



**The Bali Global Business Day
World Business Council for Sustainable Development
and the International Chambers of Commerce
Bali, 10 December 2007**

**Opening keynote statement by Yvo de Boer
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It's an honour for me to deliver this opening address at the Bali Global Business Day. Let me start by expressing my compliments to the World Business Council for Sustainable Development and the International Chambers of Commerce for bringing together so many leading businesses in the margins of a Climate Change Conference.

I have stated it on numerous occasions before: I firmly believe that the engagement of the business sector in fighting climate change is crucial. You are the key to a low carbon future. An international climate change deal for the post 2012 period should therefore be designed in a way that makes sense from a business point of view.

But first we need political agreement on the launch of negotiations on such a new climate deal. And that has to happen this week here in Bali.

The need for a Bali breakthrough

A couple days ago, a journalist asked me if I was positive. I replied to him: "Yes, by nature I am positive indeed" but I also said I am positive about the outcome of this conference. Much of that confidence is based on the incredible build up of momentum over the course of this year.

In 2007 climate change has moved up to the very top of the world political agenda. It started with the EU adopting a 20% or 30% reduction target for 2020, depending on action by others. It continued with major developing countries like China adopting national climate change strategies. In 2007 all major summits adopted policy positions on climate change, starting with the G-8 and including APEC, ASEAN and the Commonwealth. In 2007 the United States launched meetings of the major economies aimed at contributing, by the end of 2008, to the UNFCCC process. The year 2007 culminated in a call from more than 80 Heads of State or Government at the High Level Event of the SG, for a breakthrough in Bali.

Above all, 2007 was the year of the IPCC. Its Fourth Assessment Report was applauded at every stage of finalization and crowned by the Nobel Peace Prize. The reports proof beyond doubt that climate change is happening and accelerating. That much of it caused by the continued and increasing emissions of greenhouse gasses from human activities. That is can seriously harm economies, societies and eco systems worldwide, especially in the poorer

countries. But that we can come to grips with it and avoid the most dramatic impacts if we act now and it does not have to cost us too much.

So, my question to the Ministers who arrive here in the next days would be: “What is your political answer to what science is telling you?”

It seems inconceivable that any self-respecting politician can leave this beautiful island without an agreement on a Bali breakthrough. This means three things: the formal launch of negotiations on a post 2012 international climate change deal, agreement on the main agenda items for these negotiations (reduction of greenhouse gas emissions, adaptation, technology and finance) and the setting of a time line to finish these negotiations

Based on the progress that was made last week, lights seem to be on green for this launch of negotiations in Bali. Good progress has been made. Both on the items which address today’s concerns of especially developing countries (like adaptation, technology and emissions from deforestation). And also on the discussions about the future agenda.

But it’s not a done deal yet and it will probably take a couple of sleepless nights to get all countries, rich and poor, aboard.

Shaping the future

If Bali will do what I hope it will do, we are facing the enormous challenge of shaping a future climate change deal in only two years time. This may seem like the impossible task of squaring a circle of conflicting interests. I firmly believe it can be done, if we can point the way on how we will turn four corners.

Firstly, leadership by industrialised countries must continue. It needs to be driven by the recognition that an entirely new energy future must underpin strong and sustainable growth. To meet the 50% increase in the world’s energy hunger, a massive investment is needed of \$20 trillion over 2005-2030. Over 50% of this energy investment will have to go to developing countries, where demand and production increase most quickly. 86% of these investments from the private sector.

If we do not succeed in shifting this investment super tanker into a low carbon direction, global emissions will increase by 50% in 2050, while we need to cut them by 50% in that same year, as science tells us. A new international climate deal is therefore for a very important part about “make private money go where it has never gone before”, especially in developing countries.

Secondly, bold action in the North can fuel clean growth in the South. Without cooperation, technology and incentives, developing countries have little choice but to make the same mistakes that were made in rich countries. It is crucial that a new climate change deal put in place the right incentives to help developing countries go the green extra mile.

Building on our CDM experience, can help change course. A course that will not only safeguard clean growth, but also represent huge investment opportunities and opens up new markets for low carbon technologies, products and services.

Thirdly, fossil fuels are here to stay and will continue to be the drivers of growth. It is a collective responsibility to use these fossil fuels without destroying our environment. Let us not cut off our nose to spite our face by refusing to explore the technologies that can help us achieve this.

And finally, adaptation is a reality for all countries. Some countries, like my own, can afford to pay their way out of the problem. But many cannot. Adaptation needs to be a priority on the agenda. We have to create a comprehensive framework that allows all countries to adapt. Here again, the CDM has shown that levies on market mechanisms can bring us to what I have called a “self-financing climate compact”.

How to get to a new climate change deal?

In order to get to new climate change deal in 2009, it will be crucial to set the right order for the discussions.

In my opinion, that means we should let form follow function. I suggest to leave the drafting of texts for the second year, and use 2008 to focus more on the instruments that will fill the tool box. After all, the kind of instruments at your disposal, determine what you can build with it. Likewise you will probably not feel tempted to run a marathon, if you are told you have to do it bear foot and without water supplies.

The discussions on the sensitive issue of which country should take on what exact target can then be addressed at the next stage. Having said this, these discussions should in my opinion be guided by the range of 25-40%, as the Parties to the KP suggested in Vienna a couple of months ago.

The comprehensive toolbox

Let me return to the toolbox. What kind of instruments does a new international agreement has to offer to make money go where it is never gone before and further engage developing countries by putting in place the incentives to spur their growth in a low carbon manner

I believe that especially in these discussions input from the business sector is of great added value. Your contribution is of utmost importance to make the future climate change deal not only environmentally but also economically sensible and viable.

Let me mention a few options for this comprehensive toolbox that might interest you. First of all, and that will probably not come as a surprise, the carbon market can play a key role in this. It is a cost efficient way to cut back emissions. It gives businesses flexibility in meeting their targets. And (ambitious targets provided) it has the potential to spur huge North-South financial flows which are needed to engage developing countries

Whether the potential of the carbon market will be fully seized, depends on the political will in developed countries to take up ambitious targets.

Having said this, it is also clear to me that the carbon market alone won't do the trick. There is a clear need for additional governmental policies and public money. First of all, to create a

favourable investment climate and to drive new low carbon and also adaptation technologies into the market. This can for example be done through soft loans, venture capital and tax incentives.

Secondly, to finance expensive projects and technologies that the market does not automatically take up, like CCS, for example by stimulating Joint Research and Development on a bilateral basis

And thirdly, to support policy initiatives by developing countries, through IFT's lending, Climate Change Convention funds and bilateral government cooperation

So, what we need is -what I tend to call- intelligent financial engineering. And by that I mean blending public and private money in a clever way.

Closing remarks

The challenge is huge, but not insurmountable if addressed comprehensively and intelligently.

To be able to frame a new international climate change deal that is effective in term of emissions reduction and at the same time makes economic sense, solid input from the business community is indispensable. I would therefore like to call on you to take up this challenge.

By organising this first Global Business meeting in the margins of a COP, you have made a clear statement that you stand ready to deliver.

And I therefore hope that this is this first Global Business Day is the start of a new tradition. In that sense Bali might very well also represent a Breakthrough for Business.

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