Flipping the Switch

The turbulence in global energy arises from an energy system shaped by countless choices made by governments and in the private sector for many years.

But the fact is that we can make different choices for our future. It is within our power to rebuild the global energy system and economy in a way that works for Nature, people and the planet, and avoids burdening the most vulnerable in society.

Restoring our planetary, human and economic health is vital, as is adapting to those impacts that cannot be avoided. This is going to take a lot of investment; $4tr each year by 2030 in clean energy alone according to credible estimates[1].

That is more money than can be invested by governments and far more than sits in the coffers of global institutions like the World Bank.

There is only one source of funds and capacity plentiful enough to get the job done: the private sector.

But private sector capital is not a deep pool waiting to be drained. It is a network of countless tributaries that need channelling. Government can do much to help that.

That is why, on the eve of the G7 summit in Germany, the Sustainable Markets Initiative – a collection of more than 400 CEOs from every sector and chaired by His Royal Highness the Prince of Wales – is now suggesting a path to accelerate the transition to a sustainable future.

It starts with a call for a change of mindset, with not only policy action focused on the production side but also on policies that address the consumption that causes emissions.

Already significant capital is being committed to reshaping markets and economies toward a sustainable future. With policies refocused on the true cause of the problem we can accelerate that, while supporting the sectors and communities for whom the transition presents the greatest challenges. We seek a just transition from our current state.

As G7 leaders gather for this year's meeting in Germany, we offer these three critical areas for action:

The first is to establish a meaningful carbon price and effective carbon markets. What is a meaningful carbon price? At between $30-70 per tonne, investing in coal no longer makes sense. At between $70-120 per tonne, it becomes more viable for sectors like steel and cement to invest in hydrogen-based production techniques and deploy carbon capture. Above $120 per tonne a range of negative-emissions technologies become financially attractive, including sucking carbon dioxide directly from the atmosphere.

To release all this investment, of course, the carbon price must rise in line with the global economy's ability to absorb it and governments must address the near-term challenges for consumers facing the rising cost of energy. This is not beyond us.

Our second appeal to G7 leaders is to better optimise the impact of public funds. Some things are relatively straightforward: making low-carbon public procurement decisions, incentivising innovation, and investing in research and development and in workforce training into this more sustainable future.

In addition, Multilateral Development Banks and Development Finance Institutions can move towards a new approach. Their goal can be to use their relationships and insights to establish a strong pipeline of investable projects. They can then use their funds to reduce the risk of investing for the private sector, whether through guarantees, insurance mechanisms or other tools. It is by using their funds to clear the way for private finance to flow that these institutions can maximise their impact in the world.

Our third call to the G7 is for government mandates that offer the private sector clarity and stability. Once businesses can be certain of a stable and predictable policy environment with well-established goals, we will do all in our power to help society get there.

Demand-side policies will be critical, such as mandates on sustainable aviation fuel, product standards and internal combustion engine phase out dates alongside investment in enabling infrastructure. These would send clear messages to everybody involved in making vehicles, planes, ships and all the industries that support them. Clearer policy on methane emissions would be an obvious signal, not only to the fossil fuel industry but to the agriculture and waste disposal sectors too.

Prior to last year's G20 meeting, the SMI recommended that coal not be permitted to generate power in advanced economies by 2030, and globally by 2040. Obviously, we're facing a near-term challenge but over time that is a meaningful and achievable goal. Governments and the private sector have stood together many times to address global crises, including with the pandemic. We can continue in that same spirit and help shape the future we all want for our planet.

Tackling climate change is complex and expensive. But our companies and many others within the Sustainable Markets Initiative are already taking major strides in that direction. If the G7, G20, Commonwealth and others can act on this plan, can work with the private sector to help accelerate our progress, we can do this.

Undersigned by, in alphabetical order:

Anand Mahindra
Chairman Mahindra Group

Bernard Looney
CEO bp

Ben van Beurden
CEO Shell

Benedikt Sobotka
CEO Eurasian Resources Group

Bill Thomas
Global Chairman & CEO, KPMG International

Bob Moritz
Global Chairman PwC

Brian Moynihan
CEO Bank of America

Carmine di Sibio
CEO EY

Federico Marchetti
Founder of YOOX NET-A-PORTER Group

George R. Oliver
Chairman & CEO, Johnson Controls

James Brocklebank
Co-Chair Executive Committee Advent International

John Holland-Kaye
CEO LHR

John Neal
CEO Lloyd's of London

Marc-Andre Blanchard
Executive VP and Head of CDPQ Global

Noel Quinn
CEO HSBC

Patrick Holden
CEO Sustainable Food Trust

Punit Renjen
CEO Deloitte Global

Ron O'Hanley
Chairman and CEO StateStreet

Tim Wainwright
Chief Executive WaterAid UK

Yiannis Paraschis (Dr.)
CEO Athens International Airport

[1]Net Zero by 2050 – Analysis - IEA

Sustainable Markets Initiative

sustainable-markets.org