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**Climate Change – The Global
Challenge**

UK EPA

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Ladies and Gentlemen, good afternoon

Thank you for this invitation to talk to you about the global challenge of climate change – a topic close to my heart and a challenge which the UN Secretary General, Ban Ki-moon, has described as the "defining challenge of our age". I see that you have already had an impressive number of presentations today exploring the different angles of this topic. I would now like to look, in particular, at the role of the UK and her European partners in setting the agenda for addressing the challenge of climate change.

The UK has played and continues to play a leading role in the call for action to address climate change. From the introduction of the UK Emissions Trading Scheme to the current Climate Change Bill, the UK has been leading by example. You are showing how action on climate change must not remain a simple aspiration but must be translated into legally defined objectives and concrete and operational measures.

The experience from the UK has also been a vital input into the discussions on climate change policy in the EU. And EU leadership is, in turn, a key driver in efforts to reach an international agreement on climate change at the UN Conference in Copenhagen in December 2009. Reaching an international agreement will be crucial to taking effective action to tackling climate change and putting the world on a path which would limit the increase in global temperatures to no more than 2 degrees celcius above pre-industrial levels.

The climate and energy package, proposed by the Commission in January, is easily the most far-reaching legislative package on fighting climate change anywhere in the world. Known as the 20/20/20 package, the proposed measures aim to deliver on the commitments of European leaders to reduce Europe's emissions by at least 20% compared to 1990 levels by 2020 and to increase the share of energy from renewable sources to 20% by 2020.

The measures in the package are mutually supportive with cost-efficiency and fairness at their heart.

The EU's emissions trading scheme is the flag-ship of EU climate policy. Since the start of the scheme in 2005, the EU has shown that emissions trading is an effective tool for harnessing the power of the market to provide industry with incentives to reduce emissions and to drive forward low carbon technologies. This is an area where the EU has set the environmental agenda: many other States are now introducing trading schemes and just last week the US President elect stated that he will introduce a federal cap and trade scheme. The proposal to review the EU ETS will further improve the effectiveness and efficiency of the ETS and enable industries covered by the scheme to deliver the additional emissions cuts that will be needed by 2020.

The proposals on effort-sharing include legally binding targets for each Member State to cut greenhouse gas emissions in the sectors that are not covered by the EU Emissions Trading System and the proposed renewables Directive will set targets to increase the share of renewable energy in the energy mix.

These measures are further supported by additional Community measures which will in particular assist Member States in meeting their targets under the effort-sharing Decision. These include the proposal on CO2 emissions from cars and the package of measures on energy adopted by the Commission earlier this month which included, among other things, a reinforcing of energy efficiency legislation on buildings.

By providing long-term certainty and predictability for investment decisions, these measures will put Europe on the path to a low carbon economy. Adopting this path is important not only for the climate but also for our energy policy and in particular our energy security.

At the European Council in October, Europe's Heads of State reconfirmed their commitment to the EU's climate targets and agreed to intensify negotiations on the climate and energy package with a view to getting an agreement in first reading by the end of the year. This timing is very important for the EU's international credibility and its ability to show leadership in the development of a global response to the climate challenge.

The last few weeks have seen intensive negotiations amongst the institutions. Reaching an agreement will require flexibility and ingenuity from all parties in order to find compromise solutions which address their concerns whilst preserving the overall architecture of and environmental integrity of the package. These two dimensions are key to ensure that the package will deliver the EU's climate change and energy objectives at least cost and in a manner which is fair and equitable to all the Member States.

This necessitates a stable and predictable Emissions Trading System with a fixed EU-wide cap and a long-term declining trend-line. It requires compliance with the targets under the effort-sharing Decision and intermediate targets that put Member States on a linear trend line towards these targets. It also means that increased access to external credits through Joint Implementation and the Clean Development Mechanism can only be granted with respect of the complementarity principle and that credits are truly additional and contribute to sustainable development.

One of the lessons we have learnt from our experience of the ETS to date is that auctioning should be the default allocation method. It is the most efficient method of allocation, is fully consistent with the polluter pays principle and provides the strongest incentive to take abatement measures now. It also avoids risks of over-allocation and eliminates windfall profits. But ensuring the environmental integrity of the scheme also requires that risks of carbon leakage are reduced to the minimum. Our objectives will not be met if strict emissions standards in Europe simply drive businesses to countries without such rules. But measures to reduce the risk of carbon leakage must be based on robust analysis using clear, objective and transparent criteria for all sectors covered by the ETS. The Commission has come forward with a very clear methodology for doing this which would both give energy intensive industries the certainty they need and maintain the environmental integrity of the scheme.

Ladies and Gentlemen, once the climate and energy package is accepted, the next task will be to convince our international partners that action is not only necessary but also economically feasible and achievable alongside economic growth. Our top priority is to forge a comprehensive and ambitious new international agreement on climate change next year and to succeed at that, EU leadership will be vital just as it was to start the negotiating process in Bali last year. An agreement on the package would strengthen Europe's influence in the international negotiations leading up to the Copenhagen Conference. By implementing concrete measures to achieve our ambitious targets, the EU will be demonstrating its leadership and determination in tackling climate change. Convincing European action will also be essential to demonstrate to our international partners, in particular developing countries that it is possible to reduce emissions without hampering economic growth.

In this context, it is extremely encouraging to hear that the new US administration is committed to engaging vigorously in the international negotiations on climate change. I have high hopes that the US will be our partner in the necessary shift towards a low carbon economy, with ambitious mid-term targets, a cap and trade system, and support for mitigation and adaptation action in developing countries.

But it is not only governments and policy makers that will have a role to play. Governments can put in place the right regulatory framework but industry will have a key role to play in delivering the targets. This is both a challenge and an opportunity and those that are most adept at adapting to an ever more carbon constrained world will gain a first mover advantage. European industry has the potential to become a world leader in low carbon technologies – in clean coal technology, wind and solar technology. As we set a price signal that rewards those and other innovations in clean energy, this evolution is bound to accelerate in the coming years.

The current economic crisis, rather than being a disincentive for action on climate, is also, therefore, a further reason for action. It is precisely at a time of recession that we need to consider efficiencies in our consumption and production. Not only is a shift to a low carbon economy essential if we are to combat climate change but it also makes good economic sense to improve our energy efficiency and increase our energy security by reducing oil and gas imports. This is why our climate goals are not only supported by ministers of the environment but also by finance and economics ministers and by many business organisations.

Moving to a low carbon economy will encourage innovation, provide new opportunities and create new green jobs. Meeting the target of 20% renewable energy alone is forecast to lead to nearly 700,000 new jobs in Europe's renewables industries in 2020. The EU's climate package is therefore part of the solution to the current crisis. It is part of a green "New Deal" and represents a new deal which will enhance the competitiveness of EU industry in an increasingly carbon-constrained world. This opportunity of green growth has also been recognised by the new American administration and indications are that measures to promote a green economy will also feature prominently on Obama's agenda.

Ladies and Gentlemen, we are facing a challenge which is not simply going to disappear. Our generation will be remembered as the first to receive solid scientific proof of climate change. It is also our responsibility to ensure that we are also remembered as the generation which took decisive action to address it. Europe and its Member States have a key role to play in ensuring that this is a responsibility which the world can live up to.

Thank you.