

5 June 2005

Dear friends

As well as being World Environment Day, today is the 10th anniversary of the formation of Ecos Corporation.

This struck me as an opportunity to reflect on progress in the global sustainability challenge and to share some thoughts about the next few decades. These reflections draw on my 30 years active involvement in these issues - 10 years with Ecos, working on sustainability strategy with major corporations across most sectors in the USA, Europe and Australia and 20 years prior to that as an activist working on a wide variety of social and environmental issues.

I've decided to give this letter the theme of **Scream Crash Boom**.

As an activist in the late 80's and early 90's, I would frequently say we had 10 years left to turn the situation around before we faced potential catastrophic impacts on the ecosystem, and as a result, on the economy and society. We were deeply engaged in **The Scream**. Shouting from the rooftops, or more often at the end of the discharge pipe of some large corporation's factory, we would say "wake up, the end is nigh, the world is doomed!" or words to that effect.

We argued from every angle that our behaviour as a society in treating the environment as a thing to be harvested and consumed, and then used as a waste receptacle, was leading to potentially irreversible but certainly very damaging consequences for nature and therefore for ourselves as humans.

Our pleading had significant impact then and since as concerned people from all walks of life came to accept that the path we were on as a species was unsustainable and - of critical importance - unless we took conscious and deliberate action to change paths we would end up in serious trouble.

As the 90's progressed, and then as we shifted centuries, **The Scream** got louder as the choir got larger and the data got clearer. An enormous amount of scientific research has been undertaken to clarify the current and predicted impacts and the news hasn't got any better (whatever we may have heard from "the sceptical environmentalist" and his cheer squad).

During this time, some very large and significant players have come on board. The vast majority of scientists, many governments and in recent years, some of the world's large corporations have joined in the chorus. While they may not always sing in complete harmony with **The Scream** choir, they listen intently and take the challenges at the level they should – this is way beyond just another tough public policy issue.

Many of them now know we are messing with the world at a level of significance on evolutionary timescales. They know there is at least a reasonable chance we're going to wipe out most of evolution's extraordinary achievements and end up with a much diminished world. They also know that in the process, we may lose a significant proportion of the global population in a series of catastrophic impacts on the climate, water, social cohesion and food production.

It's actually even more a human problem than an ecological one. The planet has dealt with worse in the past – massive climate shifts, asteroid strikes and super volcanoes - but never with 6 billion-plus people aboard! And in the past the world has survived very well, it was just much of the life on earth that was wiped out. So in the truly long term view, this is fundamentally a problem for us humans, not for the earth as such.

So as the choir got larger, some stayed in denial of the challenge, while others have actively worked against progress, with a combination of naked self-interest and ideological zeal. Key individuals like Lee Raymond, CEO of ExxonMobil, and here in Australia Hugh Morgan, formerly of mining company WMC and now of the Business Council of Australia, have acted with heartfelt belief that real action on issues like climate change was bad for the economy and indeed bad for the world.

Heartfelt? Yes, I think so, though my now dead father-in-law's favourite phrase comes to mind "hell hath no fury like a vested interest disguised as moral principle."

Let's be clear, companies and the people in them absolutely have the legitimate right to debate these issues and put counter views. That is part of what makes democracy strong. However we should differentiate clearly between that process versus the actions by some powerful companies and their friends to deliberately mislead and undermine progress, long after intelligent and considerate individuals have concluded that society needs to act. As Dr James Baker, of the National Oceanic and Atmospheric Administration in the US, has said. "There's a better scientific consensus on this [climate change] than on any issue I know - except maybe Newton's second law of dynamics".

With significant power and influence comes significant responsibility. In that context, the line between the democratic right to debate and the abuse of power is at times a subjective one, but in my personal view that line has been crossed by people like Raymond and Morgan. The efforts of them and people like them have probably cost the world 10 years in responding to climate change, 10 years we can ill afford to have lost.

However, I digress.

We've been engaged in **The Scream** for decades. Powerful, passionate and principled people in positions of great influence have joined the choir at different times. Shouting, no longer from the rooftops, but from board rooms, parliaments and television screens, "wake up, we've got a serious problem and we need to do something!". They've argued that we must protect future generations, that the world our children and their children will inherit must be protected.

Well, with 30 years' experience in this game and after considerable reflection, I'm here to report that we've failed.

The world has listened, and earnestly agreed. Some extraordinary shifts have occurred in attitudes, in beliefs and in our understanding of the problem. Great coalitions have been formed - people of power, passion and principle have worked tirelessly, with great resources and with clear paths forward. But time has run out. We've blown it.

I live on the beach in Stanwell Park, just south of Sydney. A few months ago I went for my dawn walk up the beach and, in deep reflection about the future of humanity, I stopped and turned around to face what was that morning a roaring and turbulent ocean. As I looked out at this powerful chaotic force raging before me, the words came into my head and just went over and over – *it is what it is*.

People deny things that are either too scary, too big, or too challenging to take in. We wait until there's a crisis, and then we respond. It is what it is. Jared Diamond in *The Rise and Fall of the Third Chimpanzee*, a book that changed my life, reminded us we are actually quite simple animals and the whole idea of civilisation is a very recent concept for us. We act like monkeys, we fight for ourselves and our genes and we pursue self-interest in a narrow band of understanding of what that is. So we're a bunch of monkeys that has developed the capacity to destroy life on earth. The likelihood of our minds evolving as fast as our capacity to impact our small round forest in space was always going to be a hard ask.

We tried. We failed. It is what it is.

This is not complicated. It's about physics and physical limits. It's about human and just plain animal nature, in the best traditions of boom-and-bust cycles. If you keep on breeding like rabbits, degrading the land, wasting and polluting the water, pumping polluting gases into the atmosphere then there are consequences.

So this is no longer about future generations - a generation or two has passed since the problem was identified. We are now it. We are the ones that will inherit the problem. This is going to happen on our watch. Get ready for **The Crash**.

Just look around you.

We're in deep trouble now: 40% of agricultural land is degraded. Biodiversity loss is now running at 1,000 times natural rates of extinction. In recent decades: 20% of coral reefs have been lost and a further 20% degraded; 35% of mangroves have been lost; withdrawals from lakes and rivers have doubled since 1960; 25% of commercially exploited marine fish stocks are over-harvested and so on. These are not predictions, these are the facts on the current situation as assessed by world-class, peer-reviewed scientists (e.g. see <http://www.millenniumassessment.org> for a good summary of global indicators).

Add on to all this the current reality about climate change and changes already observed, both by scientists and by the global insurance industry.

So we have got a Big Problem. A problem not of esoteric philosophical concerns, but of basic stuff that matters to us monkeys – food to eat, water to drink, energy to heat and move us and so on. **The Crash**? Think of it as a giant collision, as the mighty power of the globalised market economy crashes into the planet's physical limits. We already have a Big Problem, and we are still on course to increase the population by 50% by 2050 AND keep growing per capita wealth and consumption. So **The Crash** is in my view not a doom and gloom prediction, but an inevitable physical reality.

It may or may not unfold as single event or series of them. It may just slowly creep up on us like here in Sydney where we can't water our gardens except by hand two days a week and our farmers face the worst drought on record. Maybe **The Crash** will feel at the time like a movie in slow motion, though on evolutionary much less geological timescales, our impact (or if it goes bad, our collapse?) will be but a blink and then be over.

Or it may unfold in dramatic events that capture the world's attention. Of course we won't know till it happens, but remember the uncertainty goes both ways. Well-informed scientists warn of potential climate scenarios about ice sheets sliding into the ocean leading to sudden sea level rise, shifting climate states (i.e. on the scale of an ice age vs current temperate age) over a period as short as a decade, major ocean currents stopping so Europe freezes and so on.

Or it may be indirectly related events such as a Bird Flu pandemic. Or wars erupting over water. Or an economic depression triggered by Peak Oil being reached and passed. However it unfolds, it is certainly in my judgement going to be ugly, probably very ugly. You can't keep messing with the system that feeds you, eating away at your capital without bad stuff happening in response.

Miserable thoughts? Depressing? It is what it is.

The good news? Yes, there is good news. Actually very exciting news.

People are smart. While we can despair at our species' inability to collectively see the big picture and respond, we are really quite an extraordinary species. Our ability to invent, to innovate, to think and to act on a global scale is really quite extraordinary. The market, the mighty global machine that is driving us all towards **The Crash**, is also able to deliver technology, information, food and people around the world on an extraordinary scale.

Think about the communications and information revolution of the last few decades. I'm 46 and as a young activist was really impressed by the IBM golf ball typewriter, because it solved the problem of the keys sticking on my typewriter. Now in Bangladesh a poor farmer can buy a single mobile phone call from a woman in the village (who bought it using micro-credit finance) and call ahead to the market to check the price for his produce to see if it's worth the 20 mile walk to sell it.

We can put people into space. We can identify matter and even anti-matter we can't see or measure. We can break down life into genes and splice new life together. Before long we'll be able to cure or prevent most diseases and if we want to, create new strains of humans. We are smart, we are damn smart.

So after the crash, comes **The Boom**.

See the big problem is actually a very little problem. We have plenty of water, we just use it in a dumb way. We have plenty of energy, thanks to the large fusion reactor just over there in space giving us all we need. We can produce food for all. For us these are in fact very small problems, we just haven't yet decided to fix them. Can't afford to protect ourselves? Yeah right.

When we do, it's going to be really interesting. We'll reinvent cars that make today's technology look as primitive and stupid as it is. We'll have energy created everywhere

as our roofs and cars become generators rather than consumers of power. Water will just go around and around our houses and we'll use it on the way through.

And guess what. Some people, perhaps you reading this letter, are going to create enormous wealth making it all happen. Devotees of the market should understand my point. Today's great global economy was built on the foundation of World War I, the great stock-market crash of 1929, the Great Depression that followed, and then World War II.

Capitalism as a process of creative destruction means that in **The Boom** great change will occur to the structure and to the players in our economy. Many of our beloved corporate institutions will be consigned to the dustbin of history (and if there is justice in the world, ExxonMobil will be one of them!) But there will also be a great process of creation, as we build this new economy. Companies we haven't heard of yet will become tomorrow's Microsofts. New sectors will come into being as new technologies and new approaches to business define this new world.

It may be driven in China and India because they have the opportunity to build a new infrastructure while the West's challenge will be to transform an old one. Everyone worries about China and coal, I see instead **The Boom** perhaps making China the saviour of sustainability! People say "But they'll want to develop first and won't sacrifice economic growth for the environment". I say wrong. They're smarter than that. They can't be the powerhouse of the global economy they plan to be if the world's melting down, nor if they are choking on their own filth. Besides, the economic opportunity in **The Boom** is too good for them to miss.

Of course in all this, the timing will not be simple and clear. We'll no doubt pick symbolic public moments afterwards to mark the shifts between phases. **The Scream** will continue to get more intense as the evidence gets clearer, but **The Crash** has arguably already begun with temperature shifts, record droughts and insured losses mounting rapidly. Some people I talk to in investment banking and private equity, are already into **The Boom**. They notice the growth in hybrid vehicle sales, the 40% world-wide growth in solar last year and the opportunities in biotechnology, and are busily positioning to ride the coming wave of opportunity.

So look around and judge for yourself. It's a business decision.

How do you get ready for the **Scream Crash Boom** future painted here? A few thoughts:

- Face up to reality and hedge your exposure – understand the emerging trends and first make sure you have strategies and exposures that will keep you out of big trouble with any likely scenario and prepare you to capitalise on the most likely ones.
- Stay connected – in chaos, being connected to diverse stakeholders will be critical to both sensing change before it is obvious to others (a competitive advantage) and to riding the storm of change when it comes (a survival advantage).
- Take charge of your future and help the world do the same – don't sit around pontificating or paralysed! Work out how you can drive the change in a direction that creates value for both society and for your company, and remember the former leads to the latter!

- Make it count. Do things that are substantial and have an impact worth having. This is a great opportunity to help the world through what will be a period of enormous challenge and by doing so grow those great companies that will define the future.

In closing I can't ignore the Jared Diamond factor. I mentioned earlier that his thinking had enormous influence on me. As I write he's in Australia for the Sydney Writer's Festival. He's been everywhere, talking about and around his latest book *Collapse: How Societies Choose to Fail or Survive*.

Some of you may feel this book is bad news for my **Scream Crash Boom** thesis. Diamond recounts the collapses of many human civilisations before, albeit on a smaller scale than the world-wide crash I now expect, and draws clear and alarming parallels to the global here and now. We don't really know how much screaming occurred in those failed societies. However the crashes were a nasty business, with descents into internecine warfare and even cannibalism a consistent theme. And for those civilisations, there was no boom at the end.

Why should it be any different for us? Because we have the Jared Diamonds, in fact we have millions of smart and far-sighted people. We have compelling evidence from the past, plenty of warning signs in the present and even the ability to persuasively project the future.

So I am sure we will act. Not in plenty of time, but certainly before it is entirely too late. We will choose to survive not fail. I consider myself a realistic optimist.

So that's my thoughts on the road already travelled and the one ahead. Thanks to all of you who have helped Ecos first survive and then to thrive over our first 10 years. Rest assured, we plan to be around to watch all this unfold and do our best to help the species get through it.

Scream Crash Boom. It is what it is.

Paul Gilding

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