

ADDRESS TO THE ABU DHABI ASCENT CONFERENCE BY PRESIDENT FELIPE CALDERON

May 4, 2014

It is more than clear that climate change and global warming are undeniable facts, and they are due to human activity.

And the basic economic argument to take action is very well known: the cost of inaction is proving, once again, to be higher than the cost of action now.

The key question is: if the picture is so obvious, why have we not taken action to address climate change? If that is so clear, why when you environmental ministers call for action, your fellow ministers in government just don't follow your advice? Why are so many CEOs so skeptical and some of them simply don't care?

Part of the problem is that, for many decision takers, fighting climate change means huge economic sacrifices.

Basically, they assume that there is a dilemma between taking action against climate change and promoting economic growth.

If that dilemma were true, we can understand! Governments, particularly in developing countries, cannot be expected to give up economic growth and poverty reduction in order to fight climate change.

And if governments and congresses are reluctant to act, no wonder businessmen are reluctant. As my friend Paul Polman, a member of our Commission noted: for most of the people who decide the flow of money - whether to invest in oil sands or solar cells - they are simply not convinced that governments are serious about the transition to a low-carbon economy.

However, it doesn't have to be that way. We believe that the trade-off between economic growth and tackling climate change is a false dilemma. It is possible to promote economic growth, job creation and poverty alleviation, and at the same time reduce emissions.

If we can demonstrate that, if we can design the path to a growing economy with lower carbon emissions, many decision makers will change their minds.

That's why we organised the Global Commission on the Economy and Climate. This Commission consists of a group of former heads of government, former finance ministers, heads of international organizations and prominent business leaders. This includes my friends Paul Polman and Helen Clark who spoke today.

Its purpose is to look at this issue with a fresh perspective - one that coincides with the priorities of governments and businessmen that, frankly speaking, are not related with climate change. Their priorities are growth, jobs and profits.

So, our aim is to push the discussion on climate change, not from the environmental perspective but from the economic side.

In other words: The IPCC has spoken loud and clear about carbon emissions. Let's talk now about profits, rates of growth and jobs as well.

Science has rested its case. It's time to make the economic case.

"The New Climate Economy" report will carry out rigorous economic analyses of options to move toward a low carbon economy, and its economic implications and it will be published in September before the United Nations summit.

What we try to describe is not the same boring old story, plenty of apocalyptic prophecies and exhortations to sacrifice. The story we want to is one of success, a new story of prosperity, a global economy in which countries can accelerate economic growth while reducing emissions. Indeed, the new climate economy will be better than the current economy.

How do we think this can be done?

As you know, the world economy has more than doubled in size since 1980 and is expected to almost double again by 2030.

The basic idea lies in the fact that if we need to build, in let us say 20 years, an additional economy equivalent in size to the current economy, that economy could be either carbon or low carbon intensive. Let's do it in the right way.

Now, a low carbon economy with better economic performance? How is this possible? Let me go through some key issues that we are addressing.

First of all, let's do "no-regrets" actions.

Let's do all the things that not only lead to fewer carbon emissions, but that are good for economies, good for the environment and good for governments or businesses. There are hundred of examples. When I was President of Mexico, we supported the poorest families in replacing old appliances and incandescent lamps for new ones. Forty-four million lamps were changed. It is the same case with energy efficiency for industry or transportation. The New Climate Economy will address how carbon abatement can be achieved by picking these low hanging fruit that are profitable businesses as well.

Second, we need to re-think how we build our cities.

By 2030 at least 1.5 billion more people will live in new urban areas. We can pick the business as usual pattern, exacerbating air pollution alongside intensive consumption of gasoline. Or, as the research will show, design denser, public transport-oriented cities can have a profoundly pro-growth and pro-environment pay-off.

Third, we need to provide low-carbon energy to a growing population.

As Al Gore says, the good news is that these technologies exist and their costs have fallen dramatically. In a growing number of countries, solar and wind generation are cheaper than fossil fuels. This could have sounded very naive a few years ago. Today, it is completely possible.

Look right here in Abu Dhabi which has the world's largest concentrated solar power plant with 100 MW. It has implemented the region's first mandatory energy efficiency standards. And in Masdar City, it is demonstrating what future cities can become.

At the same time, we need to reverse growth of coal consumption. Natural gas is ok as a substitute for now, but it is not enough. In the long term, we simply must succeed on Carbon Capture and Storage technologies.

Fourth, we need to stop deforestation

Today, 15% of carbon emissions come from deforestation and degradation of the soil. Environmental service payments, ecotourism and forest industries, managed in a rational manner, can reduce emissions and provide growth and jobs for the poorest people.

Fifth, let's promote and finance a double green revolution.

Green to feed people and green to prevent deforestation. Improving agricultural technologies is crucial. Technology and best-practices like those put in place by the Consumer Goods Forum, should be implemented.

Sixth, we must promote aggressive investment in disruptive innovation.

Innovation like renewables, carbon capture and storage, energy storage and more productive infrastructure. The New Climate Economy team is finding strong economic opportunities associated with smart innovation policies, and an important role for both the public and private sectors.

Look at the power of innovation; consider Tesla, the first major new car company in the US for over 30 years. Despite the fact that Tesla sells less than 30 000 vehicles a year, it is currently worth half of the market capitalization of General Motors, which sells over 7 million cars a year. Innovation is good for environment and good for business as well.

My seventh point and final point: Let's end economic uncertainty and establish the right economic incentives once and for all.

Probably one of the most expensive, non-estimated costs of the current economy is the policy ambiguity on climate change. We need to defeat the strategy of "wait and see" that most governments and companies have.

Many global companies are actually incorporating an internal carbon price, in preparation for very possible external carbon price. They realise that such a policy will be implemented sooner or later. However, they are delaying green investments because of uncertainty. This policy ambiguity raises the cost of capital and the transition itself.

This green economic future will not happen by itself. Strong decisions should be made at the top levels. Acting in a partial and timid basis will not fix the problem. Inconsistent policy settings and isolated steps confuse investors and induce costly "hedging" behaviour as economic actors invest in both brown and green assets and increase the cost. We need to provide strong signals and clear political policies.

Only policy certainty creates confidence and jobs, de-risks R&D and lowers costs. Policy certainty will trigger investment in low carbon, generating huge benefits for first movers.

None of this will be possible without establishing the right economic incentives and some form of carbon pricing mechanism that helps the transition to renewable energy.

Nobody is pretending we can fight climate change without costs – but we must see these costs as an investment into a better future, one with high rates of return. We must acknowledge that any change in our current economic model will result in winners and losers. We will have to support the losers with bold mechanisms for a fair transition to the New Economy.

Phasing out the subsidies on fossil fuels for instance, could provide the capital needed for these investments, to compensate affected sectors and countries and provide powerful signals to the capital markets.

Ladies and Gentlemen,

In the last 25 years we have seen the fall of the Berlin Wall, the rise of the internet, the incorporation of China to the market and the building of a truly global economy. Whether we like it or not, our economies will undergo major structural changes over the next 25 years as we adapt to a changing world.

The decisions we all take this year will start to shape that future, and determine its path.

Let's work together to define the new climate economy. Let's work to face, united, the most important challenge of the twenty first century.

Thank you.