

The EU approach and International Perspectives on Climate Change
Speech by Stavros Dimas, European Commissioner for the Environment

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Ladies and Gentlemen,

Let me start by thanking everyone for coming and for giving me the opportunity to address you on climate change. In particular, Terry, I should express my appreciation to you and the World Environment Center for organising this event. The WEC has a long history of successful work in improving the global environment – by incorporating sustainable development in the business strategies and practices of global companies in partnership with government and other stakeholders. In many ways, the WEC reflects the European Union's approach to sustainable development, and I am glad to be here today.

Climate change is an issue which has risen up the agenda, as we have realised its full implications, and it is now recognised as one of the major global challenges of our time.

Climate change is a reality - it's both a global challenge and an opportunity for all. Europe's climate debate has been driven by three major considerations:

- **first by early acceptance of the ever-strengthening scientific evidence of change.**
- **Second, by the conviction that a shift to an energy-efficient, low carbon economy is the key to Europe's future economic wellbeing. A clear and ambitious climate policy will give Europe a first mover advantage in an increasingly carbon-constrained world.**
- **And thirdly, more than anything, we need an effective global response. Europe's approach is very much one of leading by example, to encourage others to act.**

The message from the Intergovernmental Panel on Climate Change (IPCC) in its Fourth Assessment Report released last year is alarming. Unless we drastically reduce global greenhouse gas emissions, temperatures could soar up by more than 4 degrees Celsius by the end of this century.

In historical terms, these are enormously rapid changes, posing a challenge not just for polar bears, other endangered species and ecosystems, but also for people - our housing, infrastructure, livelihoods and lives. The impacts are already being felt, and all parts of the world will come under more stress in coming decades. Just one example: water supplies from glaciers and snow cover are projected to decline drastically this decade, threatening the water supply of one billion people- or one sixth of the world's population- who depend on melt-water from mountain ranges.

This calls for strong and urgent global action. The most efficient way to avoid the damaging effects of a changing climate is to reduce greenhouse gas emissions steeply and rapidly. The EU's objective is to limit global warming to at most 2 degrees Celsius above pre-industrial levels. This allows us to avoid the worst impacts. It requires halving global emissions by 2050 compared to 1990. We are looking to rally all countries behind this.

The UN climate conference in Bali in December brought the breakthrough we needed, launching negotiations for a post-2012 climate change agreement. It engages all parties, including the US and emerging economies. The structured negotiation process will cover all key elements needed in a future agreement- the level of ambition, mitigation of greenhouse gas emissions and adaptation as well as how to make available the necessary technology and finance. A new international agreement on climate change is essential. Only global action – under the leadership of developed countries but with a contribution by emerging economies - can deal effectively with this global challenge.

The EU is determined to lead by example. In March 2007 EU leaders committed to two targets for reducing EU emissions from 1990 levels by 2020. A cut of 30%, conditional on other developed countries agreeing to comparable efforts under the future global agreement, and a reduction of at least 20%, independently of what other countries do, in order to continue the transition to an energy efficient, low-carbon economy in Europe.

In January of this year, the European Commission issued a package of climate action and renewable energy proposals that allow both the 20% independent target and the 30% target if there is an international agreement to be met.

The package includes proposals for a wide set of measures that will enable the EU to achieve sharp cuts in greenhouse gas emissions and a major increase in renewable energy by a combination of cost-effective action through the carbon market, the EU ETS and a fair effort sharing between Member States. It ensures that our 2020 targets will be met, by setting legally binding targets for each Member State to reduce greenhouse gases in sectors not covered by the EU-wide Emissions Trading System, and to increase the share of renewables in energy consumption so that across the EU this reaches 20% by 2020.

And it will do so at a manageable macro-economic cost of just some 0.45% of GDP in 2020, which is far less than the most optimistic estimates of the cost of letting climate change simply happen. For example, the Stern review estimates the potential long-term costs of climate impacts, if no action is taken, at between 5 percent and as much as 20 percent of annual GDP.

I will not go into the detailed contents of the package – there are thousands of pages of legal and explanatory text on our website. Instead I would like to focus on the important principles underlying our proposals and the contribution they will make to strengthening climate action globally.

The European Commission's package will help the forthcoming negotiations by setting an example to others. By implementing the most ambitious set of climate and energy targets anywhere in the industrialised world we are showing our partners that making

the deep emissions cuts necessary to avert dangerous climate change is fully compatible with continued economic growth and prosperity.

Our approach to effort-sharing between different countries is the second aspect of interest for an international agreement. To reduce emissions from parts of the economy not covered by the EU Emissions Trading System – which means more than half of total emissions - we are proposing a fair distribution of the effort among Member States based on GDP per capita. This differentiation leads to national emission targets for 2020 ranging widely from reductions of 20% for the wealthiest Member States to allowing an emissions increase of 20% for the poorest.

Thanks to this approach less prosperous Member States will have room to continue growing their economies but will still need to keep their emissions below 'business-as-usual' levels. We are, in fact, giving practical effect in the EU to the international principle of "common but differentiated responsibilities."

The Commission's package foresees that the EU's emission reduction targets will be scaled up automatically and proportionally in line with a higher international target. This means we are fully prepared for making a cut of up to 30% by 2020. We are also creating a strong incentive for third developing countries to join the future global agreement by proposing that only emission credits – CDM and JI-from countries that ratify it should be accepted within the EU.

My third and final point concerns the EU's cap and trade system. Putting a price on carbon is the vital 'pull factor' needed to ensure a healthy market for clean technologies. It's a major driver for innovation, for the creation of markets, and for future economic activity. Emissions trading is the key tool for achieving emission reductions at least cost. A cap and trade scheme gives companies policy certainty at the same time as the flexibility and freedom to find the most cost-effective ways of cutting their emissions themselves. Doing more for less allows us to be ambitious. For us there is no question that the global carbon market must play a central role in an efficient post-2012 climate agreement, playing an important role in mobilising the private investment needed to tackle global climate change.

The EU's trading system is the largest global scheme, and is linked to external credits under the Kyoto flexibility mechanisms. This makes it the main driver of the global carbon market.

- We are setting a clear long-term carbon price by spelling out the linear decrease in allowances we will apply up to 2020 and beyond.**
- We are simplifying the ETS by setting a single EU-wide cap doing away with national caps**
- We are opening up for linking to other mandatory cap and trade systems, including sub-national systems.**
- We are proposing a move towards full auctioning of allowances which will make the EU's trading scheme more efficient.**
- The Commission is fully aware of the impact this could have on certain sectors in the EU if no new international agreement were reached, or if no sufficiently stringent emission restraints were imposed. That is why we will review the situation once the international negotiations have been concluded, and why we envisage taking**

appropriate measures if necessary, including granting up to 100% free allocation for sectors judged to be particularly vulnerable to international competition.

I believe that with these modifications, the EU's emissions trading scheme is a solid building block for a future international agreement on climate change and for the global carbon market needed to ensure emission reductions at least cost.

The European Union's vision is clear - we need bold action now to start the transition to a low-carbon economy. We are convinced that global greenhouse gas emissions need to be cut to at least 50% of their 1990 levels by 2050, to avoid the worst impact of climate change. The EU is calling on developed countries as a group to reduce their greenhouse gas emissions by 30% relative to 1990 levels by 2020 to get on the right path.

In the upcoming international agreement, developed countries must take on board national, economy-wide targets for absolute emissions reductions, backed with a package of effective domestic policies. By showing our commitments, and putting in place the mechanisms to support global action, we can engage fast growing developing countries in stepping up their contribution.

Our message is that leaders from the US and the EU, from across the developed world, leaders with vision, can work together to reduce greenhouse gas emissions; can put in place the tools at home and globally that are so essential if we are to succeed in tackling the greatest challenge of our generation.

We welcome greater engagement by the US in negotiations on a post-2012 climate agreement and the readiness recently expressed in taking on internationally binding commitments. We look forward to the US taking on international binding, economy wide commitments to cut emissions in absolute terms, as other developed countries have. EU leaders have committed to transforming Europe into a highly energy-efficient, low-carbon economy. This is an opportunity also for the US. In an era of high energy prices and increasing global competition for fossil-based energy resources, meeting this ambition is essential for improving our energy security and strengthening our competitiveness – the keys to our future prosperity.

We hope that others will draw on our experience. Climate change could radically alter our environment and lives. To prevent this, we must alter our economies and habits to make them sustainable. Developed countries have the means to take the lead. The sooner we start, the lower the cost and the greater the benefits for all.

Thank you.