

Fiona Wain Oration
27 May 2014
Greg Bourne, Chairman ARENA

“Making our own luck: What will it take to build an inclusive, resilient and prosperous Australia?”

I'm delighted to be giving the inaugural Fiona Wain oration and I ask all of you here today to pause for a moment and think; not with sadness but with a smile; about the Fiona we knew, admired and loved and how she would already have had a long commentary, eventually ending in a question, already being formulated.

A FALSE CHOICE

The American scientist Buckminster Fuller's prediction; that the 21st century is when we find out whether the human race is a failed experiment; could not be more true or more frightening. The fragility of this, our wide brown land, is indisputable. We live in an all-encompassing ecosystem. It is complex and we do not tread lightly.

Gro Harlem Brundtland's definition of sustainable development, as offered in the landmark Brundtland Commission Report almost 30 years ago defined sustainable development as:

"development which meets the needs of current generations without compromising the ability of future generations to meet their own needs".

It is a concept that supports strong economic and social development and underlines the importance of safeguarding our natural resource base. It notes that the process of sustainable economic development is inherently interconnected with society and the environment. It's not for its own sake. It is pragmatic. It is rational. It is just sensible!

The Global Financial Crisis seemed to blow discussion on sustainability out of the water. You've heard it before. In the face of economic uncertainty the economy comes first.

When there's no money, so some claim, protecting the environment is a luxury we cannot afford. Or in the case of climate mitigation, can afford little of.

In fact for a while at least the meaning of sustainability seemed to morph into being just about the continuity of profit, cash flow and productivity. The GFC demonstrated glaring inequalities and huge breakdowns in our economic systems. It led to hysteria over the importance of economies and a determination to protect economic growth at all costs. Certainly the economy is important but so too are societal cohesion and environmental resilience – they all have to be worked on – contemporaneously.

We are being offered a false choice between either a growing economy; or a thriving society and environment.

Let's look at where we've been, where we are and where we are going! There has been the 10,000-year experiment of settled agricultural life, 7,000-year experimentation with useful things like the wheel, and in Australia, with just a blink at the end, we have seen a European-style 226 year social experiment on this continent.

And the results? Let's look at the data:

- In 2012 Australia passed Spain as the world's 12th largest economy. Not bad for a country that is 52nd on the league table by population.
- Australia is the 2nd most developed country in the world, behind Norway according to the United Nations' 2013 Human Development Index, which grades countries based on measures of education, health and income,

And yet former president of the World Bank, Australian James Wolfensohn said: 'If someone came here from Mars and looked at the way we run the place, he'd get back in his spaceship and go back to Mars and say, You don't have to worry about them; they are going to destroy themselves'.

The WWF Living Planet Index shows a 28 per cent global decline in biodiversity health since 1970 whilst the tropical Living Planet Index declined by more than 60 per cent. *The Ecological Footprint shows a consistent trend of over-consumption - it is taking 1.5 years for the Earth to fully regenerate the renewable resources that people are using in a single year.*

Instead of living off the interest, we are eating into our natural capital.

In May 2013 the Australian National Sustainability Council released the first Sustainable Australia Report, which examines Australia's wellbeing and sustainability through a comprehensive set of social and human, natural, economic, and contextual indicators, and provides information and analysis on key trends and emerging issues.

This report shows that Australia is in a good position and has made great progress in many areas, including rising incomes, low unemployment, longer life expectancy, increasing levels of educational attainment and performance, relatively low crime levels, increasing levels of community participation, improvements in water efficiency and good air quality.

However the report identified key challenges for Australia, including:

- boosting innovation and connectivity in Australian businesses
- planning for an ageing population
- reducing the link between educational performance and disadvantage
- planning more sustainable cities
- reducing the environmental impact of economic growth
- protecting biodiversity and ecosystems
- sustainable food and agriculture
- tackling inequality and disadvantage ; and
- reducing greenhouse gas emissions and adapting to climate change

CLIMATE

The Millennium Assessment showed clearly that we are inextricably linked to our environment. It shows that environmental degradation is no longer just an issue; it is *the* issue for the future.

The comment that 'Australia is a land of droughts and flooding rains, always has been, always will be' is defeatist, it misses the point. We can no longer afford to ignore climate change. If like me you accept the science; and the cumulative evidence indicates that we all should; doing practically nothing is environmental vandalism writ large by both sins of omission and sins of commission.

Certainly we have a harsh climate. We have farmed in the drought country; built on the flood plains; lived near the bushfire belts and have managed to get by. But the extent and depth of the droughts and frequency and severity of the floods and bushfires are being exacerbated by human induced climate change.

CSIRO, predicts that Australia will have increasingly regular droughts, higher evaporation rates, intensifying high-fire-danger weather in the southeast in addition to continually rising sea levels. It says agricultural production in the Murray-Darling Basin, where up to 40 per cent of the nation's food is grown, (worth \$15 billion) is under threat, and has repeated the warning that rising ocean temperatures are a direct and urgent threat to the Great Barrier Reef.

Mitigating and adapting to global warming and climate change will cost the world many trillions of dollars, not mitigating and not adapting will cost us very much more. We are fooling ourselves into believing that technological silver bullets will come along in the second half of the century to sort out our problems. Inaction

on climate change has a severe procrastination penalty.

The Bureau of Meteorology's Annual Climate Statement pinned 2013 as the hottest year on record, adding that seven of the ten warmest years on record have occurred since 1998. We've just enjoyed an incredibly warm May and are probably heading towards another El Niño year. An increase so far of 0.9 degrees centigrade average temperature is already revealing just how vulnerable Australia is – you really don't want to imagine 4 degrees or more by 2100 – it's just too confronting and yet we must in order to take decisive action.

The climate is changing, the planet is warming, and we are already seeing the first effects – in our environment, our societies and our economy already.

The world is waking up. We are still asleep.

As Cristina Figueres (the Executive Secretary of the United Nations Framework Convention on Climate Change) said in 2013:

"Inaction on climate change is fifth in this year's top-10 (issue) list. That's not due to climate scepticism, which is now less pervasive than it used to be. It is fifth because the consequences of insufficient action are still completely underestimated - otherwise, it would be first. Because the fact is that if we don't take action in a timely fashion at the scale that we need, climate has the potential to wipe out the progress we have made over the past 20 years in economic development, in social development and in environmental protection. It is the major "wipe out" factor."

And while we do nothing, our Natural Capital is not so inert or passive. The environment has a way of biting back. If we refuse to accept this lesson now, in time, we will see it written in the oceans, in scorched lands and saline deserts. We need to address our ever-expanding ecological footprint, or we set in train the impossibility for future generations to experience the richness of the life we have been so lucky to enjoy. I am referring not only to the opportunity to swim in a clean ocean and breathe clean air, but to live and work in a stable, cohesive society, with a thriving economy.

A MOVE TOWARDS SENSIBLE DEVELOPMENT

So we have crossed a great divide between what we used to do in all previous human history and what we do now.

Hunting, gathering, farming, herding, spinning and weaving, digging, smelting metal and shaping wood, assembling structures - activities that humans have typically done since the dawn of time – are now the occupations of a dwindling proportion of humans. Where we do have farmers, manufacturing workers, construction workers, and miners, they are the controllers of machines and increasingly the programmers of robots. Arguably we are no longer a species who make or shape things with our hands.

We are also no longer in the realm of necessity.

There are enough calories in the world that we needn't be hungry.
There is enough shelter that we needn't be wet.
There is enough clothing that we needn't be cold.

And yet while our future is already with us – it is not fairly distributed.

As Brad DeLong, professor of Economics and chair of the Political Economy major at the University of California, Berkeley pointed out in an article in 2013, of the 7.2 billion people alive in the world today, at least 25% still live lives that are hard to distinguish from the lives of our pre-industrial ancestors. Only 5% of today's world population lives in countries where income per capita is greater than \$40,000 per year; only 10% lives in countries where income per capita is greater than \$20,000 per year.

We have a model of irrational development leading to unsustainable growth. We can no longer rely on a neo-classical economic theory that espouses that unfettered development will permeate wealth throughout an economy and that regulation will minimize the most harmful effects of damage to the environment.

Up until recently Australia was a credible competitor with many physical and natural advantages. We still have the natural competitive advantages, we're physically and fiscally fit but the challenge is stamina;

holding our nerve to remain in the race.

The global green race is well underway with our competitors wearing spikes while we are wearing thongs!

Developing our economy while embracing the climate change mitigation challenge could be seen as the most exciting (and nerve wracking) opportunity we've ever had. We have to embark on development journey that is different from the past.

Through an economic lens we may see the value of future development. Through a social lens we see the perturbations good and bad on our communities. Through an environmental lens we see the negative legacies of disrupted and forever changed landscapes and habitats.

Stating that economic growth will naturally protect our environment is not only shortsighted but also totally misguided. It is a fundamental misunderstanding of the way our economy, environment and society works. We have to recognise that the lynchpin of societal cohesion and economic growth is a healthy environment.

No human nor company can survive let alone thrive without clean air, water or land.

So let me be clear, this isn't a choice between either a growing economy or a thriving society and environment. Through sensible development, we achieve both.

Homo economicus we are not, but self-interested we should be: self-interested for the strength of our economy in the long-term; self-interested for the cohesiveness of our society in the long-term and self-interested in the resilience of our environment.

As Fiona Wain once wrote, *Business is very good at managing and finding opportunity in complexity*". Sensible development will demonstrate how flexible and adaptable our economy truly is.

We must consider both sides of the balance sheet and account for the exponential growth of costs associated with negative externalities. We only have to look to the many thousands of mines that have never been remediated, the legacy of which we now collectively own, to show that in many cases, the exploitation of resources and permanent damage or destruction of ecosystems are only profitable for a short period of time.

We need to better think through the consequences of our development activities on society, the environment as well as the economy. In our free-market system we have years of experience valuing assets, practicing stringent controls and fostering innovation. Every business leader knows that money; capital and people are the key elements to managing a successful business. When I was the CEO of BP, had I allowed these capitals to deplete I would have been out on my ear.

Why do we tolerate the mismanagement of our natural capital by our policy makers?

As WWF says in its Living Planet Report, *The Earth's natural capital – biodiversity, ecosystems and ecosystem services – is limited.*" We live in a real world, a biophysical world that can bountifully support us or, if we push the limits too far, shrug us off.

We need to safeguard and restore natural capital. We need to demand efficient choices along the entire system of production and consumption. We need a productive and efficient use of our current resources and an agreement that it is economically unacceptable to waste them.

Equitable resource governance is vital. We need a policy that will encourage, support and promote resource use that keeps within the regenerative capacity of our planet. Just as our education and health standards are rigorously managed, we must develop an economic framework that supports inclusive, sustainable managed land use and equitable access to energy, water and food.

The UNEP (et al) Inclusive Wealth Report states that wealth is the social worth of an economy's assets: reproducible capital; human capital; knowledge; natural capital; population and institutions.

We should be working at being wealthy, not just rich. We need to hold our institutions to account so that they are restorative of human and natural capital.

We need look no further for our opportunities than our own backyard. We have more renewable resources

per person than any other nation on earth. More sunlight, more wind, more wave and tidal power per person than just about anywhere else on the planet. We have the technology, we have the finance, we have the wherewithal and we have public support. What we don't have is the gumption to wear spikes. - All we are given is flip-flops!

Accelerated incorporation of renewables into the energy sector has overwhelmingly long term positive implications for our environment and our society. But most importantly for business, it takes us into the cutting-edge future of a low-carbon economy. We should think about developing our economy while embracing the climate change mitigation challenge as a bridge. It takes us over economic slumps, bypassing inefficient practices and avoiding unnecessary resource misuse.

Most importantly it allows us to get to 2030 and beyond with an infrastructure suited to the 21st century leaving behind one designed in the 19th century and implemented in the 20th.

We are a nation the size of a continent with a population the size of Shanghai. This is doable. We just need a strategy.

Nicholas Stern argues that for successful climate change action, there are two key tests: strength of reductions and credibility of policy. We have to wonder if Australian policy fulfils either of these when government is actively dismantling its capacity to make informed decisions and take action based upon science. We have to wonder if such policy is aimed at building resilience and delivering a cost-effective transition to a low carbon economy or is simply, like a conjurers cloak, a device aimed at deceiving the gullible.

In the eight months since election, Australia's Government has sought to remove or dismantle the Renewable Energy Target; the Clean Energy Finance Corporation; the carbon price; the Australian Renewable Energy Agency; the Climate Change Authority and the Climate Commission. It has systematically slashed the numbers of the Environment Ministry and the CSIRO.

The Government's Direct Action plan to run competitive tenders for businesses seeking to reduce their emissions maybe a step in the right direction, as maybe the Emissions Reduction fund. But The Climate Change Authority has called the minimum reduction target, of 5 per cent below 2000 levels by 2020, inadequate.

Whilst there is a notion of a broad approach to work with the world to achieve emissions reductions, rhetoric without action will only stunt growth and court retributive justice. In a matter as important as this; it is completely unacceptable for our government to take a 'you first' stance and as Jeffery Sachs says 'certainly unacceptable to head in the wrong direction'.

The mirage of negative emissions in 2nd half bailing us out of a catastrophic mess should not be allowed to delay action.

We need to be moving away from small commitments, in the 5-10-15% ranges to a carbon neutral economy based upon, energy productivity not profligacy, renewables with smart grids, carbon capture and storage, where prices will come down through increased deployment and public support.

Cost effective CO₂ strategies coupled with regulatory instruments such as carbon pricing are the most cost effective way of combatting climate change through growth. Ensuring secure renewable energy sources will prepare for economic prosperity and resilience. Given the contents of the IPCC report and the acceptance of these findings by almost all the world's governments, it's time Australia stepped into line.

Innovative work on climate change has been on going in Australia for almost three decades. As we have seen, in areas of groundbreaking development; shifting policies and broken promises does not help with investment. It pushes up the price of capital, feeds apathy and makes change more expensive.

You need only look to paragraph 47 of the Rio+20 on sustainability reporting and it's position within the document as a political initiative, to show that business wants a narrative on Climate Change.

BP/ BHP Billiton/ Shell all work on horizons 50-100 years ahead. Shadow carbon pricing has been tracked for the past 20 years. This isn't new news to big business. We just need to make it important enough for it to be on the agenda permanently.

In the complete absence of effective Government policies or incentives the move to sustainability depends largely on the voluntary actions of companies. Business can and does have a huge role to play. We choose what products we manufacture, what materials they are made of, their recyclability, their energy consumption, their durability. We have control over the manufacturing process, from extraction to point of sale and we can turn it to our advantage.

The natural world is still all too often framed as a problem instead of a solution; policymakers are short-changing its massive potential.

I put it to you that Australia can be lucky throughout this century and beyond but as a wise sage once told me: Luck is where preparation and opportunity meet.

In some cases we can envision the opportunities and we are prepared. In others we have not done the hard graft and opportunities slip away from us and to competitor countries. Opportunities will always come along but the prizes go to those who have prepared.

We must prepare to seize those opportunities as they emerge– it is the only way to remain lucky. We must begin by starting a revolution in our economy, actively building cohesion, inclusiveness and compassion in our society and building resilience in our environment.

We need all our politicians to share a vision of 'Sustainable Australia', a vision 50 years out at least: one which is non party political, one which empowers and excites the electorate.

We need our business leaders to have a vision of 'Sustainable Australia'. We need them to seize the opportunities that come from doing business in a sustainable manner.

We need our community leaders to have a vision of 'Sustainable Australia'. We need them to understand the importance of the environment upon which all life and human progress depends.

Each one of us needs to have a vision of a sustainable Australia, one, which we have in common, and one that we demand of our leaders.

Australia and Australians need to become pathfinders. Our role should be to find the way – not get dragged along. We need to be at the forefront of a new 'industrial revolution', the 'sustainability revolution'.

So let me take you back to Christina Figueres's words: "*policy cannot wait for transformative action and action cannot wait for policy perfection*".

The progressive business community agrees, that the time has come and gone for a "you first" stance. We must move forward and can only do so if we can bring policy and action together.

We should as a nation, be beginning to think about society, the environment and sustainability, in the same way as we think about large capital projects. We need to be thinking 50 years ahead.

Long-term objectives need to be set, together with real, measurable targets. We must focus on outcomes not outputs. The business of government and the business of commerce must be aligned to achieve those targets and they must be reported on.

Fiona Wain stated back in 2005 that '*Sustainability is the biggest opportunity for wealth generation and maintenance that business has ever been presented with*'.

But to get the trajectory right and maximise long-term opportunities we need an ambitious, consistent and credible enabling framework.

We need our Government to provide this or at least not get in the way.

We need to engender accountability for our contributions and solutions. We need to let people know that business as usual is changing and that we're prepared to show the world how effective a low-carbon economy can be for the economy.

We need a Government willing to put in the framework, to create a space in which an ambitious, consistent and credible response to climate change can foster innovation.

But to do that we have to keep sustainability and climate change on the agenda: locally, regionally and

globally. We cannot extract them from our economic issues or keep our heads in the sand. We must act now to remove barriers that encourage inaction. We need to invest now in information and innovation to reduce long-term cost. Only then will we fully reap the rewards that living in this nation affords.

In concluding this inaugural Fiona Wain oration; I'd like to think that she might have offered the following comment concluding in a question.

We are being offered a false choice between either a growing economy; or a thriving society and environment.

We, all of us, have the freedom to think and act towards a model of development, a model of sustainable growth, that is prudent, technological, compassionate and above all, sensible.

Sensible development surely looks for the addition of value in the economic, social and environmental dimensions simultaneously.

With each major development decision we must look for the benefits to society and the environment even as we look for the benefits in the economy. We cannot continue to hope for the best and plough on regardless thinking 'she'll be right'!

Australia can be lucky throughout this century and beyond but luck is where preparation and opportunity meet.

Are you prepared for change or scared of change?