Global Climate Change: Plethora of Risks and Opportunities

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The consistent build-up of greenhouse gases in the environment is dramatically changing the climate across the globe which is causing severe storms, floods, droughts & diseases that could devastate not only various plants & species but also the complete economies & businesses. The problems associated with the climate change are highly unpredictable & uncertain; thereby offer debilitating hurdles & challenges. Of late, the climate change has significantly captured the attention of environmentalists, politicians, media & business leaders. Indeed, every business feels the heat of the climate change & gets impacted one way or other, irrespective of the domain of industry. As a result, the business leaders have also accepted the climate change as the most challenging & pressing issue for the global business community. From the business perspectives, the best way to counter the challenges posed by climate change is to closely look at various risks & think analytically to formulate the strategies to exploit the associated business opportunities.

The climate change presents various kind of risks to the business which manifest in the form of natural calamities, government regulations, demand for climate risk-positioning disclosures, threats to technology & brand image, supply chain risks, law-suits etc. Many companies face heavier energy & material costs because of the government policies related to environmental concerns. High carbon & energy intensive businesses run the risk of losing their stock value & potential customers. In the international arena, the export oriented companies from the developing economy may also get adversely impacted because of some trade-based protective measures by the developed countries & carbon tax on the imports from developing countries. Further, the third world companies with operations in developed world may face the hurdles because of the stringent environment regulations.

However, the environmental norms & regulations do not always bring in business risks; rather most of theses associated risks can be transformed into business opportunities. The rising energy prices & sustainability concerns have opened new vistas for environmentally friendly technology, materials & practices, particularly in the renewable energy sector which is poised for an unprecedented growth. Accordingly, the need of the hour from business perspectives is to improve upon the climate competitiveness through technological up-gradation. The “green technology” could prove to be as paying as IT in the near future. The business organizations which effectively understand & measure the associated risks & opportunities will only survive amidst the changing landscape. Thus, a business organization needs to first quantify its carbon foot print, analyse & reposition its business portfolio towards less carbon-intensive technologies in order to successfully exploit the opportunities. But, it must do it earlier than the rivals & certainly in a better & sustainable manner to gain a competitive advantage.

Depending upon the type of industries, the companies need to formulate the compatible strategies to mitigate the adverse effects of climate change on their businesses. For instance, the agriculture companies need to bring in flexibility to abandon some regions (that have become unviable due to warming) and look at alternative areas for investments & farming that have emerged because of changing pattern of climate. They will also have to develop crops which give better yields in drier conditions. The insurance companies need to invest in research and predictive models for acquiring information to identify the emerging trends & risks due to climate change so as to accurately assess their pricing risk. The construction companies will have to use environmental friendly material & technologies in order to exploit the growing market of “green buildings”. In the long run, the global warming at higher latitudes may spread the tropical diseases in the
developed counties too, thereby offering newer opportunities for the pharmaceutical companies which need to strategically gear up themselves to take the first mover’s advantage.

The government regulations, aimed to reduce energy consumption & emissions will impose carbon taxes, tradable-permits system etc. This will eventually result in the higher value of products & services that involve the usage of low carbon-intensive & renewable energy, thereby encouraging the business leaders to explore the cleaner & energy efficient solutions. The industry leaders will have to proactively leverage the competitive advantage over their less technologically competent competitors by venturing into these new openings. The regulations will also create new avenues for the businesses in agriculture & forestry, particularly the tree planters & herbicide manufactures that facilitate no-till agriculture. The environmental considerations have also opened up markets for recycling and disposal, and led to an entire new sub-sector: reverse or green logistics (i.e. the transport of waste and the movement of used materials). The emerging carbon markets have also created various openings for the financial institutions.

Though, being green does not always pay rich dividends yet it certainly creates, delivers & sustains the value to the stakeholders under certain circumstances. The business organizations can command premium pricing by offering green products & capture additional market share. In order to reap the benefits of the green products on sustainable basis, they need to first strategically communicate the benefits of green products to their premium customers and protect it from the imitators. Further, the proactive approach & leadership on the climate change issue will uniquely position a business across the environmentalists, government, industries & public, giving it a competitive edge tangibly as well as intangibly.

It is now evident that the risks & opportunities are two closely linked aspects, brought to the fore by the changing climate. The firms that effective manage the risks associated with the climate change will be the clear winner. For that, the environmental strategy needs to be integrated with the business strategy. Additionally, the environmental problems need to be tackled in the same way as any other business issue; and with the same level of openness, optimism & opportunism in order to achieve business growth by creating value propositions to all the stakeholders in a sustainable manner.

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*Dr. Nidhi Saxena* is working as Associate Professor in Barkatullah University, Bhopal. She earned her PG and PhD degree in Microbiology from Barkatullah University, Bhopal (M.P.). She has a rich and diversified experience as a Faculty in core areas of Microbiology, Molecular Biology, Stem Cell Biology, Regenerative Medicine and Biomaterials. Her Excellence in academics and research work has brought numerous national and international publications to her credit. In addition to core subjects she has broaden the horizon in other areas as well that includes environmental issues like Green - Technology, sustainable development etc.