

sydney.edu.au/business

The University of Sydney Business School

Research highlights



Having it all and avoiding climate disaster? Maybe not.



Research highlights

Having it all and avoiding climate disaster? Maybe not.

Professor Christopher Wright is casting new light on the role of business as both a contributor and potential provider of solutions to the climate crisis.

Climate change represents perhaps the greatest challenge facing humanity this century. In the space of two centuries of industrial development, human civilisation has changed the chemistry of the atmosphere and oceans, with likely devastating consequences. Business organisations are central to this challenge, in that they are key producers of escalating greenhouse gas emissions but also offer hope of innovative ways to decarbonise our economies.

In a recently published book, *Climate Change, Capitalism and Corporations: Processes of Creative Self-Destruction*, the University of Sydney Business School's Professor Christopher Wright and fellow researcher, Professor Daniel Nyberg, University of Newcastle, offer a sobering yet hopeful account of how corporate myths have slowed our response to human-caused climate change, and what we can do about it.

Every day fresh evidence shows humanity is shuffling ever closer to the abyss.

Rather than being doomsday prophets Wright and Nyberg are trailblazers who illuminate the darkness caused by economic and political myopia in relation to the escalating climate crisis. The authors warn that in our comfortable, affluent society it is easy to ignore the threat and live in the moment. However, there is also something uplifting in recognising the scale of the challenge we now face.

In *Climate Change, Capitalism and Corporations: Processes of Creative Self-Destruction*, released by Cambridge University Press in September 2015, Wright and Nyberg articulate the manner in which business responses or myths about climate change have contributed to our current sorry state, and identify more meaningful ways of responding. The authors describe how global capitalism has accelerated human ecological impact to such an extent that we are now fundamentally distorting ecosystems and the climate itself in disastrous ways.

Instead of accepting a 'business-as-usual' narrative, they advocate a call to arms that re-imagines alternatives to our current path and brings about rapid and dramatic changes, as is required in times of war.

Wright and Nyberg add their voices to the likes of social activist Naomi Klein, environmentalist Bill McKibben and Pope Francis, who argue that climate change isn't simply an environmental or 'green' issue, but in fact the issue that defines human society this century. Yet the response from business and governments to this defining global crisis has been strangely quiet.

When the authors began their research in 2009, hope was on the horizon for a coordinated response to climate change by world leaders. Change seemed imminent with Nicholas Stern's influential economic analysis in 2006 urging leaders to tackle the greatest market failure of all time. Copenhagen climate talks were around the corner with the promise of a game-changing global agreement. But a major coordinated response was not to be.

Wind forward to the present. Now, in order to prevent more than a 2°C rise in global warming (agreed by scientists and politicians as the limit if we are to avoid environmental catastrophes), climate experts warn that drastic alternative action is needed. One proposed course of action is cutting emissions in industrial nations by an unprecedented 10 percent per year, which means severing GDP from a reliance on fossil fuels and a huge uptake of renewables, such as wind and solar energy.

Another course of action for developed economies is economic de-growth. Neither of these alternatives have been given the time of day by politicians or corporates, and in this neoliberal era any suggestion that we wind back the economy is tantamount to heresy.

Wright and Nyberg ponder why the business response to climate change has been so limited, and suggest that a number of political myths are masking the urgency of the problem and wooing us into a false sense of security, while maintaining the 'business-as-usual' ethos. They are the myths of:

- corporate environmentalism
- corporate citizenship
- corporate omnipotence.

In effect, these myths work as blinkers. They limit our imagination, preventing us from seeing not just where we are heading, but the roads we have neglected to take. They are not the only political myths or narratives regarding the climate crisis, but within the business world they act as dominant framings for preserving corporate legitimacy and rejecting critique.

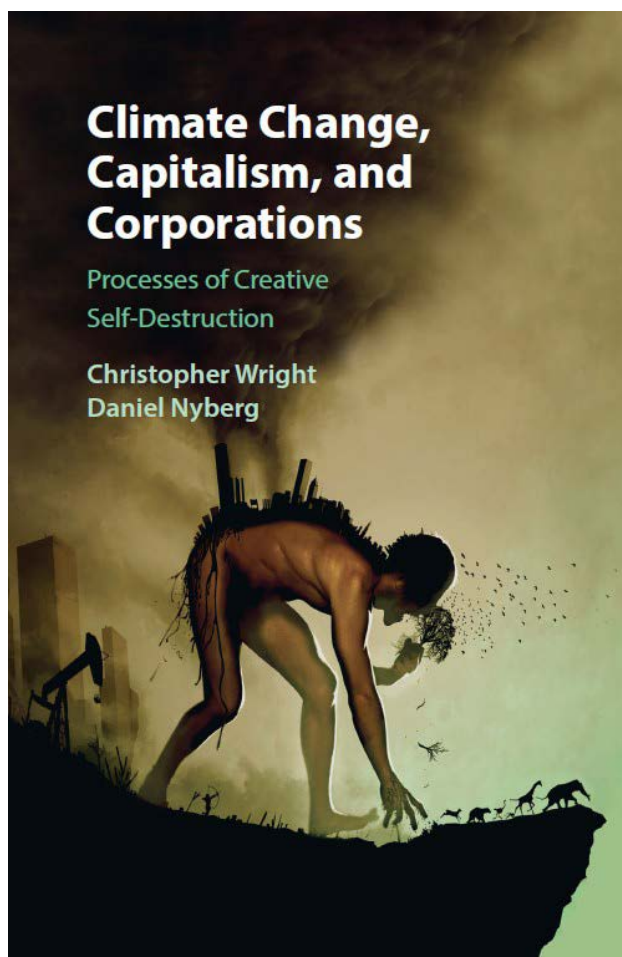
The myth of corporate environmentalism fits within the wider concept of ecological modernisation in offering the incorrect but comforting message that ‘all will be well’ as human ingenuity will deal with environmental degradation. Corporate environmentalism presents corporations as neutral providers ‘solving’ climate change through technological innovation and the production and consumption of ‘green’ products and services from eco-efficiency, waste reduction, and recycling to ‘green’ branding, environmental reporting, and the adoption of more ‘sustainable’ approaches.

Individuals are encouraged to do more of what we already do as ‘green’ employees and consumers, as if we can consume our way out of this crisis caused by overconsumption. Rather than question the political, economic and social structures leading to rampant overconsumption, we are led to believe the market will work it out.

Wright and Nyberg warn that this narrow focus, for instance choosing between ‘brown’ and ‘green’ consumption, is not nearly enough to make a real difference. Rather, we need to bring into the debate a wide range of alternative concepts, such as humanity, community, future generations, Earth and biodiversity, in order to face the gap between our beliefs and behaviour, and the ecological violence we have unleashed.

The myth of corporate citizenship portrays corporations as good moral citizens with the capacity to act where state ability is lacking. Closely aligned with corporate social responsibility, corporate citizenship is seen as advancing developing economies where governments have failed by increasing business involvement in education, health, sanitation, security and other provisions.

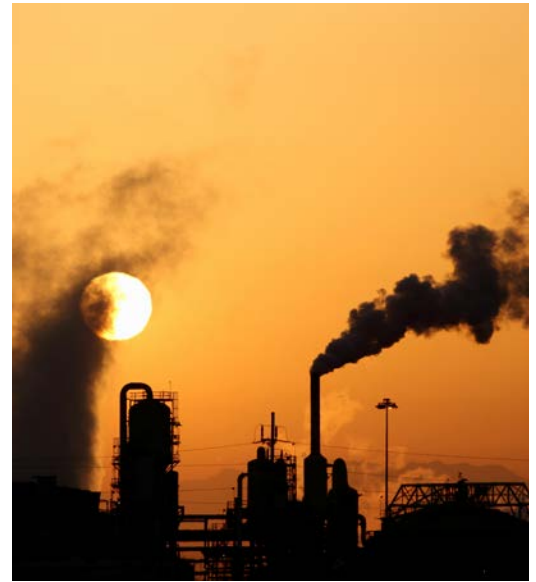
Crucial to all these endeavours is the argument that corporations’ role in complementing inadequate government action legitimises business expansion, when the true motive is more likely to be about keeping a ‘finger in the pie’.



Wright and Nyberg warn that the myth of corporate citizenship masks less altruistic underlying intentions. By presenting themselves as key civic actors, corporations are well placed to inform the political agenda by influencing legislative and social outcomes, and in doing so creating an imbalance with other groups and a decline in democracy. What is good for corporations is not necessarily good for all.

The myth of corporate omnipotence is a response to climate change that argues in favour of more capitalism, not less. Its position is that businesses, with their rational expertise, are best placed to tame nature. When Stern framed climate change as the “biggest market failure the world has seen” (2008:1), the predictable retort from the private sector was that we must seek a ‘market solution’, and in this they hold all the cards. In fact, any action on climate change must first demonstrate a business case and, if profitability is threatened, the action is rejected.

Given that we live in an era in which neoliberalism is the dominant political ideology, the fact that climate change policy initiatives tend to have a market focus should not come as a shock, according to the authors. Nor should it surprise that these initiatives have been financially subsidised to soften the blow to businesses as they are encouraged to be ‘less unsustainable.’ The power of the state is marginalised as only corporate solutions are considered valid. Taken together, the myths of corporate environmentalism, citizenship, and omnipotence hide the severity of the climate crisis we face while promoting



Tar sands pipeline,
North America

even more innovative ways of exhausting our ecosystem. This triumvirate of myths is overlaid with a veneer of ‘commonsense’ and used to sway government and public opinion, such that questioning them and offering alternative views, or probing for even minimal reductions in emissions, are vehemently opposed.

Wright and Nyberg’s clarion call is for a re-examination of the core structures of society, and in particular the economy. As economic expansion relies on the continued exploitation of natural resources, the link between economic growth, corporate innovation and environmental destruction can be seen as a process of ‘creative self-destruction’. Given that the present course leads to oblivion, what are the alternatives?

During times of great crisis, the authors contend that societies are capable of significant shifts in organisation and governance. They examine four alternative narratives that are currently emerging:

- renewable reinvention
- regulatory and legal intervention
- steady-state economics and collapse
- social mobilisation and divestment.

Renewable reinvention is what the authors call an ‘obvious’ alternative narrative. It is the shift from our addiction to fossil-fuel-based energy to the large-scale adoption of renewables. Wind and solar are increasingly cheap and efficient sources of energy, together with new low-cost batteries that promise better storage. Such solutions are a good start. However, even with a dramatic rise in the use of nuclear power, the scale and speed of decarbonising necessary to avoid hazardous climate change is frequently ignored by ‘green’ economists. As extreme weather events increase, nuclear disasters of the

magnitude seen in Fukushima, Japan, together with the increasing risks from social and geopolitical conflict, mean that high levels of investment may be difficult to retain for nuclear development. Political apathy for renewable development aside, the authors predict we would need to be continuously producing new renewable technology on a massive and industrial scale just to keep pace with spiralling consumption.

More than a ‘market’ solution, according to Wright and Nyberg, we need to pursue narratives allowing human society to live within the limits of our planet. We cannot afford to ‘hand over’ the problem to technocrats, but need to own it and make sense of how we are capable of living differently.

Regulatory and legal intervention are bad news for businesses accustomed to the current neoliberal economic agenda. Yet the authors point out that in the past government regulation of economic behaviour has been crucial to the development of modern capitalism, saving it from excesses, allowing it to recuperate from crises and passing laws to reinforce its legitimacy. The current trend of industrial self-regulation and business-government collaboration has not always been the case. Industrial pollution in the late 1960s and 1970s resulted in strong government regulation, as did the Great Depression and the Second World War.

Strong regulation often happens after intense community protest and political mobilisation, as was the case when the chemical DDT was finally banned from use.

At present, though, corporations have met proposed regulatory restrictions on greenhouse gas emissions with fiery opposition, and the proposal of mandatory limits on the use of fossil fuels has been ignored, even

by progressive businesses. Leaders of developed nations have not exactly placed limits on an energy-hungry world – the former Australian prime minister’s declaration that ‘coal is good for humanity’ is but one example – while they have taken aim at those opposed to the economic development that is ruining our ecosystems. Ironically, the same leaders will be forced to pull out the stops of state-authorised control as they struggle to maintain order when catastrophic climate events occur.

Steady-state economics is the principle of living within one’s ecological means. It flies in the face of our current enthusiasm for compound economic growth as the hallmark of success. For such a significant change to take place though, say Wright and Nyberg, reduced growth or ‘de-growth’ would be needed, which would be political suicide for any who try to implement it. Yet something must be done, since limiting carbon emissions and introducing renewables will simply not happen fast enough to make a significant difference. The authors argue that in this narrative “it is already too late to evade punishment for our impudent belief that we can master nature”.

Social mobilisation and divestment is a more grassroots response to climate change. Local communities are rising up in protest against projects such as fossil fuel extraction in Australia, Arctic oil drilling, and tar sands pipelines in North America. Anti-fracking clashes in England and oil extraction protests in the Amazon typify this grassroots activism. Not only are environmental protestors saying ‘no’ to local destruction, but also ‘no’ to the global expansion of new fossil fuel frontiers. ‘Leave it in the ground’ is the new catch cry gathering momentum.

The argument is, according to McKibben, that in order to restrict global warming to a target of no more than a 2°C rise on pre-industrial levels, 80 percent of known fossil fuel reserves, coal, oil and natural gas must stay in the ground. The moral narrative of fossil fuel divestment, which is the selling off of fossil fuel-related investments, is gathering proponents as wide ranging as individuals, churches, universities, local governments and other high-profile organisations. As McKibben (2013), founder of NGO 350.org, has explained: “the fossil fuel industry... has five times as much carbon in reserves as even the most conservative governments on Earth say is safe to burn – but on the current course it will be burnt”.

And this is happening in our own backyard. Nine mega coal mines are planned in Queensland’s Galilee Basin, five of which would be larger than any mine in operation in Australia today. The mines would triple our emissions and require construction of the world’s largest coal port at Abbot Point in the Great Barrier Reef (350.org).

The moral dimension which has been lacking from the climate change debate may provide the path to tougher regulation. “The external deserts in the world are growing, because the internal deserts have become so vast,”

says Pope Francis in the words of his predecessor, Pope Benedict XVI (Encyclical Letter *Laudato si’*, 2015). So far, 180 organisations have committed to divest from fossil fuels including Stanford University, the World Council of Churches, the US west coast cities of Seattle, Portland and San Francisco, the city of Glasgow, and the British Medical Association, to name a few. The cracks are showing and there seems to be scope for social and moral campaigns to directly affect markets where the ramifications could be significant.

Today the prosperous citizens of developed economies are living the dream while fashioning a nightmare that is still to come, say the authors. At present, the neoliberal capitalist narrative has a chokehold on alternative narratives. The alternatives seem unappealing: they are too modest, pessimistic, or naïve for players to take them seriously. The Pope, in his encyclical on the environment, has warned of an “unprecedented destruction of ecosystems” and “serious consequences for all of us” if humanity fails to act on climate change. But, as we know, bad news tends to be ignored.

Wright and Nyberg suggest there are six possible movements to further engage our imaginations in demanding a change to how things are. They are:

- how we see our relationship to nature
- the disruption of language
- the promotion of greater democracy in climate politics
- understanding the worth of the environment beyond a market commodity
- developing a ‘green’ identity beyond consumption
- championing the positive emotionality of climate action.

The authors of *Climate Change, Capitalism and Corporations* exhort us to open our eyes while we have the chance to do something. The time to do it is now.

References

350.org Australia. 2015, ‘Galilee Coal’, 350.org.au/campaigns/galilee-coal/, retrieved 18 August 2015.

The Holy See. 2015, ‘Encyclical Letter *Laudato si’* of the Holy Father Francis on care for our common home (official English-language text of encyclical)’, w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html, retrieved 24 August 2015.

McKibben, B. 2013a, ‘The case for fossil-fuel divestment’, *Rolling Stone*, 22 February 2013, www.rollingstone.com/politics/news/the-case-for-fossil-fuel-divestment-20130222.

Stern, N. 2008, ‘The economics of climate change’, *The American Economic Review* 98(2): 1-37.

Research at the Business School

As a fundamental means of generating knowledge, research is at the heart of everything we do.

Our research informs business practice, policy and regulation both nationally and internationally, with key insights to lead change that will benefit the economy and society within Australia, and across geographical and cultural boundaries.

Our research community incorporates academics, students, corporate and government partners, as well as other universities and research institutions in Australia and around the world.

In and out of the classroom, our research-led teaching encourages intellectual discovery and development, and challenges our students to develop new insights as they access the latest thinking and current practical applications.

By fostering a supportive environment, we can carry out research and research training to the highest global standards; as a result, our researchers are regarded as leading public intellectuals both in Australia and throughout the world.

sydney.edu.au/business/research

For more information

Postgraduate Research Studies

+61 2 9036 5372

business.pgresearch@sydney.edu.au

Publications

+61 2 9351 5461

business.researchunit@sydney.edu.au