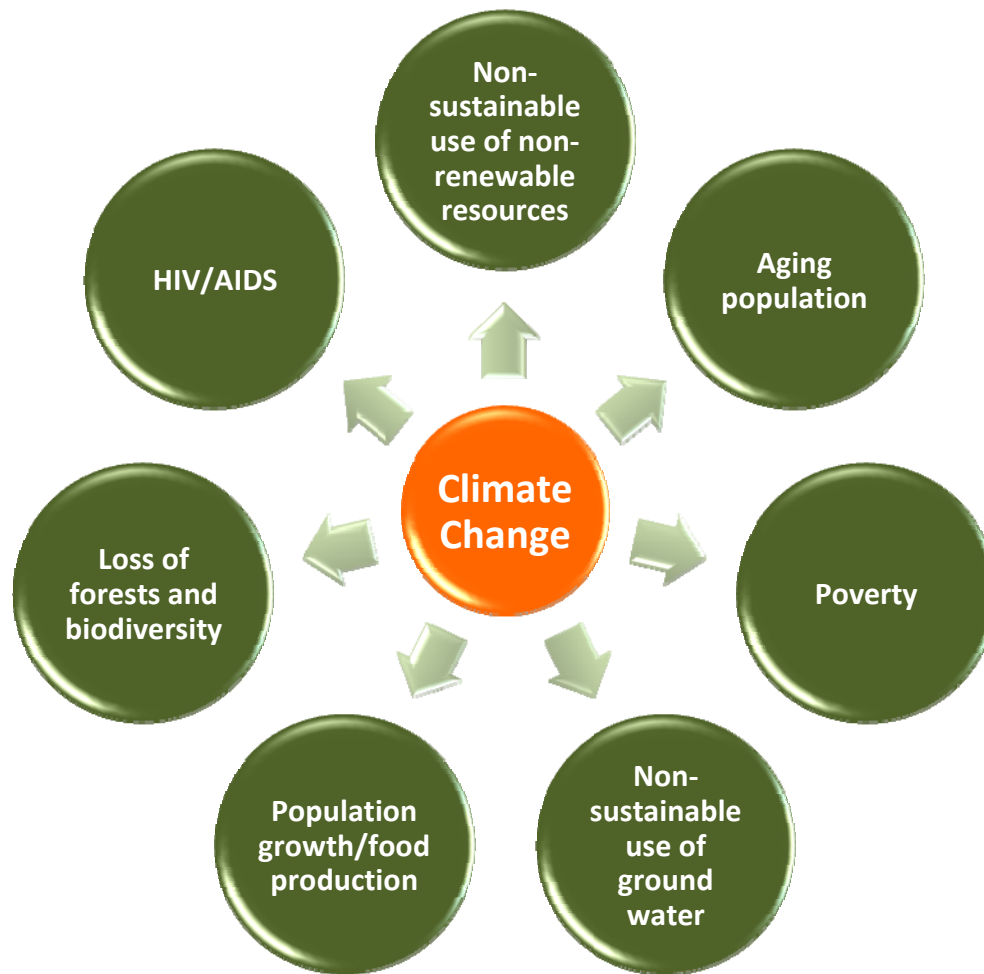
## **AGENDA**

- **Sustainability – what problems and why do we have them?**
- **Corporate response to SD problems**
- **The Phoney War examples: Aviation Emissions and Building Energy Efficiency**
- **How long will the ‘Phoney’ War last?**

# Sustainability problems



# Sustainability problems



# Why do we have sustainability problems?

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**Answer: You can't fit infinite growth into a finite world:**

- **Demand is increasing:**
  - Population growth
  - Developing Countries aspiring to the same standard of living as the Developed
- **Global warming is reducing the carrying capacity of the planet**
- **Buffer stocks are running out. E.G. fossil fuels, forests, ground water and wild fish.**

# Why do we have sustainability problems?

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## Answer (continued):

- **Materials and resources (e.g. oil and wild fish) are priced at extraction cost rather than replacement cost.**
- **External costs not paid for (e.g. polluting a river; CO2 emissions).**
- **Economic prosperity depends on growth but sustainability will not be achieved until growth stops.**
- **Short-term focus: Inadequate planning for resource constraints.**

# Reasons for companies take action on sustainability problems

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1. Eco-efficiency (cost saving)
2. Regulatory pressures (MBEC)
3. Corporate image
4. Shareholder value depends on future cash flow.  
Future cash flow depends on having:
  - a sustainable business
  - in a sustainable community
  - in a sustainable environment

*You can't be a healthy fish in unhealthy water.*

# Swire's approach to Sustainable Development

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## Holding company:

- Set governance structure and policy.
- Provide implementation toolkit and training

## Operating companies

- Create action plan for implementing the policy.
- Implement and self assess.

## Holding company:

- Monitor and assist.



# Swire Sustainable Development Policy

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**Policy in our operations on**

- **Environment**
- **health and safety**
- **Employees**
- **Value chain: suppliers customers and consumers**
- **Communities**

**Industry leadership: working wth others to promote sustainable development in the industries in which we operate.**

**Making it happen: company action plans; staff involvement, monitoring and reporting.**

[www.swirepacific.com/sd](http://www.swirepacific.com/sd) - for full policy

# Governance and toolkit for Sustainable Development

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Stage	Actions	Tool kit
Plan	Identifying issues? What is important to our company? What action should we take? Committing resources	1) ERM 2) Stakeholder Mapping 3) Best in class
Control	Self assessment to confirm action taken	Self Assessment Questionnaire
Report	Telling stakeholders how we are doing and getting their support	Global Reporting Initiative

# Business's action sustainability issues

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## Mitigation:

1. Business managing their own impact.
2. Value chain management and Choice Editing.
3. Community investment.
4. Policy advocacy - including working with others for industry change.

## Adaptation:

1. Planning for likely changes.
2. Adopting strategies which benefit from opportunities and manage risks.

# Action: (1) Managing own footprint

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Measure, adopt meaning full KPI and then manage it down.

Examples:

- Beverages liters of water used per liter of product produced.
- CX CO<sub>2</sub> emitted per Air Tonne Kilometer
- Number of sheets of paper used

# Action: (2) Value chain (suppliers, customers & consumers)

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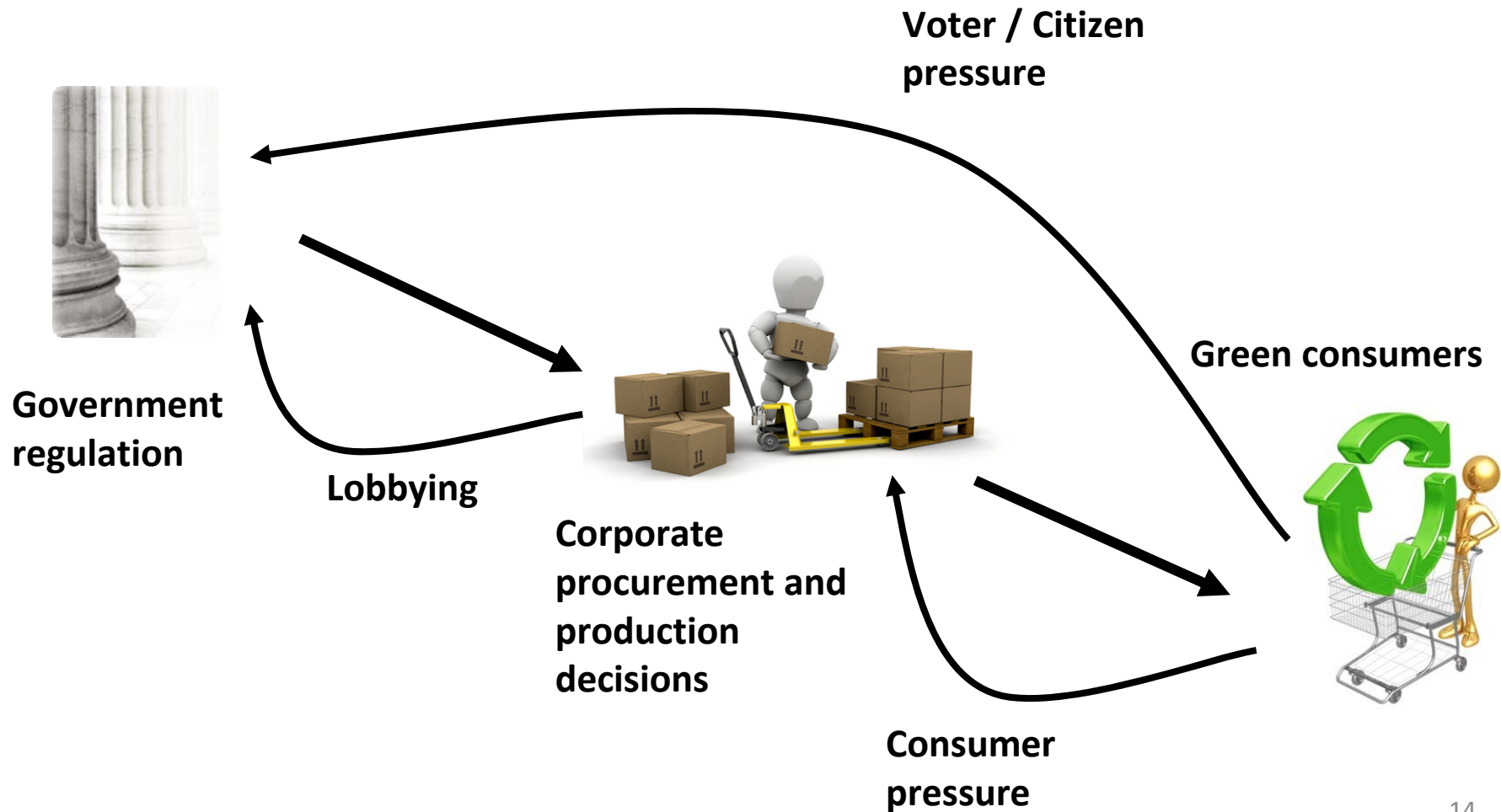


- **Supplier Code of Conduct covering environmental, labour and other CSR issues.**  
“Give us the best price while complying with the COC.”
- **Product certification**



# Action(2): Value chain choice editing

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# Action: (3) Community Investment

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Future Generations  
Green Long March



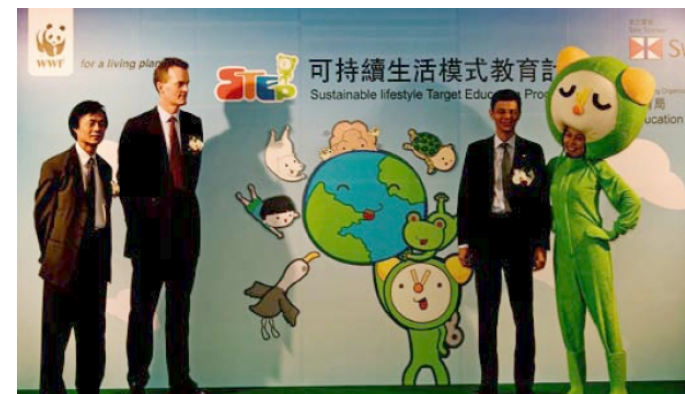
SNOMS ocean CO2 measurement



HK Philharmonic Orchestra



STEP - Sustainable Lifestyle  
Target Education





# Action: (4) Working with others for SD of the industries in which we operate

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## Benchmarking

- Tsinghua University – building energy efficiency



## Non Governmental Organisations

- Climate Change Business Forum – GHG emissions guide for business



## Policy Advocacy

- The Climate Group – Aviation Global Deal





# The Phoney War – bunker fuels

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**Chicago Convention**  
**Equal treatment for**  
**airlines**

**UN Framework Convention on**  
**Climate Change**  
**Common but differentiated**  
**responsibilities**

**The Aviation Global Deal (Cathay Pacific, BA,**  
**AF/KLM, Finnair, Qatar, Virgin, The Climate Group)**

**All airlines pay the**  
**same for their**  
**emissions**

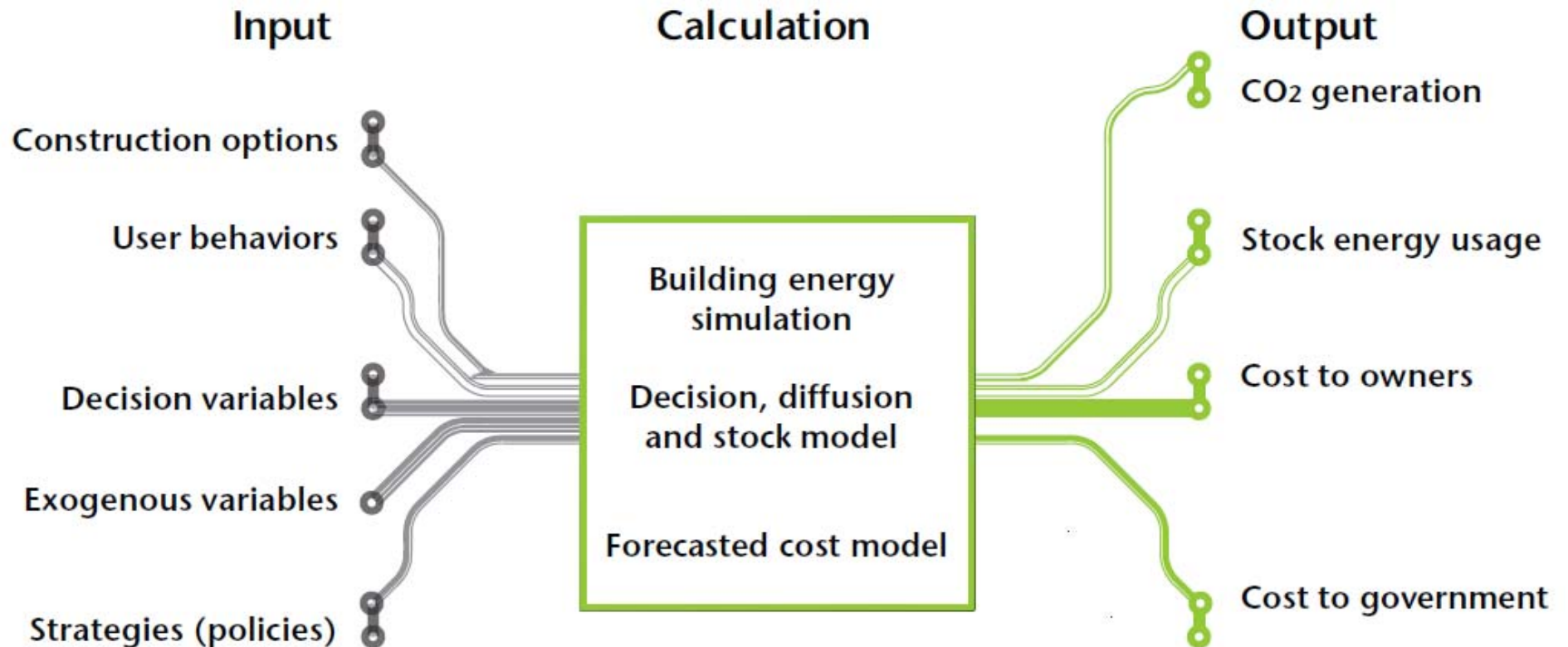


**An international body uses**  
**the funds for climate change**  
**mitigation and adaptation**  
**in developing countries**

**Danish Shipping Proposal (+ HK Shipowners Association)**

# The Phoney war on Building Energy Efficiency

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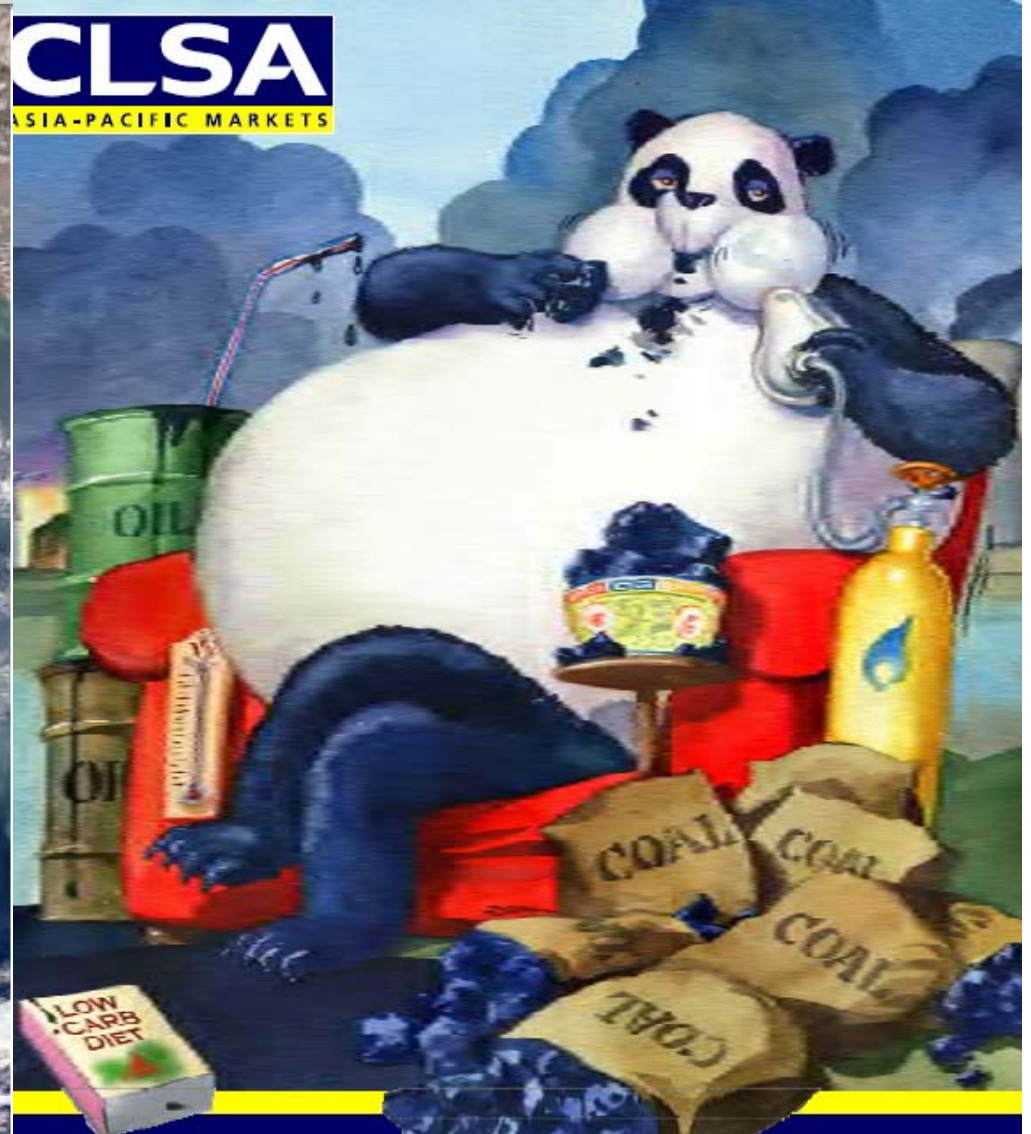
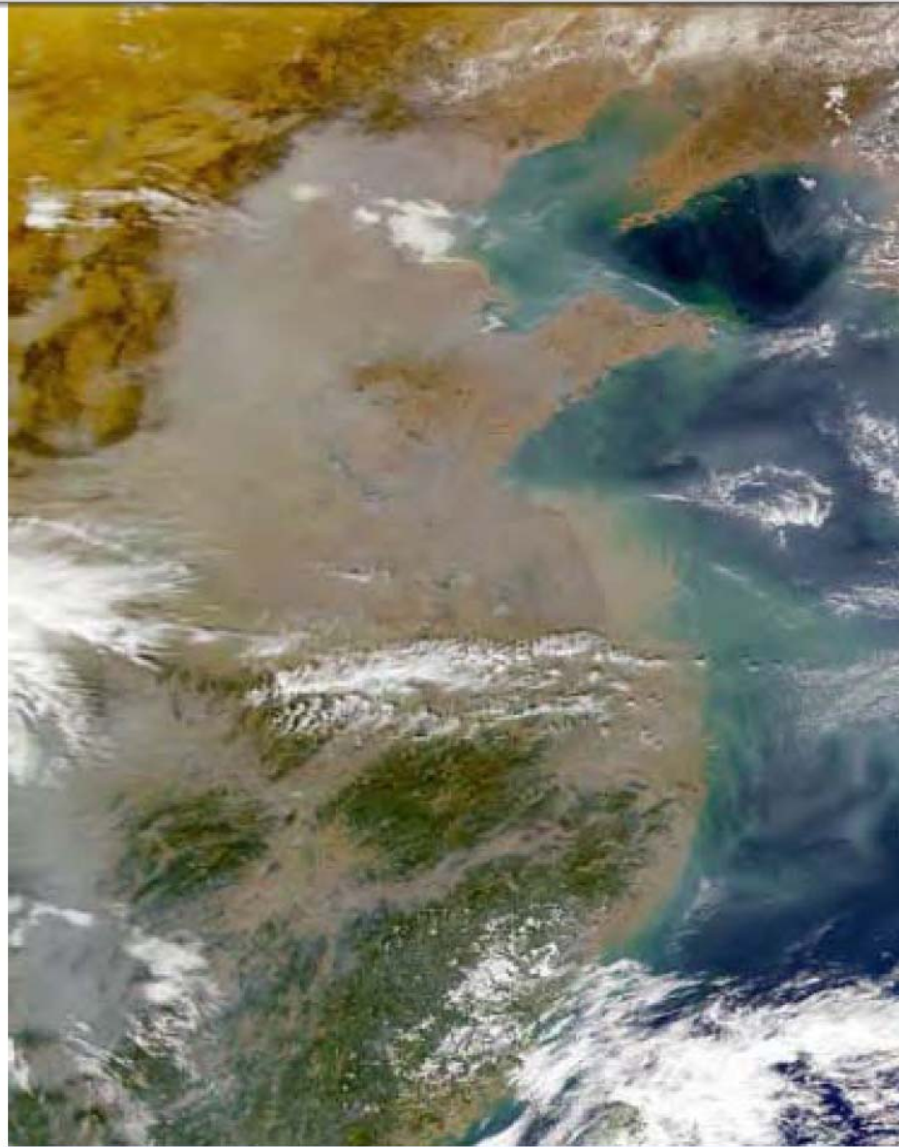
77% reduction possible of which 52% <10 year payback @ oil price of US\$60.barrel

No1 recommendation for facilitating change: **Strengthening building codes and energy efficiency labelling for increased transparency**

Action prior to regulation : Cost saving? Corporate image. Positioned for post regulation.

# How long can BAU continue?

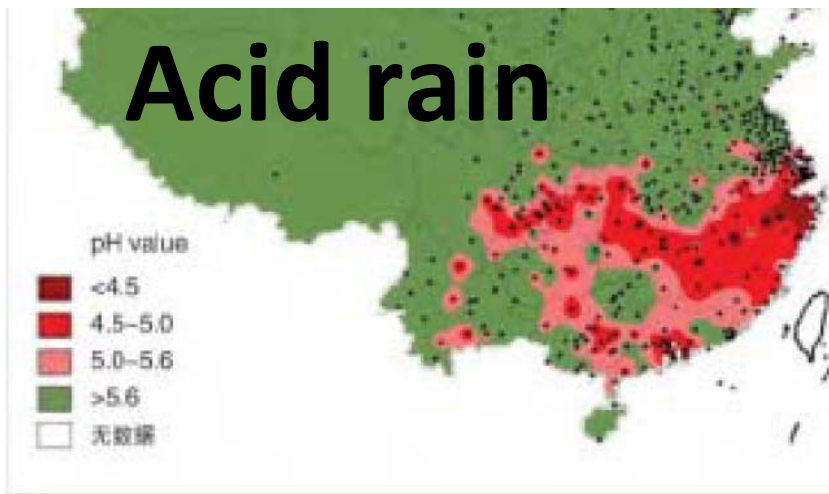
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Note: This seaWiFS image of eastern China shows the widespread nature of the pollution problem  
Source: Provided by the SeaWiFS Project, NASA/Goddard Space Flight Center and OBRIMAGE



# How long can BAU continue?



Source: Ministry of Environmental Protection, CLSA Asia-Pacific Markets



Source: Google maps, CLSA Asia-Pacific Markets

Polluted river in Shangbei



Source: Imaginechina

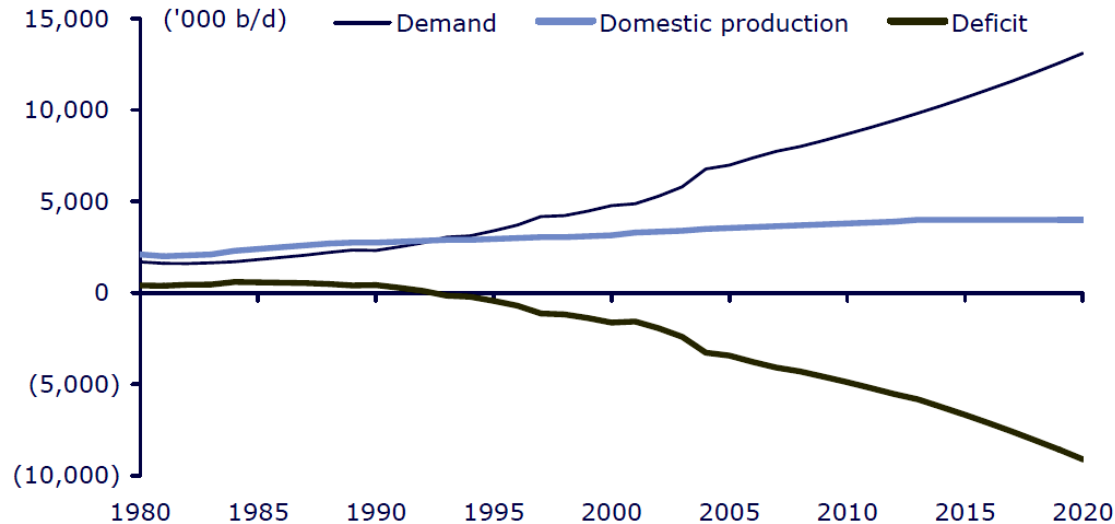
## Water quality of key freshwater lakes

Name	Index of nutrition	State of nutrition	Water quality	
			2008	2007
Dalai Lake	68.7	ME	>V	>V
Baiyangdian	65.3	ME	>V	>V
Hongze Lake	55.8	SE	>V	>V
Nansi Lake	50.8	SE	IV	V
Bositeng Lake	50.7	SE	III	III
Poyang Lake	49.4	Mesotrophic	IV	IV
Dongting Lake	46.6	Mesotrophic	V	IV
Jingbo Lake	40.1	Mesotrophic	IV	IV
Erhai Lake	38.9	Mesotrophic	II	III
Xingkai Lake	-	-	II	IV

Source: State of the Environment 2008, CLSA Asia-Pacific Markets

Figure 65

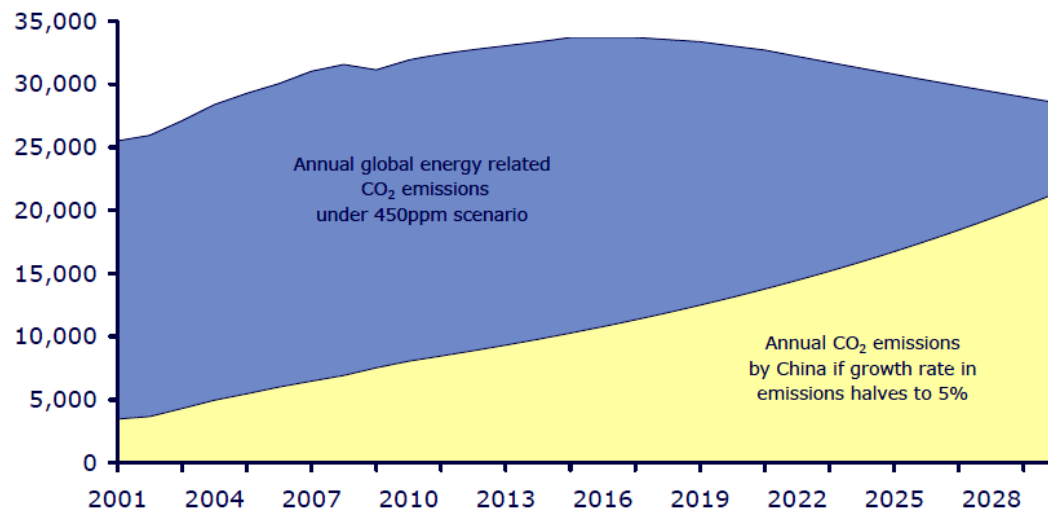
### China's oil deficit



Source: CLSA Asia-Pacific Markets

Figure 59

### China's share in Global CO<sub>2</sub> emissions under 450ppm scenario



Source: IEA, IPCC, CLSA Asia-Pacific Markets

# China's oil deficit and GHG emissions

## Implications:

- BAU cannot continue for long in China.
- Energy cost will rise.
- More regulation of building energy efficiency.

# Sustainable Development in Corporations: The Phoney War

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## Key points:

- Human civilisation is unsustainable and must undergo drastic change.
- Better unpleasant change soon than catastrophic change later.
- BAU will continue until Governments regulate
- What can companies do during this ‘phoney war’?
  - Competition limits action companies take ahead of regulation
  - How much will long life assets be worth when regulations change?
- Lessons from 1939/40 (Alfred Jodl)