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Good morning. It is a pleasure to be back in Berlin, a city I have visited frequently over the past decades, both as Environment Minister visiting the GDR back in the seventies, and later as Prime Minister and as Director-General of the World Health organization. 20 years ago, in 1987, I came here to discuss climate change, energy and the environment. This was when we held an important meeting of the World Commission on Environment and Development here in Berlin.

It was dark in Berlin those days in January 1987. There was a distinct smell of lignite in the air. There were empty streets in West Berlin due to air pollution - Fahrverbot - , but business as usual in the streets of East Berlin. That picture is to me the most graphic description of how far we have come during these two decades.

So far that the Chancellor this year invites the G-8 and the world press to Heiligendamm in her native Mecklenburg Vorpommern and hammers through uplifting policy for climate change mitigation.

Back in 1987 the World Commission had before it the findings of scientists from 30 countries, gathering in Villach, Austria, under the auspices of the World Meteorological Organization, UNEP and the International Council of Science. Already then, these scientists had reached the conclusion that man-made climate change was plausible and probable.

The World Commission's report, building on these findings, led the world to Rio where we adopted the Framework Convention on Climate Change. And this led us to Kyoto.

Now, we are engaged in a new process instigated not least by the latest reports of the Intergovernmental Panel, the Stern report and other compelling documents that have presented new scientific evidence and stark projections for the future.

All of us, I hope, are already convinced that the interlocking challenges of climate change and clean energy are two of the most pressing, urgent and difficult global issues that we face together.

The Stern report has presented estimates of what it will cost to take the action needed. And of how much less it will cost to take early effective action now, as compared to the much higher costs that will be forced upon us if we postpone taking corrective action.

Many of us are uneasy. Again, it seems that the weather has become destabilized already: Here in Europe, the summer we have just had has given many of us pause for thought. Those of us who live in the north of the continent have seen one of the very wettest summers on record; and Southern Europe has been beset by heat-waves and appalling wildfires.

Developing countries are feeling the impacts most strongly, despite the cruel irony that they are the least responsible for causing the problem.

And while we watch, the glaciers are retreating. The Arctic is melting. Just this week, the editors of The Times Atlas of the World announced that for the new edition, they had to redraw coastlines to reflect the effects of climate change.

Think also of the pole-ward migration of species. That yields of key agricultural crops may halve in some African countries by as early as 2050. What would that do to poverty?

And while we discuss and assess, the sea-level is creeping up the shores of small island states.

The world has only a short window of opportunity. And only the United Nations has the universal membership and the global legitimacy to convene us all in serious efforts to take corrective action.

Early this year, I was asked by the Secretary-General of the United Nations to become one of his special envoys on climate change. Our task is to approach leaders around the world to sound out their views and concerns, and identify room for manoeuvre. In brief: We try to explore how we can find the common ground.

My friend and Co-Envoy, President Ricardo Lagos will report to you tomorrow morning along with the Co-Chair of the Global Leadership for Climate Action, Senator Timothy Wirth, The Global leadership is a joint initiative of the Club de Madrid and the UN Foundation. We have met here in Berlin last week to work out a framework and proposals for a new, global agreement on climate change. On mitigation, adaptation, technology, and not least on how we mobilize the finance needed for huge and necessary investment.

For the world to succeed on such a complex ground requires a decision-making maturity that the world has not seen so far in human history.

There are many aspects which are distinctly unique for the situation we are in, but let me mention three:

Firstly, the major effects of climate change will not be felt until long after the political decisions that need to be taken. Even the many natural disasters of recent years may not be enough to open eyes, change minds and significantly expand our room for maneuver.

Secondly, no single country is in control or will be able to opt out. There isn't any business as usual or easy way out of the problem. But this has still not sufficiently influenced the major powers. Still we are struggling with the fact that those who are the least willing often have the strongest say.

Thirdly, and most importantly, we are hampered by a deep-rooted lack of trust. Lack of trust between the industrialized and developing countries. And lack of trust within groups of countries.

Many industrialized countries believe that the developing countries are unwilling and that they are doing too little, and applying undue pressure.

Many developing countries believe that the industrialized world has defaulted on the promise of financial and technology assistance. They see short-term financial moves and little long-term responsibility.

They claim rightly that the rich countries have filled up the atmosphere, and fueled their own

development since the industrial revolution, by burning fossil fuels. And that it is unfair that developing countries should pay for the extravaganza of the north by accepting restrictions. Almost two-thirds of the total emissions are energy-related; one-fifth are from land-use changes and forestation, and the remainder, about one-seventh, are from agriculture and waste management. To limit temperature increases to about 2 degrees centigrade requires a reduction in global greenhouse emissions by at least 60%. Therefore the climate problem cannot be solved without decarbonizing the energy sector. The question is how this can be done in a timely and equitable manner.

Energy efficiency must be at the top of any list for all countries. Although increased efficiency has been long recognized as the cheapest and cleanest source of energy, and despite large opportunities for gains in this area, it has not been pursued by countries as aggressively as the increase of new supplies. The technical and economic potentials for improving energy efficiency are enormous. Improving the efficiency of buildings, appliances, automobiles and factories can help to moderate global climate change while contributing to a more sustainable future.

Unleashing the potential of renewable energy will increase energy and climate security. Again it is a win-win proposition for all countries. Its benefits are well known. Much depends on the incentives. And on further cost reductions.

It is clear: We must make clean energy technologies more available, more efficient, and more affordable. Reducing global emissions by 60% will require a technology revolution comparable to those in the space and telecommunication sectors. But this is precisely what we can hope and expect.

I am a technology optimist. Human resources and ingenuity has the opportunity once again to lift humanity upwards towards new levels of civilization.

A Post 2012 regime must be equitable, workable and accommodate very different national circumstances. Kyoto contains concrete obligations for countries which are only responsible for around 30 per cent of present global emissions. And this percentage will continue to decrease, as China, South East Asia, India, Indonesia, Brazil, Mexico and all the populous countries of Africa continue to grow their economies. The growth is uneven, but the direction is clear, and in Asia, growth rates are the briskest in the world.

A post 2012 regime must give strength and teeth to the notion of common but differentiated responsibilities. This will not be possible unless we focus on equitable solutions and a better and broader range of incentives.

Many countries fear loosing their competitive edge. To be on a seemingly safe side, many are reluctant to undertake obligations that others will escape in the short run.

Industrialized countries will have to take on the greatest responsibility. It is my experience that we, the industrialized countries can take on such obligations, and still benefit as societies.

I believe in the power of political decisions and in human ingenuity.

Through regulation and taxation, through political intervention in the markets, we have solved many of the most severe environmental problems that industrialization has created.

I worked closely with Willy Brandt for decades, and we remember how optimistic , even unrealistic he sounded to many, when he said that the skies would be blue over the Ruhr area. But blue they are!

Experience also tells us: When we change the rules, we always face fierce opposition from those who make their profits based on status quo.

Let me illustrate by one example: Back in 1990, my government introduced a new CO₂-tax on the petroleum industry.

There was an outcry around the world in oil-producing countries: in Norway, in Europe and in the Middle East.

How could a government do such a thing, directed against its own most important industry. Ever since, of course, that business has prospered. But not only prospered. It has reduced its environmental footprint dramatically. And in the end, it also helped reduce costs.

Because new solutions, and new technology was developed to reduce the tax burden.

Today, the climate effect of the production of one unit oil or gas in Norway is one third of the global average, and half of that of other North Sea states.

There is more: The CO₂-tax led to the first ever off-shore carbon capture and storage project. The gas of the Sleipner field contains more CO₂ than the market accepts.

To prepare the gas for sale, the CO₂ has to be removed

And the tax on CO₂ emissions makes it profitable to catch it and store it rather than releasing it into the atmosphere.

For ten years, one million tons a year has been stored in a geological formation, - called aquifer - on the Norwegian continental shelf.

So what is our next chapter? Norway is today developing the world's first gas fired power plant fitted with a full-scale carbon capture and storage system.

The state and important energy companies are stakeholders in this cutting edge pioneer project.

This has never been done before.

It has not even been contemplated before.

Our vision is to develop technology which can clean coal and gas fired plants at a cost that makes this commercially attractive.

Given that coal still will play a central role in global energy supply throughout this century, we have to develop carbon capture and storage technology.

Such technology is not only crucial for our climate. It will give us many other benefits locally and regionally, not least for public health, by reducing other harmful emission as well.

I believe that a prerequisite for developing the technology and disseminating its use, is establishing a carbon price. Or as Nicholas Stern puts it in his report: "The first element of policy is carbon pricing". "Putting a price on carbon, through tax, trading or regulation, means that people are faced with the full social costs of their actions".

Only when the unit costs of reduction is lower than the price of emission will companies and their chief financial officers really demand investment in carbon capture and storage.

But when the incentives are made to work.

When we manage to adapt the market regulations.

Then, we will see a great climate alliance between governments and the private sector.

But there are obstacles to be overcome.

There is skepticism in many countries about carbon storage.
I believe even in Germany.
And the skepticism must be strong, since carbon capture today is not eligible for clean development mechanism status under the climate change convention.

I believe that this can and will change when it becomes apparent how such projects not only help the climate, but also can generate a trillion dollar business.

Such projects will transfer technology.
They can lead to substantial financial flows to developing countries.
From new and additional sources of finance, by engaging the private sector.

In short there is a great potential in developing incentives for change and investment.

To unleash this great potential, we must set a price on carbon, not only in Europe.
Greenhouse gases are externalities.
Those who produce them are causing climate change
Thereby imposing costs on the world and future generations.

The most effective system would be a truly common global carbon market.
That would reduce emissions and direct financial flows to developing countries.

Developing countries have a right to develop.
Make no mistake, none of us should be asking developing countries to slow down their ascent towards prosperity.
But they must be enabled to leap-frog the more polluting stages of development that many of us went through in the past.

Today we see important countries setting targets for their energy-intensity.
Many countries, such as China, where investment are booming, are experiencing reduced energy intensity.

Much of this improvement comes with new investments in technology developed in countries with carbon restrictions.

I believe we must explore how we can accelerate also this process by harnessing new generations of incentives, by linking economic rewards to reduced energy intensity, both in countries and in sectors.

As we all know, short and medium term security of supply may be a forceful driver in this direction.

Today, I believe we stand on the threshold of a new, green economy.
A low-carbon economy.
Which can rid the world of poverty
And save the climate.

We must move forward on a broad front.
Improve energy efficiency,
Increase the use of renewables,
Improve agricultural and forestry practices,
And focus on adaptation, in particular for the least developed countries and small island states.

2007 will be critical. Germany has shown leadership at Heiligendamm. The G-8 torch is being passed to Japan for 2008 and we believe their leadership will be essential, and that this meeting and other meetings will help us in that process.

At Bali we must come is together and hammer out a new mandate for new negotiations under the auspices of the UN and the convention. This is where our collective focus must be.

The Secretary-General is convening world leaders in New York on 24 September.
What we need at the New York High Level Event is a strong and positive signal for Bali and beyond.
We all have a duty, all of us here and all other countries.
Our generations will be measured, by how we stood up to this challenge.

Further Information:

www.bmu.de/gleneagles-dialogue