



Point of view: JONATHON PORRITT

Jonathon Porritt, co-founder and policy director at Forum for the Future, was one of the keynote speakers at the BWEA 30 Conference. Following his speech there were many requests for it to be published. Forum for the Future has kindly agreed for **RealPower** to publish this transcript.

THE EFFECTS OF OUR ACTIONS HAVE VERY LONG LEAD TIMES

WHAT WE DO IN THE NEXT TEN TO TWENTY YEARS WILL HAVE A PROFOUND IMPACT ON THE CLIMATE IN THE SECOND HALF OF THIS CENTURY AND THE NEXT. WE NOW KNOW ENOUGH TO UNDERSTAND THE RISKS OF MISMANAGING THE FLOW OF CAPITAL INTO ENERGY MARKETS IN THE NEXT FEW YEARS.



“Every country on this planet relies absolutely on us moving to a 100% renewable energy world and that is the only vision worth offering people.”

I have been chosen as an advisor to the Zayed Future Energy Prize, one of the largest renewable energy prizes anywhere in the world. It's a new prize, from a relatively new entrant into the world of renewable energy and it's an exciting development.

I've no doubt I will be regaled with all sorts of wonderful stories about Masdar City, which is going to be the world's first zero carbon city, built out in the desert sands just outside of Abu Dhabi, and about all the billions of dollars of new investments the Masdar Fund intends to make in renewable energy over the next few years.

The London Array, here in the UK, will be funded by the Masdar Fund in partnership with E.ON, on the back of Shell deciding to pull out from that extremely important investment (and inflicting yet another blow on its own somewhat questionable renewables reputation).

I've no doubt that the discussions in Abu Dhabi will focus on the price of oil, in a year when it spiked at \$147 a barrel. This has been a very painful period indeed, particularly for developing countries, for poorer countries, for whom oil at that price has a massive, punitive impact on their expectations.

Now the price of oil has come back to seventy dollars. Good for developing countries, but not so good for the renewable energy industry. High oil and gas prices are an important part of accelerating the transition we need to make towards a more renewable, very low carbon world. To a certain extent, high oil prices have been acting as a proxy price for carbon.

With oil prices now dropping to more familiar levels, we are back to the same old uneven playing field, where renewables cannot compete with fossil fuels, where we pay nothing for the life-threatening emissions of CO₂ from those fossil fuels, where we choose to subsidise the global economy at the expense of Planet Earth and our own future.

I doubt, however, that the discussions in Abu Dhabi will touch much on the state of capitalism.

I have come to a very simple conclusion in the last six months. This model of capitalism is broken. It is finished. Reflect for a moment on just how much damage has been done to the prospects of humankind as a result of our subservient adherence to this particular model of capitalism. We have lionized irresponsible chief executives; we have incentivised greed as a primary driver of economic growth and development; we systematically mispriced risk across the entire financial services sector, and we have encouraged the continuous misallocation of capital, locking us into a pattern of infrastructure, energy use and energy production that we will go on paying a very heavy price for many decades to come.

These are massive costs. They will bear on us and future generations very heavily, for a long time to come. Nick Stern, who has summed it up so admirably in his work on the economics of climate change and on the need to stop misallocating capital by mispricing carbon, said:

“The effects of our actions now on future changes in the climate have very long lead times. What we do now can only have a limited effect on the climate over the next forty or fifty years. But on the other hand, what we do in the next ten to twenty years will have a profound impact on the climate in the second half of this century and the next. We now know enough to understand the risks of mismanaging the flow of capital into energy markets in the next few years.

Mitigation – taking strong actions to reduce emissions – must be viewed as an investment, not a cost: an investment incurred now and in the coming few decades to avoid the risk of very severe consequences in the future. It would help if people saw climate change for what it is: a unique challenge for economics, the greatest and widest ranging market failure ever seen.’