

Speech by Commissioner Danuta Hübner
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Climate change is a big and truly common challenge, although its impact is regionally different. Ironically, impact on deprived regions in the world seems to be relatively worse than on the economically developed countries; i.e. tropical zone is more negatively affected than moderate climate zones such as Europe and North America.

I belong to the club supporting the idea that advanced economies need to take the lead in mitigating effects of global warming. We need to start at home first, before we can ask others – the emerging and developing economies – to follow. For reasons of fairness and conscience, and also pure egoism. The EU has taken important steps and I will elaborate on them in a second. But all developed countries, also the US, need to take decisive steps to green our economies. International negotiations should reflect this. But joint global efforts must not end at the developed world, either.

If one insists on finding a bright side in the price change on energy markets, one can say that high oil and energy prices should help in the endeavour of preventing and mitigating the climate change. Price levels are still high, although currently falling again. We now have a unique opportunity to let market forces work towards our energy saving and environmental goals. Additional incentives and support for energy saving and other mitigation technology development could help to achieve them faster.

In this context let me say that I do not see as a potential solution the subsidising of energy consumption in developing countries. Direct subsidizing to energy consumers distorts markets and incentives. Undistorted price signals need to reach the energy consumers in order to trigger behavioural change. With subsidies, capital investment is biased away from energy efficiency, which may negatively influence the structural evolution of the economy.

Subsidies mean that money is often misspent from distributional point of view. It would be much better – from equality perspective - to invest these resources in

education and infrastructure. Subsidies impose mounting fiscal burden as energy prices rise, diverting money that would be better spent on neglected public infrastructure.

As we insist so much on the importance of growth, I would like to emphasize that there is a need for emerging economies and developing countries to nurture a new way of thinking – rejecting the idea of thinking of growth today and climate change tomorrow.

The need of new thinking about growth strategies as of day one means that it is a big mistake to grow first and clean up later. It is too costly, both financially and in terms of human, animal and crop health. Countries that grow fast – as emerging economies – often also pollute fast. Growth strategies should take account of the cost of pollution from the outset, even if they do not immediately adopt the toughest environmental standards upheld in rich countries.

Climate change is a big opportunity from the point of view of structural change. It is also a big business opportunity. Structural change is triggered and shaped by both market forces and policies. They can indeed be powerful instruments if mutually reinforcing. If well designed, policy priorities are reflected in business investment decisions.

This is the philosophy behind the EU climate change and energy legislative package. European Council decided that EU was committed to transforming Europe into a highly energy-efficient and low greenhouse-gas-emitting economy. Targets by 2020 were established:

- Reduce greenhouse gas emissions by at least 20% compared to 1990 – this is a firm independent commitment. This reduction target will be increased to 30% when a global and comprehensive post-2012 agreement is concluded.
- Increase share of renewable energy in EU final energy consumption by at least 20%. To this end, national overall targets for each Member State are established.

The EU new green regulatory framework, while bringing changes to policy measures, sends also concrete signals to markets to develop eco-technologies. All EU policies are harnessed to support achieving those goals.

Cohesion Policy: allocated €104 billion (30% of total budget) to support the environmental revolution in the broad sense. Areas of support include: direct investment in the traditional sub-sectors of water and waste management, air quality and rehabilitation of contaminated land, as well as indirect investments that also contribute to climate change mitigation and adaptation such as sustainable transport, renewable energies and energy efficiency.

Climate change is a big business opportunity for mutual benefit. Today advanced economies either have the ecotechnology or can develop it. The EU eco-industry - which contributes 2.1% of the EU GDP and 3.4 million jobs - has a significant share of the world market, particularly in water and waste management sub-sectors (50%), and in the renewable energies sub-sector (40%).

Emerging economies have the opportunity to install production plants meeting the Western world “normal” but not necessarily the strictest environmental standards. Experts say it is difficult to upgrade existing plants later, better to think about green technologies from the outset.

Expensive, you say? Think of Beijing during the Olympic Games: it was feasible to switch off industrial production plants to keep pollution at bay was extremely costly - in terms of profit shortfalls. Take also the example of Eastern Germany: Unique opportunity after fall of Berlin wall to upgrade all infrastructure, also production sites. Yes, it was costly, and Eastern Germany was swamped with money from the western part. But in the end, infrastructure got more modern than in former Western Germany. These examples can, to some extent, be translated into the global setting.

Benefits for emerging economies and developing countries are clear in terms of lower negative externalities. Potential obstacles are higher direct costs and how to finance them. But let's work on this. There will be solutions.

It is true that upfront investment in cleaner production technologies means high costs. But costs are lower in terms of negative externalities, i.e. impact on human, animal and crop health in the short run and on climate change in the long run. As said before, cleaning up damage to water, soil and air later on is extremely costly – look at negative example of many of the new EU member states, some of which still have to invest billions to meet the environmental acquis – the EU's minimum standards.

On the financing side let me say that FDI seeks high return, hence we see flows into emerging economies. So, financing gap for modern technologies with adequate environmental standards is unlikely. As a precondition I should mention here the need of having an appropriate environmental legislation and standards in place. For developing countries financing gap is unlikely, too, as suppliers of such technologies will seize all business opportunities.

So let's look at climate change as a benefit in terms of a large business opportunity and huge prospective markets. And in terms of cutting-edge technologies, strengthening the global eco-sector. And in terms of institutional framework and regulation at the global level that would facilitate the development of global eco-industries.

So the challenge is to see that the EU regulatory initiative on coping with climate change be paralleled to facilitate the development of a global eco-industry. But also to see how can we give a green spin to our policies in an even better way. What is crucial is the understanding that going for a green solution does not mean going for a cheap solution - but we should go for the green, not the cheap.