

Climate change, growth, stability

Our generation's responsibility

Opening Plenary: Innovation, Growth and Equity

Tuesday morning, 3 June 2008

Moderator: **David Eades**, Presenter, BBC World News

Agustín Carstens, Secretary of Finance and Public Credit, Mexico

Angel Gurría, Secretary-General, OECD

The OECD Forum was launched in 2000 and the 2008 Forum was the first one to be held at the new Conference Centre at OECD headquarters in Paris.

David Eades opened this televised session of the 2008 Forum on a note that mixed concern with tentative optimism. Concern about stability and the economic and social consequences of rising inflation and food shortages – “lack of stability is the order of the day”; concern about growth – “What growth?” asked Mr Eades ironically; and concern about our ability to deal with our “collective carbon footprint”. But Mr Eades also welcomed the opportunities created by the OECD Forum to get decision makers together and, in interaction with the Forum participants, to find solutions.

Agustín Carstens agreed that the Forum represents an excellent opportunity to bring together the views of business leaders, trade union leaders and representatives of civil society, and to tailor public opinion to the challenges that lie ahead. For Mr Carstens, the most immediate challenge is posed by soaring commodity prices and the dangers of a “serious humanitarian crisis”. He urges the adoption of policies to mitigate the impact of this crisis on the poor. Looking further ahead, Mr Carstens sees climate change as the main concern, but again stresses the “social dimension” of this change and the disproportionate burden facing the poor. He called on business leaders to back the recent proposal of the Mexican president, Felipe Calderón, to create a global “Green Fund”, aimed at preserving the environment while combating poverty. Developing countries would be the net financial beneficiaries of this fund. Mr Carstens also expressed optimism regarding Mexico’s capacity to weather the economic headwinds coming from the US, thanks in part to the strengthening of the financial system since the 1994 crisis, the rising price of oil (one of Mexico’s main exports), and the fact that “geography now matters again”, as the era of cheap oil and shipping transport comes to an end, and the advantages of Mexico’s strategic location become increasingly evident.

Angel Gurría, OECD Secretary-General, welcomed participants to the new international conference centre, and focused his words on the urgent challenge of climate change: “Dear friends, we ARE the environment!” He went on to say that “if we don’t change climate change, we will not survive. As simple and complex as that”. To meet this

greatest of human challenges, Mr Gurría suggests, we need to re-embrace the original meaning of the word *ECO-nomics* – “our common dwelling”. Mr Gurría reminded the audience that the OECD had been working on climate change for 20 years and, based on this expertise, now urged immediate policy action to reduce carbon emission by 50% between now and 2050. He warned that “the cost of mitigation policies is much lower than inaction, but that does not mean they are cheap.” Mr Gurría echoed the *OECD Environmental Outlook to 2030*'s call for the greater use of pricing mechanisms to reduce emissions – including carbon taxes, emissions trading initiatives, and the removal of “harmful subsidies” – but also warned that this will not be sufficient, and that new regulations and standards should be put in place, and support for R&D increased in order to “accelerate technological breakthroughs”. Mr Gurría also warned that what matters is growth at the margin and that “the action is in developing countries...and these countries need help”, meaning that part of the cost will have to be borne by others. In answering questions, Mr Gurría acknowledged that the near term economic outlook has deteriorated, but urged that “we should not let the economic headwinds distract us from the end-of-century goals. It is a good excuse, but we must reject it every time it comes up”. For Mr Gurría, there was “no greater threat to the wellbeing of our children and grandchildren than the unchecked consequences of climate change.” Tackling it was “our generation’s responsibility”.

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