

Podcast:

Understanding directors' duties and climate risk:

An interview with Philippe Joubert, CEO of Earth on Board



Season 2. Episode 5

How can we tell whether a company is genuine about sustainability – or whether it's just greenwashing?

Hello, and welcome to our podcast ...

Transforming Business with MinterEllison: ideas and challenges that are shaping our future.

In many nations – and many companies – the race towards net zero emissions is already underway.

More and more business leaders now realise that climate action is not just a moral responsibility, but a matter of plain common sense. After all, good business is about giving investors and customers what they want.

So far, so simple.

But if you dig a little deeper, many questions remain:

- Do business leaders have the vision to see beyond the costs of compliance, to discover the opportunities that come with decarbonisation and energy transition?
- How can consumers tell the difference between genuine action and greenwashing?
- And what about 'hard to decarbonise' sectors like aviation and resources? Can they ever really make a positive difference?

To explore these questions – and more – we brought in a world-leading expert on the subject. [Philippe Joubert](#) is a former energy executive who is now the CEO of [Earth on Board](#), which is dedicated to helping boards put sustainability front and centre of their company's strategies. Among many other roles, Philippe is also a Trustee of [ClientEarth](#), a Fellow and Member of the Advisory Board of the Cambridge Institute for Sustainability and a Chevalier de la Légion d'Honneur – a Knight of the French Legion.

From his office in Paris, Philippe spoke virtually with Sarah Barker, Partner and Head of Climate Risk Governance at MinterEllison.

Here's what they had to say...

Sarah Barker

Philippe, I'd love to start the conversation today with the organisation that you founded, the [Earth on Board](#) program, which has developed a program of capacity building for non-executive directors on sustainability issues in business, working towards developing earth competent boards. Can you tell us a little bit about what motivated you to found Earth on Board, and what are the kinds of things that you do to help boards put sustainability at the centre of their strategy?

Philippe Joubert

Sure, good morning Sarah. I think we have to come back a little in time, when I was the CEO of a big company in power and energy at the time, in France. Then I left, and I decided really to go in this line of sustainability, because I thought at the time, it was 2010 more or less, the things were starting to get really heavy. And when you are the CEO of a company, I was in the power industry, you get a lot of information and you really have a sense of urgency and a sense of what's happening. I was building coal plants, gas plants, and any plant around the world, and I could see the emission that was going out of the plant, we were just building or transferring technology to China and India et cetera. I get this sense of urgency and I met some people, WBCSD [[World Business Council for Sustainable Development](#)], Cambridge University, and I started working with them to develop awareness for CEOs.

And then after a few months, discussing with the CEOs, they were always the same conversations. The CEOs were saying, oh Philippe, that's so great what you are doing, now you really have a meaningful purpose to your life, et cetera. And my answer was, okay yes, but why don't you do it? You are a CEO, you still have the pen, you can write the cheque, do it. And the guy was saying, well, you know, if I do that, I don't think my share price will move 1 cent, perhaps will go down, and my board don't ask anything about this to me, they are just asking about results, quarterly results. To give you the very short answer, I said okay, so that's wrong, because first of all, the price doesn't move, jury is still out, it's not really always the case. And second, that the board doesn't ask you anything about this is totally wrong.

This is where and when I decided to specialise on boards, because I think we have been very good in motivating companies, and CEOs, and executives, and we forgot where everything starts, which is at the board level. So that was my first motivation, my kind of moment of saying, wow, we are wrong because we are not attacking the problem where it should be attacked. That's why I started with boards.

So what do we do? I first gather around me what I call an ecosystem of players, and among them I started with the [Cambridge Institute for Sustainability Leadership](#), to help me to get some knowledge and organisation of the program I am doing. I work with [WBCSD](#) because as you know, you have there, 200 of the most advanced companies around sustainability.

Then I am trustee of [ClientEarth](#), and I work with them to get more technical knowledge in the legal area, to help me. Then I met you obviously, but at the time I didn't know you, so I work with ClientEarth first. And then we had some relationship with the CDP, the [Climate Disclosure Project](#), everything to get the best information where it is for both. And then I start working on programs, and you participated in a few, and I go to the countries when it was possible to travel, and gather boards and directors, and we work around their duties.

[Earth on Board](#), we have three main strategic directions. The first one, we offer a program of awareness, completely tailor made. It is really important because there is no one situation equal to another, so completely tailor made. Second, we want to slowly build a community of what we call earth competent boards or earth competent directors, and later we can discuss this. And thirdly, we are starting now, we are trying to influence policy, we are starting at the European level because this is where we live, but we have also connection with people, including what we have been doing together in Singapore recently. We are starting to work around the world with lawyers that want first to make people aware of what the law says today. Because I forgot to tell you, but when the guy was saying, but the board never asks me that, I said, wow, then they are not safe from the legal ground, because they should, not only should the board help, but should not prevent the CEO to work in that direction.

Sarah Barker

That's interesting Philippe that you mentioned directors' duties in relation to sustainability and climate change more particularly. The day we're recording this podcast here in Australia, we've actually had the third version of the [Hutley Opinion](#) published by Noel Hutley SC, and in that opinion, [Mr Hutley talks](#) about the stark shift in market views on climate change in recent times, whether it's securities regulators, equity investors, debt markets, insurers, the community. And it's his view that if a company director is not giving robust consideration to whether or not a net zero emissions target is put in place, then they are potentially breaching their duty of due care and diligence.

So I think the shift in the standard of care expected of directors in this area is just ratcheting higher and higher and higher.

Philippe Joubert

I think this is very central, and it is good that we spend one minute or two on this at the beginning of our conversation, because for me this has been the center of what I am doing. I started I think, looking at some documents around the world, to make sure that I was understanding, because my view is global. I don't work specifically with one country or another, I work with every country. And it was interesting to see that wherever you go, you always have the three main duties in law, [and this is very interesting.

So, you have always your first duty, to take care of the interest of the company, and that's it. Then some very wise people have translated that this means the interest of the shareholders, and others said, this means the shareholders short term, or the finance people, et cetera. But this is translating and narrowing the subject, but the subject is taking care of the interest of the company. Yet to define what is a company, but anyway, this is it. The second one is exactly what you said, care and diligence, and conflict of interest, and all these things, so number two. And number three, the duty of external information, in a fair and consistent way, et cetera.

And when you look at these three, I defend the thesis that 2015 was a year of total change for these three, exactly because of what you just said. Because, if you look at what is written in the [Paris Agreements](#) for climate change, and the creation of the [SDGs](#) [sustainable development goals], this has changed fundamentally the responsibility of the board, because the responsibility that you just pinpointed, due care and diligence, from Paris 2015, you cannot say you don't know. So this is impossible for you, so you have to move.

And we could discuss during more time about the responsibility and the negligence and all these things, but even without entering into this, you cannot say you don't know. And this is the first line for defence for a board, that as you know much better than I do.

Sarah Barker

Or if you don't know, you ought to have known. So for those of our listeners Philippe, who might not be totally across the Paris Agreements that were signed believe it or not in Paris, in 2015, and what the [SDGs](#) stand for, could you just spend a minute explaining those two?

Philippe Joubert

Sure. [SDG](#) was a work done by the UN, to be simple, by the UN, and for me, they try to decouple what we have been doing so far, which is to make business to make development at the expense of nature, or at the expense of social capital. So the [SDG](#) was the first attempt to list a certain number of things that you have to respect if you want to continue to develop in a sustainable way, so natural resources but also inequality, diversity, et cetera.

The Paris Agreements, and by the way, the SDGs are more and more now used in business, in countries, in association territories, just to frame, it's a framework to frame development according to a certain number of rules. Paris Agreement is generally known as a temperature agreement around 2 degree or 1.5, it means that science and the parties met and said, 'okay, the message is clear, we are running into deep trouble if we cross a certain number of boundaries', and in this case, it was the climate change boundaries. So, if we continue to emit CO2 or gas in the atmosphere, we're going to cross a limit which is 2 degrees or 1.5, and this will put us into a lot of trouble. So, the Paris Agreement is about to maintain the increase of the temperature, yet, the emission of CO2, to simplify, and other gases, in a certain volume.

And this is the way it's seen, 2 degrees, 1.5 degrees. But in reality, what we have to look at in the Paris Agreement is another small sentence that said, we have to go to zero net emission as soon as we can from 2050. For me, if I have to choose one sentence, this is this one, because for business, it's very difficult to talk about temperature, because you immediately go into 'okay, but are you sure it's 1.5, it's not 1.6, and are you sure that my emission is contributing to this, et cetera, et cetera'. So, to simplify I say, okay, let's stop talking guys, anyway, the whole planet, the whole society, we have to go back to zero net emission. And zero net emission, this is why it's so important, is the natural absorption by the system of the emission that we are issuing because of developments.

Sarah Barker

And that single line, the transition to a global economy operating on a net zero emissions basis, that is where I've certainly seen stark shifts in the last 12 to 18 months, as governments all around the world, whether they're national, sub-national, whether they're investors or business corporations, committing to net zero emissions by 2050 targets before 2050, consistent with the Paris Agreement, which I've heard called the mother of all market signals. And I suppose if you've got 196 countries saying this is what we have to do, it's a pretty strong market signal.

For us here in Australia, that shift seems to have occurred quite out of the blue, very quickly. In the last week, we've seen at [President Biden's leadership summit](#) an explosion of commitments by countries to reach net zero by 2050, or to halve their emissions by 2030, I think as much as 68% by 2030 in the case of the UK. It's quite a surprise to us, but from there in Europe, where you sit, could you talk us through what some of the recent shifts have been, both on the regulatory front and the market front, on climate change?

Philippe Joubert

So you are opening a huge question and huge issues, so perhaps before I go to answering exactly your question about what's happening in Europe and where are the changes and shifts, perhaps we should go back a little to the net zero concept and why it's so important, and why you said something interesting about out of the blue, why this should provoke some reserves, or I don't know how you say that in English, but some prudence about what is happening in the world at the moment.

You have to notice that in reality, this was provoked by, in November this year, we should have a new [COP, Glasgow COP](#), in the UK. And they started one year ago, because of COVID this all has changed and postponed, but they started one year ago, with this race to zero...

Sarah Barker

Philippe, for those of us on the interview who aren't familiar with all those acronyms that we bandy about, what is COP, what does COP stand for?

Philippe Joubert

These COPs is the **Conference of Parties**, which is exactly Paris was one COP, and this is where the parties, mostly the countries, but also some NGOs and organizations, gather and decide about something important. You have COP on planet, the next one is in Glasgow, Paris was one of the COP. You have now COP on bio diversities, and the next one is in Beijing if I remember well. This is the idea that you should gather people, organizations, different market parties, that are involved in a supranational question, and decide and make agreements. Generally, these agreements are non-binding, they are agreements among free people, and you have to translate this agreement into their new ordinary law, your country law, et cetera, and this is really where the problem starts.

But anyway, I don't accept the fact that this is not binding because this is not legally binding perhaps, but we should discuss and I'm sure that with you this would be a very interesting discussion, on where the law starts, because in France we have what we call the *us et coutumes* which some people are saying this is the start, the real start of the law. And I have an example later if you want, about climate, to tend to prove that behaviour goes before the real law, written law, and this is much more binding than anything else.

So where is the binding thing? The binding thing is in the mind and the behaviour of the people. But that's another question that we could discuss later.

Sarah Barker

Sorry Philippe, I did interrupt you, you were talking about why people can't think of net zero as coming out of the blue.

Philippe Joubert

Yeah, because first of all, it was in the Paris Agreement, and it has always been there. And if you take five minutes to read it, it's very clear, the definition is clear, science is clear, science has made a lot of explanations and models et cetera, et cetera, but this was made for parties, for countries, for organisations. So, the main, the number one principle of net zero, that it's done for society, for an entity, it's not done for business, never been done for business.

But obviously, the pressure of society, and the fact that our economic activities are responsible for 80% of the issue, so obviously after the Paris Agreement, businesses were made responsible and were seen as part of the solution, this is what has changed in Paris also. I sometimes say, in the Paris Agreement, businesses were not at the table, they were not signing the agreement. Who signed the agreement? The countries and the parties, not the businesses. But there is not one word in the agreement of Paris that was not discussed, sometimes even agreed informally, by business, so business anyway is bound by the Paris Agreement, morally bound, and which is perhaps even higher than just legally bound, so morally bound.

Sorry for this interruption about lawyers, but anyway we were not going to discuss the morality of law and lawyers, for sure not. But they are bound, and they are seen not only as a problem, but as the solution. So naturally, business tried to understand what's in it for them. Okay, zero net society, what that means. And unfortunately, as usual, most of the businesses jump into the occasion to very cheaply find a solution to their problem. They said okay, let's declare ourselves zero net business, we are zero net. When? 2050? 2050. This is even better; we have plenty of time to think about. So, there were a huge number of businesses jumping on this, and have been, to be simple, greenwashing, and this what is not acceptable.

But the main difference between now, today, and 2015, is that society is organised now. My first advice to businesses that write something publicly about their commitment to net zero is be very careful, because now society is organised. You even have in some countries, like in the United States, the SEC, the Securities & Exchange Commission, organise themselves to check the declaration of the business, because they understand that this kind of declaration can have an influence on the stock price. So, they want to check, remember the third duty of the board, say you have to make sure that what goes out of your company as information is fair and calibrated, that's a good example of what's happening now.

So, you have to be very careful, that's the first thing to do, when you declare that you want to be net zero, very, very careful about what you say, because this will be checked. This is no longer just a declaration and just a nice cocktail between the CEO and the main directors, so this is number one.

Number two, you will have no credibility because the financial market is starting to feel the pressure now also, and this is something we can discuss about Europe because this is really interesting what is happening now, to redirect the financial flow towards companies that really are compatible with a net zero world. You need to give an intermediary step, you cannot just say, I will be net zero in 2050, come back in 2049 and I will show you that I will be. No, no, no, I want to know what you're going to do today, to be in a trajectory. And this is where we go back to temperature, because the temperature is fundamentally linked to the accumulation of emissions, not to your declaration of emissions in 2050, what you are accumulating every year.

This will put us back to respecting the temperature limit, that you need a trajectory, you need an intermediary step, and you need an action plan who is responsible. Sometimes, I am in the board and the guy says, no, we're going to do it. I say, yeah, yeah, okay, you're going to do it. In your business, my dear friend, when you say something, you immediately put a plan, as everybody does, when you have a project, you define your target, sure, you put a responsible leader, and you put a budget, so you do the same for net zero. Give me the target with the intermediary step, give me the leader who is responsible to control, and give me the money you're putting in it, and then I will start believing you. If not, this is greenwashing. And you are not responsible when you do that, you are negligent, because you are trying to go around things, and you are crossing the boundary of your duties.

Sarah Barker

Philippe, are you sure that you're actually not an Australian lawyer? Because actually, today's [Hutley Opinion](#), again, the main focus of that opinion was on greenwashing. So Mister Hutley said, the standard of care is now so high that a board must give robust consideration to net zero emissions targets. If you publish a target, there is an implied representation that you will also be devoting sufficient resource to investigating how you get there.

Philippe Joubert

Absolutely.

Sarah Barker

And so yes, target is the first step, and it doesn't mean that you have to have a concrete plan for every step of the way of how you're going to get there, because in many cases, the technology hasn't been developed yet. But if you say that it is your intention, then you have to then within the company, make sure that it is appropriately resourced, that strategy is considered accordingly, et cetera, et cetera.

I think maybe you have been moonlighting as not only a French-Brazilian captain of industry, but perhaps also a senior commercial barrister.

Philippe Joubert

No, no, no. What you just said is quite important, and perhaps we can spend one minute on this, because for me, this is the center of the issue. I'm just writing a piece on this with some friends, **what is net zero for a company?** I challenge the fact that a company can be called net zero, because in reality you cannot, a company cannot be net zero. A company can contribute to a world net zero, and this is what is important. But okay, this is a word, and let's say that this is good for marketing, et cetera, and this is also good for mobilizing energy, so we will not spend too much time on it.

But what is a company net zero? First of all, and you will see that at each stage of what I will say, boards have the duty to look at it, even to provoke it or to lead it, but anyway to watch it. So first of all, you have to ask yourself if the purpose of your company is compatible with a net zero. So look at it strongly and say, wow, my purpose is to do this and this, and in a net zero world, this and this will not exist

anymore. It's impossible, it's not inside the budget, you cannot, you are emitting too much.

So first problem that you have, number one, check your purpose and see if it's compatible, if it's compatible or nearly compatible, or possibly compatible. Second, the plan, and now change your process, change your processes, the way you work, and make sure that your impact is net zero. And then start the second problem, which is the perimeter. I don't want to enter into very technical definition of scope one, scope two, scope three, et cetera, unless you want, but what is important is to understand that a company is part of an ecosystem. It's not enough to talk or to look at just the emissions that your direct operations are provoking. You have to understand what are the emissions embedded in your supply chain? That's number one, and this will provoke other consequences on countries that we can come back in a minute also. Second, you have to understand your own emission, easy, and third, you have to understand the emission from the use of your product or service by your customers.

This is this whole channel of responsibility, the emissions which are embedded in your supply chain, your emissions, including the emissions of the energy that you are using into your process, and thirdly, the emissions that are coming from the use of your product and service, this whole chain is your emissions. So this is what you have to work on. And today, I saw that some companies have been now including, I think this was Unilever making a declaration today, saying that they will work with 1000 of their suppliers to make sure that these are also looking at decreasing their own emissions.

The first very important point after the definition of, is your purpose compatible with net zero, is have you looked at the right scope? And this, because not everything is nice in this world, all the declarations of the oil and gas companies that have been tweaking, playing around the scopes, I will not give names because you never know, but some companies in the oil and gas have been playing around scope one which is their own emissions, and completely forgetting scope three which is the use of their product. So these people are just saying my emissions are the emissions that I am generating when I take out of the ground oil and gas for example, the rest is not me, it's you, the user, that are emitting.

Sarah Barker

Well Philippe, maybe not me, because I have a Tesla. But anyway, continue.

Philippe Joubert

And Tesla, which is a very good example, you have also to look at the emissions of the products that have been used to build the Tesla, and more particularly, all these batteries and these things. So this is never very simple, the Tesla is a very good example of a fabulous solution if the power that you are using comes from renewable energy, or non-emitting energy including nuclear if you want, but non-emitting energy, that the goods that you have been using to build your Tesla and to repair your Tesla, and the factories that are used for your Tesla, are also net zero emission, and that you can say, you have a net zero emission mobility instrument, and that's great. So that's the second point.

The third point, and this is where you will have a lot of cases in the years to come, for the lawyer, because after all this, obviously as I said at the beginning, a company cannot say it is net zero, because you have too much induced emission that makes your use of net zero nearly impossible, so you do what they call the compensation. And this is my fight at the moment, because to summarize I say, compensation is a good idea, it's positive, so I am in favor. But you cannot have emission certain today with a capture perhaps difficult, and not stable tomorrow, and you cannot say that this is a net zero balance. This is not true.

We don't need companies to plant trees, we need companies to reduce their emission. And after that, the balance of all this, will have to be compensated by somebody, including by this company, but this is not the same calculation. Let's concentrate please on reducing the emission first and go to the bottom of it, instead

of planting trees, as some oil and gas want us to believe. Oh, don't worry, even airplanes, don't worry, I will be net zero emission planting trees. First, this is not true, and second, this is not of the size of the urgency, at the scale of the urgency.

So all these now are in debate, and according to what you just said previously, the law is starting to look at it, can you really say that you are net zero emission if you plant trees, or if you don't reduce the emission of your supply chain.

Sarah Barker

Now, I don't want to spend too much time on one particular industry, but there are industries that are known as what we call, hard to decarbonize sectors. So industries like for example.

Philippe Joubert

Yes, or hard to abate we say, hard to abate.

Sarah Barker

... yes, so sectors like steel, steel making, sectors like shipping, sectors like aviation for example, where the technical ability to reduce emissions isn't sufficiently developed in order for that to occur. For a director on a board of a company in one of those hard to decarbonise, or hard to abate sectors, what do you advise those directors that they can do, need to do, must do, in order to discharge their duties?

Philippe Joubert

Yeah. I think fortunately, most of these sectors are, if not all, at least a big part, a big chunk of the solution. It's really amazing to see in the last four to five years, all these sectors that you have named are working on solutions to abate. Steel is now having a solution for CO2 free steel. Cement, they have a solution for CO2 free cement. Aluminium can be used also with CO2 free aluminium.

Why are they doing this? They are doing this for mostly two reasons. I always say, the CEO, or business, or board, they don't react to fact, they react to expectation of fact, because they are clever people and they know that when the trouble is coming, they better react now, they don't wait for the trouble. All these people are working, and you will be amazed to see the number of technical solutions that were existing, have always been existing. When I was president of Alstom a few years ago, we had the carbon capture and storage solution in our shelves, we were offering to customers. The customers were saying, no, no, no, it's too expensive, sorry, CO2 is free in the atmosphere at the moment, there was no price for CO2. So, I'm sorry, I like you, I like the planet, but I like my P&L also, I like my profit, so I don't want more cost.

And this was existing, but now, you have the CO2 price, now you have the pressure of the market. **What is the pressure of the market?** You have solution without CO2 and remember what I said about the purpose and the offering, you have people now that are offering competition to your product without emission. They will win, this is absolutely certain, the stock exchange is already putting that into perspective. Because what you are saying can be summarised by saying, this transition is on the move, there will be winners and losers, and these are the losers, and the winners are already visible.

Let's take a few examples. The power sector, when I was president of Alstom, the wind, the renewable, were 1% of the market, and we were all fighting to know if it would be 1, or 2, or 3, or 4% of the market next year. Since five years now, the market share of renewables in Europe, it's very simple to calculate, it's 100%. It's not 1 or 2, it's 100%. There are no classical plants open at the moment in Europe, they are all CO2 free. Including, I am lying saying it's 100%, it's 120%, because we are closing thermal plants, coal and gas, we are mothballing gas plants. So in reality, if you look the non-CO2 solutions are more than 100%. And you can say that, how come this was possible? This was possible because people now have understood that the rest has no value - this is what we call the stranded asset.

When you ask the responsibility of a board, it's very simple, the board has to look at the purpose of the company, look if this purpose is compatible with net zero, and I don't see any real purpose, not operation system, purpose, incompatible with net

zero. You can even defend that a plane is compatible with net zero, just that a plane with an engine, with this type of emission, for this type of travel, is not compatible with net zero, but the plane is. And we are showing that we have the solution.

The only thing that I will challenge in what you just said is we don't have the solution. We have the solution, but we have been too greedy and too lazy to use it, that's the difference, but the technical solution is everywhere, it's existing, we know. All the solutions that we are using in the power sector at the moment were known 20 years ago. By the way, for some, we started with this solution. Remember, that the first generator of power was the windmills, we started with this. After that, obviously we moved away to nuclear plants, or coal plants, but we started with the windmill, and now we are rediscovering some solution. The sun, the wind, the water, all these are solutions that were existing, and we are just scaling up at the moment.

So when you are a board member, you have to look at your purpose, make sure this is compatible. Second, make sure that people are spending the money where it should be spent, to decarbonise their operation. And don't come with it's too expensive, it's not too expensive if you want to survive, because if you don't do it, you will die, this is as simple as this.

And thirdly, make sure that you walk the talk. I think a board will be challenged a lot now... You know, when I go to a board, the first thing I ask, one of the first things I asked is, give me your budget of policy or lobby. And this is a responsibility of the board, make sure you spend the money on financing organization that is compatible with what you say, because this is responsibility of the board. This is greenwashing, and this is inducing people in the wrong direction, so this you will be responsible for.

I think if you are at the board of a company like this, first of all you have to look at that as a big opportunity for you to do something good, because you can transform the company, you are responsible for this transformation. And you have all what you want, you just have to move now, and to change, because you will be the first to have a solution, and you will have fruit from this when the time comes.

Sarah Barker

That makes me think about something that I have heard you say before which is, it's the duty of the board to consider the true profit of the company. **When you talk about true profit, what do you mean?** How is that different from the way that we as board members currently think about profit?

Philippe Joubert

Yes, I will say that it's even more than a duty. It's interesting, I was discussing about this yesterday with a board around this concept. So normally I say, of all their duties, there is no more major sin for a board than to declare a profit that doesn't exist. And this is true, if a board does that, they are dead, they are in jail, that's for sure. So, this is even above their duty, this is their number one responsibility, to make sure that the numbers they are publishing are real.

Now, look at the way we have been doing business for years, that I have been doing business, my father was doing business like this, since decades, even a century. We have been taking nature for free and unlimited, always. We have never paid for the impact, and we have never paid for the work that nature has done to supply with this product. This is the way we have been doing business. So I defend the thesis that the profit that we are declaring is fake, summarizing when I don't have time I say, we are all counterfeiters, we just produce a number based upon a cost that doesn't exist. You oil and gas, you don't pay for 1 million years that nature has spent to form this product. It's just a fact. You coal plant, you are not paying for the price that the consequence of the CO2 in the atmosphere will have on the rest of the humanity, this is free for you. Now, we are starting to have a price, a cost, for CO2, but before it was free. The fact that you are destroying the bees with chemical additive, it's free, it's just the cost of the additive. The bee, you can kill it, it's free.

So all these costs, either service that you are using free of charge, water, air, et cetera, or impact that you have, are not in your balance sheet, and they are not in your P&L. They are not today, they are starting to be, either directly, CO2 price is a

good example because this is growing everywhere, and this is by the way an important thing that we have to discuss just after, because I think things are changing in Europe because of this. So you have the CO2 price, this is an example, or you have indirect costs. This morning, before I was waiting for you, I was watching the news, and the bees are dying at a speed never seen. What's happening to the company that needs pollination? They have to buy the bees, or they have to rent the bees, and this is a cost they have in their balance sheet now.

So slowly, nature is sending the bill. Saying that nature has no cost... sorry, has no price, it's just abusing, because it's not because nature has no price that nature has no cost, you are just sending the bill for the next generation. That's why I'm saying boards should be very careful, because sometime, somebody will stand up and will say, hey, you knew what you were doing.

Some businesses have already taken that into account. Example, we are all criticizing nuclear, and with rights, I'm not defending nuclear at any cost. There are problems that we had in nuclear. But we have to accept that nuclear at least is starting to cope with the cost of dismantling, because in their P&L, they have to provision the cost of this at least, and the cost of getting rid of the waste. So why are we not doing that for all the products? Why are we not responsible to take this product out and back, and clean it? This would be a good start.

Somebody will tell you one day: you knew this, that you were distributing dividends and paying bonuses on fake numbers, and this is a board duty that you have not fulfilled. So, this is why I am insisting so much on this, we cannot continue to be counterfeiters, because the next generation will ask us why we have done that knowing it. Because unfortunately, we know it now, and this has changed everything for a board.

So just on the CO2, because this is something important that will affect Australia, I don't know if you have noticed, but you have noticed because I remember I was in your company one day talking about this, that Europe has work on taxonomy, which, to be simple is the definition of what is green. It's a little more complex than that, but let's say this is it.

So, what is green? As we said at the time, at your office, we are starting to give meanings to words, so just to make sure that the finance sector can have a clear definition of what is green or not so they can say, this is a green bond, so they are sure. And we are defining this, with difficulties, with a lot of lobbying, with a lot of pressure, gas wants to be green, some people among them I say, you cannot be green because you are emitting, so you can be less black or greener, but you cannot be green, so please be reasonable. But okay, there are plenty of discussions. And this is being done now, this is nearly finished.

Let's put that aside. Second, as you know, we are discussing zero net, and in zero net, the concept that you have to consider the supply chain is nearly accepted now. Nobody will go zero net if you don't include the emissions you are putting in your process, then the emission that we have included in your raw material, or equipment, or whatever.

When you add all this, if I were a country exporting products to Europe, I will start watching very carefully, because you know that we need money, a lot, because COVID was very expensive. So they are looking for tax, easy tax, tax that will be accepted by the population. And what better than a CO2 at the frontier, and what better than the CO2 tax on products that are not green exactly according to our definition of taxonomy. So if I were a country, or if I were a company, exporting to Europe, and in a minute to United States, you will see that with Biden, this will be also coming back to the agenda, I will be very careful about what's going to happen in the CO2 tax at the frontier. Because, this is so easy, this is a very good solution for a finance minister, this is the best tax accepted by all, and positive for the public. I am helping nature, I am helping the environment.

So this is very important because when you put things together, the fact that we are now defining what is green, the fact that we need money, and the fact that people are asking for green product inside and people are fed up with this competition from brown product taking jobs out of the movement of 'let's keep the job where we are needing the product', is very, very heavy now. So all this goes in the same direction, tax CO2 at the frontier.

Sarah Barker

Now Philippe, as a corporate lawyer, I would like nothing more than to talk about risk and tax, all day, but I know that not everyone is as interested in risk and tax as I am. I wanted to finish the conversation today talking not about risk, because we do talk a lot about risk when we talk about climate change, but opportunity. Can you share with the listeners some examples where you have seen business shift its strategy to embrace the transition to a low carbon economy and is thriving having done so?

Philippe Joubert

Yes. I will say, my answer to this would be fortunately yes. Let's say in five years now, when you look back, when I started 10 years ago or 8 years ago, I had to make the case saying, you have to change because you will see this will be a good market, and you will make a lot of money, and I could bring my experience of power systems supplier and telling them this has changed.

To answer your question, the first is the power sector. The power sector has amazingly changed in a very, very fast way. You will see the supplier of equipment, they are all moving out of gas turbine, coal plant, and all these things, because there are no more buyers, or very small, the market has completely shifted toward non-CO2 solution. So, this is the first.

The second was in mobility. You can take all the sector of mobility, all, from cars, bikes, buses, trains, planes, ships, they are all now going to non-emission or CO2 free technology. Remember, the two sectors that have refused to sign the Paris Agreements, shipping and airlines, now they are under such pressure. In France, we just cancelled all the flights, it's just forbidden, you cannot fly if you are doing a less than two-hour flight, and there is a solution by train. So, Paris to Lyon, no plane, it's forbidden. That's it. There is no discussion, because you can take the train, and the train has less emissions.

This is what I am saying, people don't realise, they are all saying, no, no, but is this the law? Forget it. I should not say that in front of a lawyer, but forget the law, look at what the people want, and you will see. Now, shipping, do you think that you can come back with these huge ships now going in the Adriatic? Venice has forbidden the big ships because they are too polluting. So, the speed of change is such that people... you can't always say no, no, no, because people in reality will see, after the COVID, they will all go back to plane travel. Probably at the beginning they will go back to planes, not always, but in the meantime, we are changing the way we want to see these sectors.

Paris is full of bikes now, it looks like Amsterdam and Rotterdam, there are plenty of bikes. The cars are going electric, and the German cars that were refusing to, are going to at least hybrid and electric - the planes are bankrupt. Simply, those companies are bankrupt, now they want money from the State. Most of the States, at least in Europe, are saying okay, we will bail you out because it is important that we have good airlines, good industry for planes, et cetera, so we bail you out. But one condition, you have to now get in line with green, you cannot continue to fly on short distance, for the company, for the airlines, and you need a technology for non-emission engine before 2050. And this is in the book now, if you want to continue to have the money from the State, you have to supply this technology. And by the way, the good news is technology exists, so it's just a matter of let's be serious guys, and let's put the priority where it should be, not where you want to be because it's easy to make good bonus. This is finished, because the cost is too high.

I give you a few like this, like energy, like mobility. More interesting, companies that were... you probably don't know, but there is a company called [Ofgem](#), that was supplying electricity with oil and gas, and that decided to change its name and to go

to 100% renewable. You have very classical business-like steel, cement, they are moving, and they are moving for plenty of reasons. But one of them is, the companies that are planting trees to do paper and to do wood, I am at the board of one of them, and we are changing the purpose, instead of saying, we are supplying pulp and paper, we say we are working with trees, and we also supply pulp and paper. But we can also supply tree fibre, and with this tree fiber, you can do clothes, you can do buildings, 40 storey buildings, and this is competing directly with cement and steel.

The cement and steel people obviously have seen that, they have seen that this is now a credible competition, so they are working now to be competitive with CO2 free offerings, to deal with the competition that they would've never imagined five years ago. And this true everywhere.

So once you have put this idea of let's go to a net zero economy or society, you discover that technology is there, it's just a matter of scaling up, implementing, and more importantly, putting the right price level in the system, because if you have fake numbers or fake costs, then you don't progress.

And I will finish by saying, and this is why governance and law are so important, if you don't have the right law or if you don't have the right governance, market will not correct itself alone. We should kill this idea that market will act alone by magic and become a good market, doesn't exist. You need guidance, you need law, and you need right governance. That's why working with boards is so important, because this is where everything starts.

Sarah Barker

Philippe Joubert, thank you so much.

Philippe Joubert

This was a pleasure, thank you.

That was Earth on Board CEO **Philippe Joubert** in conversation with **Sarah Barker**, Partner and Head of Climate Risk Governance at MinterEllison.

For more information about these issues and more, visit minterellison.com/podcasts

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And goodbye for now.

