

ENVIRONMENTAL SECURITY, CLIMATE CHANGE AND CARIBBEAN DEVELOPMENT

The challenges and opportunities for the private sector

The Second UK/Caribbean Business Forum Held at the Hilton Hotel, Port of Spain on June 8 2007

1. The second UK/Caribbean Business Forum¹ confirmed the need for the British and Caribbean Governments and their respective private sectors to act together to broaden thinking about the implications of global warming and to recognise the economic and commercial challenge that climate change posed for the Caribbean.
2. The conference heard that more than fifty per cent of all Caribbean people live within one mile of the sea; in some nations a large percentage of the population live at or below sea level; and most countries in the region are already experiencing damaging sea surge, beach erosion and dying coral reefs. There was a consensus that if as expected, climate change leads to slower moving hurricanes of greater intensity, the economic development of the region could be set back by decades.
3. There was now a reliable body of scientific evidence indicating that if man-made carbon emissions were not reduced and the amount of carbon in the atmosphere stabilised at 550 parts per million by 2020, the world would reach a point at which temperatures would escalate with catastrophic consequences.
4. Even if the average global temperature change could be limited to a three degrees Celsius increase, changes in sea level and climatic conditions would have serious implications for the Caribbean's food security, energy security, public health, the supply of water and the provision of other utilities. It was also noted that there were significant political and economic implications from climate change related to the cost of having to replace damaged physical and social infrastructure, a danger that new pathogens might appear and uncertainty as to what might follow from any decline in the regions rich bio-diversity.

¹ The UK/Caribbean Business forum follows from a decision taken in 2004 by Caribbean and British ministers that in years between the biennial UK/Caribbean government-to-government forum, the Caribbean Britain Business Council (CBBC) and the Caribbean Association of Industry & Commerce (CAIC) would jointly organise a private sector exchange that would focus on themes relevant to the UK/Caribbean investment and trade relationship. The mutually agreed theme of the 2007 UK/Caribbean Business Forum was the threats and opportunities arising from climate change. The event which took place in Port of Spain, Trinidad on June 8 2007 was over subscribed and attended by some 160 participants from the public and private sector.

5. For these and other reasons the United Nations Intergovernmental Panel on Climate Change had concluded the Caribbean was among the most vulnerable regions in the world to climate change.
6. Participants from Government, regional institutions and the private sector accepted that the future viability of small island and low lying developing states was at risk.
7. Those making presentations at the forum coupled their concerns with observations that as a low carbon emitter (less than one per cent of global emissions) and the possessor of large areas of untouched rain forest the region needed to be seen globally as a part of the solution. There was a sense that developed countries and Europe in particular had focussed too much on the measures that industrialising developing nations such as China, India and Brazil might take without recognising the unique problems faced or the solutions that might be offered by regions like the Caribbean.
8. This required Caribbean Governments and the private sector to consider in detail how jointly they could best encourage international support for new policies that might lead to incentives and alternative forms of investment.
9. In opening remarks, representatives of the British Government made clear their view that stabilising CO₂ emissions at agreed levels would give the world and the Caribbean the best chance of limiting global warming to two degrees centigrade. However, to achieve this, a new framework of global mechanisms was required. The United Kingdom would press for negotiations on a framework that could be completed by 2009 with a new global environmental agreement introduced in 2012. Such an agreement might include an international carbon cap, carbon pricing and a carbon trading scheme. It could also look at the ways in which low carbon technologies might be introduced.
10. The conference accepted that to reduce CO₂ emissions a global understanding needed to be established during the course of the next decade. Participants accepted that if global levels of carbon emissions were to be reduced, they will have to be regulated and traded under global agreements. This would require environmentally friendly technologies to evolve and industries, agriculture and personal lifestyles to adapt.
11. It was in this context that the conference sought to establish the implications for the Caribbean of the emerging global consensus on climate change; to look at the challenges this may pose the economic development of the region; and to identify in general terms the commercial difficulties and opportunities that will be created.
12. It was recognised that there were many issues on which the private sectors and governments of the Caribbean and United Kingdom might work more closely together. The UK private sector in particular has developed a widespread range of expertise relating to climate change. This included technological know-how and experience in using viable low energy technologies and renewable energy sources

like wind/tidal/solar energy/biomass/bio-ethanol/and deep ocean cooling systems. British industry had also developed many creative solutions involving new building techniques to practical and financial expertise in the development of carbon markets and other commercial means of offsetting emissions. The UK had much to share with its Caribbean partners.

13. British expertise was underwritten by the fact that the UK, a country at the leading edge of environmental policy, had government, non-governmental organisations, an academic community and business interests that had an unique long-term expertise on the Caribbean; a region where the environment represents its wealth
14. For its part the region had put in place a policy framework to address climate change issues. Reference was made to Caricom Heads of Government approval of a Regional Energy Action Plan in 1983; Environment Ministers adoption of a Port-of-Spain Accord on Management and Conservation of the Environment in 1989; and the Heads of Government agreement to a Port-Of-Spain Consensus in 1991 in which they instructed that priority be given to the policies in the Port of Spain Accord for the management of the Caribbean environment.
15. In 2002 Caribbean Heads of Government endorsed the creation of a permanent capacity to address climate change and in 2004 the Caribbean Community Climate Change Centre (CCCCC) was established in Belize with a mandate to co-ordinate the regional response under the management of the Caricom Council for Trade and Economic Development (COTED) and a Board of Directors. In May 2007 Caribbean and Central American Heads of Government agreed that natural disasters and climate change presented a grave danger to their countries and agreed on the need for closer co-operation between Central American climate change institutions and the CCCCC.
16. During the meeting it became clear that the CCCCC had adopted a policy of adaptation rather than mitigation as the region as a low carbon emitter. It emphasis was therefore on a programme running up to 2011 that includes: establishing policy options that redirect growth away from sensitive coastal areas; the development of contingencies for droughts; seeking to develop new crop types and seed banks; encouraging the avoidance of monoculture; and encouraging the use of renewable energy.
17. A discussion took place on whether the region should focus more on adaptation than mitigation. Various views were expressed, but the meeting concluded that there was a role for mitigation and adaptation and that policy needed to be developed in both areas.
18. The CCCCC identified business opportunities in the areas of increased energy efficiency; renewable energy; biofuels; methane from landfill sites and other options related to waste management; clean technology and the productions of biofuels.

19. The conference heard from other speakers that the twenty first century marked the rise of the hydrocarbon economy with increased reliance on bio-diesel and bio ethanol would result in significant reductions in CO₂ vehicle emissions. Sugar cane offered a better alternative to corn as a raw material for bio-ethanol as the use of corn was likely to result in a rise in world food prices. Because production from cane could be linked to the use of bagasse, it offered the Caribbean a higher coefficient as an energy source. For the Caribbean this was significant as was the development in the hemisphere of flexicars that could run on ethanol or gasoline. The US had provided duty free/tariff free access to the US market for ethanol under the Caribbean Basin Initiative at a time when US demand for ethanol was rising. With four production hubs the region could supply up to ten per cent of US needs for an investment of around US\$700m. In addition further hubs were required for regional consumption. There were significant business opportunities in this area especially if linked to Brazilian technological advances and investment. Subsequent speakers confirmed these possibilities suggesting that in some nations such as the Dominican Republic the costs of production could be as low as in Brazil. They noted also the duty free/quota free access available to Europe under the Cotonou convention and successor Economic Partnership Agreement also offered biofuel export opportunities.
20. Other energy options considered included natural gas which could be competitive if market size and distance were appropriate; wind power, which was being developed in Barbados, Martinique and Curacao; the opportunities for large hotels and other large users of energy to generate their own power for sale back into the national grid; and the development of hydrogen power plants over the next thirty years.
21. In every case it was noted that such investments could not occur unless government established a far sighted regulatory and legislative environment that encouraged alternative energy use for power generation and transport.
22. The opportunities and challenges for tourism, the region's fastest growing economic sector were also considered.
23. Aviation was coming under a disproportionate level of attack in Europe as an emitter of CO₂. This was placing aviation's ability to grow in jeopardy by challenging the need for new infrastructure such as airport extensions. Aviation emissions accounted for just two per cent of global emissions and the UK airline industry intended to increase fuel efficiency by fifty per cent by 2020 over 2000. All IATA carriers were committed to zero emissions by 2050. Both international and regional carriers were encouraging a range of innovative approaches including aircraft that can use biofuels. They were also encouraging passengers to offset the CO₂ emissions of their flights, using such credits to invest in emission cutting environmental projects in the Caribbean region.
24. There was an awareness that the hotel industry had much to do. The industry in the US was believed to be the fifth largest emitter of CO₂ but no similar figures existed

for the Caribbean. There were many measures that all hotel resorts might undertake which could result in a 30 to 40 per cent energy saving. These included using solutions such as minimising transport needs, sourcing food locally and making environmentally conscious decisions about electricity supply. Such solutions were a direct response to increasing demand from visitors for ecologically-friendly resorts and product.

25. As the forum proceeded it became apparent that there was one regional industry central to all others that would suffer severely as a consequence of climate change. In a sobering presentation, a senior representative of one of the region's biggest insurance companies noted that the insurance industry globally and in the region knew that climate change was happening because of the effect it was having on its bottom line. Weather related risk was increasing and the trend was to increase premiums or not to insure. Reinsurers expected as much as US\$100 billion in claims in the next few years and as a consequence their terms were becoming tougher and the number of deductibles was increasing. Historically the insurance industry in the region had been able to offset losses against years in which there had been profits but this was ceasing to be the case. A moment might be reached when certain types of cover might not be able to be written.
26. Others making presentations suggested other business opportunities and challenges. These included:
- The development of national public sector responses that would encourage industries to become more energy efficient and low carbon emitters through the introduction of fiscal incentives; rebates; tax breaks or soft loans.
 - Making climate change adaptation and mitigation an integral part of the corporate vision in any business plan;
 - Reducing carbon emissions relating to tourism and related air travel in a manner that could be both traded and used to enhance the industry's product offering to visitors;
 - Developing new construction techniques so that commercial and residential property could be carbon neutral;
 - Reviewing best practice internationally and among regionally based subsidiaries of multinationals in order to research the specific economic implications for business and the best potential response;
 - Actively engaging in a dialogue about the possibility of establishing a regional carbon trading hub and certification mechanisms;

- Identifying how such a trading platform might relate to policies being adopted by Guyana, Belize and other nations that possess of large tracts of rain forest and a rich biodiversity;
27. Climate change posed a major development challenge for the region. However, this had not been considered in any detail with those countries and agencies with which it had strong development oriented relationships. In part this was because the Caribbean had not deployed a single regional position in international exchanges, nor had the region's business community recognised the opportunity to develop positive economic responses.
28. There was a consensus that the region and its commercial interests, rather than external forces must be the driver of change and that whatever changes took place must occurred in response to Caribbean rather than international needs.
29. The conference concluded with agreement on the circulation of a report on the conference, the government and the private sector, and the preparation of a paper that will go forward to the UK/Caribbean government forum to be held in London in 2008.