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Q&A- “Green recovery” more likely than ever if political will holds - John Elkington, Volans Ltd.



Despite the global economic crisis sparked by the COVID-19 pandemic, a “green recovery” is quite possible but needs “immense political stamina” to become a reality, **John Elkington, founding partner of advisory firm Volans and author of *Green Swans: The Coming Boom In Regenerative Capitalism***, told the Reuters Global Markets Forum on Thursday, May 14.

Following are edited excerpts from the conversation:

Q: Can you explain what you mean by a "green swan" event? What are some examples?

A: Nassim Nicholas Taleb speaks of “Black Swan,” which take us exponentially in directions we don't want to go. Green Swans are dynamics and trajectories that take us, at least potentially, in directions we do want to travel.

Examples include the extraordinary fall in the price of renewable energy, solar and wind. Some examples are less obvious, like the regeneration of the Loess Plateau in China, where the Han people originated. The growth in e.g. social, green, climate etc bonds has the makings of another, or at least it did until COVID-19 hit.

Q: Do you see economies making a green recovery from here? What is the scope of better acceptance of ESG by companies?

A: Many commentators are noting the strengthening of the 'S' in ESG. In terms of green recoveries, it's more likely than ever before, but there is push-back from those who simply want to grab society's money and use [it] to buttress the old unsustainable business models.

I think voices like Alexandria Ocasio-Cortez in the US and the EU €1 trillion Green Deal are encouraging, but green recoveries will need immense political stamina to drive it through.

Q: Given that, do you feel there has been an increase in "green washing" and "social washing" since COVID-19 began?

A: Not sure I see growth in greenwashing, but social washing will certainly see a boom period. And in this era of false facts, it is going to be even more important that the media and civil society critique and punish such distortions.

The different parts of the ESG formula are increasingly under tension. Think of fracking - the frackers want government aid because of their economic contribution and the jobs they create, but their environmental footprint tends to be kept in the shadows. The urgency of all this makes it hard to really dig into the details, but we must.

Q: What could a green recovery look like?

A: One part of it would be conditionality. If businesses or industries are to get state aid, then we need to ensure that goals and targets around, e.g. decarbonisation are built in from an early stage and well policed.

A real green recovery would also see governments doing what Japan's MITI used to do, strategically running down sectors that are not fit for the future and building up those that are - or could be.

Q: How can governments and the private sector best partner to address environmental and social issues?

A: In normal times, by co-evolving a vision of a better future across the ESG agenda, strategies for delivering change, and incentives that keep the process pushing ahead. In abnormal times, it becomes a lot more challenging, but if [the] government uses its new leverage wisely, we could make a disproportionate amount of progress in short order.

We have just completed a piece of work for the WBCSD, (World Business Council for Sustainable on the impact of COVID-19 on business and markets, launched this week. The conclusion is that disrupted times can be an extraordinary opportunity to advance change agendas. The WBCSD work has involved a refresh of their 2020 Vision 2050, involving many international companies.

Q: But could the need to cut costs and bring production back up to scale set back progress made on the sustainability front before the pandemic?

A: Of course. And it will. But net net, the outcome could be strongly positive if we make it so. But the natural selection pressures on business will clearly be off-the-scale intense.

Q: What impact could rock-bottom oil prices that we're seeing have on green energy efforts?

A: They will do a number of things simultaneously. Rock bottom prices will destabilise political regimes. [It will] increase the pressures on the oil sector to consider [that] we have hit "peak oil," something BP's CEO is now flagging as a real possibility. And renewables will be hit, but their trajectories are now pretty inexorable.

Q: Are we looking at an irreversible rise in single use plastic/materials given the new norms of the world i.e. PPE, mass testing? Is there a way to curb this likely rise in pollution?

A: Eastman (Kodak) has a couple of new technologies that can close the loop on all plastics, breaking them down to molecular level, so they can be used in a wide range of new applications and go around the loop almost indefinitely. But we are going to have to come down hard on linear applications of plastics, single uses.

Q: How might industries like airlines, that have come under fire for sustainable issues, walk the line between profitability and sustainability?

A: Part of the Green Swan argument is that there are "Ugly Ducklings" out there, innovative individuals, initiatives, even industries. Many of them are hard to see, or look weird. But therein lies a big part of a more sustainable future.

There will be a vicious cull of airlines. And across the board we are likely to see massive consolidation. Viewed through a sustainability lens that's not a good thing. Bigger companies tend to be less innovative. But on the upside, disrupted times allow the future to break through in quite unexpected ways. I'm looking forward to the 2020s!

Q: John, you coined the "triple bottom Line" - People, Planet and Profit - quite a while ago, but you've since "recalled" the term. Where do you think the concept was lacking, and have your views changed since?

A: I coined it over 25 years ago, have seen it do wonderful work around the world, but recalled it - via Harvard Business Review - because the climate emergency and other challenges require more from us. We have since re-released, noting that TBL works fine if the focus shifts from Responsibility to Resilience and Regeneration - across the TBL.

Resilience is now on everyone's lips, but the best way to ensure economic, social and environmental resilience is to regenerate the relevant systems. And that includes politics - perhaps the biggest regeneration challenge we face!

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