

# Convergence? A Perspective On The Larger Context

Tom Jacob

Senior Advisory, Global Affairs

DuPont

*tom.jacob@usa.dupont.com*

**IETA Forum -- UNFCCC**

9 June 2003



# DuPont and Climate Change

- ◆ Concluded in '91 that we needed to act
  - Science implicating anthropogenic emissions
  - DuPont emission profile very high
- ◆ By 2000
  - Global emissions from op's < 50%
  - Energy consumption flat
- ◆ Goals for 2010
  - Emission from op's < 65%
  - Energy flat
  - 10% renewables



# Current State: Indeterminate

- ◆ Huge reductions accomplished/in process...
  - 10's MM tons CO<sub>2</sub>e
- ◆ ...But in real danger of business liability;
  - Emissions trading now adding value
  - Governments reluctant to credit early action
    - ◆ But those who did nothing can gain
  - Pressure in some countries for more
- ◆ And a patchwork of trading schemes may leave us in the cold
  - Reduction opportunities mixed



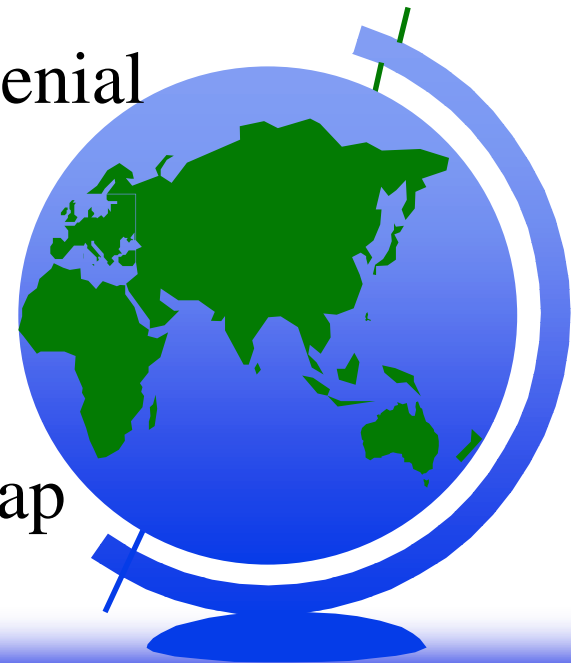
# The Patchwork We See

- ◆ Global mechanisms uncertain
  - CDM very burdensome, especially for FDI
    - ◆ Experiment in relative targets?
  - Countries not gearing up
- ◆ EU system
  - Disconnected from country efforts?
  - CO2 only
  - What counts?
    - ◆ Kyoto credits?
    - ◆ Early action?
  - Allocation fraught with peril



# The Patchwork We See

- ◆ Other developed countries a mixed bag...
  - Early action constant issue
  - Common registries/procedures?
  - Isolation rather than linkages?
- ◆ ...And then there is the US
  - Much of industry/government in denial
  - Voluntary only/intensity targets
  - Nominal support for early action
    - ◆ But resistance to providing for it
  - Patchwork of state actions to fill gap
    - ◆ Plus CCX

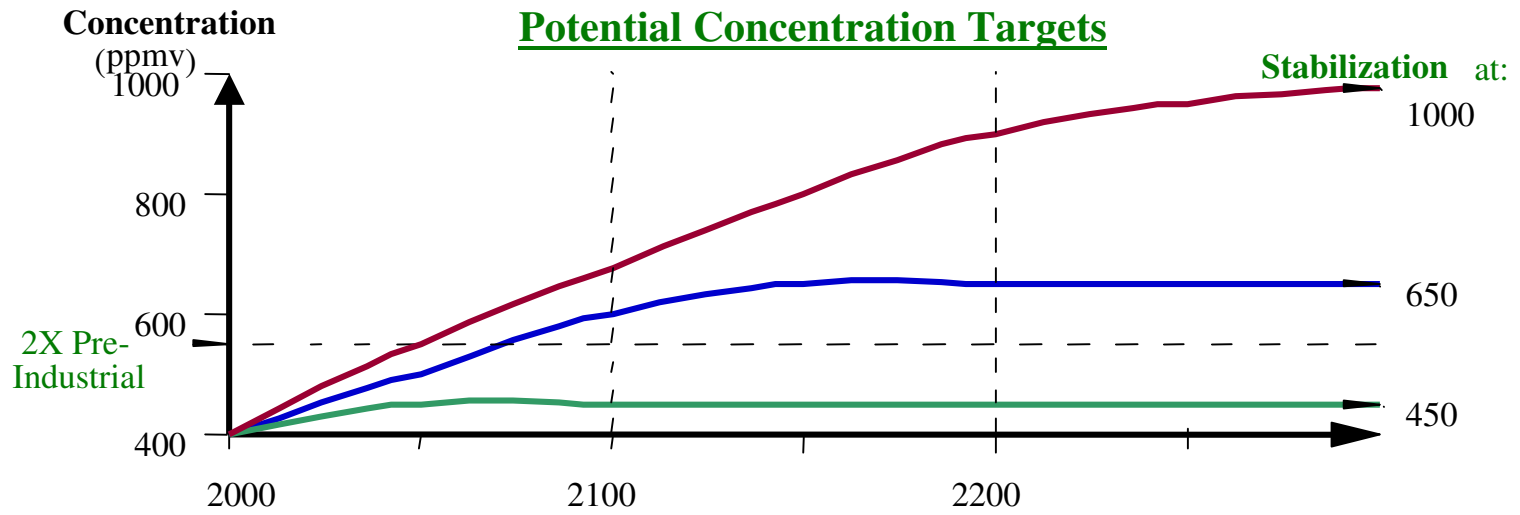


# Mantra

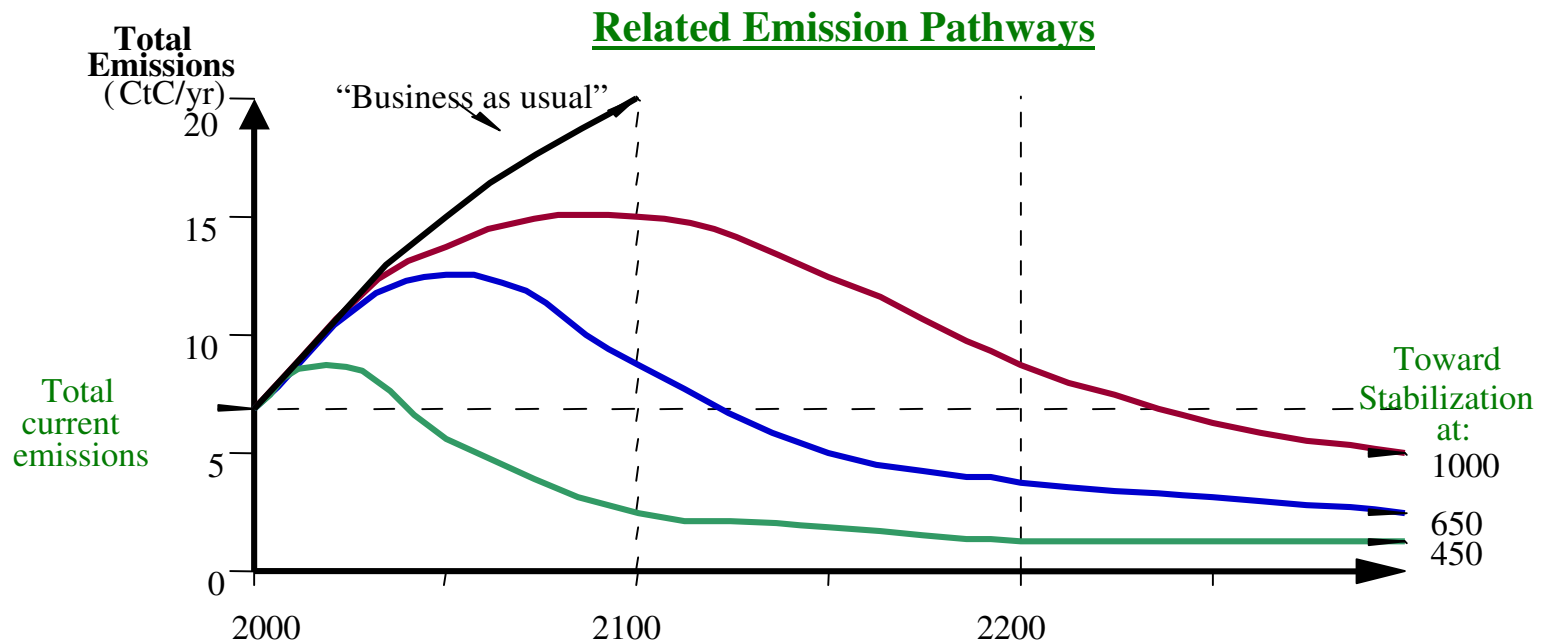
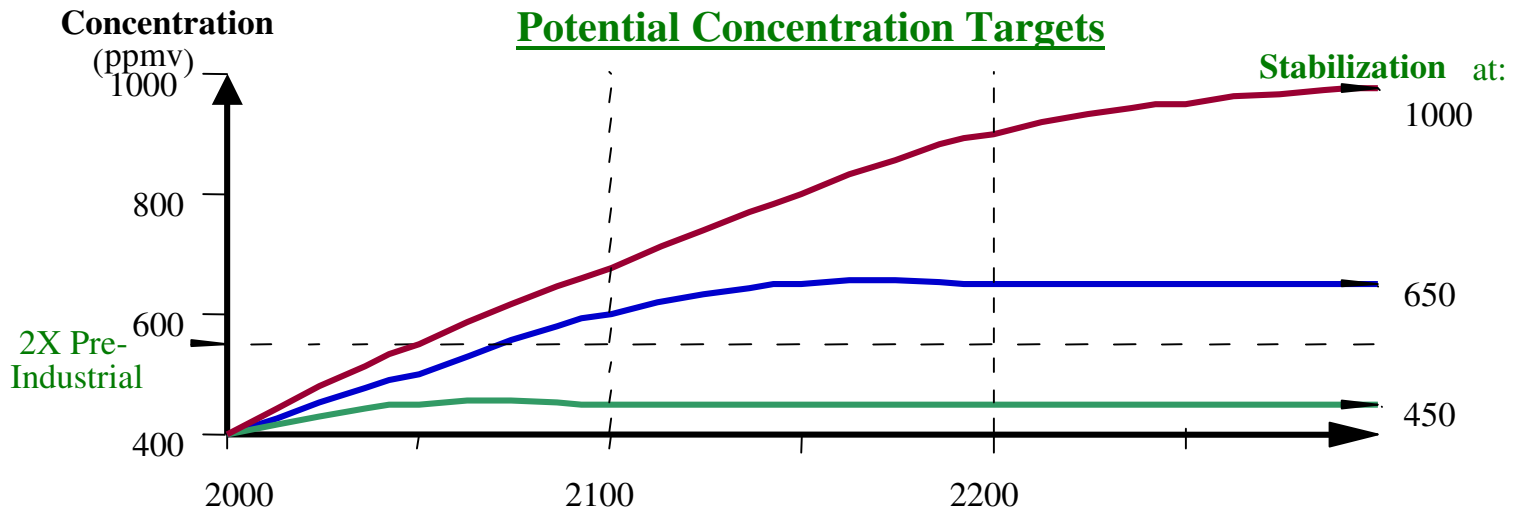
- ◆ Judgements made today should be informed by a sense of the longer term context into which they must fit
  - Today's realities not responsive to the longer term challenge we face



# A LONG TERM CHALLENGE

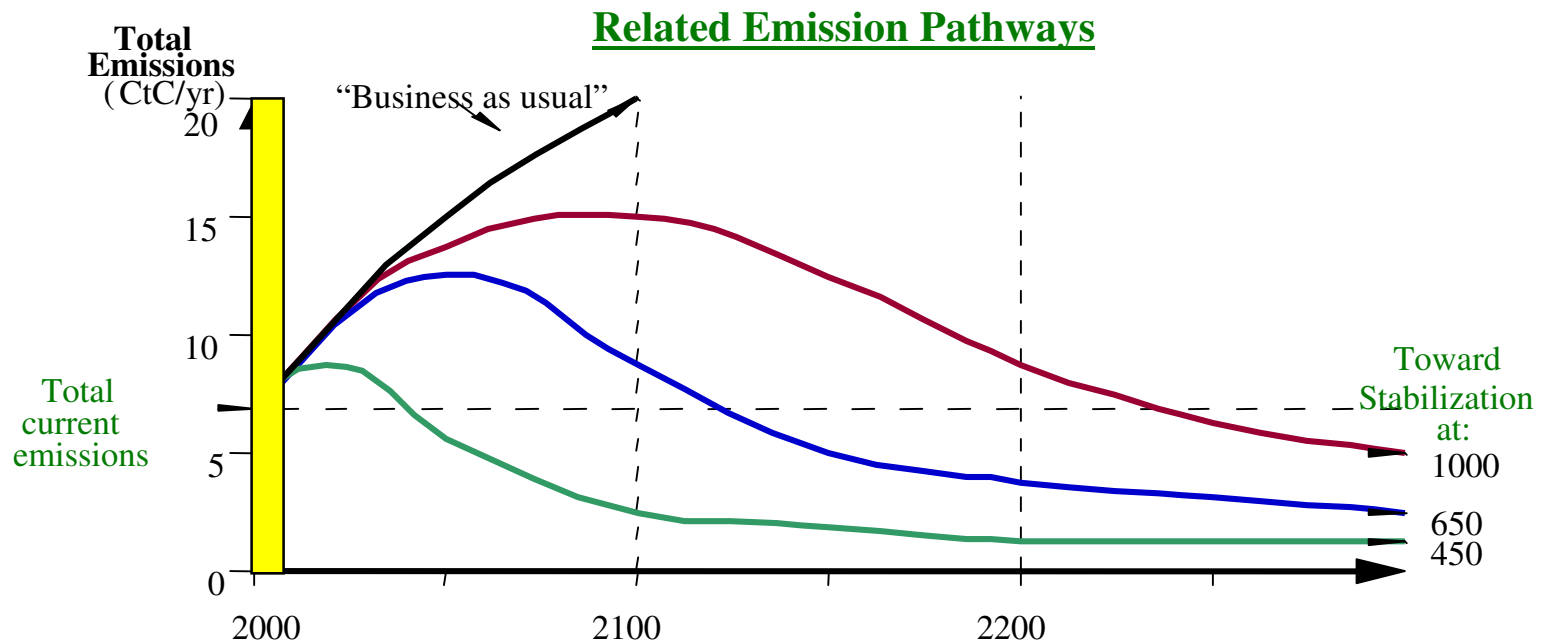
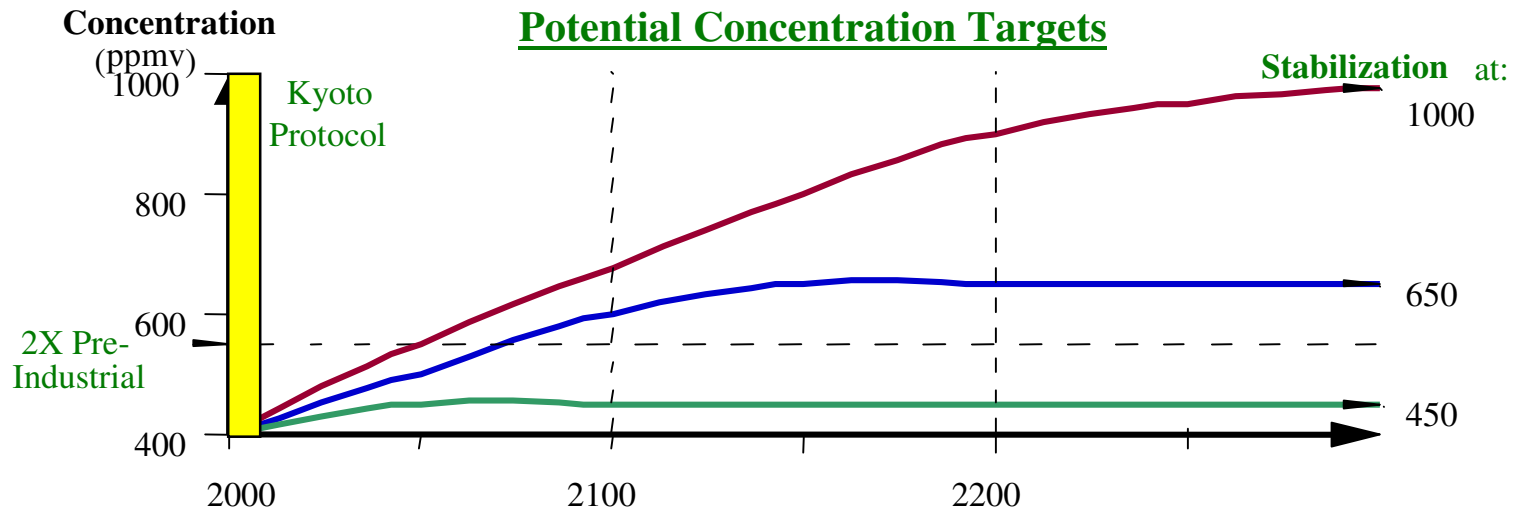


# A LONG TERM CHALLENGE





# A LONG TERM CHALLENGE



# The Longer-Term Challenge

- ◆ Continued emissions in developed nations
- ◆ Globally: Growing Population --> Growing Emissions
  - Plus economic growth and development
- ◆ Long-term Need
  - Reduce global emissions, while strengthening global economy
- ◆ Increasing pressure on emissions!!
  - Must begin taking prudent action



# Necessary Elements of Response

- ◆ Technology
  - Only technology evolution/revolution will enable economic betterment + climate response
  - Must accelerate pace of technological advancement
- ◆ Global diffusion of technology
  - Economic vitality
  - Global trade interconnects
- ◆ **An Essential Element:  
Cost-Effective Use of Capital**



# Markets are Key

- ◆ Market-stimulated investment ---> Global emissions growth
  - Must have global system encouraging innovation and cost-effective climate action
  - Must have strong market linkages to ensure global diffusion of beneficial technologies
- ◆ Must develop, identify and act on least-cost opportunities to minimize impact of that growth
  - Globally-linked emissions trading



# Realities We Must Face

- ◆ Integrated markets
  - ◆ Patchwork simply saps capital
- ◆ Foreign direct investment
  - ◆ FDI will set the trajectory
- ◆ Additionality
  - ◆ Environmental, absolutely
  - ◆ Investment, absolutely not
- ◆ “Hot Air”
  - ◆ In the long term picture...
- ◆ Leakage
  - ◆ It really matters... think market share



# Voluntary Versus Mandatory?

- ◆ Voluntary can transition, but...
  - Some will act, but many will not
  - Emissions trading inherently limited
    - ◆ Fewer participants
    - ◆ Uncertainty prevails
- ◆ Ultimately, mandates necessary
  - Must send broad societal signals
  - Level the playing field
  - Establish consistent, transactable commodity



# Absolute Versus Relative?

- ◆ Currently have both
  - Cap & Trade systems
  - CDM accommodation of relative credits
- ◆ Two sides of same coin?
  - Emissions versus Emissions/Unit of...
- ◆ Problems with both
  - Absolute
    - ◆ Versus what?
  - Relative
    - ◆ Relative to what



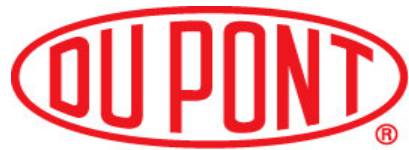
# Long Term Challenge

- ◆ Accelerate evolution of technology
- ◆ Enhance global diffusion of technology
- ◆ Ensure Cost-Effective Use of Capital





Bye, Now...



*The miracles of science™*

