THE COSTS OF INACTION WITH RESPECT TO CLIMATE CHANGE
Presentation by Baudouin Kelecom, BIAC Energy Committee Vice Chair

EPOC High-Level Special Session on the Costs of Inaction

Paris, 14 April 2005
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From Risk Assessment To Risk Management

EPOC on the costs of inaction
14-04-2005
B. Kelecom
BIAC Energy Committee Vice Chair

BIAC discussion points

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$10 Trillion Electricity Investment Required

2001-2030 Energy Investment

Plants
New + MOD
Trans & Distr
Total

Source: IEA

Energy required for economic development, poverty alleviation
Climate Change and Business

Take Climate Change seriously, key engaged player
- Investment in energy supply and improved energy efficiency
- Development, commercialization, and transfer of advanced technology

• A growth challenge
  - Economic growth is needed for development, keep all energy options open
  - Access to a secure, reliable, and affordable supply of energy
  - Competitive energy sector to secure investment

• A global challenge
  - Requires full participation globally and locally
  - Developing and developed world
  - All parties are accountable
  - Unilateral moves may impact competitiveness

• A long term challenge
  - Continuous evolutionary process
  - Policy framework and investments paced according to risk management

• A technology challenge
  - Technology breakthrough
  - Technology utilization and transfer
  - Removal of regulatory barriers for technology transfer and development

Risks from Climate Change:
To: Society & Ecosystems
From: Changes in temperature
Changes in hydrology
Changes in storms
Sea level rise
Abrupt climate change

Potential Response Options:
Policies: Targets (Cap & Trade)
Carbon Taxes
Efficiency Standards
Incentives (investment, R&D)
Mandates (fuels, technology)
Adaptation
Changes: Behavior
Technology
Investment
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- To: Society & Ecosystems
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- Policies: Targets (Cap & Trade)
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- Incentives (investment, R&D)
- Mandates (fuels, technology)
- Adaptation

Changes: Behavior
- Technology
- Investment

Critical dilemma: how to address climate risks now and in the future, recognizing society’s growing demand for energy—especially in developing countries

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Risk Management Framework to Address Climate Change

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Risk Management should drive effective actions

OECD is uniquely capable of evaluating complex policy decisions, with economic and social as well as environmental aspects

- Recognize uncertainties of base assumptions, risk of oversimplification
  - Arbitrary baselines, non action versus actions?
  - Inaction definition in a geographic context?
  - Methodologies used to explore scenarios regarding climate change and policies?
  - Black and white does not help prioritization: what actions are most effective?
- OECD should strive to conduct analyses that render as full a picture as possible
  - Cost benefits of action that sheds light on how to act in the highest priority areas
  - OECD member states could contribute cases in which they have taken steps to address a priority issue cost-effectively, with longer term benefits to society.
- OECD should place emphasis on action, on cost effective implementation
  - How to assess and implement cost effective policies
  - How to implement initiatives that will target priority issues in priority areas
  - How to provide the enabling frameworks that will engage all societal actors to contribute
- OECD should consider how to encourage the enabling frameworks that will attract the investments and build the necessary capacities to
  - Address the tremendous challenges to build energy infrastructure
  - Deliver power to billions people who still have no access to it
  - Move towards technologies that are less environmentally impactive.
Prioritized Actions paced with Risk assessment

Uncertainty

Knowledge

Resources

What we need from OECD is emphasis on action, on cost effective implementation. Do The right thing the right way at the right time.