

Our place in History

Climate Investors Conference

Speech - March 2023

Dear friends.

It is wonderful to see so many people I know in this room today.

People who I know care deeply about the climate issue – because we have talked about it so often.

People who are genuinely worried about the society and planet we will leave behind when we go.

But also, people who are natural born optimists.

Who, despite the daily torrent of bad news, stubbornly see a bright future ahead.

Because I have never met an investor who wasn't, at heart, an optimist.

Today I will explain why I believe that when it comes to climate, we optimists are actually realists, and that we are in the right place, at the right time.

I want to tell you about my journey over the past five years, and where that journey has brought me.

Finally, I want to announce a new climate initiative – which I have called the **Transition Accelerator**.

And I'll be asking you, for your help, in this endeavour.

But first, my journey.

On climate issues, or on any political issue, I'm very much an accidental activist.

To be blunt, I don't really understand politics. In my bones, I am a businessman.

When I started my first business 45 years ago, I believed that my role was to make a profit, treat my staff well, and observe the rules of the game, as set by governments elected in a democratic society.

I believed that those who created goods and services deserved the profit they earned, because our capitalist economic system was mainly a force for good, creating unprecedented economic growth and wealth over the past 200 years.

But over recent decades, I have spent increasing proportion of my time in not-for-profits and philanthropy, and this has slowly eroded my youthful confidence.

I still believe wholeheartedly in the vision of the economy and the role of business that I had as a young man.

But I can now see that too many businesses fail to live up to these basic ethical standards, and that too often the way profit is pursued causes harm.

To give just one example, like many in this room I have grown alarmed – I might say repulsed – by the ferocious PR campaigns and behind-the-scenes lobbying of the coal and oil companies to safeguard their profits, even at the expense of the health of our planet.

Fossil fuel companies are by no means the only industry that uses its money to exert an outsize influence on political decision-making.

But they have gotten a particularly big bang for their buck.

In 2010 the Minerals Council of Australia invested 25 million dollars in a 54-day campaign against the Rudd Government's Mineral Resource Tax.

This 25 million dollar investment saved Australian mining companies **28 billion** dollars in taxes.

That is an internal rate of return of 28,000 per cent.

And for what? To kill a modest tax, levied at the height of a once-in-a-century mining boom that was already yielding windfall profits.

In my heart, I feel we would all be better off if business stayed out of politics altogether.

But I have come to believe that businesspeople troubled by the state of the world cannot simply sit in their boardrooms.

On some issues that are vital to the health of our society, we must get political, and seek to change the rules of the game.

And the good news is that when we do, business overall can only benefit.

A turning point for me was meeting Anna Skarbek, CEO of Climateworks, a couple of years ago.

Anna is one of the many unsung heroes of the climate movement - working in a toxic political environment to build the coalitions, the knowledge base, and the policy frameworks to make the transition to a low-carbon economy.

Anna explained to me how the net zero commitments of countries and companies are the game changer we have all been waiting for.

Once a country or a company commits to reduce its emissions to zero by 2050 the only question is "the shape of the curve".

That shape, multiplied by hundreds of nations and many thousands of companies, will generate 30 trillion dollars of demand for carbon-reducing products and services and 30 trillion of required investment over 30 years.

Given that landscape, it has become clear to me - and to many before me - that we must do three things:

First, we must hold countries and companies to account for their climate commitments and make sure they are not greenwashing.

Secondly, we must invest ten trillion dollars each decade in getting to net zero, which is why we are all here today.

And thirdly - and this is what I want to talk to you about today - we must inspire investors and business builders to work alongside climate NGO's to change the rules of the game for the mutual benefit of business and society.

When Peter told me about this forum, I asked to speak because I believe that the investors and business builders in this room have a crucial role to play.

Of course, we must invest profitably but -- and this is my main point -- **we must also work to expand the potential and scope for profitable climate investing.**

That potential, although huge for pioneers and growing rapidly, is vulnerable and small compared to our net zero challenge, which is systemic and huge.

The carbon-fueled economy is built on literally thousands of laws, regulations and practices.

These are the rules of the game that need to change.

That is why I am announcing a new initiative today - the **Transition Accelerator**.

The Transition Accelerator is not just another advocacy and lobbying group.

Before setting it up, I looked closely at the field of climate investment and activism.

I do not want to simply add one more player to what is already a crowded field.

The Transition Accelerator will focus on regulatory and policy roadblocks identified by climate investors and new climate businesses, and will facilitate joint partnerships with climate NGO's to remove these obstacles.

It will complement -- not compete with -- the work of existing industry and civil society organizations. It will accelerate, not replicate.

It will address challenges like these:

If you want to get a law or regulation changed, how do you do that?

Who would support you and want to partner with you? Who would oppose you?

How can you best make your case in Canberra or Spring Street or Macquarie Street or any other state or territory capital?

You might ask, how could someone like me – a businessman, a self-confessed babe in the woods when it comes to politics – offer any advice on such patently political questions?

The truth, of course, is that I can't. But this is where the Transition Accelerator comes in.

It will be a membership-based organisation, funded initially by philanthropy, and its members will be businesses and climate active NGOs.

Its key value to business will be its focus on removing specific regulatory and policy obstacles that reduce the scope for profitable investment.

Its major point of difference will be its embrace of NGOs and civil society.

Because the best NGOs – not all of them but the best of them -- have the political expertise that I and others on the business side lack.

They have campaigned for years, often with limited resources and against fierce headwinds, to influence public opinion and to change the regulatory landscape.

Their work has culminated in the net zero commitments that Anna Skarbek described, which in turn underpin the investment opportunities we are here to discuss today.

We are in this room today because of their tireless work over the past two decades and more.

They know how the game is played, and they've got the bruises and broken bones to show for it.

What they don't know, in the main, is what business needs and how business works.

In most periods of history, that mutual ignorance hasn't been a big issue.

Business and civil society have tended to skirt around each other, unable to find common cause; in fact, somewhat suspicious of each other, and fearful of the other's power.

But today – 2023, a mere 27 years before we need to get to net zero – is not a normal moment in history.

I think it's a unique moment, when the profit-seeking objectives of business align with the public-good pursuits of climate NGOs and other civil society organisations.

It is in the interest of both groups to support legal interventions to remove obstacles to green business initiatives, and to create new financial instruments to accelerate investment.

The Transition Accelerator will build the bridge between what business needs and what civil society wants.

Working together, both groups will thrive.

Civil society will get access to the capability and resources of business, while business will gain moral and political credibility, and political skills, by joining with civil society.

And government will be far more likely to listen to campaigns run by businesses and NGOs working together.

Such campaigns or partnerships will be called **Transition Projects**, and they'll work like this.

Business members of the Transition Accelerator will identify laws or regulations that directly impede the profitability of their Paris target aligned climate investments.

They, more than anyone, know what these roadblocks are.

The Transition Accelerator will then work with civil society groups to develop Transition Projects to remove these roadblocks.

By initiating and creating Transition Projects, the Transition Accelerator will reduce the coordination costs of pulling together businesses and climate NGOs.

All projects will have processes to protect business from any accusation of greed or of “pushing their book”, and to protect NGOs from accusations of “selling out”.

Over time, there will be multiple Transition Projects addressing many policy and economic barriers.

Some will be niche, affecting only a handful of businesses, for example out-of-date regulatory classifications or eligibility criterion.

Others, such as campaigning for new government spending priorities, will be macro, trying to move the big levers of change.

From electric vehicles to anaerobic digestors to seven-star rated buildings, to campaigns to end the subsidies that still go to fossil fuel companies while green initiatives struggle for lack of support – the Transition Accelerator will have endless opportunities to remove the regulatory barnacles that impede investment.

Initially, the organization will be funded by philanthropy, but over time its profit impact will be obvious enough and big enough to persuade business to stump up increasing levels of funding.

To be clear, I do not expect fossil fuel companies or companies heavily reliant on fossil fuels to sign up to the Transition Alliance tomorrow.

Other than our most progressive large corporates – some of whom are here today, and who I hope will sign up - I do not expect many large corporates in our early days.

Our first supporters will be the pioneers of green investing, the inventors, the entrepreneurs and the smart money.

But as we have seen today, this is a rapidly growing and increasingly profitable niche.

The flywheel of projects will be small at first, but as the transition gains momentum, as it will, and as these pioneers create green unicorns, the flywheel will start spinning faster.

I want to acknowledge and thank all the business builders and investors in this room. You are leading the way.

But I am here to urge you to do more. I am urging you tell the world – to tell us - what changes you need.

And I am asking you to join the Transition Accelerator and to work with us to initiate and support Transition Projects. This is how we can make the greatest contribution to the net zero transition. This is our place in history.

What are the policies, laws and practices getting in our way?

And how can we work together, business alongside NGOs, to change them – and remove the barnacles of the carbon economy?

The Transition Accelerator is a start-up and a work in progress.

I don't have all the answers, by no means.

I want to work with people in this room and beyond to find them.

(Slide)

I ask you, do you confront roadblocks limiting the scale and profitability of your green business models and investments?

Can you see benefit in working with civil society to remove them?

If your answer to either of these is yes, please register your interest on our website www.transitionaccelerator.com.au or email me at alan@schwartz.net.au.

Some will say - as I once did - that social activism is not the role of business.

That business should obey the law, compete hard but fairly, and leave it to the democratic process to set the rules of the game.

My response is that we are living in exceptional times, and exceptional times demand exceptional behavior, and create exceptional opportunities.

Together we can harness the skills and savvy of civil society to the financial muscle of green investors and emergent businesses.

We can and must emulate the lethally effective precedent of the oil and coal industries, but in a direction that runs with the arc of history.

We can forge alliances to change the rules of the game and create a **level and green playing field...**

So this is my call to those of you who feel this pitch speaks to you.

Let us kit up together and enter this game.

The winners, I am sure, will be our society, our planet, and the generations to come.

Thank you.