

**Pensions 80 Seoul Summit 2010
Seoul, 16 June 2010**

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

Ladies and gentle men,

Good afternoon. It's a pleasure for me to address you.

This is an important opportunity to bring private sector thinking together with emerging policy frameworks. Indeed, if the world is to rise to the challenging trends that are emerging to 2050, unprecedented cooperation between the private and public sector will be needed.

There are four trends that are shaping the world's future up to 2050. These trends have to be taken extremely seriously. They are very likely to impact every sphere of life, from the safety and security of people's lives to the way that economies are powered.

They are probably some of the biggest challenges that humanity will face in its collective history - but, if action is taken soon, they also hold opportunities.

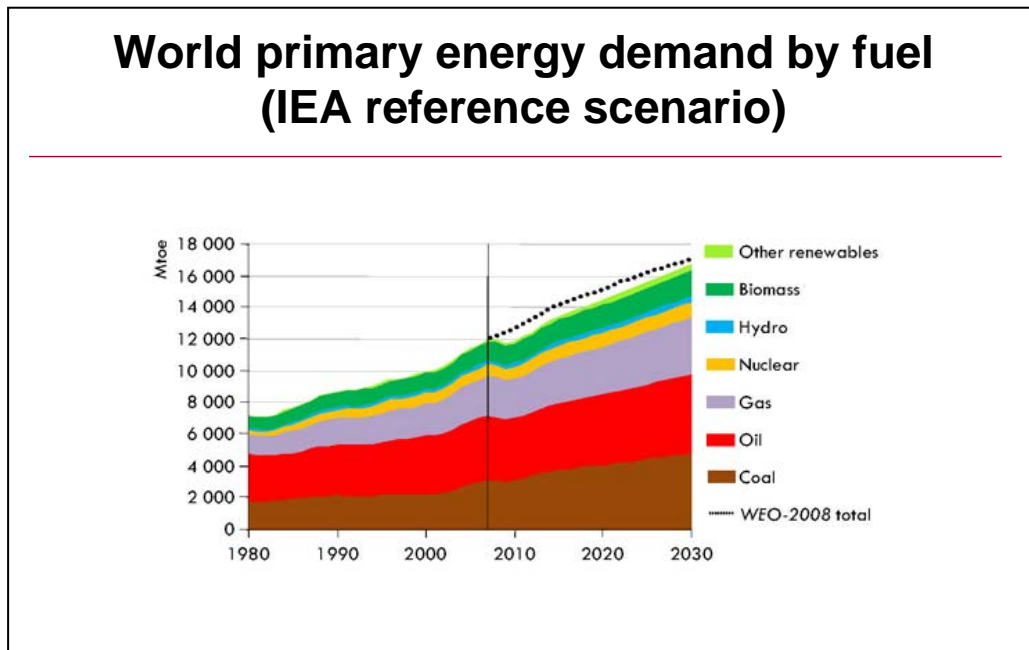
So, what are the trends?

1. Energy prices and energy security
2. Natural resource depletion
3. Population growth and
4. Climate change

Allow me elaborate each trend:

1. Energy prices and energy security

Energy prices and energy security already have a profound impact on economic health and this is likely to increase to 2050.



According to the International Energy Agency, world demand for primary energy will be 40% higher in 2030 than it was in 2007. Fossil fuels will remain the dominant source of energy, accounting for 77% of the increase in demand. Developing countries account for 93% of the increase in global demand to 2030, driven mainly by China and India.

For oil, this would mean adding the equivalent of 4 Saudi Arabias to production, half to meet the decline in existing oil fields and half to meet the increase in demand.

But the world does not have 4 additional Saudi Arabias to add to production. “Easy oil” has largely been extracted and turning to other sources, such as oil sands, increases production costs.

Additionally, concerns regarding “peak oil” abound. While there is no agreement on exactly when “peak oil” will be reached, projections generally point to anywhere between 2020 and 2030.

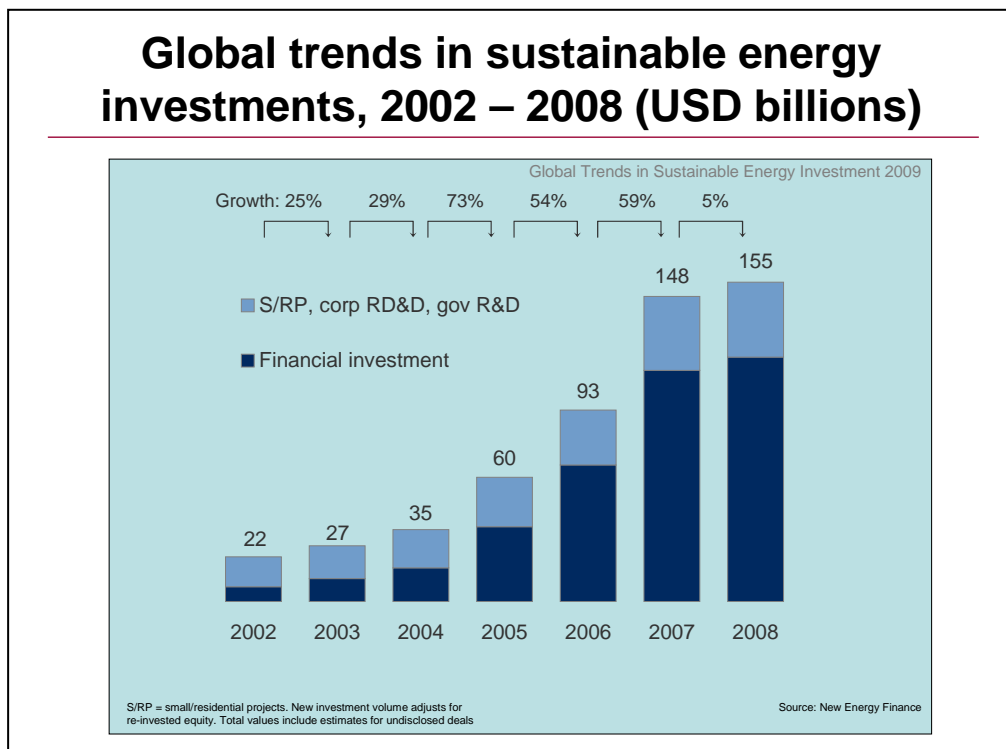
Already, a scramble for oil is becoming more and more evident. One could call the current scramble for oil a “concession war”. Examples of this include the current scramble for the Arctic, or concessions in the Amazon, which conflict with the land-use needs of indigenous peoples. Concession wars often entail armed conflict and needless human suffering, especially in developing countries. For example, there are many who point to oil concessions as the underlying cause of conflict in Sudan.

All of this means that oil prices are very likely to rise. The IEA projects that by 2030, a barrel of oil is likely to cost some 115 inflation-free USD.

A continued over-reliance on oil to power economic activity will lead to a high level of spending on oil imports. While the US is currently best known for its reliance on foreign oil, spending on oil imports is a growing factor in many Asian countries as well. Out of the world's top 10 oil importers, five are in Asia. They are Japan, China, the Republic of Korea, India and Singapore. By 2025, China is likely to be the world's biggest spender on foreign oil.

Needless to say, a reliance on increasingly expensive foreign oil will ultimately impact business operations and the consumer is likely to carry the burden of an overall higher cost of living. And equally needless to say, a continued reliance on fossil fuels as the main energy source to power economies, will increase CO2 concentrations in the atmosphere and keep the world on a dangerous path.

Encouragingly, sustainable responses to the trend in energy prices and security are on the increase and are slowly becoming visible in economic terms.



According to the International Energy Agency, the economic crisis has created a unique window of opportunity to shift the world's energy sector onto a 450 ppm CO2 equivalent scenario, which offers a 50% chance of keeping the global temperature rise below 2 degrees Celsius.

Many investments in the energy sector have been postponed as a result of the crisis. In 2008 and 2009, this also hit investments in renewable energies. But to a larger extent, it has affected investments into unsustainable technologies, which would have locked emission-intensive technologies into energy sectors for the next 20 or 30 years to come. As economic growth picks up again, it is critical to direct new investments into low-emissions infrastructure.

Encouragingly, investments into renewables have picked up significantly since the end of 2009. This is part of a growing movement towards what the financial sector has identified as a mega trend: private investments into sustainable development, most notably renewable energy.

For example:

- Investments into renewable energies have soared in all regions since the second half of 2009;
- In Asia-Pacific, renewable energy investments increased by 172%;
- Whereas in Europe and the US, investments increased by 63% and 19% respectively.

This is a good way to begin responding to the trend in energy. Together with the green elements in the economic recovery packages of 2008 and 2009, the investment mega trend is a clear indication of new economic opportunities opening up. These can be - and needs to be - further expanded and exploited.

2. The second trend is natural resource depletion

Natural resource depletion will also have a powerful impact on the world's future. Often, it is regarded as something that happens far away with little impact on daily life or daily business operations.

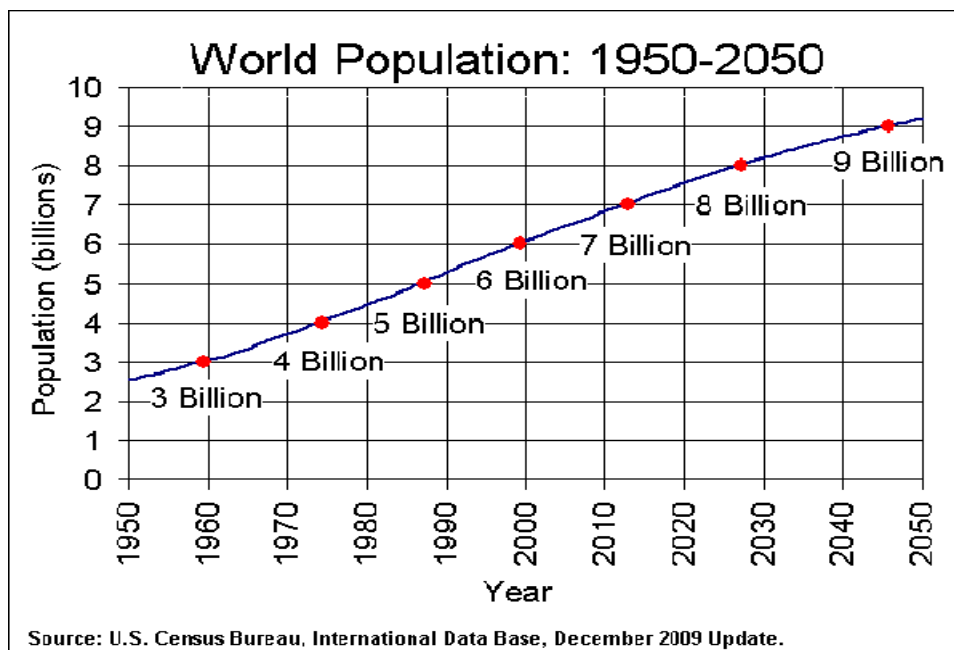
But it is a huge and growing trend that will increasingly affect daily operations. For example, the world's fresh water resources are dwindling. Already, 44% of the world's population lives in areas of high water stress. This is likely to be exacerbated by climate change impacts, such as prolonged droughts. 1.1 Billion people lack access to safe drinking water. Yet even in areas where drinking water is readily available, old infrastructure threatens the quality of water and inefficient use threaten supplies. While huge investment opportunities exist in the water sector, they have not yet been used.

As with oil, there is a growing scramble for natural resources, be that agricultural land, timber or metals and minerals. Projections indicate that the prices for raw materials will rise significantly. So, also as with oil, the scramble for natural resources is fuelling tension.

Evidently, such a scramble won't alleviate the situation. And consumers are increasingly demanding sustainability. Leading companies are starting to respond to consumers and have realised that sustainability makes economic sense. They are approaching sustainability as an opportunity for innovation and growth.

3. The third trend is population growth

The world's population is expected to reach 9.2 billion people by 2050, with the largest growth occurring in Asia and Africa.



Population growth will be accompanied by significant lifestyle changes due to projections of continued economic growth in emerging economies. The emerging economies are projected to be 50% larger in 2050 than the combined size of the economies of the G7 today.

With an expected 2 billion new consumers in emerging economies by 2050, there will be an increased demand for cars, travel, diet changes and consumer goods.

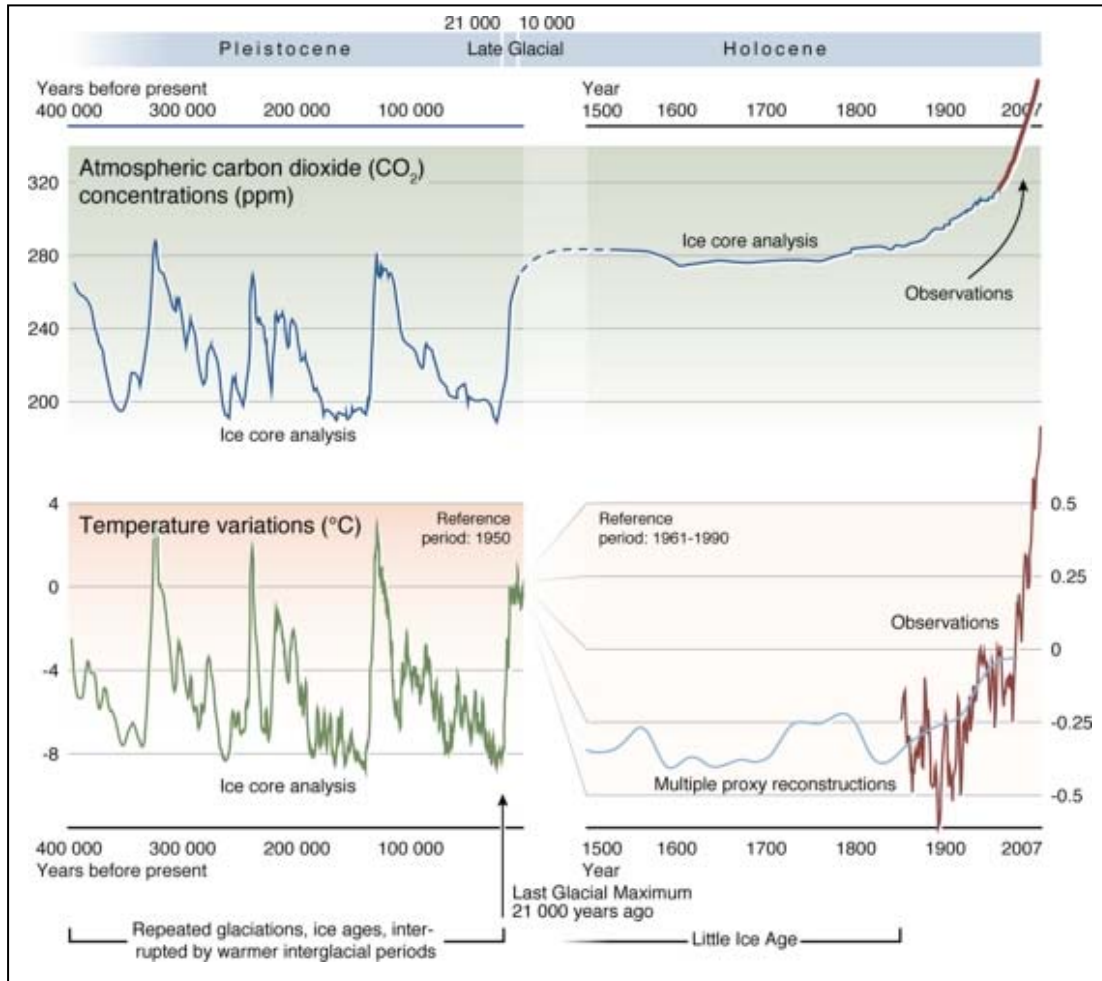
Overall, some 5.4 billion people world-wide are currently hungry for a lifestyle that goes beyond a handful of dollars a day.

The only response to population growth and life style trends to date has been leading companies investing in sustainability. This includes companies in emerging economies. For example, a recent study by the Carbon Disclosure Project has found that companies in Brazil, China, India and South Africa are making sizeable investments in clean energy. These investments are driven by increasing regulation, but also by opportunities for cost reductions and by concerns for energy security.

Of course more is needed, for example, investments into sustainable agriculture, climate-sound technologies apart from renewables and low-emissions transport.

4. Lastly, the fourth trend is climate change

Without clear policies and decisive action, we are heading for a 6C world.



Greenhouse gases continue to build up in the atmosphere, and global average temperatures have already changed as a result. Going forward, global average temperature will continue to increase and climate change impacts such as storms, floods, droughts and sea-level rise will become ever more severe. This will impact lives and livelihoods around the world.

It will also impact economic growth as damages caused by impacts have to be absorbed. In vulnerable communities, impacts could undo development gains already made.

The 2007 report by the Intergovernmental Panel on Climate Change confirmed the fundamental science of climate change and found unequivocally that climate change impacts are already being observed. It became clear, that stepped-up action on climate change needs to be an essential response to these findings.

In 2007, it also became clear that Governments needed to decide on how to take the obligations and market-based mechanisms under the Kyoto Protocol forward beyond the end of its first commitment period in 2012.

As a result, the Bali Road Map negotiations were launched at the UN Climate Change Conference in Bali in 2007. With the mandate to conclude in an agreed outcome by 2009, the negotiations addressed all building blocks of stepped-up action on climate change: adaptation, mitigation, including deforestation, technology, finance, and capacity-building.

Intensified negotiations took place in 2008 and 2009. Momentum steadily built up and expectations for the UN Climate Change Conference in Copenhagen to deliver a decisive agreement were extremely high.

As you know, Copenhagen concluded with an outcome that responded only partially to the high expectations for the conference. While disappointing to some, Copenhagen nevertheless provided the world with clear signals that Governments want global climate change action to move forward.

Copenhagen was an important event because:

1. It raised climate change policy to where it belongs: the highest political level;
2. It significantly advanced the negotiations on the infrastructure needed for well-functioning, global climate change cooperation, including improvements to the Kyoto Protocol's Clean Development Mechanism. Negotiations almost reached agreement on a package on adaptation, a new technology mechanism, a capacity-building framework and a governance structure for finance. Going forward, the conclusion of negotiations on these issues will put in place an operational architecture for long-term global cooperation on climate change.
3. Lastly, COP15 produced the Copenhagen Accord, which is a clear letter of political intent to constrain carbon and respond to climate change, both in the short and in the long-term. To date, 128 countries have associated with the Accord. The Accord includes a 2C temperature limit and a provision to review this by 2015. It also includes short-term finance of USD 30 billion, with a balanced allocation between adaptation and mitigation planning for developing countries up to 2012. In terms of long-term finance, industrialized countries pledged to mobilise USD 100 billion per year by 2020. All developed countries have submitted their 2020 targets with various base years. 39 Developing countries have communicated information on their mitigation plans, either in economy-wide terms or in specific actions.

Although targets and actions by 2020 are modest, they nonetheless represent a clear indication that the world increasingly wants to move towards more sustainable, low-emissions economic growth.

However, the longer-term political signal needed to support such a transformation with a clear direction - and, ultimately, with a policy framework - is absent from agreements reached in Copenhagen.

In the absence of clear policy frameworks and consensus, climate change and the other three trends are currently being responded to in a fragmented way. Notwithstanding the budding investment trend into sustainability, transitioning the world's economy onto a low-emissions, sustainable path is the only way that these trends can be responded to without driving our planet and our future over the edge.

Needless to say, climate change policy has a major role in contributing to such a transition. It has the potential to give policy direction to the larger sustainability trend, including aspects which are perhaps more indirectly linked to climate change.

The Copenhagen outcome did not provide the complete policy clarity that the business sector was hoping for. But it provides enough policy momentum to continue the global sustainability trend and to move climate change action forward.

The bottom line is, that if your investments take you into energy intensity, increase energy prices or natural resource reliance, if they conflict with consumer demands or if they increase emissions, there is a good chance that you are on the wrong track.

Within the climate change process, the pieces are being picked up from Copenhagen. The mandate for the Bali Road Map negotiations was extended by one year in view of being concluded at the next UN Climate Change Conference in Cancun in November this year.

By concluding negotiations, Cancun can put in place a fully operational implementation architecture that makes it possible for all countries to engage in climate change action on all major issues: adaptation, mitigation, technology cooperation, reducing emissions from deforestation in developing countries, finance and capacity-building.

To ensure that the implementation architecture delivers the rapid and wide-ranging results that it needs to deliver, the private sector needs to play a key role within it.

As with the other trends, this will necessitate unprecedented cooperation between the private sector and governments towards a common goal.

The clean development mechanism under the Kyoto Protocol, which provides a vehicle to finance sustainable development projects, while reducing greenhouse gas emissions in developing countries, visualises the importance of private sector involvement in climate change action.

Since its prompt start, the CDM has successfully leveraged millions of dollars of private investments with secure returns. Additionally, more than 1/3 of all CDM projects involve technology transfer accounting for about 60% of annual greenhouse gas emission reductions. The bulk of the more than 2000 registered CDM projects are hosted in Asia, with China and India sharing the majority.

Given that market mechanisms like the CDM contribute to greening investments and transferring technology, new ideas on market mechanisms are coming forward in the negotiating process. This includes ideas for complementing the CDM, possibly with mechanisms that are larger in scale. This year will be important for further developing these ideas and it would be valuable to get the private sector's views on this.

Copenhagen made good progress on nationally appropriate mitigation actions - called NAMAs - by developing countries, which would require international support. There is also growing convergence that developing countries could develop national adaptation programmes of action - or NAPAs - to assess and respond to the most urgent adaptation needs. Once negotiations on the implementation architecture are concluded, both NAMAs and NAPAs may well create new investment opportunities.

Additionally, Copenhagen made good progress on the establishment of a technology mechanism as part of the implementation architecture. While negotiations on the mechanism have not been completed, there is emerging consensus that a technology mechanism will include a Climate Technology Centre supported by a number of regional units.

The establishment of a Climate Technology Centre is a good example where governments have an opportunity to provide the private sector with specific partnership possibilities both at the national and international level.

This would create useful opportunities to drive action in a number of areas, including:

- Providing advice for establishing investor-friendly environments through policies or legal frameworks;
- Identifying ways and means to use public money to reduce the risk of initial investments;
- Identifying ways to use public money to leverage a much larger amount of private investments. This could entail supplementing private sector initiatives that involve clean technology, with public funding to install technologies that are even more advanced.

This gives an important indication on how climate action will not be implementable without a robust financing and support system. The Copenhagen Accord includes a pledge to mobilise USD 100 billion per year by 2020 to be mobilised from a variety of sources.

Mobilising these funds will be impossible without private sector involvement. This is especially important given that private sector investments constitute 86% of investment and financial flows needed for an effective response to climate change. The question that needs to be addressed urgently is: how can private sector and public sector funds play together most effectively.

Moving forward will necessitate that business too is clear about the shape and extent of their involvement in an implementation framework for climate change action.

So, amid all these long-term trends, questions and policy uncertainty, how can investments be made with confidence? What can business do?

Be it through global policy frameworks or national policies, regulations or incentives, sustainability is the only sensible way to move forward if we don't want to ruin our children's future.

This may present more uncertainty than you may wish for, but remember that uncertainty also presents opportunities.

Consider the trends and the emerging climate change regime to assess where exactly those opportunities lie. Pick up on the sustainability investment mega trend and contribute to expanding it into other areas such as new mechanisms under the climate change regime, or water, sustainable agriculture and low-emissions transport.

Lastly, make sure that policy-makers know what it is that will help you to invest in sustainability with confidence.

I look forward to your questions.

Thank you
