

5th October

Rt Hon Alan Johnson MP, Secretary of State for Trade & Industry

CLIMATE CHANGE - THE BUSINESS FORECAST

I am delighted to share this platform with Margaret, James and John. And to have the chance to talk about this vital issue. Every day, we are reminded of the threat of climate change. Last week - new research showing arctic ice at its lowest level ever. Last month - the horrific flood of New Orleans, bringing a vivid picture of what rising sea levels could do to our cities. Last year - one of the hottest years ever. Twenty years ago, those people who warned against global warming were considered to be eccentric - the sort of people who ate lentils and listened to the Incredible String Band. For every person who said climate change was a threat, there were a thousand who said it was scaremongering. For every company "going green", a hundred whose mantra was "business as usual". When Margaret Thatcher's Chief Scientific Adviser warned her of the threat from global warming, she is alleged to have said, "Are you seriously telling me I should worry about the weather?" The Rubik's Cube of national opinion has been turned over several times since then. And all of the squares are now falling into place.

As we can see today, there is a growing consensus. Between the environmental lobby, public opinion and the scientific community - and now, after Gleneagles - the world community. Gleneagles was groundbreaking. It was the first time ever that the leading nations of the world acknowledged: that climate change is real; that human activity is contributing to it; and that there was a need for urgent action to tackle it. Gleneagles also laid the first vital steps towards a post-Kyoto world. It was a real achievement of our G8 Presidency that we should nurture and sustain. Tackling climate change has always been a priority for this Government. In Opposition, we committed to reduce carbon emissions. When we came to power in 1997, Margaret Beckett - one of my predecessors as Secretary of State for Trade and Industry - and Gordon Brown introduced the climate change levy. The levy achieved the trick of having a neutral effect on revenue and a major effect on carbon emissions. Since then, we've had the Performance and Innovation Unit report. And the 2003 Energy White Paper - which set the ambitious target of 20% renewable energy in the UK by 2020. We've also pushed for emissions trading in Europe - making carbon reduction not just an environmental goal, but a business imperative. As a result of these changes, we're in a strong position. We have a broad mix of energy. Our greenhouse gas emissions are reducing.

And, last year, we produced a record level of energy from renewables. This year will see the largest ever increase in renewable generation in the UK. But we face serious challenges.

Oil prices are at a record high with North Sea production declining.

We are in the transition from being a net exporter of gas to being a net importer.

Nuclear reactors supply a fifth of our energy. But they will all be decommissioned by 2035 with most out of service ten years earlier.

We need to deal with these challenges.

That is why the Prime Minister announced last week that we will come forward with proposals on energy policy next year.

Whilst we need to decide whether to commit to nuclear new build, this will be in the context of examining our entire energy mix.

Not just based on what energy markets look like today, but what they will look like in twenty, thirty and forty years' time.

In particular, we need to look at all of the new technologies available to us.

At the exciting developments in carbon sequestration.

At emerging renewable technologies such as offshore, wind, wave and tidal power.

We need to have a hard-headed look at the latest nuclear technology to see if the issues around cost and waste make it a viable and acceptable form of generation compared to other options.

We must make sure our environmental focus does not put business at a competitive disadvantage.

We know we can only lead successfully by working with the business community.

Which is why events like today and organisations like the UK Business Council for Sustainable Energy are so valuable.

What business says time and again to me is that they need certainty. Policy frameworks that are clear, coherent and committed.

Today's message to business is blunt. "Business as usual" is the wrong approach.

The world is becoming carbon conscious and business needs to be carbon conscious too.

Many of our best businesses are already well ahead of the game.

Like Cinergy - which James will talk about in a minute. And Centrica.

Or BT - which has almost halved its CO₂ emissions in the last ten years.

And GE - in America - which aims to boost its energy efficiency by 30% by 2012.

These are just a few examples.

But there are many other businesses investing in smarter energies and finding new efficiencies; harnessing new technologies and introducing new initiatives like paperless planning and online offices.

Many companies are also taking forward potentially transformational technologies such as carbon capture and storage.

Today I'm delighted to announce the establishment of the Carbon Capture & Storage Association. The group brings together eleven companies - several of whom are here today - all looking to eliminate greenhouse gas emissions from fossil fuel usage.

Their work will complement the forty million pound Carbon Abatement Technology Strategy that we announced in June.

Just before I close - we all know that this problem will not be solved over the next couple of days. There is no pouch of fairy dust to sprinkle over these complex issues.

We need to work at this together over the long term.

I'm delighted to see the momentum within the business community, the way that you are seizing the carbon agenda.

The challenge for us in Government is to harness this enthusiasm from the business community, to develop an energy policy for the business community. Securing safe and sustainable energy for everyone. This is the major political challenge of our age.

Environment Secretary Margaret Beckett's keynote speech at "Climate Change:

The Business Forecast" - London, 5 October 2005

<http://www.defra.gov.uk/corporate/ministers/speeches/mb051005.htm>

An agenda for action across business and government

1. Ladies and Gentlemen, I am very pleased to welcome you here today.

2. The fact that Alan and I have jointly invited you here, and that you have made it a priority to come, is a reflection of the fact that climate change is an issue rising up the agenda, both politically and in the Boardroom. I hope that this conference will raise awareness of the vital role that businesses and governments play in tackling climate change, and illustrate how many positive things there are that businesses can do, and that many are already doing. I also hope that it will provide us with an invaluable insight into the views of businesses on climate change and the key challenges for the future.

3. Let me start by reminding you how important this year has been. It was only at the beginning of the year, after much debate, the Kyoto Protocol came into force, following its ratification by Russia. We had a very interesting series of telegrams from our embassy in Moscow informing us firstly that they had bought the champagne, but it was too early to open it, then that the champagne had been placed in the fridge, then that they had laid out the glasses, then finally we celebrated allowing ourselves a small glass of champagne on 16 February. Although the Kyoto Protocol was a painstaking process, and a vital signal, we must remember it is only a small first step. The important task now is to implement Kyoto and to work with the international community to identify the next steps.

4. The Prime Minister has played a vital role in helping to place climate change firmly at the top of the international agenda through our dual presidencies of the G8 throughout this year and the EU in the latter part of the year. You will hear more about the agreements reached at Gleneagles later, including from Sir Michael Jay, the Prime Minister's personal representative in the negotiations. But I was very pleased with the outcome, including the consensus on the science, the agreement to take practical action with the aim of significantly cutting emissions - and to do so urgently - and most of all with the commitment by all of the G8 countries to moving forward the global discussion through a dialogue that will culminate in discussion at the G8 in 2008 under the Japanese Presidency.

5. The Montreal Conference is the next step on the road. It will combine the work needed to get Kyoto off to a flying start, along with wider discussions about how the international community can take forward action internationally beyond 2012 when the first Kyoto commitment period ends. Clearly that is a discussion of real importance to the business community.

6. There are inevitably huge sensitivities, and it will not be easy to reach a consensus. I hope that we will be able to capitalise on the

momentum of this year to begin the processes that we need to look ahead. But if we succeed in Montreal, it will be just the beginning. No-one should be expecting to see an agreement this year on the type and scale of commitments beyond 2012. The negotiating process itself will take time - in our manifesto, we set ourselves the objective of securing a final deal by 2010 - which I know some people will think this ambitious.

7. I fully recognise that this leaves considerable uncertainty and that this has a real impact on your businesses. You are required to make investment decisions now that span well beyond 2012, and you cannot wait for years while governments work their way through complex political talks.

8. You will need to look for early signals from the science and from politicians, and you need to be well-informed enough to look beyond the exciting and conflicting headlines. But the signals we have seen in 2005 point in one direction - a future in which there will be ever tighter constraints on the amount of carbon dioxide and the other greenhouse gases emitted to the atmosphere.

9. First, the science - as Jim Rogers said this morning - the debate about the science is over. For an ever-reducing minority, there is an ever-shrinking area of doubt in which to seek refuge. The scientific conference which we held in Exeter, where the scientific community with representatives from across the world, met in February this year concluded that there was "greater clarity and less uncertainty about the impacts of climate change across a wide range of systems, sectors and societies".

10. The science has also been giving us for some years now with enough information to know that deep cuts in emissions, leading eventually towards virtually zero, will be needed to stabilise the climate. And I think this is key - this debate has always been characterised as leaving a legacy to our children and grandchildren - never mind the next 200 years, if we do nothing in the next 10-20 years we are sailing in uncharted and dangerous waters. To avoid severe climate change global emissions must peak and start to decline in the next couple of decades.

11. And politicians are starting to respond to that information with signals on the long term direction of policy. The UK's energy white paper, written with the DTI, in 2003 set the objective of a 60% cut in CO₂ by 2050, in the context of similar cuts in all developed countries. European Heads of Government have set in hand analysis of how medium and long term reductions in emissions could be achieved, looking at cuts of up to 30% by 2020 and 60% by 2050. The writing is on the wall for those who are able to read it.

12. Papers presented at Exeter also showed that the longer the world delays in reducing emissions the higher the costs. And, if we have to take drastic action to reduce emissions very quickly, because we have not done enough already and that will entail far greater economic cost. By comparison, the cost of taking action now is thought to be relatively small. But we do not yet know enough about the economics of climate change. So I am delighted that our Chancellor has asked Nick Stern, who some of you will know from

the World Bank, to carry out a project on world economics. I am sure will be an important contribution to the international debate.

13. G8 leaders recognised the serious and long-term nature of this challenge in July, and agreed to act with urgency to tackle it. The practical measures they agreed focus on using the technology we have now to make a real difference to our emissions straight away. Alan will say more about that in a moment - but I want to give one example that demonstrates how serious we are about implementing these actions, in cooperation with other countries. In September, the Prime Minister announced at the EU-China Summit a project to explore the options for near-zero emissions from coal-fired power stations through the use of carbon capture and sequestration, a technology with the potential to reduce the impact of one of the fastest growing sources of emissions.

14. G8 leaders also agreed to continue a Dialogue on climate change, clean energy and sustainable development, including with the participation of China, India, Brazil, South Africa and Mexico. This new Dialogue, to which Steve referred, will, I hope, provide a shared space to address the strategic challenges of transforming our energy systems to create a secure and sustainable energy future, and may help us to come to shared understanding of the agreements we can reach in the UN process. The Prime Minister himself will participate in the first meeting of this new Dialogue in London on 1 November.

15. Business has already made an important contribution to the political debate in 2005. I have particularly valued the contribution of the Davos Business group on climate change, and the new Corporate Leaders group on climate change that Alan Johnson and I met recently. Their recognition of the business opportunity as well as the and challenge of climate change, and the need for clear policy signals to support investment decisions, has been an important message for us already. I hope that the business sector, through this conference, these groups and other fora, can continue to work closely with us on the development of a policy framework that will support the development of a low carbon economy, both domestically and internationally.

16. Finally, I want to turn from discussion of international politics towards looking at how we can take positive action to control the emissions that we generate through our own activities. Minimising the environmental impact of our G8 Presidency has been an important priority for us this year. Some emissions, such as those attributable to air travel for G8 delegates, have obviously been unavoidable. All of this year's G8-associated meetings, including the event taking place here over the next 2 days, have been accounted for in a Defra-led carbon offsetting initiative. All transport, energy use and event accommodation surrounding all these conferences has been included in the assessments. Work is currently underway to offset our EU Presidency in the same degree.

17. In June we stated that our preferred offsetting method would be investment in a Gold Standard Clean Development Mechanism project located in Africa. It now gives me great pleasure to tell you this morning that the

emissions attributable to our G8 Presidency are to be offset over the next 2 years via investment in an Africa-based Gold Standard CDM project. The energy efficiency project, run by Cape Town City Council in association with SouthSouthNorth, in a low income housing area in Kuyasa, Cape Town, South Africa. It is the first Clean Development Mechanism project in Africa to be accredited anywhere and we will purchasing the first 10,000 carbon credits to be issued. Using this method I hope helps to demonstrate the UK's lead on carbon offsetting and continuing support for the Kyoto mechanisms. Our Presidency of the G8 is the first to have its emissions offset in that way and, in conjunction with minimising the environmental impact, is the most sustainable G8 Presidency to date. Businesses too are taking the initiative and attempting to minimise their environmental impact finding a way to become carbon neutral.

18. The opportunities to drive positive change are there and clear. I am looking forward to a stimulating 2 days. And I look forward to hearing what you think about these issues.