

Estonia: Item 4 “The Economics of Climate Change”

Madam Chairman,
Secretary-General,
Colleagues,
Ladies and Gentlemen

Climate change is a frequent topic of international meetings. Usually the stress is on environmental aspects of climate change, but its economic consequences, though equally important, do not get equal time. Therefore I would like to begin my intervention by congratulating the organisers for initiating this very timely discussion. Once again, the OECD is showing the way forward.

I think everyone agrees that global warming needs to be contained and that means we need to cut greenhouse gas emissions.

But in reality just cutting emissions is not a complete solution. In general, environmentally friendly options tend to be more expensive, more difficult to implement and at least in the short term less profitable. Under these conditions it is hard to motivate all countries to use green production methods.

We recognise that developing countries have special needs when it comes to sustainable economic growth and eradication of poverty. But we also recognise that economic growth has to be decoupled from energy consumption and CO₂ emissions. The example of Estonia illustrates that this is possible. Investment into energy efficiency has paid off and as a result Estonia's recent rapid economic growth did not result in an equally fast increase of primary energy consumption. From 2000 to 2006 the Estonian GDP increased by more than 60% but primary energy consumption rose by only 10%.

In addition to energy efficiency, it is necessary to diversify the energy supply and increase the use of renewable energy. All of us should assume our share of common responsibility in increasing energy efficiency. For example, the resources and technology for decarbonisation come primarily from industrial nations. Therefore, we need to continue the dialogue between industrialised and developing nations about adopting a green economy – reducing carbon fuel dependency, and counterbalancing climate change caused by human activities. We need to promote technology transfer, necessary for developing environmentally-friendly energy production.

Estonia believes the best way would be to connect development and investment in environmentally-friendly technologies. If preference is given to development co-operation projects which focus on sustainable and climate-friendly growth, it would create a considerable incentive for environmentally sound development for the lower income countries. At the same time it provides a platform for technology and knowledge

transfer, thus allowing the third world countries to develop their own ecological growth strategies.

But to achieve anything significant, we need governments, businesses and individuals to pull together in the same direction. It is the private sector that makes the investment decisions and develops most of the eco-innovative technological solutions and is often the main vehicle for technology transfer. Technology markets and institutional conditions are complex and variable. Therefore, the extent and the activities of technology transfer should be customized to suit the needs and constraints of each individual country. In this context public-private partnerships are very important, especially if they concern eco-innovative technologies.

I believe that here the OECD has a very important role to play. The OECD brings all the parties on all levels regularly together at the Global Forums, and the OECD has an excellent co-operation network with the private sector in the form of BIAC and TUAC. Of course, in this context the work of the OECD DAC must not be overlooked. The idea of supporting above all environmentally friendly development projects has been raised on many occasions, for example in the framework of the United Nations, but through OECD it can become a guideline which the donor nations agree to follow.

Thank you all for your attention.