Solving the Climate Crisis Requires the Integration of Sustainability into Capitalism

Al Gore
Chairman
Generation Investment Management

Former U.S. Vice President

A powerful shift is taking place around the world, and it is clear that we are entering a new era in our collective effort to solve the climate crisis.

There are three questions that we must answer:

Must we change? Can we change? And, will we change?

The answer to the first question involves some bad news, but the answers to the second two questions are surprisingly inspiring!

First of all, must we change? Our reliance on dirty, carbon-based fuels during the rise of industrial civilization brought historic declines in poverty, rising standards of living, and many blessings associated with our interconnected global economy. Since we still depend on carbon fuels for approximately 85 percent of all the energy we use, it is a daunting challenge to shift away as quickly as the scientific community says is essential.

Nevertheless, the answer to this first question is now clear. Yes, we must change. Each day we spew 110 million tons of man-made, heat-trapping, global warming pollution into our atmosphere as if it were an open sewer.

The cumulative buildup of all that global warming pollution is now trapping as much extra heat energy in the atmosphere as would be released by 400,000 Hiroshima-class atomic bombs exploding every 24 hours. This is raising global air temperatures to levels that are unprecedented since we began measuring temperature with instruments. Indeed, 14 of the 15 hottest years ever measured have come in the past 15 years. The hottest of all was last year; the second hottest was the year before.

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February 2016 broke all records for the previous 1,632 months.

Water security is threatened; crop yields are falling; land-based plant and animal species are moving poleward and as many as half of all species are threatened with extinction. Microbes, including disease-causing viruses like Zika, dengue and chikungunya, are moving to higher latitudes, along with the mosquitos and other "vectors" that spread them.

Since 93 percent of all this extra heat energy is going into the oceans, ocean-based storms are becoming much more powerful and destructive. The heating of the oceans is dramatically disrupting the hydrologic cycle, with huge quantities of additional water vapor rising from the oceans to fuel unprecedented downpours, causing more extreme floods (including eight "once in a thousand years" rainfalls in the U.S. since 2010). This same extra heat energy is evaporating soil moisture, causing deeper and longer droughts. The rapidly accelerated melting of ice in Greenland and Antarctica is speeding sea-level rise, threatening low-lying coastal cities, including Miami, New York, Mumbai, Guangzhou and many others.

So, must we change? Yes. Mother Nature and the laws of physics are a lot harder to ignore than the increasingly dire warnings from the scientific community.

The second question is, can we change? Here the answer is also, clearly, yes! We're seeing a continuing sharp, rapid decline in the cost of renewable energy, energy efficiency, and storage—giving the world a historic opportunity to embrace a sustainable future. In many parts of the world, renewable energy is already cheaper than fossil fuels —and in many developing regions, renewable energy is leapfrogging fossil fuels altogether—the same way mobile phones leapfrogged landline phones. These dramatic cost reductions are not only continuing but accelerating!

Fossil fuels are still subsidized at over 40 times the rate of renewables and the current price of fossil fuels does not incorporate the true costs of carbon pollution. Governments and businesses are recognizing the need for an accurate assessment of these costs, and some are already adopting a direct or indirect price on carbon.

The role of the private sector in integrating sustainable capitalism into markets and investment strategies is also vital. The flawed metrics of GDP—used since Bretton Woods as the compass for guiding economic policy—leave us blind to the harmful effects on societies of the rapid rise of economic inequality, the buildup of negative externalities (like global warming pollution), the neglect of positive externalities (like public investments in education), and the unsustainable depreciation of strategically crucial natural resources (such as topsoil and groundwater aquifers). These metrics should integrate new measures that focus on long-term values and sustainability. At Generation Investment Management, we focus on proving the business case that fully integrating sustainability into investing has real, lasting market value, can consistently improve returns and should be considered best practice.

The final question is: Will we change? In December, 195 nations reached a historic agreement in Paris, which occurred against the backdrop of the changes already noted and was built on the efforts of governments and businesses to make a significant course change away from "business as usual."

Together public and private sectors can accelerate our transition to a sustainable future. Partnerships in financing can reform the way developing nations gain access to affordable capital in order to convert to renewable energy, enhance sustainable agriculture and forestry, and build and update electricity grids. Local governments and businesses can cooperatively increase employment through initiatives to retrofit buildings and incorporate 21st century principles into the design of cities, neighborhoods and transportation systems.

So, will we change?

While the answer to this question is up to all of us, the fact is we already are changing dramatically! Some still doubt that we have the requisite will to act, but the will to act is, after all, a renewable resource.