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# FOREWORD TO THE SPECIAL EDITION OF THE EBR ON ENVIRONMENTAL CHANGES

JANEZ PRAŠNIKAR\*

While the impression of a global economic crisis has led to environmental problems somewhat withdrawing into the background, at their congress in Copenhagen scientists delivered an alarming message: the worst-case IPCC (Intergovernmental Panel on Climate Change) scenario trajectories are in fact being realised. As regards many key parameters the climate system is already moving beyond the patterns of natural variability within which our society and economy have developed and thrived. Inaction is inexcusable (International Scientific Congress on Climate Change: Key Messages, 2009). But why then is it so difficult to agree on strategies to improve these problems. In any event, the two problems are interrelated since both economic crisis and pollution are the outcomes of similar factors.

Both problems have been exposed by globalisation. They originate from the same source: information asymmetry in post-contractual opportunism leads to a moral hazard, which leads to inefficient markets in both fields. The way financial markets have developed led to a host of instruments and the unforeseen development of the financial field whereby the connections between primary issues of stocks were severed. This created a large increase in information asymmetry among buyers and sellers (especially due to globalisation). Risk evaluation agencies have added their part to this increase by incorrectly valuating stocks, thereby increasing the moral hazard. These events have caused the downfall of financial institutions and reduced trust in the financial system (Dodd and Mills, 2008; Mizen, 2008; Buiters 2008a, 2008b; Rant, 2008). Globalisation has also accentuated greenhouse gas pollution and climate change. Even though pollution has long been known as a market externality in the economics literature, it was not until globalisation that its full extent was discovered. The problem of greenhouse gasses is that emissions are irreversible and linger in the atmosphere for a long period of time. They spread linearly throughout the world which means that the nation-state and its subsidiaries, typical loci for the internalisation of externalities, are limited in their remedial power (Arrow, 2007). Therefore, polluters are aware that they will not have to bear all the costs of their polluting, especially when they are protected by national schemes that do not take the true scale of the problem into consideration. They are exploiting information asymmetry and encouraging moral hazard.

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The Portorož Business Conference is a major event for business audiences in Central and South-east European countries. The tenth conference was held on 20-21 November 2008 and addressed these important questions. The first part was devoted to the global financial crisis. In the second part the problems of moral hazard, information asymmetry and global regulation were applied to the environmental field and challenges. This special edition of the EBR presents four important contributions concerning environmental changes that were discussed at the conference.

The first contribution, *Climate Change and Future Adaptation* by L. Kajfež-Bogataj, a member of the Intergovernmental Panel on Climate Change ('IPPC'), provides a summary of the IPPC's findings on climate change. She presents an overview of changes observed in the climate system and their relationships with physical processes as well as an overview of projections for future climate changes with a special focus on the European and Slovenian climates. First, she claims that the serious consequences of climate change can only be stopped by reducing greenhouse gas emission early and thoroughly. An inability to do this will significantly increase the risk of dangerous and unpredictable climate change, with adaptation costs rising steeply. Second, societies all over the world must take on the challenge of adapting to climate change, a step which is unavoidable in spite of any successful restriction of its influences. In order for adaptation efforts to be successful, efficient co-operation among stakeholders is required coupled with being well-informed about the decision areas and knowing the potential adaptation possibilities. The author warns that there is a lack of institutional organisation and appropriately educated labour in the area of decisions concerning climate change adaptation.

The second paper, *The Kyoto Protocol in a Global Perspective*, by A. Cirman, P. Domadenik, M. Koman and T. Redek deals with two questions: What are the intentions of the Kyoto Protocol (1997) and why in comparison with the Montreal Protocol (1987) on reducing the ozone hole is the former doing poorly. The first reason for the unsuccessful implementation of the Kyoto Protocol is the fear of unwanted macroeconomic consequences. The authors show that welfare loss in terms of GDP and lost growth is low. However, it differs among economies. The second reason is surely the lack of support from a few key countries. The USA did not ratify the Kyoto Protocol since major corporations are not supportive of it. China and India do not want to cut their emissions until they complete the process of industrialisation. Another special value of the paper is that it focuses on some countries which are usually not in the focus of the debate. In particular, the South-east European countries efforts made toward achieving the Kyoto Protocol requirements are taken into consideration.

In their contribution *Environmental Strategies and Their Motives and Results in Slovenian Business Practice*, T. Čater, J. Prašnikar and B. Čater test a model of the environmental behaviour of enterprises that is built on the causal-consecutive link 'motives for environmental strategies – environmental strategies – results of environmental strategies.' They find that that prevailing motives for environmental activity are top management's commitment and public concern, followed by legislation. Creating a competitive advantage is among the last motives companies cite when explaining their environmen-

tal action, revealing that do not see environmentally-friendly activities as a way of being competitive. Slovenian companies still chiefly regard the implementation of environmental strategies as a cost. Among functional strategies, greatest importance is attributed to production, more specifically waste management, recycling and, where possible, using renewable energy sources. Packaging is the most important environmental concern in marketing. The lowest level of importance is attributed to procurement and HRM. Small companies demonstrate a bigger environmental commitment than large ones. The results of this study are not significantly different to those obtained in similar research around the world (Henriques and Sadorsky, 1999; Banerjee et al., 2003; Moon, 2008) which have found that the logic of the opportunistic behaviour in companies is as follows: why take the initiative in the environmental field if it generates additional expenses and will not be done by your competitors?

How to Cope with Distance in the Future? is the title of G. Fournier's article. The article clearly describes a 'sandwich' position in which automobile manufacturers have found themselves as a result of globalisation, the increasing need for mobility, the gap between oil supply and demand as well as global warming. Does all of this threaten the mobility of individuals? Not according to Fournier. His position is underpinned by the radical innovations seen in the automotive industry in the areas of new energy sources (biomass and biomethane, microalgae, hydrogen and electricity). The future belongs to electric vehicles which are the most energy-efficient and very environmentally-friendly. Traditional manufacturers are still reacting slowly to these new initiatives since they still build price premiums on the performance, comfort and safety of vehicles. Yet important innovations are emerging to satisfy tendencies for appropriate pricing and environmental efficiency, especially in the low-cost and medium-cost car segments. The car market will still see a reduction in vehicle sizes, but will not see the disappearance of the premium vehicle segment. The fact that most consumers are willing to buy alternative vehicles will sustain the mass production of hybrid cars for longer journeys and electric cars for shorter distances.

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