

RECONCILING PROFIT AND THE ENVIRONMENT

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How do we reconcile two apparently diametrically opposed phenomena – profit, the age-old economic driving force, and environment, our historical bequest that often seems to have less impact than desirable? Every day we are confronted with news items in the media that impress upon us the importance of the environment, and the crucial nature of a happy marriage between profit and environment. The Netherlands has been closely involved with the environment from time immemorial: had it not been for the stubborn struggle with and the sometimes partial conquest of the environment. The Netherlands today would not have existed as a country, or as a people. We found that paying attention to the environment is profitable to all.

Profit in the economic sense has always been a very potent driving force in the economy, no matter its developmental stage. In the 'classical' economic theories, profit was viewed as being of such importance that other factors were virtually eclipsed by it, in the view of economists and policy makers. As with other factors, such as unpaid labour by housewives, even though the environment may not have been included in socio-economic calculations, this did not mean that it did not have a socio-economic impact or relevance.¹

The first confrontations in The Netherlands between private industry – epitomised by "profit" – and environmentalists from different backgrounds, with their unprecedented mistrust of this "profit," were quite heady and confrontational. However, after the first skirmishes left both parties licking their wounds, it was very soon made evident that "we all are in the same boat" – whether we like it or not. We had to "bail and pump" together, or we would sink together. Whatever we did, we would do it together.² So, being pragmatic and practical, all parties – with few individual exceptions – decided to sit down and "talk business." How could they both adapt their ideas, interests, beliefs, and policies in such a way that they would salvage the bulk of their programme and interests, while compromising away relatively minor assets. In short: the famed "Polder model" at work.

Since the days of confrontation ceased, to make way for – sometimes guarded, at the start suspicious – co-operation, the Dutch private sector, multinationals and small and midsize enterprises alike, has discovered that taking environmental measures actually pays off and, therefore, makes perfect economic and business sense. Not only in the immediate production process, leading to substantial cost cutting measures – which shore up a company's competitive position vis-à-vis others – but also in the public eye. In order to facilitate the industrial-environmental consciousness, The Netherlands government in the past decade has also invested in a number of programmes meant to "lure" people and businesses into becoming environmentally conscious private and corporate citizens.

These programmes range from preferential tax treatment for investments in so-called "green funds" to subsidies to citizens and companies to partly pay for installing environmentally beneficial installations, creating a critical mass of people who adhere to stricter environmental standards.³

Thus, the Government enticed people to follow more environmentally friendly ways, both in their homes and in the work place, in the belief that this would gradually convince them of the powerful attraction of doing the environment good, and, at the same time saving money because of lower needs for energy and other basic materials. The Netherlands' Government is also environmentally active in international fora.

The Government's aim is to promote sustainable development world-wide: enhancing economic growth, promoting human and social development, and protecting the environment. In this context The Netherlands Government feels that the OECD is best suited to play a leadership role, to the benefit of developed and of developing countries alike. The need to significantly reduce global greenhouse gas emissions, amply proven by the IPCC reports (Intergovernmental Panel on Climate Change), is not only necessary, but also possible, financially as well as technically.

The IPCC showed convincingly that the industrialised countries will only need to lay out between 0.5% and 2% of GDP (Gross Domestic Product) by the year 2010 to fulfil the Kyoto Protocol goals. Although more will be necessary to bring the growth of the concentration of greenhouse gasses in the earth's atmosphere to a complete standstill – Kyoto represents approximately 25% of the ultimately needed reductions in greenhouse gas emissions – the safeguarding of the world's ecosystems, food production and sustainable economic development force us into action. After all, who wants to be responsible for an increase in extreme weather conditions and the destruction these bring: heat waves, draughts, tropical cyclones and heavy rainfall, leading to a rising death toll, loss of crops, damage to buildings and other infrastructures, soil erosion, earth slides and mud avalanches.

To achieve these goals, The Netherlands' Government pursues three key objectives: credibility, fairness, and efficiency. Credibility through active and substantial action to meet the Kyoto goals, implementing at least 50% through concrete CO₂ emission reductions, the only really sustainable measure in combating global climate change, before adopting the other measures, such as international trade in emission reductions, which might only lead to a transfer of the place of origin of gas emissions or sinks, which are basically a limited temporary 'stop-gap' measure. In the words of The Netherlands Minister of the Environment and President of COP 6, Jan Pronk, advocating a combination of flexibility and caution: "Be fair to the Protocol – emission trading is allowed; be credible to the target – there should be real restrictions; and be creative in seeking a compromise."

Fairness, in the Dutch view, also means that developing countries should be able to continue their growth, which is crucial in their fight against poverty, hunger and despair. Assistance by the developed economies is called for with measures such as technology transfer, capacity-building, and adaptation to sea level rise, floods, hurricanes and extreme unstable weather conditions. Once a certain level of socio-economic development has been reached, these developing countries, however, should also contribute to the global goals of reductions of greenhouse gas emissions.

Economic/cost efficiency is the third aim pursued by my Government, to be implemented in close co-operation with the Private Sectors. Business should take the lead in climate change mitigation policies, while the government conducts climate policies in such a way that world markets remain one level playing field, transparent, free and non-discriminatory. Provided that all countries participate, private business world-wide can rest assured that there will be no undue competitive disadvantage in specific markets.

Building on earlier policies, The Netherlands Government has started implementing domestic policies aimed at a 6% reduction of greenhouse gas emissions ahead of the ratification of the Kyoto Protocol. As mentioned earlier, aiming at meeting half of our Kyoto commitments with measures within our country, covering all sectors: industry as well as agriculture, energy producers, transportation, construction and private households. To improve the market position of renewable energy – exempt from this tax – considerably, the tax on small scale energy consumption has been increased yearly since its introduction in 1996. Large energy consuming companies have entered into an official agreement with the Government: the "Benchmarking Protocol," committing them to become the most energy efficient industries in the world by 2012. The benchmark will be developed by three parties: industry, government, and independent specialists, working according to agreed procedures.⁴

There definitely is a growing recognition that development of low-emission technologies makes excellent business sense. Also, the challenge of developing climate neutral energy carriers has been taken up, including renewables such as solar, wind and water power. Complementing these measures, the Government of The Netherlands will pursue the other half of the CO₂ reduction target with the help of the Kyoto mechanisms – Joint Implementation, joining them up with business investments in Central and Eastern European Countries.

The Government Policy is in line with the recommendations of the OECD Ministerial Council of 16-17 May. These recommendations keep a healthy and mature balance of integrated economic, environmental and social objectives. Key words are: make markets work, respond to climate change, manage natural resources, harness science and technology, and linkage with the global economy.

With regard to the response to climate change, it is mentioned that OECD governments are determined to work together and to participate constructively in the resumed COP 6 meeting in Bonn. For The Netherlands, and for a large majority of the other OECD countries, this means seeking entry into force of the Kyoto Protocol by 2002.

In The Netherlands, as in Greece, most companies are Small or Midsize Enterprises. This comparative lack of size, however, does not automatically correspond to a lack of ambition or a lack of possibilities and opportunities for environmentally responsible policies and "good governance."

There are hundreds of actual examples of SME's that have found ways to earn money – i.e., spend less money – while helping the environment at the same time, by cutting down on pollution drastically – and saving themselves, others and society, now and in the future, substantial sums of money. To name but a few examples in different business sectors, concentrating on the purely economic "by-product" of these environmentally favourable measures:

- A hotel in Eindhoven, a few years ago, installed compact fluorescence lamps in the hallways, resulting in an energy savings of 61%. In the meeting rooms, a savings of 50% resulted from an automatic "daylight-related lighting." The necessary investments were compensated within three years.
- Nationale Nederlanden, the Dutch banking and insurance conglomerate installed so-called metal-halogenide lamps in the main public areas of its new headquarters in Rotterdam, resulting in a savings of 66%.
- In a Dutch metallurgical company, the introduction of an oil registration system, to monitor the quality of the oil in use, resulted in 30% savings.
- A Dutch metallurgical company producing steel anti-magnetic-radiation back-panels for TVs introduced a new production process, resulting in a reduction of energy consumption of 60%, not to mention huge reductions of NO_x-emissions.
- A Dutch bicycle manufacturer recently introduced a newly set-up painting unit, resulting in enormous efficiency gains regarding paints and heat-consumption, in certain parts of the process adding up to 99%.
- A furniture manufacturer in Groningen introduced a machine to regain and purify used solvents. Within a year, the investment was recouped and led to a reduction of more than 80% in used solvents.
- A Dutch company recently installed "water-saving" shower heads, combined with efficient boilers leading to a savings of 10 litres of water per shower taken. The investment was recouped within one season.

References

1. In fact there seems to be ample room to argue that Adam Smith's famous "invisible hand" should also include imponderabilia such as the environment, because our life and the quality of our life is clearly influenced by environmental conditions – however far-fetched we may (want to) think their relationship is with the "hard and fast" economy.
 2. We have a saying in The Netherlands, implying that the shore will force the ship to change course, will re-route the ship: if ignored for too long, important actors, circumstances or situations will eventually force themselves upon us, whether we like it or not.
 3. A good example is the subsidy of catalytic exhaust filters in cars, leading to a sharp decline of use of leaded petrol, once a large contributor to pollution in The Netherlands.
 4. Currently, Government is negotiating with the 7 coal-fired power plants in Holland in order to reach a reduction of CO₂ emissions by about 40%, while the chemical and aluminium industries have taken steps to reduce their emissions of various fluoride compounds. DuPont has installed an afterburner at one of its Dutch plants that will reduce HFC emissions by about 5 million tonnes of CO₂ equivalents – against a total HFC emission in The Netherlands of about 6.5 million tonnes in 1995.
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