

“CLIMATE CHANGE AND DEVELOPMENT: PROMOTING LOW-CARBON GROWTH”

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I am grateful for the opportunity to address a UN audience about the challenge of climate change. Global warming is the ultimate global problem; it requires a global solution; and we need the UN to be central to that. The founding principles were established in 1992: common but differentiated responsibilities, richer countries leading the way, all countries playing their part. The UK stands firm behind these principles: we are determined to get our own house in order, and also help shape an international framework that support low carbon development in developing countries with the financial resources and the technology that are essential.

The focus of my talk today is how newly industrialising countries can make the transition to a low carbon economy. My argument is simple.

- Climate change will affect all parts of the world, but the cruel irony of climate change is that the poorest nations, those who have contributed least to climate change, are likely to suffer the most.
- It is a false choice to suggest that the developing world must either choose between economic development and environmental sustainability. The technologies exist to enable countries to leapfrog industrialised nations and move straight to a low-carbon economy. The choice is not between development and environmental protection but between high carbon growth and low-carbon growth. Our experience in the UK is that high levels of growth are consistent with declining greenhouse gas emissions.
- We need to develop a post-2012 framework that creates financial flows from richer to poorer nations to help them develop low-carbon economies and adapt to the climate change already in train. 2007 is a pivotal year for building a global consensus on tackling climate change and I will outline what the UK believes are the five building blocks of a post 2012 framework.

The case for action

Let me begin by setting out the scientific facts as we understand them.

The concentration of carbon dioxide in the earth's atmosphere has risen steeply from the pre-industrial value of about 280 ppm to 380 in 2006. Adding the other greenhouse gases increases this to the equivalent of around 425 ppm.

This has resulted in a rise in temperature of 1.35 degrees Fahrenheit, (0.7 degrees C) over the last century, almost certainly unprecedented in human civilisation.

If it carries on unchecked, it is likely to mean exponential growth in the stock of greenhouse gas in the atmosphere, with an expected warming of 0.36 degrees Fahrenheit per decade (0.2 degrees C).

In simple terms, within ten years we face a better than evens prospect of an average temperature rise of 2 degrees C by mid century; business as usual carries with it the better than evens risk of a 3 degrees change by the end of the century.

The effects of global warming will be on people not just nature; immediate as well as long term, economic as well as environmental. Last year's report by Sir Nicholas Stern showed, on the basis of conservative estimates, that the impact of climate change is equivalent to a loss in world consumption per head of at least 5% per year by 2050. This is far greater than the expected cost of cutting emissions which is estimated to be 1% of GDP. To be pro-economic growth is to be pro environmental sustainability.

But the impact of climate change will not be spread evenly. The poorest nations in South-East Asia, the Middle East and Africa will suffer most. The stress on crops and other resources, as well as the people who depend on them, will be immense.

For example:

- in northern India, while the population will rise rapidly, estimates are that the average yield for some crops could be reduced by up to 70 per cent by end of century
- there is growing concern about deforestation: the dieback of large areas of forest will affect more and more people who depend on forests for their livelihoods
- the health effects could be profound: an additional 70 to 80 million people in Africa could be exposed to malaria with a temperature rise of 3 to 4 degrees
- my constituency in the UK includes a strong Bangladeshi community; rising sea levels and desertification threaten mass migration; in South Asia alone, 60 million people live in coastal flood zones.

Adaptation, as I will argue later, is vital. But it is not enough. If the world is serious about alleviating poverty, improving health, and reducing conflict, we need to be serious about tackling climate change – it represents a major threat to the achievement of our development objectives.

Practical solutions: 3 D energy revolution

The positive news is that the practical and technological solutions are increasingly available and increasingly cost-effective. Tackling climate change is compatible with a growing population and a growing economy, but only if we change the way we use and generate energy in fundamental ways. Let me highlight some key drivers of change across all countries, what you could term a 3-D energy revolution – decreasing energy demand while decarbonising and decentralising energy supply.

First, demand management. We are reducing demand by creating homes, cars and electrical appliances that are far more energy efficient. For instance, a hybrid car is about 30 per cent more efficient than its petrol-only equivalent. Homes built in the UK today are 40 per cent more efficient than those built in 2001, and we have recently committed to ensuring all homes are ‘zero carbon’ by 2016.

The first industrial revolution saw mechanisation and mass production revolutionise labour productivity. A similar revolution is now underway in resource productivity. Economic growth is becoming decoupled from energy growth, saving consumers and businesses money as well as reducing emissions. This is particularly important for industrialising countries. With rising population and increased wealth, demand for energy will increase on a large scale. This demand for greater mobility, more heat and light will need to be met through energy efficiency as well as expanding supply.

Second, all countries need to find ways to decarbonise their energy production. In electricity, there is the potential to generate electricity from wind, wave and solar power on a large scale and the UK is committed to generating 20 per cent of its electricity from renewable sources by 2020. Nuclear power is also low-carbon and in the context of climate change needs to be part of the energy mix.

We also have to look at ways of using fossil fuels, which are still in abundant supply, in a way that lowers carbon emissions. Carbon Capture and Storage does exactly that. It is a technology which reduces carbon emissions from a coal-fired power station by up to 90 per cent.

In transport, a post-oil economy is not an unrealistic prospect. Over a generation, it is possible to see the evolution of road transport initially towards much greater fuel efficiency, greater use of biofuels and hybrids, and ultimately fully-electric cars powered by batteries or hydrogen fuel cells. The leading edge technologies already show startling performance in terms of speed and duration. Over a twenty year period, it is possible to imagine the car industry providing the investment and innovation required to move to a

post-oil economy, if governments, preferably across a major markets such as the US and the EU, can provide a clear long term signal about the regulatory landscape.

Third, we must increasingly decentralise our energy system. Since the opening of the world's first thermal power station in London in 1882 by Thomas Edison, the trend over the past century has been towards increasingly centralised power generation. But centralised energy systems incur major inefficiencies from the transmission of energy across a grid. They depend on a capital intensive infrastructure which can take many years to construct. While centralised production will remain critical, some countries are showing that we can increasingly rely on more decentralised and distributed power generation – from biomass fuelled combined heat and power stations serving a community, to individual citizens producing energy through solar or wind power and selling their energy back onto the grid.

This has particular relevance for newly industrialising countries. Decentralised energy, particularly in rural areas, can help supply energy without the large infrastructure costs from centralised generation. While the industrialised nations have to make the transition from high-carbon to low carbon development, from centralised to decentralised energy, newly industrialising countries have the potential to be leapfrog economies - going straight to a model of low-carbon development without having to scrap existing infrastructure and technologies.

A Global Compact

The real barrier to tackling climate change is not technologies, or policy tools, but fostering the collective action on a global scale that will drive investment in low-carbon development.

This year we have begun to see major commitments by the UK and Europe. In the UK, we are on course to achieve nearly double our Kyoto targets on greenhouse gas emissions. We are legislating through a Climate Change Bill to become the first country in the world to set a legislative timetable for becoming a low carbon economy. The Bill will establish in law the goal of reducing CO₂ emissions by 60 per cent by 2050, and by 26 to 32 per cent by 2020. We will establish 5 year 'carbon budgets', set at least 15 years ahead, to provide the clarity required for long term investment, with an annual report to Parliament on progress.

The European Union has agreed a binding target to reduce greenhouse gas emissions by 20% cuts by 2020 and to increase this commitment to a 30% reduction as part of an international agreement. The EU also decided to increase the use of renewable energy sources so that they make up 20% of EU energy consumption by 2020, ensure that a minimum of 10% of EU transport petrol and diesel consumption comes from bio-fuels by 2020 and promote energy efficiency by reducing overall EU energy consumption by 20% by 2020.

Action by individual countries and regions is helping to create a shared willingness to act across the globe – the confidence that action by one country will be reciprocated by others is increasing. But if we are to tackle climate change, we need to develop an international framework that can follow the end of the first Kyoto commitment period in 2012.

The critical question for newly industrialising countries is how to bridge the funding gap between low-carbon and high-carbon development. According to the Stern report, the incremental costs of low-carbon investments in developing countries are likely to be at least \$20 to 30 billion dollars per year. Tackling climate change is compatible with economic growth, but we need to develop an international framework that creates financial flows that help industrialising countries to make the transition to a low-carbon economy.

2007 is a critical year. Our aim is to agree the key building blocks of a future international framework based on five key elements:

First, a long term stabilisation goal. Unless we can agree a clear long term goal, we cannot assess whether the short term efforts across the globe are going to be enough to avoid dangerous climate change. A goal will boost market confidence that lower-carbon solutions will be rewarded. It will guide the adaptation that is needed in the developing world to adapt to the climate change already in train. President Bush's call for a 'long term global goal' for emissions reductions and his commitment to technology transfer is therefore a significant first step towards a global agreement on emissions reductions.

Second, the development of a global carbon market is critical if we are to help industrialising countries contribute to global emissions reductions. Carbon markets can combine efficiency with equity. By setting a cap on emissions for the sectors covered by the scheme, but allowing organisations to either make reductions within their own organisation or buy reductions from other companies or sectors, the most cost-effective emissions reductions are uncovered. By allowing trading between companies in different countries, it generates automatic financial transfers that can help developing countries onto a low-carbon path. UN institutions appreciate the importance of these markets: only this week the UNDP launched the Millennium Development Goal Carbon Facility which provides an innovative means of harnessing the power of the carbon market to bring long-term sustainable development to developing countries.

Third, carbon trading will help to pay the difference between low-carbon and high-carbon development for some technologies. But for other technologies further from commercial viability, it will require investment in the research and development of technologies and their deployment and diffusion. We need increased collaboration to stimulate research and investment through institutions such as the REEEP – the Renewable Energy and Energy Efficiency Partnership - including specific agreements on scaling up efforts to develop low carbon technologies and energy efficiency, a co-ordinated increase in global investment in energy research, development and deployment, and an expanded approach to handling the large flows of investment to transfer technology to India, China and other developing countries. The Clean Energy Investment Framework launched at the G8 in Gleneagles will be crucial. The World Bank and the regional development banks have a major role in

creating the financial mechanisms that leverage public and private investment to meet the additional costs of developing low-carbon economies. The UK stands ready to make a contribution. To support developing countries onto a low-carbon development path, we are therefore creating an £800 million Environmental Transformation Fund to finance overseas development projects that deliver both poverty reduction and environmental benefits.

Fourth, deforestation. Emissions from deforestation in developing countries amount to about 20% of global carbon dioxide emissions. A future agreement must contain incentives for sustainable forestry management, while maximising co-benefits such as biodiversity protection and sustainable development.

To help tackle deforestation, we have earmarked 50 million from the Environmental Transformation Fund to support proposals that have been made by ten Congo forest countries to help them protect the Congo Basin's forests and people.

Fifth, adaptation: we must recognise that the most vulnerable developing countries will need substantial support to help them adapt to the unavoidable effects of climate change already in train. This has been caused by the greenhouse gas emissions from existing industrialised countries and we have a responsibility to support the adaptation required. As we scale up the global carbon market, the funds for adaptation will increase through the 2 per cent levy on Clean Development Mechanism proceeds. But we need to do more including increasing access to climate data, cooperative research on key technologies for adaptation in agriculture and health, as well as investment in disaster prevention and improved resilience to climate variability.

Conclusion

2007 is the year when the world's nations need to begin detailed negotiations on commitments for the period beyond 2012. The G8 this week will be critical in the lead up to the UNFCCC in Bali in November. The central role of the UN in tackling climate change is clear. I very much welcome the high priority the Secretary-General has given to the climate agenda in recent months. His appointment of high-level envoys, the General Assembly debate in July and the high level meeting planned for September can generate a broad agenda for action across the multilateral system and UN institutions which will help create the political conditions necessary for the transition to a global low-carbon economy.

If we are to succeed in agreeing the building blocks of an international framework, we must avoid the false choices and cul-de-sacs that can bedevil this debate. Tackling climate change must move out of the box marked 'environment' and be recognised as integral to achieving our objectives of poverty alleviation and economic growth. The choice is not between economic growth for today's citizens at the expense of the welfare of future generations. Economic growth and environmental protection can go hand in hand, but it requires all countries to share responsibility, and richer nations to show leadership and commitment and help poorer nations become low-carbon economies. The prize for rich and poor nations alike, for this generation as well as future ones, demands our continued engagement in building a global framework.