

## ***Caring for Climate – First Meeting of the Signatories***

**Key Note Address by Janos Pasztor**

**Tuesday 21 October 2008, 4:45pm**

### ***What is needed?***

Climate change needs action from all sectors of society – government, business, the private sector, civil society, individuals - but I will focus my address on the role of business and public policy.

What is needed to address the climate change challenge is a complete change of course in how we power or fuel our way of life and how we develop, in short an energy and ultimately an economic revolution leading to low-, and eventually zero-carbon societies.

If we take the science seriously and endeavour to stabilize emissions at around 450 ppm beyond which the science predicts a catastrophic scenario, economic growth that is fueled by carbon-based energy is no longer a feasible option.

The transformation to a low-carbon economy will require an aggressive improvement of energy efficiency and an increased use of renewable sources of energy, and other low-carbon energy technologies at unprecedented scales.

Given the right to economic development, and the trajectory of energy needs by developing countries to attain a decent level of development for all their citizens on the one hand and the reality of our climate challenge on the other, this transformation will also require a new multilateralism that is inclusive of the new centers of economic power and a cooperation architecture that would enable the provision of the significant amount of financial and technological support to developing countries at the scale and speed needed.

In essence, formulating and agreeing this architecture in ways that balance a fair burden sharing with putting in place what is required to stabilize our climate is what is at the heart of the UN Conference on Climate Change to be held in Copenhagen in December 2009.

Both business and public policy have a significant role to play in the design and implementation of such an architecture and in achieving

transformation to a low-carbon economy world wide. Although a majority of the financing for this will come from the private sector, it is the responsibility of governments to develop the frameworks that will make the transformation possible, whether that is through taxes, incentives, regulation, levies on tradable permits, etc.

***Business as the engine for putting innovation into action in a way that makes economic sense at a scale***

Business is an engine of ideas. We only have to look to the various reports that are being launched here today offering the latest and best available information and analysis on issues and practices ranging from energy efficiency, investment trends, public policy options, sectoral strategies, carbon trading, carbon management, markets, etc.

The private sector is unique not only in the way it drives innovation but also in the way it ensures the viability and use of new technologies at a massive scale at an affordable price. But in this endeavour, the private sector needs to be aided by the appropriate public policy and incentive structures at multiple levels, global, regional and national.

Simultaneously with transforming our economies, addressing climate change also requires that we each lead by example. Businesses need to make their operations increasingly climate-neutral, and also integrate climate impact and risk in their business models. The report by Doug Miller earlier today showed some very encouraging results. Forward looking business models that do so should be rewarded, and business models that don't will soon become obsolete – and some of this is already happening. This is even more relevant in the context of the current financial crisis.

The financial crisis presents an opportunity to rebuild a new financial order which offers stable, low risk growth that serves the long-term prosperity of the majority and is consistent with the vision of new multilateralism I outlined earlier. The clean economy we must create is our hope of a stable, low-risk growth, free from crisis after crisis. At least one of the US presidential candidates also thinks so. Clean industry and investment have proven again and again that they offer high quality, long-term profits and returns. We must re-engineer a prudent and responsible global financial structure around these objectives, or we will lose an opportunity we may never regain.

You, the *Caring for Climate* signatories represent the pockets of good practices across the globe and this is very encouraging. Today, fighting climate change and the business model of the future have a common bottom line.

But we know that you need the right policy context to move to scale and to allow you to take the necessary investment risks and enable competitiveness.

Putting the right climate policy and incentive structures in place to enable this transformation is what is at stake in Copenhagen. This will take political will and courage. Galvanizing such political will and courage is what the UN Secretary-General's engagement in the process is all about.

### ***The role of public policy for economic transformation***

The technologies that will enable us to be more efficient, use renewable sources and pursue clean development exist and they are by and large in the hands of the private sector. We must do all we can to ensure that these technologies are scaled up and used to the maximum extent possible. But this is not enough. We should also innovate further and look for new, transformative technologies. Public policy at global, regional and national levels can provide the framework for doing this, by focusing on at least six important elements.

**First** and foremost climate policy needs to give the private sector a long term signal and certainty, through agreeing an ambitious emissions cap. This certainty is critical to encourage massive investment in energy efficiency, renewable energy, and clean energy technologies and for creating markets. This will also help us put the right price on carbon. At a high-enough price, it will also spur the development of new technologies.

Given the trajectory for energy needs of the developing world, it will be impossible to achieve the necessary emissions cap without the full participation of developing countries. But they need to be assisted to participate. Given historical responsibility, burden sharing on the part of developed countries is a must. Thus **secondly**, we need to design a new multilateralism and the kind of cooperation architecture that will enable the financial flows and technology transfer to developing countries, at the scale and speed needed to achieve a low-carbon path. The particular

challenge of adaptation will also need to be included in this architecture, which will require unprecedented levels of solidarity between nations, but also between responsible businesses.

**Third**, government can stimulate transformation of key energy-intensive sectors through regulation and incentives.

**Fourth**, governments need to invest in building modern infrastructures or grids through which one can deliver energy from renewable sources like solar and wind.

**Fifth**, governments need to invest in further refining nascent technologies that are too expensive right now to be competitive on their own in the market but can someday after some years of public investment can be commercialized and be profitable. These are technologies like high-speed trains, highly efficient engines or new fuel sources like cellulose biofuels.

**Sixth**, we need investment in research and development in new technologies, especially transformative technologies, including funding for demonstration projects in developing countries. This means we need to go back to earlier levels of funding for energy research, and then go beyond.

Copenhagen will not necessarily tackle all these public policy options in all details. Also, some need to be international in scale and others are best done at the national level. But Copenhagen needs to put in place the ambitious cooperative framework that will enable a transformation to a low-carbon path and send signals for action on the ground.

The UN Secretary-General will spare no effort in facilitating such a result. The complexity of the issue and the multifaceted nature of the institutional set-up required to respond will need political will and courage from not just environment ministries but also from finance, industry, energy, planning, and other ministries. The Secretary-General will thus engage leaders at the highest level to ensure the participation of all the relevant sectors of government and ultimately make Copenhagen a success.

***The future – Business' role in the negotiations***

Business has a huge role to play in helping us get there. There is a ground swelling of good practice and will to act. Business needs to remain at the forefront of it. The Secretary-General and the UN welcome business' active input to and engagement with the Copenhagen process.

Corporations are shaping the future by making long-term investments and governments tend to negotiate the present or the past. The Copenhagen climate deal is about the future. This forward looking ethic is a unique contribution that the business community can make.

Through your business practices, you can show the world that a low-carbon growth path is economically viable. This is key, but there are also other practical ways for Business to engage in the Copenhagen process.

For example, one of the ways the Secretary-General will advance the climate agenda is through aggressive public awareness-raising. The *Caring for Climate* constituency is well positioned to identify CEOs who can be engaged in the process as champions. And the Secretary-General will be happy to join forces with these champions to spread the message far and wide.

The method by which this business community brings its message to Copenhagen needs careful planning. It will not be sufficient to simply make a statement in the plenary of the conference in Copenhagen. The impact of this stellar group can be much more effective if the government delegates that will come to the Copenhagen conference are sensitized to the business community's messages well before. The Copenhagen Business Summit planned for May 2009 will be a good opportunity, but it is important to also do this sensitization at the country level - in both developing and developed countries.

Finally, when we talk of private sector, we always end up talking about mitigation. However, we very much need the private sector for the adaptation part of the equation as well. After all, adaptation is simply development with a major constraint – climate change. Development, in which you are all engaged.

Insurers for example have significant leverage over their clients' practices by virtue of their underwriting criteria and pricing of premiums. Rather than retreating from covering high risk geographical locations and properties, working in partnership with government on policy, the

insurance industry can encourage practices of building resilience into our business models across the board by offering differentiated premiums.

We also need public-private partnerships for effective insurance coverage of agriculture, property and infrastructure losses, particularly for the poorest and most vulnerable whether it is by allowing countries exposed to natural disasters to pool their risk in order to lower the cost of coverage, or using other insurance products to cover rural families against drought, or providing rainfall insurance to crop growers.

The private sector can also support adaptation by investing in sustainable forest and land use management which are not only an effective emissions reduction measures - as they account for 20-30 percent of GHG emissions – but also an efficient adaptation, poverty reduction and biodiversity conservation strategies.

There is much the business community can do to lead the world in the fight against climate change. The world needs the private sector's vigorous engagement more than ever.

In this, we need your support as Caring for Climate signatories. Your leadership in developing climate-friendly strategies, in making your operations sensitive to climate, and of course in disclosing relevant information annually, will perhaps encourage others to do the same. We hope many others, as by the time of the Copenhagen Business Summit, and thereafter, we need them all on board.

Together, we can make it!

Thank you very much!