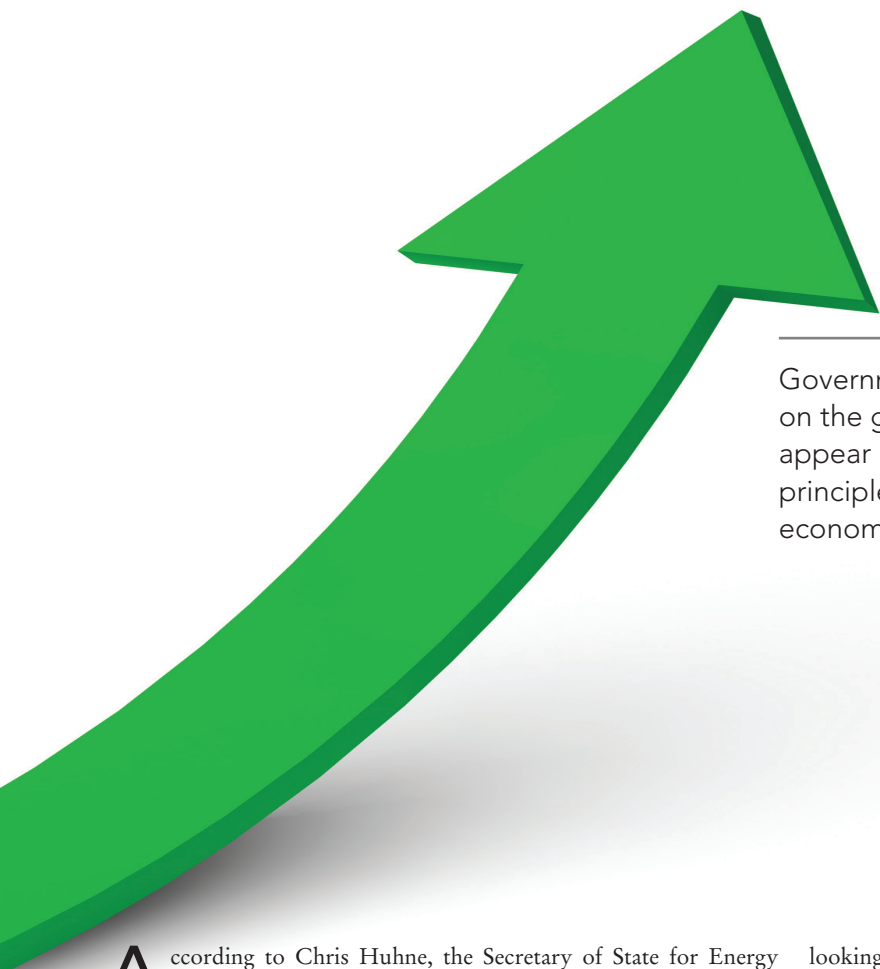


Pointing the way ahead



Government plans for a 'green revolution' based on the green tech and renewable energy industries appear narrowly focused. Integrating sustainability principles and performance within the conventional economy is important too, says **Michael Townsend**

According to Chris Huhne, the Secretary of State for Energy and Climate Change, we are now making the transition to a sustainable economy. This is a welcome statement from the Government, which had been quiet on all things sustainable since its early "greenest government ever" fanfare. While detail has been lacking, we do now have the signs of emerging strategies. It is now worthwhile looking behind the rhetoric, to see what the plans are made of and whether they have the potential to make the desired impact.

So what is the substance behind the Government's plan? It is good to see some recognition that we need to rebuild a balanced economy and reduce our over-dependency on financial services. Although this realisation has been a long time coming as the roots of de-regulation and an unhealthy reliance on this sector have been around since the 1980s.

One key assumption underpinning both the Government's deficit reduction plan and its economic strategy is growth. The maxim behind the growth plan appears to be 'more': more competition, more scientific research, more infrastructure and more local growth. The growth assumption is itself a thorny issue when considering a sustainable economy. Should we be promoting growth, given the issue of finite resources and capacity of our planet? Or should we perhaps recognise there may be limits to growth and that the current crisis provides an opportunity to explore alternative economic models, for example low/zero growth, new economy, circular economy or cradle-to-cradle philosophies. Opening up the debate on this requires bold leadership,

looking forward to what the world needs, rather than defaulting to outmoded models and assumptions.

Basing a strategy on growth is also somewhat risky economically; at the time of writing, some forecasts indicate we will achieve 3% growth in the UK this year, the Economist Intelligence Unit has issued a sobering forecast, predicting a further global economic slowdown in 2011. This, allied to the continuing crises in the Euro zone, means that nothing can be taken for granted, least of all the expectation of continued growth.

If we assume for now, however, that it may be desirable for purely economic reasons to promote growth in the short-term, this raises another question that many have been asking for some time, albeit more vociferously in the face of the recent spending cuts: where is the growth going to come from? The private sector is cited as the key driver for creating demand, stepping forward to create new jobs. But where will this happen, which sectors should we focus on? How should we compete on the world stage and what will be required in order to become successful? While the Coalition has identified six sectors for support, to many these will look like the usual suspects, 1990s thinking.

A vital element underpinning the growth assumption is what Huhne calls "a green revolution leading us toward a low carbon future, with cleaner energy and greener growth". While this is desirable, it does appear to be rather narrowly focused on what may be called 'new green' only, for example green tech and renewable energy industries,

which currently account for around 8% of GDP.

While we certainly need to be successful in these vital, new and emerging sectors, we also need to consider how we integrate sustainability principles, performance and value within the conventional economy. This is important for three key reasons.

Firstly, if we are to develop a truly balanced economy we need to consider the full range of sectors we should be competing in as a nation and creating a shared understanding of what it will take to be successful. This is important, not just to create opportunity and deliver the elusive goal of growth, but also to make sure we provide adequately for our future needs as a nation. There are a number of emerging dynamics that seem to bring into question any previous assumptions of UK relying on moving further towards being a knowledge/service based economy, with production outsourced to developing countries. For example, the prospect of twin drivers of carbon reduction costs and peak oil leading to increasing costs for producing and transporting goods, may change the business case and make it desirable to grow and make more things in the UK once again.

This could lead to more local sourcing and the re-localisation of production. Security of supply, particularly around food items, may also be a driver. We really do need to look ahead and review all sectors, almost starting from a clean sheet to establish a coherent strategy. If we ignore this, we may miss an important 'trick' and we may also build a new form of over-reliance, substituting financial services for another field with, at this time, unknown risks. Perhaps we should be asking the question what else do we need, what else could we develop expertise in? Also, given the transition in economies around the world, should we start remaking what we used to do, albeit in a more sustainable way? How about a green car industry in the Midlands?

Another important reason concerns the transition to a low carbon and sustainable economy. If we are serious about this goal, we cannot ignore what we are doing with the remaining 92% of the economy; this too needs to be transformed. If we are to achieve our ultimate carbon reduction targets of 80% by 2050, let alone deal with the other significant challenges on the sustainability and business agenda, we need to transform all parts of the economy. Taking Richard Lambert's point raised at the CBI Climate Change Summit last November, we need to "raise our game" in this respect. Missing this challenge/opportunity would also be akin to focusing all our efforts on building new sustainable homes while leaving the current stock in its current energy-inefficient state. We would not only miss all our targets, but also miss them by a "country mile".

Meeting these challenges also requires some new thinking, not just an extension of old paradigms that arguably got us into the situation we are currently experiencing. We need to look at business and economics through a new lens and develop integrated solutions. This brings us to the third reason for integrating sustainability principles into the heart of the economy and indeed all businesses in all sectors, one that has come to light during the case study research on our Global Research Project, *In Search of...Sustainable Business*.

Through our research we have encountered the opportunity for the generation of "virtuous circles" linking cost reduction, improved sustainability impact along with the preservation and creation of employment. These are not necessarily mutually exclusive goals. Eco-efficiency is nothing new, but it is possible to go further by looking

at business strategies and operations from a different perspective; it is possible, not just to align the agendas of sustainability and business performance, but to create positive feedback loops where one beneficial change creates another positive impact, which itself can lead to another. Just as there can be negative feedback loops, as in examples of global climate change, it could also be possible to generate positive feedback. Let's consider an example to explore what this means in practice.

For Apollo Motor Group, an auto repair service company based in southern England (£16M turnover, 230 employees), the route to more sustainable operations came almost by accident. The initial driver came from the need to significantly reduce costs at a time when input prices were rising by up to 20%. Without a solution their business would be in trouble. They found the best route available to them was to have a fresh look at their approach to managing resources and waste. By integrating a trio of new technologies and changing their process they reduced wasted parts by 42%, energy and carbon emissions by 34% while significantly reducing costs and improving margins. They were also able to safeguard the employment of 13% of the workforce.

The key route to creating these virtuous circles is the reduction of waste, in all its forms and not just the physical stuff that goes to landfill. Our experience over past 15 years has shown that waste and non-value-add activity can represent 40-50% of an organisations activity and costs. The key concern is not usually how much waste there is, but more importantly how much can one influence without having any adverse impact. This principle of creating virtuous links between cost reduction, taking out waste, preserving and creating employment can provide simple, but elegant solutions to some of today's apparently knotty challenges.

While impressive enough on an individual company level, it is even more compelling when one thinks through the implications of scaling this up for the economy as a whole. These interventions could reduce carbon/energy/waste on a massive scale, save millions of pounds, help create new green jobs and preserve jobs in conventional industries working at becoming more sustainable. Increased competitiveness would also lead to an increase in exports. By promoting and maximising an 'eco-efficiency-people' agenda, the Government will be able to go further in meeting spend restrictions, while minimising the impact on front-line services, avoiding the social problems that may otherwise arise and help the transition towards a sustainable, low carbon economy.

There is a compelling case to extend what is within the scope of the green revolution, encompassing a vision for all sectors, how we could compete, an assessment of what we already have and an honest view of what we will still need to develop. This represents a major programme for change and cannot be left to chance or the vagaries of the market alone. This really does need bold vision and strategic planning on a whole new level.

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