



**Electrifying the Future: Building a sustainable energy market
Barcelona, Spain, 16 June 2008**

**Address by Richard Kinley, Deputy Executive Secretary
United Nations Framework Convention on Climate Change**

Ladies and gentlemen, thank you for this opportunity to speak to you on climate change.

I come to Barcelona fresh from a two-week negotiating session under the United Nations Framework Convention on Climate Change and its Kyoto Protocol. These so-called Bonn Climate Change Talks 2008 focused largely on moving forward negotiations on an enhanced international climate change agreement by 2009.

In this context, my remarks today will focus on giving you an overview of the status of the inter-governmental negotiations and where they may be headed, as well as to share some reflections on the implications of these negotiations for your industry.

But firstly, let me say a word about why the inter-governmental negotiations are so critical

The release of the Intergovernmental Panel on Climate Change's Fourth Assessment Report in 2007 jolted the world. For the first time in history it became clear that humanity, and the planet we all share, are now subject to the most significant consequence of past economic development: climate change.

The IPCC found that climate change impacts are increasingly being witnessed and that future impacts are "very likely" to increase. The cost of these impacts is likely to increase over time, both in terms of human cost (witness extreme weather events), as well as in terms of economic cost (such as droughts, disasters, and shifting agriculture).

However, the IPCC also found that the worst consequences of climate change can still be avoided with concerted and decisive action. But for that, we need a substantially new manner of thinking.

Dealing with climate change requires changing course. The world's economic development must shift to a low-emissions path. For this, both governments and business hold the key: business since it spurs innovation, implements technology and holds an important part of the investment capital to deal with climate change; and governments because they set the policy framework to implement such a significant change.

According to the IPCC's most stringent scenario, which would stabilize temperature increases at around 2-2.4C above pre-industrial levels, emissions would need to peak in the

next 10-15 years. Then they need to decline by 25-40% over 1990 levels by 2020. By 2050, there needs to be an overall reduction of 50% over 2000 levels. These are huge challenges.

The aim of the negotiations up to 2009 needs to be nothing less than an agreed outcome in Copenhagen that matches up to these figures.

So, where are we in the negotiating process under the UNFCCC and its Kyoto Protocol

At the UN Climate Change Conference in Bali last year, Governments recognised that an enhanced response to climate change is needed. A two-year negotiating process was launched, which includes strengthening on-going work under the Climate Change Convention and the Kyoto Protocol. More importantly, it will lead to enhanced action around four key building blocks: mitigation, that means reducing emissions in both industrialised and developing countries, but under different sets of conditions, adaptation, technology and finance.

The negotiating process is set to conclude in an agreed outcome in Copenhagen in 2009. To this end, Parties have entered an intensified negotiating phase, of which the Bonn Climate Change Talks are a part. The Bonn talks focused on developing a better understanding of what countries would ultimately like to be written into a long-term agreement.

The outcome of the Bonn talks is a much clearer understanding among governments on how they want to deal with the issues of finance, technology and adaptation. Different proposals have been put on the table that could form part of a long-term policy approach.

Although all Parties are committed to an agreed outcome in Copenhagen, negotiations are complex and difficult, because ultimately, they revolve around crucial economic interests. The major economies are deeply engaged, but so are vulnerable countries with much to lose from climate change impacts.

The next Climate Change Talks have been scheduled for the end of August in Accra, Ghana. The UN Climate Change Conference 2008 will be held at the end of the year in Poznan, Poland, and will represent an important stock-taking opportunity for progress made.

Business has been calling for long-term policy certainty, which would guide their investments over the coming years. At the UN Climate Change Talks in Bangkok in March this year, Parties agreed that the Kyoto Protocol's market mechanisms, including emissions trading and the Clean Development Mechanism, will continue beyond 2012. This gives a first indication as to longer-term policy.

I cannot say too much more about long-term certainty at this stage. But I think you can be certain that there will be a long-term international agreement. And you can be certain that it will constrain carbon. I am less certain about the degree of ambition, membership, details or timing - but **it will constrain carbon.**

What does this mean for the European electricity industry?

Addressing you on climate change is important because the energy sector, specifically the electricity sector, is by far the largest contributor to total greenhouse gas emissions of industrialised countries - up to 80%. Of course the power sector cannot solve this problem alone - but the world cannot solve this problem without the power sector. **Your leadership is required!**

In the EU, investments into electricity generation, transmission and distribution up to 2030 are projected to total some €1.4 trillion, of which roughly €900 billion will be needed for electricity generation alone. These investments need to green energy supply and reduce emissions from this sector. Emissions have to be reduced to prevent dangerous climate change and to secure our survival. Climate change needs to be one of the key determining factors that drive energy investments.

Investments in the electricity sector need to be shifted to low-carbon emitting technologies, such as the full range of renewable energies, and Carbon Capture and Storage (CCS). Failure to achieve changes in investment for electricity will lead to unsustainable development paths and “lock-in” effects for the next 20-30 years. This will lead to higher emissions, more climate change impacts, and a larger negative impact on economic growth.

In the short-term, energy efficiency is the most promising, and the most economic, means to reduce emissions. You could make a major contribution by advancing energy efficiency. Companies need to understand how to use energy efficiently and may require detailed information in this respect. Energy Services Companies may be one way of assisting companies with implementing energy efficiency measures.

I would venture that you also have a responsibility towards your customers: they need to understand that the cheapest energy source is conservation. The will of the public to be part of the solution to climate change needs to be tapped.

What does an enhanced international climate change agreement mean on the international level?

Access to energy is one of the over-riding developmental concerns of developing countries, since economic growth and alleviating poverty demand increased energy supply.

Energy is crucial for three dimensions of sustainable development: social, economic and environmental. In many of the Least Developed Countries energy services fail to meet the needs of the poor. Many billions of people still rely on unsustainable traditional fuels for their cooking and heating needs.

According to the reference scenario of the International Energy Agency (IEA), global energy demand will grow by 60% by 2030. In the period up to 2030, the energy supply infrastructure world-wide will require a total investment of \$20 trillion. Of the 20 trillion USD required for the energy supply infrastructure world-wide, more than half will be needed in developing countries. Globally, energy supply needs to be greened to reach sustainable development goals.

Adequate resources will need to be mobilised for this as a matter of urgency. This will form a central part of a Copenhagen climate change agreement.

In conclusion

Climate change is a societal responsibility with the solution to be led by government. All sectors of the economy must contribute to that solution. A suite of climate change policies can support a turn-around in the energy sector. In tandem with that, your corporate responsibility needs to focus on energy efficiency, alternative energies and CCS.

You are the industry that powers economic growth. Your insights for an agreement that offers economic opportunities for greening the energy sector are important. Governments need to craft an agreement that also makes sense from a business point of view.

We need your active and enthusiastic engagement!

Thank you.
