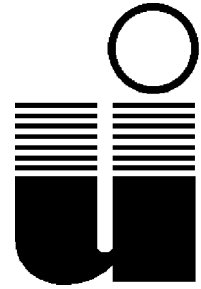


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Business Progress Towards Sustainable Development

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The World Business Council for Sustainable Development (WBCSD) is a coalition of some 125 leading international companies united by a shared commitment to the environment and to the principles of economic growth and sustainable development. Our members are drawn from 35 countries and more than 20 major industrial sectors. We also benefit from a thriving global network of national and regional business councils and partner organisations.

The nuclear energy industry is well represented in WBCSD with member companies like Tokyo Electric, Kansai Electric, Cogema, Ontario Hydro and Vattenfall. The Chairman of the Uranium Institute, Mr Tokio Kanoh, is Vice Chairman of the WBCSD. The future Chairman of the Uranium Institute, Mr Jean-Pierre Rougeau, is also an active participant in our work.

The WBCSD has been at the forefront of business response to the challenges arising from the Earth Summit in Rio in June 1992 and has become the pre-eminent business voice on sustainable development issues. Our aims are to develop closer cooperation between business, government and other organisations that are concerned with the environment and sustainable development. We also seek to encourage high standards of environmental management in business itself. Our objectives can be summarised with the words: business leadership; policy development; best practice; and global outreach.

Industry and Sustainable Development

Is business and industry responding to the sustainable development challenges?

The answer is very clearly yes. In 1992 at the Rio summit, WBCSD presented the book *Changing Course*. This was the first time that business formulated its views on sustainable development and it had a fundamental effect on the thought process in Rio and has continued to influence in the following years. Over 200 000 copies of *Changing Course* have been sold to date, and it has been translated into fourteen languages.

In the five years since Rio, business has made great progress towards finding ways of implementing the goal of sustainable development. In 1997, five years after Rio, we have presented another report entitled *Signals of Change: Business Progress Towards Sustainable Development*.

In this report we have collected a number of “signals of change” — changes in direction and momentum towards sustainable development. Some signals are stronger than others. Business has, for example, made much bigger strides in reducing wastes than it has in understanding fully how to deal with demands that it should undertake greater civic responsibilities. Some signals are controversial, they can be interpreted in different ways.

Do these different signals add up to an identifiable change in course? We think that they do signal a paradigm shift in the way in which business does business. It is a shift from a fractured view of environment and development issues to a holistic view of business and sustainable development. Specifically, this involves shifts from:

- seeing only costs and difficulties in the concept of sustainable development, to seeing savings and opportunities;

- end-of-pipe approaches to pollution, to the use of cleaner, more efficient technology throughout entire production systems, and further, to seeing sustainable development as integral to business development;
 - linear, throughput thinking, to systems and recycling approaches;
 - seeing environmental and social issues as responsibilities only for experts, to seeing these issues as company-wide responsibilities;
 - confidentiality, to openness and transparency;
 - lobbying, to open discussions with stakeholders.
- These shifts are occurring at different speeds in different places, but they are all happening.

What is Driving this Process?

The business response to sustainable development has gone through three phases. The first one was the end-of-pipe phase, where the main driver for an improved environmental performance was regulation and sometimes embarrassment: "You had to clean up your act because the authorities were forcing you to do that."

In recent years we have been in the second phase, where it has become clear for many companies that environmental performance makes business sense. The focus in this phase is on improving products and processes to reduce pollution and environmental problems at an earlier stage in the life cycle of products and thereby avoiding to have to put in filters at the end of the production process. The key concept in this phase has been "eco-efficiency". This is a term that was coined by WBCSD before Rio and it is a management philosophy that combines financial and environmental performance. Eco-efficiency is about resource efficiency.

The key factors in eco-efficiency are:

- reduce the material intensity of goods and services;
- reduce the energy intensity of goods and services;
- reduce toxic dispersion;
- enhance material recyclability;
- maximise sustainable use of renewable resources;
- extend product durability;
- increase the service intensity of goods and services.

In 1997 we are in the process of producing a book on this subject. Its title is *Eco-Efficiency: The Business Link to Sustainable Development*.

We have now come into the third phase of the business response to sustainable development. In this phase environmental performance is being integrated into business development and

environmental performance becomes a question of the strategic positioning of your company. Companies are realising that they can achieve competitive advantage by improving their environmental performance. To illustrate that let me quote two of our members.

Let me start with Ed Woolard, former chairman of DuPont: "During the next quarter century, the most significant net contribution to a greener world will be made by industry...Not every company is there yet but most are trying. Those that are not trying will not be a problem, simply because they will not be around long term."

Another key business leader, Percy Barnevik of ABB, said the following: "Environment will represent one of the biggest possibilities for technical and leadership-based innovation — and profitable companies — which the world has ever witnessed."

The Way Ahead

If we want society and business to move towards greater sustainable development, it is however not sufficient just looking at the internal actions of individual businesses. There is also a need for an enabling framework from society. In our report *Signals of Change* we highlighted some of the key elements of such a framework:

- freer and more open markets;
- stable and predictable trade rules;
- international standards;
- realistic target-setting;
- international solutions for international problems;
- fast dissemination of technology;
- education of the financial markets;
- economic instruments that motivate;
- voluntary agreements.

Targets must be realistic and achievable otherwise they will just disappoint and frustrate everybody when they are not met. Take the CO₂ reduction targets set in Rio five years ago as an example. They were totally unrealistic in light of the rigid energy infrastructures globally. The coal-fired power stations in the world are on average 35 years old and they will live for another 20–25 years. To cut CO₂ emissions within seven years in line with targets is therefore simply not realistic.

Global issues, like loss of biodiversity and climate change, can not be dealt with purely on a national or regional basis. International frameworks are needed to put in place effective solutions, such as joint implementation and emissions trading for climate change.

The Environment and Shareholder Value

However, even with industry being aware of eco-efficiency benefits and having an enabling societal framework in place, this will still not move business at large towards more sustainable development with the speed that we would like to see unless we can measure the progress towards sustainable development.

This means: how does eco-efficiency translate into shareholder value, and how are eco-efficient companies being recognised by the financial markets. And here we have still a long way to go. Earlier this year we produced a report called *Environmental Performance and Shareholder Value*, co-chaired by three of our members: DuPont, Swiss Bank Corporation, and Storebrand. In this report the working group outlines its main findings on where we are today on this matter:

- Financial markets have up to now generally recognised only negative environmental performance, not seen it as an opportunity.
- Environmental drivers can provide competitive advantage to any company.
- Environmental issues can drive financial performance.
- The quality of a company's environmental management provides the outside world with a good indicator of the overall quality of its business management.
- The evaluation of environmental factors in the financial marketplace has been hindered by the absence of a financially relevant framework.

To further improve environmental reporting and to educate the financial markets are therefore of crucial importance.

Conclusion for Business in General

What are the conclusions of this for business in general? Business is making progress towards sustainable development via concepts like eco-efficiency. The rate of change in the last five years is impressive. I believe we are just seeing the tip of the iceberg of the consequences of the change process that is ongoing, and the improvements coming from the innovation in both technology and management practices that are being implemented in companies today.

But for business to make faster progress towards sustainable development it needs the right framework conditions from society. It also requires that we can measure our performance and how it translates into shareholder value, and that financial markets recognise the importance of the new business concepts. Business cannot achieve this

alone. Business needs an active dialogue with other stakeholders in society. The relations between governments, business and civil society, and the dialogue that is going on today is very promising and I am optimistic about the achievements that we are going to see during the coming years. Business is listened to and heard in a way that was not the case some years ago.

Conclusions for the Nuclear Industry

What are the conclusions for the nuclear energy industry? A businessman some years ago said the following: "Environmental issues are emotional, environmental decisions are political, environmental solutions are technical."

The first conclusion is that an open, transparent, active dialogue with other stakeholders is needed to address the emotional issue — the worries of people. And let us not forget — other energy sources also have environmental consequences.

The second conclusion is that nuclear energy is needed as part of the energy infrastructure to support economic development. Poverty eradication is a key political goal and to achieve this we need energy.

A third conclusion is that nuclear energy must make financial sense, both for society and for shareholders and other investors. A perceived high risk means demands for high financial return. In this context let us remember that many activities in today's society are heavily subsidised and that environmental costs are not internalised, which makes rational decision making difficult.

The nuclear energy industry is an important part of the infrastructure of society. The future role of the industry will depend on:

- how nuclear technology continues to develop, not least regarding waste;
- how dialogue with other stakeholders is managed in a society characterised by immediate availability of information via the Internet, where "everybody knows everything about you all the time";
- how a more factual platform can be created for comparison of the consequences of the use of different energy sources;
- how the financial markets can be convinced that nuclear energy can generate the required return on investment, considering its particular risk factors.

I believe that it is possible to manage these issues, and I also believe that it is vital for our common future that the nuclear energy industry is successful in doing this.