



30 October 2006

### **Remarks by the Chancellor of the Exchequer, the Rt Hon Gordon Brown MP, at the launch of the Stern Review on the economics of climate change**

#### **Check against delivery**

Let me start by thanking Nick Stern and his team for their report – the most comprehensive analysis yet done of not just the challenges, but the opportunities from climate change.

It is a testimony to the impact the mere anticipation of his report has had that he has already been invited to the Nairobi Conference of the UN Framework Convention on Climate Change next week to present his findings. We intend that the report should be discussed as widely as possible throughout the world – not just among governments but among international institutions, business leaders, NGOs and civil society.

His report confirms that if in the 20th century our national economic ambitions were the twin objectives of achieving stable economic growth and full employment, now, in the 21st century our new objectives will be threefold: growth, full employment and environmental care.

Each one of the challenges of climate change is also an opportunity for Britain: for new markets; new jobs; new technologies; new exports where British companies, universities and social enterprises can lead; in cleaner, healthier and greener communities, countries and continents; and ultimately the greatest opportunity of all - the prize of securing and safeguarding the planet for our children and generations to come.

For tackling climate change - the world's biggest market failure - not just an environmental and economic imperative, but a moral one: as much an injustice between generations as it is between nations, with the poorest people in the world suffering worst.

So, just as in recent years Britain has led the world in securing a low interest rate, stable economy, founded on low inflation, so today I set a new ambition for Britain in future years: to lead the world in creating a stable and sustainable economy founded on low carbon – a Britain that is both pro-growth and pro-green.

Let us be clear about the scale of the challenge: with, a world economy in 2050 that may be three to four times larger than it is today, Nick's report calculates emissions per unit of wealth would need to be just one quarter of what they are now.

As Nick concludes: "the world does not need to choose between averting climate change and promoting growth and development".

And we achieve this only with a comprehensive response:

- that fully mobilises the power of science and innovation in new technologies;

- that uses market mechanisms to incentivise change in the global economy;
- that promotes greater personal and social responsibility in our every day lives;
- and that is supported by sustained public and private investment in environmental change.

For government, it means environmental policy is economic policy, and that finance ministries, and indeed all ministries, must be environmental ministries.

Above all, as Stern says, climate change is a global challenge that demands a global solution.

Britain's greenhouse gas emissions are just 2 per cent of the global total.

The truth is: we must tackle climate change internationally, or we will not tackle it at all.

Today I can say Britain will lead this global effort.

Since earlier this year, former Chairman of the Federal Reserve, Alan Greenspan has advised me on economic issues.

And I am pleased that former American Vice-President, Al Gore, who has done so much globally to make the case for tackling climate change, will become an adviser to me on environmental issues.

Under Tony Blair's leadership Britain was the first country to put the environment on our G8 Presidency agenda. And thanks to agreement with Germany, I can announce today on the G8 agenda next year too, as it will be on the IMFC, which I chair, and the World Bank.

And Britain will lead by example; we are the only G7 country to have already met our Kyoto target. And by 2010 we will have met it almost twice over - cutting greenhouse gas emissions by more than 20 per cent.

This is happening as a result of the Climate Change Levy introduced in 2001, and around 3,000 climate change agreements between business and government, which by 2010 will cut emissions by 6 million tonnes a year, one third of our total reductions. And, as I announced, in this year's Budget, from 2007 the Levy will be indexed to inflation to ensure its continuing incentive effect on energy efficiency and emissions reduction.

Our energy review published this summer set out detailed measures to cut emissions by reducing demand, increasing efficiency, and securing supply of energy into the future - including clean coal, nuclear, and 20 per cent from renewables - that is stable, secure and sustainable.

We were the first country to introduce a national carbon emissions trading scheme; leading to the 25 state European system that is now cutting emissions across the continent, with Britain's contributions alone reaching eight million tonnes each year by 2008.

Now it is time to move towards a global system – as Stern challenges us to do, so we propose a long term framework, a worldwide carbon market: not the old way of rigid regulation; but the modern way working with the market, harnessing its power to set a global price for carbon, incentivising the most efficient and innovative ways of tackling to climate change.

And so today with the Environment Secretary, David Miliband, and the Trade and Industry Secretary, Alistair Darling, I am publishing Britain's vision for the next stage of the European scheme:

Our proposal is:

- to set a new European-wide emissions reduction target of 30 per cent by 2020 and then at least 60 per cent by 2050, providing greater long term certainty for business, as we extend the framework for four more decades;
- expand it to cover more sectors and more emissions, to take it beyond carbon dioxide to other greenhouse gases; and

- extend it beyond Europe across the world - first, by guaranteeing beyond 2012 the clean development mechanism with developing countries - enabling not only financial flows but technology transfer to the world's poorest countries; and second, by enabling similar schemes in developed countries - like those already being developed in Japan, Australia, Switzerland, North Eastern American states, and now California - to trade with our European scheme.

It is by implementing each of these measures we will establish the foundation for a global carbon market and a low carbon global economy.

And all of us have a role to play.

With the scientific evidence now clear, as individuals we are increasingly aware of our personal responsibilities: while governments can regulate and provide pump priming investment, all these must be designed also to drive cultural change, a cultural shift in the way we live.

Incentives, including tax measures such as those we have introduced before, have a role to play. Encouraged by market solutions, companies are also increasingly aware of their corporate responsibilities - and the most forward looking of them, of the gains to be made.

Building a low carbon economy, in Britain and across the world, means higher productivity from increased energy efficiency; and it means new markets, jobs and exports from environmental technologies and products.

Already our environment sector has increased from £16 billion and 170,000 jobs in 2001, to £25 billion and 400,000 jobs in 2004.

The City of London is, and will increasingly be, the global centre for carbon trading.

The seas around Britain are at the forefront of offshore renewable generation from marine to deep water wind power.

Our energy companies, our engineering firms, and environmental services providers are at the cutting edge of the development of global technologies and solutions.

And the potential is even greater.

By 2010 the global environmental market could be worth almost \$700 billion - a sector as big as the successful aerospace or pharmaceuticals sectors of today. As the international community begins to build a long term framework, as the European trading scheme expands into a global carbon market, a new low carbon global economy will take shape.

And I am determined that Britain leads its development: that we retain our comparative advantage where we already have it and find it where we still have more to do - so I am announcing today a new commission to make detailed proposals to do this - and secure what could be at least 100,000 more jobs over the next ten years.

And we will continue to ensure Britain is at the cutting edge of discovery and development of environmental innovation – through international agreements such as that we have with Norway on carbon capture and storage under the North Sea – and through Britain's new Energy Technologies Institute I announced in the Budget, the public-private partnership that brings together the best engineers and scientists from Britain with companies from around the world. BP, Shell, E.ON and EDF have already committed to join.

Today, I can announce that Rolls Royce and Scottish and Southern Energy are also joining - taking total contributions to £550 million of funding - half government, half private sector.

But tackling climate change must not just be an opportunity for Britain - but for all countries.

And for this to happen developed countries must be prepared to support developing countries in their efforts:

We must support the poorest developing countries who can least afford to adapt to climate change.

We must work with the rainforest countries - because around 18% of global greenhouse gas emissions come from deforestation. The Stern report highlights the importance of reducing deforestation as part of the global effort to combat climate change. Sustainable forestry management has the potential to deliver many economic benefits for local communities, as well as wider environmental gains. Forests are of great global importance for climate change and biodiversity. But they are also sovereign territory of the countries whose forests they are, and only those nations can decide what happens to them.

I am pleased to announce therefore that over the coming months we will be working in partnership with other governments including Brazil, Papua New Guinea, Costa Rica and the Coalition of Rainforest Nations, with Germany as Presidency of the G8 and the EU, and with the World Bank and other interested parties, to explore ways of mobilising international resources to assist developing countries in sustainable forestry management.

And we must work with the fast growing developing countries like China, where we are working together on clean coal, and India whose emissions are rising fastest. This is the purpose of Britain's proposal for a global energy investment framework - agreed at the meetings of the World Bank in Singapore just a few weeks ago.

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This year the World Bank has committed nearly \$900 million in lending for renewable energy and energy efficiency. Now the four regional development banks for Africa, Asia, Europe and Inter-America have joined the framework and in Monterrey last month agreed development in six areas: energy efficiency; renewable energy; transport; power sector management; reducing emissions from coal use; and adaptation.

I can announce today, agreement on a new partnership with the World Economic Forum and the World Business Council on sustainable development to bring in the private sector into the Framework, leading to a conference in the New Year - our aim by leveraging in both public and private contributions to the framework to increase energy efficiency and investment in low carbon technologies; our target a \$20 billion loan and grant fund.

And these technologies not only offer the possibility of meeting developing countries' growing needs, but also the potential of new exports to the rest of the world.

Take biofuels - I am determined that we use biofuel from palm and rape oil to soya and sugar, and then eventually use cellulosic biofuels and potentially even hydrogen, to replace petrol and diesel with low or no carbon alternative.

Brazil is the largest producer of ethanol fuels - 75% of its new cars can now be powered by it. So I am pleased to announce that we will soon be launching formally a joint Task Force with Brazil, South Africa and Mozambique to promote the development of a sustainable regional biofuels industry in Southern Africa. This Task Force will bring together key partners working to promote the production and use of biofuels in the region, including the World Bank and local industries, together with leading experts from Brazil, to enhance South-South technology transfer between Brazil and Southern Africa.

But this is a technology with global potential – including for Britain.

Cars and vans on British roads now use over 250 million litres of biofuels each year – twice as much as just a year ago.

Two thirds of these fuels are produced in Britain.

The first flex and hybrid cars are now on the road. And the Renewable Transport Fuel Obligation announced in the Budget this year will mean that by 2010, 5 per cent of fuels in all vehicles will be biofuels - increasing tenfold to 2.5 billion litres the amount of sustainable fuels replacing fossil fuels, so cutting carbon emissions by 1 million tonnes each year.

But we will go further, I can say we will, in future Budgets, also incentivise the next generation of cellulosic biofuels – so that with this and other incentives for reducing emissions, the energy technology institute for promoting innovation, and international agreements for building consensus, Britain will be at the forefront of achieving a high growth, low carbon economy.

So climate change is not just a challenge but an opportunity.

The foundation of our approach is our recognition as government that we have a responsibility to put in place the right long term policy framework with clear, certain, credible and forward looking signals.

So, to provide this, alongside leading efforts internationally to secure a global carbon trading scheme, later today, David Miliband will confirm we will now legislate for a Climate Change Bill to enshrine our commitments in legislation:

- putting into law the government's long-term goal to reduce carbon dioxide emissions by 60 per cent by 2050;
- establishing an independent body to work with the government on how efforts to reduce emissions should be spread over time and across the economy;
- strengthening monitoring and reporting arrangements to Parliament; and
- creating new enabling powers to put in place new emission reductions measures to help meet our goal.

When I spoke to the United Nations about climate change in New York in April, I said great challenges require great acts of statesmanship.

In facing up to the challenges of their times, the world leaders of 60 years ago demonstrated by their actions that international cooperation was the best way to solve the economic challenges of the post war world.

I believe that today - in the first decade of a new century – international cooperation and consensus at home is again the only way forward.

We discovered that with debt relief: what started with a call by a few, developed into a campaign by many, and then into a consensus amongst almost all.

It is now time to do the same internationally with action climate change. So I appeal today for non-governmental organisations, businesses and government, not just here, but to use their networks across the world, to build this consensus.

Working apart we will surely fail, but working together we can succeed.

Our children will not excuse a failure of political will to do so.

But with strong leadership we can rise to this challenge.