



UNFCCC COP14 - High Level Segment

Statements from IGOs and NGOs

**Statement delivered in writing by Angel Gurría,
Secretary-General
OECD**

Poznan, 12 December 2008, 15h-18h

Mr. Chairman, Ladies and Gentlemen,

The current financial and economic crisis is an additional challenge in our effort to address climate change. But it is absolutely no excuse not to move forward. Delaying action on climate change would simply set ourselves up for another economic and social crisis in the future, a climate crisis.

Ambitious action to tackle climate change makes economic sense. When we met last year in Bali I said that ambitious climate policies were both achievable and affordable if we acted now and if we put in place a cost-effective policy mix. Since then we have lost another year, and the costs are going up. We cannot afford to lose more time.

What policies are needed to tackle climate change?

The exact mix to tackle climate change will vary by country, but three elements will be essential to keep the costs of action low:

- market-based instruments – which provide incentives for producers and consumers to pollute less and to invest in energy efficient and low-carbon technologies or practices. We need to put a price on carbon. Proper pricing of climate sensitive natural resources – such as water – also provides incentives for adaptation.
- support for R&D and public-private partnerships – which can encourage the development of new technologies, such as Carbon Capture and Storage, bringing down the costs of future action. Public Private Partnerships also play a critical role in stimulating research on adaptation technologies, and in financing infrastructure for adaptation.
- broad participation in action – all sectors and, as far as possible, all countries need to act to keep the costs low.

The costs of action will go up if these three key elements are not included. For example, our recent modelling work shows that stabilizing greenhouse gases in the atmosphere at a

relatively ambitious level (a concentration of 550 parts per million) could be achieved at a cost of reducing global economic growth by about 0.13 percentage points per year on average to 2050. Not cheap but, compared with the costs of inaction, economically rational. Delays and limited participation, however, will make the cost grow rapidly.

What approaches should be avoided?

Our analysis indicates that if we exempt energy-intensive industries from action, the costs of achieving these reductions would increase by over 50%, and if only Annex I countries participated it would not only be more costly but also nearly impossible to reach this relatively ambitious stabilisation target.

Not all policies are cost-effective. A recent OECD assessment of the support policies for first-generation biofuels in the EC, Canada and the US concluded that they cost as much as US\$ 1,000 per tonne of CO₂ avoided – a very expensive way to achieve these emissions reductions!

Who pays for climate policies?

Addressing climate change is a development, economic and investment issue. The OECD is examining how countries could distribute the costs of action equitably and fairly, reflecting differences in national circumstances, while ensuring that mitigation action takes place in countries and sectors where it is least costly. We are also working with developing country partners to ensure that climate change financing is effective, that it supports clean development, and minimises the impacts of climate change on their economies.

The framework we decide must be flexible, to reflect the changing national circumstances across countries and over time. But, most of all, it must achieve the deep global emissions reductions that are needed.

OECD is supporting countries to develop and implement cost-effective policies

OECD has been working for nearly two decades on the economics of climate change. We are identifying the policy instruments and mixes that countries can use to reduce GHG emissions, and do so at least-cost. We draw lessons learned from countries with different policy approaches, while addressing the social and distributive aspects of policy reform. We have also assessed the costs and benefits of adaptation, and are examining the role of development co-operation and economic instruments to further deepen adaptation efforts.

The OECD provides a forum where governments can share experiences, compare data, and work together to build a common understanding for an effective post-2012 framework. We are working with government representatives from Finance, Development Co-operation, and a range of sectoral Ministries to address climate change in their respective policy areas and to ensure accountability and transparency with respect to OECD country performance in achieving climate change goals.

The OECD will continue to provide the support that can help governments put in place an ambitious and cost-effective post-2012 approach to climate change.

Thank you very much.