

DRAFT (23/11/05)

Climate Change and the OECD

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Your Excellencies, Ministers, and Honoured Guests:

It is a pleasure for me to share this podium at the eleventh session of the Conference of the Parties and the historic first Meeting of the Parties to the Kyoto Protocol.

The Organization for Economic Co-operation and Development (OECD) brings together 30 Member countries which collectively represent both enormous economic weight and large potential to contribute to the global response to the climate change problem. By their actions, OECD countries continue to demonstrate their strong commitment to making progress on this problem.

Emissions trading is one economic approach that has made significant strides forward in the OECD Region recently. Many OECD countries have also expanded their support for the Clean Development Mechanism and Joint Implementation. Collectively, OECD countries are supporting over 2.5 billion Euros' worth of government and multilateral Carbon Funds – efforts that are helping to spur the introduction of new environmentally-friendly technologies around the world. Importantly, many of these policies and measures are helping to establish a market price for carbon, which should improve the long-run efficiency of mitigation efforts. On the adaptation side, OECD countries are also making progress, both in terms of improving their own adaptation strategies and in their ongoing support for adaptation efforts in developing countries.

OECD's goal is to help its Member countries prepare for the future by supporting them with sound policy analyses and options to achieve climate change goals in an environmentally-effective and economically-efficient manner. While we believe that economic instruments offer the most efficient means of achieving climate change policy goals, it is also clear that market-based approaches need to work alongside regulatory and other policies in most contexts. The important thing is to get the right "mix" of policies for each country.

To support our Member countries in their thinking about these policy mixes, we currently have work underway to:

- Evaluate and improve the effectiveness of market based instruments, including taxes and permits, as well as on the interaction of different policy mixes,
- Mainstream climate change adaptation in development co-operation activities.

- Examine the experience of Member countries in adapting to climate change in mountain systems, in coastal zones, and in the water management sector.
- Build understanding of options for a possible future climate change agreement, including sectoral crediting and improvements to the CDM; and
- Improve the effectiveness of international co-operation to develop and deploy new climate-friendly technologies.
- Examine the relationship between climate change and the economic consequences of this change.

In the coming year, we intend to expand our effort to better understand the costs and benefits of climate change adaptation policies. We will also complete an OECD Environmental Outlook to 2030, part of which will deal explicitly with climate change questions.

Efficient and effective policies to respond to climate change need strong collaborative efforts, involving various policy perspectives. At this session, for example, we have launched a new OECD book titled *Bridge Over Troubled Waters: Linking Climate Change and Development*. This project was a collaborative effort between the environment and development cooperation parts of the OECD. Much of the basic information for the book also came from case studies carried out in six developing countries, with significant contributions having been made by experts in those countries. The book analyses development assistance investments in terms of their exposure to climate risks, as well as the attention given by national development plans to the inherent linkages between climate change and development.

Next year, an OECD Development/Environment Ministerial meeting will also be held. Part of this meeting will explore synergies between development and climate change, including ways to encourage the mainstreaming of adaptation to climate change into development planning and assistance.

OECD, jointly with the International Energy Agency, also hosts the Annex I Expert Group to the UNFCCC (AIXG). Part of the AIXG work involves annual consultations in an informal setting with developing country experts, to discuss technical issues of mutual interest on the international climate change agenda. The fourth such consultation is scheduled to take place in early 2006.

From experience, we know that achieving climate change objectives in economically efficient and environmentally effective manner will take a great deal of creativity. However, we are confident that a more sustainable world – one that integrates efficient and effective climate change policies into the fabric of decision-making by governments and industry – is possible. We are pleased to provide a forum that can promote a dialogue on these issues, both among our Members and with other countries. We look forward to continuing our collaboration on climate change issues as the global community moves forward to the next phase of its discussions.

Thank you very much.