CANADA MUST NOT LET ECONOMIC CHALLENGES THREATEN CLIMATE CHANGE PROGRESS

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GRI GLOBAL RISK INSTITUTE

The World Economic Forum's annual "Global Risks Report" highlights the immediate concern of the cost-of-living crisis and the longer-term risks associated with our failure to address climate change.

The WEF also listed cybercrime and cyber insecurity as a growing risk and how the race to develop artificial intelligence and quantum computing could offer solutions.

These concerns have been on the Global Risk Institute's (GRI) radar as we have been investigating how these risks will impact Canada's financial services sector.

The Russian invasion of Ukraine, and its continued reverberations through global energy and commodities markets, such as food, is one of three disruptions that impact Canadians' cost-of-living challenges.

The second is the elevated tensions between the U.S. and China, which have stifled markets for critical technology components, and China's "zero COVID" policies have strained corporate supply chains.

Lastly, the trend toward deglobalization could significantly impact Canada, which relies heavily on trade for its economic success.

A central theme of the Global Risk Institute's annual summit last November was how the regionalization of trade and return of energy insecurity have created the need for risk mitigation strategies to protect Canadian businesses.

For example, Global business and economic analyst Rana Foroohar told GRI members that corporations and governments need to prioritize resiliency over efficiency. Professor Janice Stein of the University of Toronto's Munk School of Global Affairs and Public Policy highlighted a range of potential global scenarios including a shift toward regionalization and status-quo levels of trade and interconnectivity of economies. It became clear that corporate Canada needs to prepare their operations for those scenarios as we rebuild the economy in the coming years.

The political expediency of addressing current economic and energy security issues may stall the action needed to address the longer-term risks of climate change. Climate action requires significant investments in renewable energy and other low-carbon infrastructure, new research and development, and changes to consumption patterns and lifestyles of Canadians.

These investments can be difficult to advance in times of economic hardship with governments focused on the immediate needs of Canadians.

As the WEF noted, there is a "gap between what is scientifically necessary and politically palatable."

In light of current global disruptions, three potential futures for climate change and global energy with implications for Canada and its financial sector could be considered.

First, a singular focus on preserving fossil fuel production to ensure the security of domestic energy supply at the expense of net-zero commitments. Second, a bridge approach that temporarily focuses on the further development of non-renewables to meet acute energy needs, while hastening progress on clean energy adoption over the longer term to achieve carbon neutral targets. And third, a green acceleration to a low-carbon future with no new fossil fuel investments. Businesses must have plans in place to be resilient and pivot their operations to succeed across these potential futures.

Despite the economic challenges, Canadian businesses have an opportunity for a more sustainable future. A shift towards renewable energy, green infrastructure, and sustainable consumption could curb the long-term, worst effects of climate change and provide a much-needed boost to the economy.

Short-sighted decisions in the face of economic hardship could put the brakes on progress and make it even harder to recover in the long run. This crucial moment in history is a call to action, not just for governments and corporations, but for individuals to make tough choices that can steer the world towards a more sustainable future for generations to come.