

The turning point of 2020: the path to sustainability

2 December 2020

By Richard Threlfall, Global Head of KPMG IMPACT, Global Head of Infrastructure, KPMG International and Partner KPMG in the U.K.

(6 min read)

Close your eyes. Take yourself forward in time to 2050, and then look back to 2020. What will you see? What will the historians of the future say of this time? What was the trajectory that the world embarked on after it? Was it a turning point, or just a blip in the flowing trends of civilisation?

You probably assume I am inviting you to reflect on the impact of COVID-19. And perhaps I am, at the margins. But in the centreground, for me, is the awakening of the world's response to climate change, and a more profound understanding of our impact generally, as humanity on our planet and our societies. Set COVID-19 aside, for a moment, and let's refocus on the long-term trends of civilisation, at this point in December 2020.

First, the world's population continues to grow, albeit at a slowing pace. From 7.7 billion people on the planet in 2019, the global population is projected to grow to around 11 billion by the end of the century.¹ So our first question is can we run this planet sustainably for a population of at least 10 billion? Can we develop our clean water supplies, sanitation, food supplies, education, healthcare, energy, transport and digital networks to support that number of global citizens?

Second, the population continues to become more urban. Today it is around 55 per cent of the total global population, up from about 36 per cent when I was born in 1970, and projected to be around 70 per cent by 2050². Some say COVID-19 will kill the desire to live in cities and stall the urbanisation trend. I doubt that. The bright lights of the cities will continue to draw us in, for both financial and societal opportunity, for culture and for fun. So, our second question is can we provide quality of life even when this expanding population is crowded into densely populated areas? Can we provide transport systems without air pollution and congestion? Can we provide decent, modern housing that doesn't cram families together into small boxes? Can we provide open space, trees, clean the streets and manage crime?

Third, we continue to reduce extreme poverty, from around 1.7 billion individuals 30 years ago, to less than 700 million today. Rising living standards across India, as well as China, South America and now Africa, supported by the concerted efforts of multilateral development agencies and more enlightened rich countries, have driven this success. And infrastructure has played a critical role, with schools supporting rising education standards, roads and railways connecting people to work and goods to markets, and airports and ports opening up global export opportunities. Today, sadly, the World Bank's expectation is that COVID-19 could start to undermine this progress, tipping up to 150 million more people into extreme poverty, over the next two years, so trillions of dollars more investment is now required to tackle that risk and to ensure that eventually everyone globally can enjoy both prosperity and quality of life, in line with the United Nations' Sustainable Development Goals. So, our third question is, how do we maintain this momentum, in particular as governments are impoverished by the fight against COVID-19, and the world lurches towards isolationist and protectionist policies?

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG, an Indian Registered Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Fourth, and not least, but of more criticality and urgency than all the rest, we continue to kill our planet. Well not actually the planet itself, but the ability of the planet to support us as humans and most other lifeforms. Despite the breakthrough of the Paris Agreement and the commitment of nearly all the world's countries to a trajectory below two degrees, carbon emissions continue to rise. And we cannot celebrate if they drop this year, because the world is not going to vote to lockdown in perpetuity, and there is no vaccine for climate change. Infrastructure is responsible for around 70 per cent of all carbon emissions, through energy, transport and materials such as cement. We have made progress, particularly in the power generation sector. The cost of wind and solar power, and of lithium-ion batteries, have all fallen by around 90 per cent in the last 10 years. And a recent report by Goldman Sachs³ estimates that the falling cost of capital for renewables, coupled with rising costs for hydrocarbon developments, means hurdle rates for renewable projects are now only 3-5 per cent compared to 10-20 per cent for oil and gas ones. Economics alone may therefore now drive the continued decarbonisation of power generation. But the world is still a long way from decarbonising the transport sector, and tackling heat emissions from buildings. So, our fourth, final and most important question is, how do we galvanise the world to do what is necessary to halve greenhouse gas emissions by 2030?

I lead both KPMG's Infrastructure practice and KPMG IMPACT, our recently launched initiative focussed on sustainability, climate change and decarbonisation, and economic and social development. And I see a strong nexus between the two roles. Infrastructure is front and centre of the world's challenge and opportunity to find a path to sustainable quality of life for everyone, everywhere.

Lack of technology is NOT the barrier. We have nearly all the technology we need to run a world sustainably for 10 billion + people. Lack of money is NOT the barrier. There is huge demand globally to invest in infrastructure, and that investment will drive economic growth, tax revenues and ultimately fund itself. The barrier here is the capability, and in some cases the willingness, of governments to do what is needed. The solution is in our hands and in our determination to work together, globally, to make the world a better place.

I am an optimist. I don't think COVID-19 will, ultimately, have a big impact on the trends of population growth, urbanisation and growing economic prosperity. But I do think it has played an important role in opening the eyes of individuals, businesses and governments to the vulnerability of humanity, and that 2020 will be remembered as the year that we got collectively serious on climate change and sustainability generally.

¹ World Population Prospects, The 2019 Revision, Department of Economic and Social Affairs, United Nations

² World Urbanization Prospects, The 2018 Revision, Department of Economic and Social Affairs, United Nations

³ Carbonomics, Goldman Sachs, 16 June 2020