

Mr. Chairman, Commissioner Dimas, Minister Morley, Ladies and Gentlemen

First of all thank you very much for inviting me to speak at this conference. The European Climate Change Policy has been one of the cornerstones of the EU environmental policy and the entry into force of the Kyoto Protocol earlier this year was a major achievement, many did not think possible. To achieve this important milestone, EU's determined leadership has been a major factor and today's conference to launch the second stage of the European Climate Change Programme is another important step.

Over the past years the debate about Climate Change and the Kyoto protocol has been far from easy. It has involved many stakeholders with inevitably widely differing views, it has presented us with scientific interpretations on both sides of the divide and we have seen advocates for a variety of approaches, from relying entirely on technological solutions to enforcement of ambitious reduction targets. However, common sense has prevailed so far and there seems to be building an increased consensus on a solution that would combine the positive aspects of a variety of approaches.

The position of our industry is that whereas not all stakeholders are equally convinced of the scientific proof that the changes in global climate can be substantially linked to man made greenhouse gases, the potential risks associated with climate change are too large to be ignored. It would therefore be irresponsible not to contribute to actions to either reduce the adverse effects or adapt to potential consequences.

However, can the EU make the difference?

It should be recognised that EU's contribution to GHG emissions, while not insignificant, are relatively small compared to those from other parts of the world where economic growth drives increased GHG generation.

However, the developed world energy intensity is high and the developing world has every right to improve their standards of living too. It is therefore unavoidable that the developed economies reduce GHG emissions and to make any impact this obligation must be shared by all major players.

This is of course also true for within the EU where distribution of reduction obligations is still a cause for concern. At present the main focus for achieving the Kyoto obligations rests still with industry via the cap and trade system. As a consequence, large and growing contributions from other sectors remain as yet unaffected and CO2 emissions are trending upwards.

It is therefore essential that remaining sectors like agriculture, transport and domestic must be brought under control now.

The Commissions initiative to stimulate energy efficiency is clearly a powerful and important step in the right direction. We are looking for the Council to provide unqualified support to this initiative which in our view should adopt two complimentary approaches, (1) the stimulation of the development and use of energy efficient equipment including most importantly a more efficient vehicle fleet and (2) the raising of the awareness among ordinary citizens that their

own behaviour matters greatly to solve the climate change challenge. In this respect the current high energy prices may provide a further stimulus.

Competitiveness

As long as Europe goes it alone, concerns on the impact on EU competitiveness will remain. It is for this reason that we have always emphasised the need to achieve the already committed targets in the most cost effective way. In this context the introduction of the European Emissions Trading System, which is still poorly understood by many, is an important step. This should be accompanied by allocation of free allowances rather than auctioning, and unrestricted use of JI and CDM mechanisms also in future periods.

I believe it is widely recognised that partly due to time pressures many Member States were under, the allocation of allowances by Member States was far from perfect, but we are in a learning by doing phase and we hope that the regulators will continue to act in this spirit. There is clearly scope for improvements: clarity and consistency of allocation mechanisms can be enhanced and in the medium term we must find a way to address some of the inequalities created by the burden sharing agreement.

Post 2012

It is clear to me that efforts to reduce GHG emissions must continue beyond 2012 but this should be achieved as part of a global initiative. The EU can continue to play a pivotal role in this debate, but it should avoid to become isolated by pushing for too much too early. As we all know leadership has only value if others are prepared to follow. And those followers better be significant contributors to GHG generation in the global context.

Future efforts should also cover all sectors and all GHG's so that market liquidity is assured.

The essential global commitment will also address the concerns on competitiveness and will also provide the potential markets for climate friendly technologies from which innovative EU industries may derive significant business opportunities. It should provide a long term perspective for investment decisions and reassure all stakeholders that everyone is making a contribution.

But how can we assure global engagement?

As a first step the EU should where necessary raise awareness and secure alignment for the view that the Climate Change threat could affect us all and that we should therefore all benefit from solutions that are achieved through active involvement and participation of the entire world community.

Contributions to the solutions should be proportional and it should be recognised that appropriate actions can be different across the world. In emissions intensive, developed economies it may well be necessary to turn to ways to reduce total emissions, whereas the emphasis in developing nations may be on achieving growth in a significantly less energy intensive and more

sustainable way. In this context the role of energy efficient technology transfer could be significant.

At this stage it would seem unlikely that there could already be agreement on hard targets and insisting on these may prove counterproductive. Debating concepts of emissions intensity (per capita or GDP) may prove a better way to move forward, particularly since this may create opportunities for developing countries to generate incremental income from flexible mechanisms, and could particularly stimulate early entry into a new climate agreement. There could also be positive synergy between efforts to alleviate poverty, technology transfer and wealth creation. In this context better functioning of CDM should be given priority.

Now let me return to the EU.

The latest data on CO₂ emissions create significant concern as to whether the EU as the “world leader on climate change” can deliver on its own promises. To not do so would not only be most embarrassing, it would rob the EU of the opportunity to claim the moral high ground.

So how do we fix this?

The most promising avenue is energy efficiency, a policy that is fully under our own control and for which we can blame no one if we do not deliver. But it does require full commitment from Commission and Member States and a concerted effort of all stakeholders to offer more efficient technology and to promote a change in behaviour among consumers.

It will also require the EU to align its policies:

- Transport should stimulate a shift to more efficient and lower carbon technologies and transport modes. This can only be achieved if credible alternatives are offered in terms of equipments and modes that meet the requirements of the customers.
- Europe should concentrate on using low carbon and renewable energy sources in the most efficient way and on reduction of energy use. In this context support systems that stimulate use of lower carbon options should be differentiated to promote the most carbon efficient options. This will require certification of low carbon fuels.
- Development of technological solutions should be stimulated to avoid that we leave this field open to the competition from other major economies. There should also be rapid promotion of Carbon Capture and Storage along the lines presented by our industry recently.
- Agriculture may need to take another look at production of crops which would naturally be better and more energy efficiently grown in other parts of the world. Less production equals less GHG's.
- And finally stimulation of the development of energy efficient technologies for which markets may be developing quickly if global engagement can be achieved, would seem to deserve a significant priority. It would also reinforce the Commissions arguments that Kyoto could contribute to EU industrial growth and employment.

Thank You for your attention