

The CBI said today (Wednesday) that the UK must raise its game on climate change, warning that failure to act now could undermine our attractiveness as a place to invest. Speaking at the CBI Climate Change Summit in London, Richard Lambert, CBI Director-General, said that the pace of progress in the last three years had been disappointing, in part because of the impact of the global recession. But he stressed that businesses remained more committed than ever to the climate change agenda.

"Here in the UK, the nuclear programme is about a year behind where we had hoped it would be back in 2007, and we are very little further forward in building the gas storage capacity that our economy so urgently needs.

"Those who feared that green taxes would simply turn into another kind of stealth tax have had their prejudices amply confirmed by the way the Carbon Reduction Commitment has been converted, without consultation, into just another source of revenue for the Treasury.

"Perhaps most worrying of all, the needle on the dial of consumer behaviour has scarcely shifted at all over the three year period, either in the UK or internationally," he said.

On businesses' commitment to climate change, he said:

"It was only a few years ago that this was a niche topic in the board room. Now it is central – to our member companies, to the long-term health of the UK economy, and hence central to the CBI itself.

"Three years ago, we argued that companies were going to have to be green to grow – a line that puzzled some people at the time. But today, it has almost become a truism."

Mr Lambert warned of the consequences of inaction on climate change:

"We are going to have to raise our game substantially in the next few years. The cost of inaction will rise exponentially if we continue on a course of business as usual. The risk to our future energy supplies, unless properly addressed, will seriously undermine the attractions of the UK as a place to invest.

"Enormous sums of private capital that could support our nuclear and offshore wind programmes and re-energise our manufacturing sector will shift to other, more welcoming parts, of the world.

"The UK will lose out to the emerging economies in the race to develop new products and services for the low carbon world. I was in China last week – let me tell you, they are not hanging back when it comes to investing in solar, nuclear, clean coal, and the rest.

"Only urgent action now will prevent these opportunities from slipping out of our grasp."

Mr Lambert added that the private sector investment is going to be the engine for driving the UK economy to health, saying:

"The good news is that this overwhelmingly important economic priority aligns itself exactly with the country's energy needs. Replacing our ageing power plants with low carbon alternatives will require investments of roughly £150 billion from private sector balance sheets, and the success of economic policy – not to mention the survival for the government itself - will depend in good measure on this investment taking place."

Setting out what needs to be done to get back on track, Mr Lambert said:

"The central theme of our report three years ago was that Government and business had to work together to raise their game, and to create the kind of environment that would encourage consumers to come along too. And that remains the message today.

"Government providing the incentives, setting the regulations, supporting the infrastructure for green growth.

"Businesses designing and marketing their products and services within a consistent policy

framework.

“And consumers given the incentives and information to make the informed judgements that will lead to a more energy efficient low carbon future.”

Mr Lambert said a set of simple and transparent policies that encourage before they punish, and are not forever being refashioned were needed. He urged the Government to accelerate energy market and planning reform, and to work with business to deliver some of its big new ideas, such as the Green Investment Bank and the Green Deal, in an effective fashion.

On the Green Investment Bank, he said:

“One example here is the proposed green investment bank – which will be pretty much irrelevant if it just turns out to be a fund with a billion or two to spend, but which could have a real impact if it was treated as the cornerstone of a proper infrastructure bank. We'll be spelling out exactly how to make this a reality in a report early next year.”

On the Green Deal, he said:

“A nice idea in theory, but fraught with uncertainty about the appropriate scale of the scheme, about who is going to pay for it, and about how much demand there will be from homeowners in the first place.

On what businesses need from the Government, he said:

“Companies don't have to wait for political leadership when they set about designing new products, or launching new services for the low carbon world.

“But when it comes to major capital projects, they need the assurance that policies are going to be consistent and clear, and they need certainty about the regimes under which they are going to operate.

“Feed in tariffs are an obvious example. There's a lot of capital investment hanging on the questions about how and where they are going to be fixed, and over what period of time. Another debate we need to have is over the future role of green taxes in our economy – all the more important that it's open and transparent, after the debacle over the carbon reduction commitment.

“Business also needs the support of Government investment in infrastructure in order to make some things happen. So we were really pleased by the Coalition's commitment to upgrade a number of ports to handle the huge tonnage of equipment that will be required for the construction of very large wind farms offshore.”

On consumers, he said:

“We won't achieve energy security and a sustainable environment without their full blooded engagement. But so far they have hardly been brought into the conversation.

Business needs to demonstrate to its customers that this agenda will benefit their wallets, and that switching to low carbon is not a necessary punishment but an opportunity for a better quality of life.”

Mr Lambert highlighted three reasons for the slow progress on climate change.

On the impact of the global banking collapse and subsequent recession on climate change, he said:

“This has inevitably become the major focus for the attention of international policy shaping bodies like the G20, and of national political leaders as well. Financial stability today has had to take priority over environmental sustainability tomorrow.

“For the same reason, businesses have been preoccupied with the fight for survival, and consumers have been more worried about their savings and their jobs. It's no wonder that longer term priorities have slipped down their agenda.

“The only good thing that can be said about the recession is that it’s temporarily pulled down the growth of greenhouse gas emissions, and deferred by a year or two the looming energy crunch here in the UK. But of course that’s no excuse for postponing the big policy decisions that are now more urgent than ever.

On public trust in the science of climate change, he said:

“The second reason for slow progress to date is that public trust in the science of climate change has been damaged by the view that its consequences have been overstated or even manipulated. Leaked emails from the influential Climate Research Unit at the University of East Anglia caused considerable controversy at the Copenhagen summit.

“Around the same time, the UN’s Intergovernmental Panel on Climate Change admitted it had made a mistake in asserting that Himalayan glaciers could disappear by 2035. And a group of elected fellows of the Royal Society argued that even this august body had oversimplified its analysis of what was happening to the earth’s atmosphere.

“All this, together with public scepticism about “greenwash” – the idea that some companies have been unjustifiably flaunting their green credentials – adds up to another reason why consumers have been slow to modify their patterns of behaviour.

On the change of Government, he said:

“The third explanation is that the change of Government has also slowed down the pace of progress here in the UK. It’s not that the coalition is any less committed to environmental sustainability than its predecessor – on the contrary, David Cameron says he wants to lead the “greenest government ever”

“But some central areas of policy are being changed, and the results will take a little while to bed down. One obvious example is the reform of the 2008 Planning Act, which among other things governs the way in which major industrial projects are approved. This is the second major change in the process in just two years -- not very helpful, to put it mildly, at a moment when the power generating industry is gearing itself up for a massive programme of new investment.”