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## Transcript

# The UK's Vision for Tackling Climate Change

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### **Edward Davey MP:**

Thanks very much Bernice, and thanks to Chatham House for hosting this event. There are few think tanks that are global in both outlook and recognition. This is one of them. So I'm very pleased to be here to talk about a subject of global importance.

When I first got interested in the green agenda – as an idealistic student – climate change was just crossing over into the public consciousness.

For people concerned about the environment, climate change seemed to wrap up all of our worries – pollution, resource scarcity, sustainability – yet add another layer of complexity. Thinking about local impacts wasn't enough. Global climate change raised global questions - like justice and equity, diplomacy and development.

And so the path to getting international agreements on climate change has been a long one. Agreeing responsibility for action on emissions is hard enough. And in a global economy built on fossil fuels, it can seem an impossible ask. For twenty years, the world has been working on the answer.

Today, we are closer than ever. Countries have agreed that in 2015 we will aim to sign a global deal to limit emissions and curb climate change. This commitment is the primary achievement of the Durban meeting last year, which Christiana Figueres described as the 'most encompassing and furthest reaching conference in the history of the climate change negotiations'.

In a little over three years, we must set in train a change to the whole structure of the world economy; breaking the bond between carbon and growth. Building the systems to support low-carbon economies in the most advanced countries, and low-emissions development in poorer countries.

Today, I want to talk about how we can do that. I will make three points:

Firstly, that the economic case for climate action is clear – and pressing. Green growth is real, and is already making a compelling contribution to our economy.

Second, that political leadership in Europe can unlock more green growth – and drive global ambition to tackle climate change.

And third, that multilateralism works. That at the UN climate negotiations in Doha and beyond, we can plot out the path towards a safer future.

I'm under no illusions: it will not be easy. But we have the technology to live sustainably; every year, renewable energy use rises. And we have the economic incentive.

The problem is political. And it is complicated by the fact that we are living in a distracted world. Because although evidence of climate change grows stronger by the day, the pressures on the world economy are equally unrelenting.

The financial crisis that began in 2008 has not yet run its course. The global recovery is still fragile; what happens in the eurozone could shatter it again. Economic problems have driven political change: in Europe alone, nine governments have fallen since the crisis struck. People are losing faith in our ability to work together to solve the big problems.

This really matters for climate change, because unless we can show that multilateralism works, we cannot get the global agreement that we so badly need.

It matters because when householders – and businesses – are concentrating on cutting costs, we have to remind them why going low-carbon is a priority now. And it matters because with financial instability pushing up the cost of capital, investors need certainty to invest in clean energy.

So how can we focus minds on a problem that for many seems far-off – and far away?

I believe we have to start with the economic case for action on climate change. Right now, everyone is focused on stability and growth. So my first point is this: the green economy can be good for both. I'm hardly the first person to say that – a fair few politicians got there first.

But businesses are saying it too. Take the Director General of the CBI – John Cridland. Just last week, he said, green and growth are inextricably linked.

Reducing our reliance on fossil fuels can help insulate businesses and consumers from volatile fossil fuel prices. Research shows climate change policies could halve the effect of global fossil fuel price spikes on the UK economy by 2050.

And energy efficiency is unambiguously good for growth. If the EU can hit its 2020 energy efficiency target, it could save 34 billion euros - and add 400,000 jobs. UK businesses alone could save up to £4 billion a year by using energy more efficiently.

But the real engine of sustainable growth is green business. Over a third of the UK's economic growth in 2011/12 is likely to have come from green business, which accounts for 8% of UK GDP.

The UK's green economy grew by £5.4 billion last year - that's 4.7% growth, even as the rest of the economy was struggling. It created more than 25,000 jobs last year, and now employs nearly one million people.

Globally, the clean energy market is increasingly competitive and fizzing with opportunities. Not just for our companies, who are competing in a £3.3 trillion global market, growing at 3.7% per year, but for our economies, too.

The UK is 6th in the world in the low-carbon sector, with an industry worth £122 billion. I want us to secure a greater share of this vibrant and growing sector. Not because I'm a hair-shirted hippy, or bound by ideology; but because I believe in following the evidence.

Green business generated a trade surplus for the UK of £5 billion last year; if we play it right, it could halve our trade deficit before the next election. Too often, we are told that those who go low-carbon first will sacrifice their competitiveness. This is misleading and dangerous.

The real danger is not going green, but being outpaced by our competitors. Around the world, the countries who are most competitive are the ones who are investing the most in low-carbon. Korea, spending 2% of GDP on green growth. Germany, whose development bank is leveraging 100 billion euros for renewable energy. China, putting green industries at the heart of its 12th five year plan. Investing more than anyone else in renewables, developing pilot emissions trading schemes in seven provinces – including Beijing and Shanghai. And India, which taxes coal and uses the proceeds to fund renewable energy; which has incentives for wind and solar power, and far-reaching energy efficiency plans.

Investment in low-carbon – and policies to support it – reach right across the globe. And at last month's summit, all the G20 countries recognised the importance of putting green growth at the heart of their structural reform policies. By this time next year, there will be 33 countries with national emissions trading schemes. More than half the world's countries have renewable energy targets.

This ambition is not just matched by businesses: it is surpassed. When it comes to pursuing sustainable growth, businesses are way ahead of governments. They are looking to Ministers in Governments across the world

to give them the certainty they need to invest in a clean energy future: to provide clear and predictable policies that can unlock investment at scale.

So we cannot be drawn into some false choice between economy and environment. Instead, we must make the clear-eyed – the hard-nosed case for green growth.

And that means making a better argument about time horizons. For if I've learnt anything in the last few months about energy and climate change policy, it's that time horizons have to be long – decades not days. Yet in a distracted world, it is easy to focus on the urgent at the expense of the important. But action on climate change is about both. We cannot let the search for short term solutions threaten our long-term goals. An economic recovery that exposes us to greater climate risk is by definition unsustainable.

Partly this is about looking to a different horizon: making sure that our efforts to build a more sustainable economy, in the UK and in Europe, lead to a financial sector, for example, that looks beyond the next quarter and invests in long-term growth.

Partly this is about doing everything we can to ensure the government takes the right decisions for the long term, too. This desire - to do what's right for the future, not just the near-term - is one of the principles on which the coalition government was founded.

And from the Green Investment Bank to the Fourth Carbon Budget, I think we're doing just that.

But it's also about understanding where responsibility really lies. When people talk about climate change, there's a tendency to talk about children and our grandchildren. About how future generations will feel the worst impacts of a changing climate.

That's understandable: I think most people view the future differently when they have children. You can't help but think about the kind of world you want them to grow up in. And the kind of complicated feedbacks in the global climate can take time to reveal themselves.

But there's a risk that by locating the problem far away in the future, we forget that it is this generation who must act to solve it. It is those in power now who must find the political will - and show the political leadership – that will deliver results.

I believe Europe has a chance to show that leadership.

At a time when Europe is asking itself searching questions - when the European project itself seems to be on trial, shaken by problems in monetary union - it is worth reminding ourselves of the leading role this continent has played in the global climate fight.

Europe has already cut emissions by around 17% on 1990 levels - outstripping its Kyoto Protocol obligations. We have just agreed an energy efficiency directive which could deliver savings equivalent to a 25% cut. And for all its shortcomings, we have the largest emissions trading system in the world.

For all its problems, the EU is the world's largest integrated economy. And when it comes to climate change, this union has served us well: Europe negotiates as a bloc at the UN, one with more authority than we could muster individually.

By working together, we have been able to achieve so much more than we could alone. A gathering of individual agents, each fighting for different national priorities, could not have secured the Kyoto Protocol, or its extension.

We should draw strength from this legacy. Rather than letting ambition slip, we should pay tribute to our past achievements by raising our sights still higher.

Europe must do more to complete the single energy market. More on interconnection. More on a continental-scale supergrid. More on energy efficiency standards. More on renewable energy deployment. More on climate finance.

And - crucially - I believe we must do more on greenhouse gas emissions. So my second point today is this: a more ambitious EU carbon target is in everyone's interests - and I as Secretary of State am working hard to secure that.

The arguments for moving to a 30% cut in emissions by 2020 are well-rehearsed. It is the most cost-effective way of cutting carbon. It will help us secure the investment in clean energy we need to stay competitive. It will help grow our low-carbon industries, ensuring Europe's competitiveness. It will limit our exposure to volatile fossil fuel prices. And - critically - it shows the world what Europe stands for.

I believe that moving to 30% is the clearest statement of ambition and leadership that we can make. It is a key coalition government commitment, and I am doing everything I can to deliver it.

My strategy is to approach this from both the top down and the bottom up. Not just trying to secure Council conclusions on the 2050 low carbon roadmap or a 30% target, but also delivering the measures that will help to move us towards 30%.

Leadership in Europe is about building coalitions and working to deliver compromise deals. Take the Energy Efficiency Directive, which the UK played a pivotal role in securing. It is not as ambitious as we would have liked. But it was the very best outcome we could secure, given the negative voices in the Council, and it will help us to go beyond 20%.

The UK is also leading calls for the Commission to present strong and ambitious proposals to strengthen the EU Emissions Trading Scheme.

I'm working closely with the Deputy Prime Minister, NGOs and business leaders to build a coalition for change. And my German counterpart and I are working particularly hard to find a way to help bring Poland into that coalition.

Their support mustn't be at any price, but looking a little further ahead, it's better if Europe moves together. In the next few years we need to start discussing 2030 emissions targets, and longer term reform of the ETS. If Poland remain where they are it will be a struggle.

They've set out their concerns to us; now we need to work together find ways to address them. That's why I am meeting the Polish Minister in London. And actually, the message for Poland is the same as for the rest of the EU: 30% is doable, it's desirable; so let's find a way to make it work for everyone.

Moving to 30% will be an act of climate statesmanship, one that speaks to Europe's reason for being: collective action for the betterment of our citizens. And – by ensuring we enter the negotiating room from a position of strength, commitment and leadership - it can help secure a better future for all the world's citizens, too.

And European leadership can help deliver on my third priority tonight – preparing properly for this year's climate change talks in Doha at the end of the year.

For the next objective in the UN climate negotiations must be to take forward the important achievements made in Durban last year – and to prevent the attempts to block further progress we are already seeing.

Doha is unlikely to be an epoch-making event – but it needs to be a significant step in taking the Durban platform forward. Some are calling it an 'implementation' meeting. It certainly is that.

But we can also agree some major steps, if we fully lay the groundwork. It should be the meeting that produces a second commitment period of the Kyoto Protocol. It should be the meeting that sets us on the way to the new legally binding Protocol. That makes the negotiation process clearer, showing us not just the destination – but the route to a global deal.

It should be the meeting where more countries make 2020 pledges under the Copenhagen Accord, to keep real momentum and progress. More national policies and actions to support carbon cuts.

It should be the meeting where we make further progress on climate finance. And it could be the meeting where we see big pushes on key technologies, such as carbon capture and storage and renewables.

Given the world is simply not making fast enough progress to keep us below the 2 degree limit, we need to use every occasion like Doha to push further. Whatever the political and economic challenges countries face.

And we should work hard outside the negotiating room too. Yes, getting the global architecture right matters. Without it, we cannot get a meaningful and cost-effective agreement, and we cannot be certain that emissions will fall. We need the multilateral, rules-based and top-down approach to deliver – with everyone making commitments. That is why a comprehensive, legally binding global deal is such a cornerstone of our climate policy.

But we need to do more to get things going on the ground. Bottom up, not just top down. There is absolutely no doubt in my mind: negotiating summitry must not get in the way of actually doing things that close the gap between our climate goals and our actual emissions.

Action to reduce deforestation, for example. With funds pledged and ready, we need more action to save the forests and our planet's own ecosystem's ability to absorb carbon.

Action to encouraging more countries to make emissions pledges, and action to encourage those who have made pledges actually to deliver on them; Action to bring powerful greenhouse gases like hydrofluorocarbons into the Montreal Protocol; And one area I want the UK to lead even more is on taking positive steps on climate finance. Many developing countries are committing serious resources to climate change; and we are supporting them both because it is right, and because it is in our interest to do so.

We are on track to meet our Fast Start Finance pledge, with more than £1 billion spent or committed. We're working to leverage private finance through our Capital Markets Climate Initiative. And we've set up the £2.9 billion



International Climate Fund to help developing countries tackle climate change and reduce poverty.

We want to focus our climate finance where it will get results. So the Fund will make at least 15 million poor people more resilient to the impacts of climate change and natural disasters in Bangladesh by 2014, protect 39 million hectares of forests, and help over 2 million poor people access clean energy.

So our commitment should be clear: we will meet our fair share of the \$100bn of public and private international finance per year the world has pledged to provide from 2020.

So we must not see a gap in financing after the Fast Start period ends: I want to encourage other countries to pledge funding beyond 2012. Action on finance, forests and HFCs; these are some of the things we must now focus on if we are to come close to closing the emissions gap. And there is no reason why we should not do them in parallel with negotiations on a climate treaty.

So my final message today is this: I believe that top-down and bottom-up approaches are not mutually exclusive, but mutually reinforcing. They are different halves of one whole: action to cut emissions and protect the planet.

On Sunday I'm travelling to Berlin to meet 45 of my counterparts to discuss how we prepare for Doha and how we raise our ambition levels. The case I will put there is the same I have put to you here today.

Research published this week shows that recent climate change made the 2011 Texas heat wave twenty times more likely than 50 years ago. Here in the UK, extreme flooding – like we saw in 2000 – is twice as likely thanks to man-made climate change. Extreme weather events caused by climate change are not a distant worry: they are already happening.

The call to arms on climate change is growing ever louder. But it risks being lost in the noise of the world's business as usual concerns.

But it must be heard. At my first international meeting on climate change three months ago, I was struck by an impassioned speech by a Minister from a small Pacific Island – when he argued that some countries' right to develop were in conflict with his people's right to survive.

That's our challenge.

So we must reject those who argue that action on climate change and economic growth are incompatible. Those who claim that the EU is ineffective. Those who pretend that multilateralism cannot deliver.

And I'm determined that my Department and our Coalition Government is front and centre in those arguments. Thank you.