

Out of touch company directors signal their virtue by declaring intention to save planet



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Chris Kenny, Associate Editor (National Affairs), October 26, 2018

It is not just the politicians who are out of touch. Company directors, too, seem determined to signal their virtue by declaring their intention to save the planet rather than just focusing on their day jobs.

Perhaps if we surveyed customers on what they wanted from major companies, tackling climate change might not be top of the agenda. Customers might prefer companies to try to lower their prices, increase their reliability and responsiveness, curb their executive salaries and maybe give their workers a bit of a pay rise.

But that's all a bit mundane for the company directors, according to the results of the latest survey by the Australian Institute of Company Directors which finds climate change is their top issue. Apparently they collect their salaries, tick off on bonuses and pay rises for their executives, keep a lid on broader wages bills and then trumpet their moral superiority by declaring that climate change is their biggest concern. I wonder if it has ever occurred to them that owning a beach house or hobby farm and holidaying overseas might make

their own carbon footprints many times greater than those of the workers they employ.

We could take them more seriously if they told us energy policy was their greatest concern. Crippling electricity prices driven up by ill-considered, inconsistent and changeable climate policies hurt family budgets and reduce disposable income while driving up costs right across business and industry. If company directors demanded cheaper and more reliable energy supplies they would be upholding their duty to their shareholders, workers and the community. Instead, they talk about climate change and the need for action in this country.

There are many reasons why. Let us give them the benefit of the doubt and say that the first reason is investment certainty. They are convinced that ongoing global action will demand Australia continues to reduce emissions and that we need a framework for that to happen in an orderly fashion so that crucial investment decisions, especially in energy generation, can be made.

The trouble with this argument is that other countries are not reducing emissions; our own coal exports to China, Japan, South Korea and Japan are fuelling continued global emissions growth. There simply is not another nation crippling itself with energy policy contortions to meet emissions reductions targets — Canada is the best comparison and it is missing all targets and winding back emissions reductions measures.

There will be no investment certainty in Australia until energy and climate policy is bipartisan and the only way to get bipartisanship at present — as Malcolm Turnbull discovered — is to support a Labor and Greens agenda that will compromise supply and costs to meet emissions targets. Company directors ought to be calling this out and demanding that this nation focuses on reliable and affordable energy for the time being.

The key points here are: global emissions continue to rise, so our meagre cuts amount to futile self-harm; the US has left Paris but is performing well on emissions because of a technology and price-driven switch to gas; the silver bullet of nuclear energy sits idly on the sidelines in Australia and other nations; we already have substantial measures in place including the renewable energy target that will soon have 23 per cent of the nation's power coming from zero emissions sources; and cheap, plentiful energy was one of our few economic advantages.

The company directors also would be wary of green Left activists who target companies and investments over climate policies. Advertising strikes, social media campaigns, shareholder activism and various other environmental guerrilla tactics have the corporate sector on edge. When the daily fluctuations of the sharemarket are an instant barometer, the corporations have little stomach for a fight.

Corporations also love the feel-good factor of climate action — even companies who profit from coal, such as AGL, or petroleum, such as BP, run advertising campaigns focused on clean, green ideals. So when directors respond to surveys they reflect this corporate spin. They also probably reflect their personal views because, as we saw in the Wentworth by-election, the more money people have the more room they have for post-material concerns.

The bottom line here is that we should expect hard-headed thinking rather than woolly-minded posturing from our business sector. And any company director who can read a balance sheet must be able to look at the science and the global policies and see that climate policies in Australia will be irrelevant to any solution. Research and development are most likely, as ever, to provide the solutions: in carbon capture and storage; carbon sequestration; battery technology; smart grids; gas exploration; land use techniques; small-scale nuclear power units and various forms of renewable energy.

We would be better off funding more research than sending ourselves broke to make people, including politicians and company directors, feel good about themselves. And the company directors would be better off sticking to their knitting.

Chris Kenny