

International Business

You represent large corporations that do business in many countries around the world. The largest 1,000 corporations employ more than 50 million people. You produce about 20 percent of the world's goods and services, and 80 percent of the world's manufactured products.

The businesses you represent have a very strong interest in the issue of global climate change for several reasons. Their operations depend on reliable energy supply; the cost of energy is a significant portion of all their costs; and they develop most of the technologies that could improve energy efficiency in power plants, factories, automobiles, and household appliances (televisions, refrigerators, etc.).

Large corporations have been accused by some environmentalists of trying to stop governments from taking action on climate change. Nothing could be further from the truth. You agree that climate change is a potentially serious long-term problem. The key question is how to manage that problem in ways that allow businesses to keep on producing profits and jobs.

In the meeting that you will be attending, the stakes will be very high for international business. The U.S. and China are two of the world's most important economies. The U.S. economy is the biggest in the world, and its consumers drive the demand for energy and manufactured goods more than any other country's. China is fast becoming one of the world's biggest producers of low-cost goods, because it has a huge, inexpensive labor market. China is also becoming one of the world's biggest markets for consumer goods.



Your goals

At the meeting, you want to:

1. Get the group to agree that neither the U.S. nor China agrees to limit its greenhouse-gas emissions too quickly, because that could seriously hurt the global economy. You think that holding U.S. carbon emissions to 1.53 billion tons/year in 2015 would be as much as the U.S. can handle. China should be allowed to increase its emissions to at least 1.6 billion tons/year in 2015.

2. Get the U.S. and China to agree that business needs certainty and flexibility to reduce greenhouse-gas emissions. If the U.S. and China reach an agreement today that covers the period to 2015, that agreement should not be changed later, requiring business to shift gears yet again. Also, governments should let businesses figure out how to reduce emissions, rather than telling business what technologies to use.
3. Get a lot of financial incentives (low-cost loans and tax breaks) for business to help China become more energy-efficient and less dependent on coal. Without those incentives, business cannot make a profit on those activities.
4. Get the U.S. government to agree to use financial incentives (loans and tax breaks) rather than penalties (taxes or fines) to motivate business to reduce greenhouse-gas emissions in the U.S.

The international business role in climate change

Most greenhouse-gas emissions from human activity come from the use of energy. Energy is at the center of business operations. It takes energy to run factories; move goods on trucks, trains, and ships; move people in cars, buses, trains, and planes; and run the household goods that businesses produce, like TVs and refrigerators.

The international business community agrees that climate change is a significant problem and that the world should take steps to address it. There are three main ways that the world can address the problem. Each could have a serious impact on business and the economy if it's done too fast or at too high a cost.

Increase energy efficiency

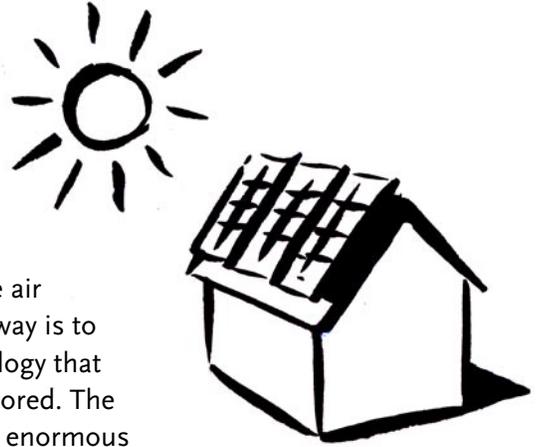
In fact, business has been increasing energy efficiency for nearly 30 years, since the oil crisis of the early 1970s raised the costs of energy dramatically. However, there's a limit to how quickly we can improve energy efficiency. If we have to invest a large amount of money in research and development of new technologies quickly, it will raise the cost of manufacturing them to a point where consumers won't pay for them. For example, five years from now we might be able to produce an SUV that gets 80 miles to the gallon, but it would cost much more than an SUV costs today. If we have 10 years to reach that mileage target, we could probably produce the SUV for no more than it costs today.

Switch to lower-carbon fuels

In general, we support the goal of moving away from coal and oil toward natural gas, and gradually increasing the amount of energy we get from hydroelectric, wind, and solar power (and possibly nuclear power). Many of the leading oil and gas companies are making investments in other kinds of energy. However, making this shift too quickly will raise the cost of energy dramatically, and could seriously hurt the profitability of business, lead



to unemployment, and slow the growth of the world economy. For example, we could shut down our coal-fired power plants over the next three years and install huge sets of photovoltaic cells and wind turbines around the world to generate electricity, but the electricity would cost many times as much, and many businesses and families would be unable to afford it. If we have 30 years to make that shift, we might be able to do it without increasing the price of energy more than a few percentage points a year.



Recapture carbon from the atmosphere and store it

The simplest way to do this is by planting trees or other plants, because trees and other plants use carbon from the air as food, and turn it into roots, stalks, and leaves. Another way is to capture carbon emissions from power plants using technology that converts the carbon gas into a liquid or solid that can be stored. The option of planting trees is a good one, but it would take an enormous amount of planting to make a real impact on carbon emissions, and it's doubtful that business could make profits in this way. The option of capturing emissions from power plants is worth exploring further, but it currently looks to be much more expensive than improving efficiency or switching fuels.

What business needs from the U.S. and China

The international business community provides millions of jobs and produces the majority of the technologies and manufactured goods that people around the world need. Because businesses are so directly involved in all of the activities that produce greenhouse gases, environmentalists are demanding that governments force the business community to make huge investments immediately to reduce carbon-dioxide emissions. That would be a big mistake, one that could seriously hurt the economies of the U.S., China, and the rest of the world.

Business is willing to take a major role in managing the problem of climate change. To do that, you need four things from the U.S. and Chinese governments:

- gradual change
- certainty
- flexibility
- financial incentives

Gradual change

As discussed above, the key to making products much more energy-efficient or making big changes in fuel sources is to do it gradually enough so that it isn't too costly to business and consumers.

The U.S. is currently emitting about 1.53 billion tons of carbon a year. The economy is growing well and demand for goods, services, and energy is continuing to rise. To start making a serious impact on climate change and keep the economy strong over the next decade, **the U.S. could agree to keep its carbon emissions at their current level, 1.53 billion tons/year, through the year 2015.** To keep carbon emissions at their current level while producing more goods and services, business will have to make significant investments in energy efficiency, low-carbon fuels, and perhaps recapturing carbon. But those investments will not be so big that they hurt the economy.

China is currently emitting about 760 million tons of carbon a year, but its economy is growing much faster than the U.S. economy, and it will continue to need to use coal as its primary source of energy. If China does no more than it is already doing on climate change, its emissions will probably increase to about 1.8 billion tons of carbon/year in 2015. However, there are big opportunities to increase energy efficiency in China, because the country is making huge investments in power plants, automobiles, and energy-using goods like refrigerators. You believe that **China could cut the growth in carbon emissions to 1.6 billion tons/year in 2015, about 11 percent lower than they otherwise would be,** without hurting its economy.



Certainty

In order for businesses to make the long-term investments necessary to achieve these goals, the governments of the U.S. and China need to make a firm commitment today that they will not change the emissions targets that they agree to now. Businesses cannot figure out the least expensive way to reduce emissions if governments keep changing the emissions targets. You want the U.S. and China to make a firm commitment not to change any emissions targets they agree to until after 2015.

Flexibility

Some environmentalists want the governments of the U.S. and China to force businesses to do very specific things to reduce carbon emissions: increase the use of wind and solar power, make all cars more energy-efficient, plant lots of trees. They also want to stop business from doing some things that could help bring down carbon emissions, but that might cause other kinds of problems.

For instance, many environmentalists say that the U.S. and China should not build any nuclear power plants.



You want the two governments and the environmental representatives to agree that business should be allowed to bring down carbon emissions in any way that is profitable and legal. Government should not tell business how to do it.

Financial incentives

This last point is absolutely critical. If the U.S. and China want business to make investments to develop more energy-efficient cars or refrigerators, or to make power plants that run on wind instead of coal, they have to realize that those investments will cost you more and may earn you lower profits than continuing “business as usual.”

You want the U.S. and China to give you tax breaks and other financial incentives (like low-interest loans or free land for planting trees) to make sure that these investments don’t end up hurting your companies. Under no circumstances can you accept any agreement that uses taxes or other financial penalties to force business to take action on climate change. Taxes would be unfair to business and harmful to the two countries’ economies.

Strategy to achieve your goals

Your main concern is that the environmental representative will make extreme demands for the U.S. and China to reduce their carbon emissions and for business to make very expensive investments to achieve those reductions. To avoid this, you should

- Emphasize that climate change is a long-term problem that cannot be solved overnight.
- Explain that the world’s leading corporations are committed to helping solve the problem—and the problem cannot be solved without their help.
- Make it clear that business can only help the U.S. and China if they agree to make gradual reductions, and give certainty, flexibility, and financial incentives to business.
- Argue that emissions targets of 1.53 billion tons/year for the U.S. and 1.6 billion tons/year for China in 2015 are the best that can be achieved without hurting the global economy. **You cannot support any agreement that commits the U.S. or China to have emissions lower than 1.5 billion tons/year by 2015.**

Good luck!