Climate Change: Mobilising Political Will
OECD Forum 2008 on Climate Change, Growth, Stability
Paris, 3 June 2008

Address by Yvo de Boer, Executive Secretary
United Nations Framework Convention on Climate Change

Your Excellency, His Serene Highness Prince Albert II of Monaco,
Mister Secretary-General,
Ministers,
Ladies and gentlemen,

It's an honour for me to address this audience at the OECD Forum 2008.

The fact that Climate Change, Growth and Stability was picked as the subject of this forum, demonstrates that climate change remains on the top of the international political agenda, and rightly so, since it is the defining issue of our time.

Last year already saw an incredible build-up of momentum. This happened after the Intergovernmental Panel on Climate Change can with three reports. The first one proved beyond doubt that climate change is happening and accelerating and that much of it is caused by the continued and increasing emissions of greenhouse gases from human activities. The second one showed that -if we fail to come to grips with it- the impacts of climate change will have devastating effects on economies, societies and eco-systems throughout the world, especially in developing countries. And the third one stressed that many of the technologies we need to deal with climate change are already at our disposal.

This clear signal from science, called for a clear answer from politics. It started with the G8 Summit in Heiligendamm where Heads of State of Government of the G8 countries and five emerging economies declared to be committed to begin negotiations on a stronger response to climate change by the end of that year. The EU stepped forward and announced its ambitious target to unilaterally cut its emissions by 20%, and by 30% if other countries joined. In September over 80 Heads and State of Government gathered in New York at the Climate Change event that United Nations Secretary-General BAN Ki-Moon had organised.

It was the combination of the clear signal of science and the mobilization of political will at the highest level that led to the breakthrough at the Bali Climate Change Conference in December last year. Both developed and developing countries agreed to jointly step up efforts to combat climate change and launch negotiations on a new climate change deal to be concluded in Copenhagen by the end of 2009.

There is no doubt: the Copenhagen deal will be struck. Up to the highest level, the political commitment is there. The world is expecting an agreed outcome in Copenhagen. Just as no self-respecting politician could leave Bali without a breakthrough, no self-respecting politician can leave Copenhagen without a deal on strengthened international action on climate change.

We are pretty clear about the why. We are pretty clear about the what. We now have to look at the how.

The challenge is to come to a Copenhagen deal that is first of all, effective; effective in the sense that it measures up to what science tells us needs to happen. Secondly, secondly, we need to come to a deal that is equitable in the sense that every country does its fair share, based on the principle of common but differentiated responsibilities and capabilities. Thirdly, a Copenhagen deal has to make economic sense. Climate change is an environmental issue, but it clearly calls for an economic answer. The fact that climate change is the subject of this OECD Forum firmly underlines that climate change is all about economic development. It is about steering the course of our carbon emitting economies into a low emissions direction. It is about rewarding change and rewarding innovation.

Let me focus a bit more on this last point at and address a couple of myths and fantasies that I hear quite often.

The first one is that climate change policies will derail economic growth. With growing concerns about a world wide economic recession, there is a tendency to concentrate on short-term worries and leave long-term issues for later. But ignoring climate change today, will not pay off. Not acting on it now, will eventually costs us more.

The Stern report was pretty clear about this. According to the report, the overall costs and risks of climate change will be equivalent to losing at least 5% of global gross domestic product (GDP) each year. If a wider range of risks and impacts is taken into account, the estimated damage could rise to 20% of GDP or more. In contrast, the costs of action to avoid the worst impacts can be limited to around 1% of global GDP each year.

So, we need to alter the course of our carbon emitting economy and this is possible at reasonable costs, providing the right mix of policies, measures and incentives can be put in place.

Businesses are ready to move forward, so I heard ceo's of leading world businesses state at the World Economic Forum last January. But they are waiting for politics to give clear signals about the direction in which they should go.

A second often heard concern, is that a Copenhagen deal would lead to serious competitive distortion, especially in worldwide operating energy-intensive sectors of the economy. There are growing concerns about job losses and the move of economic activities from developed to developing countries that are not bound to emission reduction targets yet.

We all know that changes in economic structures are part of the world's economy history and that the globalisation of the world economy has speeded up these shifts. Changes in economic structures have always known winners and losers. This will also be the case with the shift to a low emissions economy. The losers are usually the most vocal, while it is the winners that hold our future.

I am not saying that we should not address these concerns. On the contrary, Copenhagen is about finding clever ways to carefully manage the shift to a low emissions economy.

How can for example the concept of sectoral approaches be further elaborated? But above all, Copenhagen is about creating value for change, rewarding low emissions innovation, creating new investment opportunities and opening up whole new markets for businesses.

A third myth or fantasy is that Copenhagen is about subsidizing our way out of this problem. There are huge expectations about new streams of subsidies to finance clean development and adaptation.

True, there is a clear need for additional financial and investment flows. But with the right policies and incentives, a substantial part of that necessary additional money can catalyse far larger commercial flows.

Fighting climate change is mostly about designing the right set of tools to alter the course of an investment super tanker. What do I mean by that? According to the International Energy Agency, a massive investment of 20 trillion US dollar will be made to meet the growing world's energy demand in 2030. Over 50 % of this investment flow will go to developing countries, where energy demand will grow fastest. If these flows are not steered into low carbon direction, global GHG emissions will go up by 50 % in 2050, while we need a 50% cut of these emissions in 2050, according to the IPCC's lowest stabilization scenario.

86% of these investments will come from the private sector. A new international climate deal is therefore for a very important part about "making private money go where it has never gone before."

To sum up, the challenge in the run up to Copenhagen is to design a clever architecture of policies, measures and incentives to fight climate change in the most cost-efficient way; to address the concerns of competitive distortion; and to reward change and entrepreneurial initiatives that will help the world economy turn the green corner

What is needed is an intelligently blended set of tools: both public and private, both national and international.

These tools can first of all be established within the Copenhagen agreement. Emissions trading, the Clean Development Mechanism and the Adaptation Fund are examples of mechanisms, which have been created in the past. How can these market-based mechanisms be expanded and improved to add more value for change?

Secondly, I feel we need to think how added value can be created through a Copenhagen deal. One example is the Clean Investment Framework of the World Bank. Similarly, voluntary carbons off sets by companies are not part of the Convention but can certainly create a lot of value if certified through the Climate Change Convention. Another example is the German idea to auction emission rights and use part of the revenue for international climate change cooperation.

Thirdly, we also need to think about what is possible outside a Copenhagen deal. Examples here are export credits, the removal of trade barriers, loan guarantees, fiscal benefits for entrepreneurs and the utilization of R&D budgets.

The breakthrough at the Bali Conference last year represents a unique opportunity to craft a solution to a huge global problem and to alter the course of economic development.

The political will to do so is there. The whole world is watching. We need to pull out all the stops. This is the time to roll our sleeves up and get down to work. This is the time to start thinking about what should be written into the Copenhagen deal. This is the time to sit down and work out how a Copenhagen outcome can catalyse global action.

Copenhagen is not about finding the answers to all questions. Copenhagen is not about writing the rules for all possible games. Copenhagen is about unleashing innovations. Copenhagen is about creating rewards for change. Copenhagen is about freeing the spirit of enterprise.

Thank you.

\- - - - -