



OECD FORUM 2008
Climate Change, Growth, Stability
3-4 June 2008, Paris

Opening Session

Angel Gurría, Secretary-General, OECD

Good morning Ladies and Gentlemen:

Welcome to the OECD Forum 2008. Welcome also to our new OECD International Conference Centre; which in many ways is the reflection of an evolving and forward-looking OECD.

This year's Forum will focus its attention on climate change, growth and stability. Considering the fact that Mr. Carstens will focus on the economic policy ingredients for growth and stability, I will concentrate my presentation on the impact of climate change, hoping that I can draw your attention towards one of the greatest challenges of our time.

Dear friends: we are the environment!

If we don't change climate change, we will not survive. As simple and complex as that.

Indeed, I can think of no greater threat to the wellbeing of our children and grandchildren, to the lives of millions of people in poor countries and thousands of irreplaceable animal species and plants, than the unchecked consequences of climate change. Addressing it is our generational responsibility.

Climate change is a multidimensional phenomenon. The solution is therefore also a composite. One of its most important dimensions is definitely about eco-nomics. The new international agreement that we must achieve at the meeting of the COP15, to be held in Copenhagen on December 2009, will require a strong economic platform. This is where the OECD is making its contributions, based on more than 20 years experience, working out proposals to build a sound economic and financial footing for the post-2012 architecture.

We are doing this by blending experience and talent, and drawing from the wisdom of people like you. We are also doing it by working in close coordination with other international organisations and by supporting the host countries of COP14 and COP15, Poland and Denmark, to achieve successful results. We know that losing time means losing nature and losing lives; and that the more we postpone action, the more irreversible the damage will be and the higher the cost to fix it.

Current concentrations of green-house gas emissions have already reached 380 parts per million (ppm) of carbon dioxide equivalent (CO₂e); exceeding the natural range of

the last 650,000 years. And if we continue with business as usual, these poisonous gases are expected to grow by over 50% by 2050.

This in turn would cause world temperatures to rise by up to 6 degrees Celsius by the end of the 21st century. This would be equivalent to the change in temperature since the last ice age —an era in which much of Europe and North America was under more than one kilometre of ice. Clearly, an unacceptable, unmanageable scenario.

Today we know that the economic and social costs of inaction are very high and that the consequences of inaction can make us highly vulnerable. Worse yet, the greatest impacts will be felt by developing countries and are already threatening economic, social and political stability in many of them.

Although the cost of ambitious mitigation policies is predicted to be considerably lower than the cost of inaction, it doesn't mean it will be cheap. Therefore, to build support for the necessary policy decisions, it is essential that we find the least-cost mixes of policy instruments to achieve significant emission cuts.

Some welcome steps have already been taken. At the international level, negotiations are underway to reach the above-mentioned post-Kyoto framework. At the G8 Environment Ministerial meeting in which I participated last week in Kobe, Japan, Environment Ministers discussed the possibility of aiming for a global target of halving global emissions by mid century. At the national level, many countries are already taking action.

A promising start would be to set up a package based on market instruments, such as emissions trading or carbon taxes and pricing (or a combination of both); including the removal of harmful subsidies. These instruments encourage emitters to adopt the right behaviour and to look for abatement options where they are less onerous. However, they will not suffice on their own.

They should be complemented by other approaches like: regulations and standards, sectoral approaches, voluntary agreements and —very crucially— support for basic research and development to accelerate the technological breakthroughs that can bring the solutions faster and at the least cost. The focus on carbon capture and storage (CCS) seems particularly promising.

Pricing emissions can also stimulate eco-innovation. Producing cleaner and smarter energy is an essential part of the equation. Even in the best of scenarios, fossil fuels will still provide the bulk of our energy needs for several decades. More than three-quarters of the marginal increase of primary energy consumption through to 2030 will come from developing countries. Thus, so will emissions. These countries will need help.

The most difficult question is not only how much it costs to fight climate change but rather who is going to pay for it. The distributional aspects are a key element in finding a workable solution. OECD is more sharply focusing on this issue to propose cost effective

alternatives. The choice of policy mixes and instruments will also have different consequences for different countries.

Effective action against climate change needs participation from all countries of the world to avoid eroding its overall effectiveness (the so-called carbon leakage).

The incentives for developing countries to take part in an international climate-policy framework will depend on the allocation of roles and actions, and on the support that is provided to facilitate such actions through financing, technology and capacity development. Therefore, while action is needed in developing countries, at least part of the costs will have to be borne elsewhere.

To move forward in addressing climate change it will be crucial to mobilise political and social support. Thus we must produce high quality analysis, objective and reliable economic evidence and serious forecasts with credible scenarios. And we have to communicate these findings better to convince political leaders and legislators about the need for reforms.

This is where the OECD will make its more meaningful contributions. Tomorrow, we will be discussing this important issue among our member countries, five candidates for accession and the five Enhanced Engagement countries. We look forward to the results of this Ministerial, which will certainly provide clear guidance to our efforts to contribute to the international response on this global challenge. But we will also closely follow the results of your discussions in this important OECD Forum 2008.

I encourage you to participate as actively as you can and contribute generously with your ideas for a solution that has to be found jointly.

Remember: we are the environment!

Thank you very much.