

Opinion: How Davos power brokers can start tackling major environmental risks

January 22 2016, by Bhaskar Vira, University Of Cambridge



Drought is part of wider problems that affect business. Credit: EPA/Barbara Walton

The World Economic Forum (WEF) published its annual [Global Risks Report](#) in the run up to its annual meeting in Davos. Food and water crises, energy price shocks, biodiversity loss and ecosystem collapse,

extreme weather events and failure of climate change mitigation and adaptation, it said, are the biggest threats facing society.

Three of the top five global risks in terms of likelihood and three of the top five global risks in terms of impact have links to the environment. Of even greater concern, however, are the linkages between these systems, and the trade-offs associated with decisions in one area affecting another.

This growing recognition of [environmental risks](#) for business, and their interconnections, reflects what is emerging as "[nexus](#)" thinking in the natural and social sciences.

Those with long memories will recall that these issues have been high on the Davos agenda for much of the past decade and, therefore, discussed by the great and the good of corporate and political life. So why has significant business action not necessarily followed?

Making connections

Five years ago the WEF launched a report on the "[Water-Energy-Food-Climate Change nexus](#)". It was a recognition that water concerns were closely linked to issues such as inequality, terrorism, famine, poverty and disease. This set the stage for business to consider a rounded approach to addressing the intimately interwoven threats from water scarcity, energy and food security and [climate change](#). While there has been some progress, however, there is little evidence of a step change in attitudes and practices commensurate with the scale of the challenges.

One reason for this inaction is what the Bank of England's governor, Mark Carney, called the "tragedy of the horizon" in his [speech to the insurance industry in September 2015](#).

The impacts of many of these interconnected environmental risks fall outside the traditional decision-making horizons of most of those involved. Current decision makers have little incentive to fix the problem, even if they acknowledge and understand the risks.

This is illustrated in the latest Global Risks Report, which highlights an alarming finding:

... the relative absence of environmental risks and, more generally, of long-term issues among the top concerns of business leaders in their respective countries.

Myopic visions

Of more than 13,000 business executives in more than 140 economies whose views were sought in the WEF's [Executive Opinion Survey](#) none identified environmental risks as among their top risks for doing business, both in terms of impact or likelihood.

Similarly, there is a stark contrast in the report's identification of the top five global risks of highest concern over longer and shorter time frames. The four most important risks over a ten-year period are all environment-related (water, climate change, [extreme weather events](#) and food crises), but none of these feature in the 18-month time horizon.

Responding to potential environmental risks seems to always be just beyond the current decision horizon – important, but not requiring immediate action. We hear much about long-term planning, but it's about time that environment risks were brought into the here and now.

To do that we need to understand why there has been a lacklustre response from the global community. One possibility is that key people and institutions – from business, academia and politics – are not yet

efficiently working together to create solutions, despite meetings such as those that are taking place this week at Davos.

Co-creating responses, now

The Global Risks Report highlights the need to recognise joint interests and bring people together across shared priorities, but we still lack some tangible way to bring these common agendas together.

The time is ripe for [business leaders](#) to shape the research that will enable them to better respond to major challenges across the nexus and empower them to act sooner rather than later. Instead of a reactive stance, responding when threats become immediate and unavoidable, there is an opportunity to shift to being proactive and collaborative.

As part of the [Nexus2020 project](#) the University of Cambridge Institute for Sustainability Leadership recently convened academics and business leaders to collectively prioritise key issues that need to be addressed. We identified how to help companies manage their dependencies and impacts upon food, energy, water and the environment.

Those who are gathering at Davos need to seize the opportunity to overcome the tragedy of their short time horizons and work together to identify key questions and possible solutions. Otherwise, as Mark Carney has warned, by the time a problem becomes high on the agenda, it is often too late to respond. Moreover, these interconnected challenges will be harder and more costly to solve if action is delayed. The WEF presents a unique opportunity to co-create responses to the issues that are highlighted in this year's Global Risks Report. Putting this off till the next meeting should not be an option.

This article was originally published on [The Conversation](#). Read the [original article](#).

Source: University of Cambridge

Citation: Opinion: How Davos power brokers can start tackling major environmental risks (2016, January 22) retrieved 17 July 2024 from <https://phys.org/news/2016-01-opinion-davos-power-brokers-tackling.html>

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