



**Lowy Lecture Series: Global action on climate change
How the world is responding to the challenge
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Ladies and gentlemen,

Thank you for the kind invitation to the Lowy Institute for International Policy. I am delighted to be in Australia, finally!

Climate change is upon us

I have seen the Lowy polls that show that public concern about climate change has been waning in Australia since 2009. This is actually ironic and surprising, since the evidence that climate change is upon us and having serious consequences is actually increasing.

Right here, you have had:

- major flooding events outside of the normal range in Queensland and Victoria 2010, 2011 and 2012, combined with cyclones;
- extreme drought in much of the rest of the country;
- steep reductions in water resources having major impacts on water supply in urban and rural areas around the country; and
- large-scale fire events that are increasing in frequency and severity

Most other countries are also witnessing the severe impacts of climate change. There is no doubt that climate change is the greatest challenge we face in the world today and into the foreseeable future.

Climate change has become the amplifier and multiplier of every crisis we are facing – be it population growth, the strain on water, food and other resources, and energy insecurity. Left unchecked, climate change will wipe out all development progress achieved over the past 25 years, in particular, but not only in, developing countries.

Paradoxically addressing climate change provides the greatest global opportunity we have had in decades. If we successfully address climate change, we will accelerate the energy transformation and create a technology revolution the likes of which we have never seen.

So the fundamental question is: Are we actually being successful in addressing climate change?

I would like to answer this question by confirming one very painful fact and correcting two very important misconceptions.

Firstly, the painful fact: greenhouse gas emissions keep increasing, and policy responses are way behind where science tells us we should be. All Governments, the private sector and civil society need to do much more to reach the goal of stabilizing and radically reducing emissions in keeping with science.

The two key misconceptions that must be corrected, are:

1. Nothing is happening to address climate change at the international level;
2. Other than Australia, no other country is doing anything at the domestic level.

I will take these in turn, because on both accounts, nothing could be farther from the truth.

At the Global level:

We all remember the pain of Copenhagen when negotiations collapsed under the weight of unrealistic expectations. The global media was very effective in promulgating this failure in the negotiations, yet not so skilled in articulating the real world action that Copenhagen and what followed has catalysed. I would venture to say that there has been vastly more progress in the international climate change process in the three years since Copenhagen than over the past 10 years.

Working out in concentric circles of global coverage of emissions:

- First step - Governments have agreed that there will be a second commitment of the Kyoto Protocol to begin on 1 January 2013. Negotiations this year are not about whether there will be a second commitment period but about how it will be applied. Its well-recognised that the Kyoto Protocol is dramatically insufficient as it only covers 10-12% of emissions. However, the Kyoto Protocol is important because it is legally binding and because it contains the rules and regulations that can be drawn upon to underpin the future of the regime.
- The second step: During the past three years all industrialized countries and 55 developing countries have made voluntary mitigation pledges covering approximately 80% of global emissions.
- Third step: Recognising that voluntary pledges are not sufficient and that there is a need for a broader legally basis covering 100% of emissions, Governments have agreed to adopt by 2015 and to come into effect from 2020 a new agreement that will be applicable to all and will be legally based.

- And in the meantime, nations have also:
 - set up a comprehensive infrastructure to support action, with very ambitious support mechanisms delivering both the technology and finance that is needed; and
 - called for greater ambition immediately recognising that there is a gap between what is pledged and what is needed to keep global average temperature increase below two degrees Celsius.

This multilateral process is complex, but globally Governments are moving – albeit slowly but consistently – in guiding the transition to a low carbon future.

National level

So that brings me to the second misconception that I would like to address: that at the national level only Australia is doing something and is acting alone. Nothing could be further from reality.

It's significant that every one of Australia's top trading partners has its own emission reduction goals, policies and markets either in place, or planned:

China – Is piloting emissions trading in seven of its largest cities and provinces beginning next year and will move forward to a national scheme 5 years from now. In terms of emissions coverage, just the pilots cover twice the level of emissions covered by the Australian ETS. Like Australia, China will combine emissions trading with a blend of policies, including market-based measures, to transform into a low carbon economy, having already reaping the rewards by emerging as the world leader in renewables. Perhaps not many are aware that China is:

- Number 1 in the world in solar panel manufacturing
- Number 1 in the world in installed wind capacity
- Number 2 in the world in wind turbine manufacturing

China has a national pledge to cut emissions per GDP unit 40-45% below 2005 levels by 2020, having already reduced the energy intensity of GDP by 19% between 2005 and 2010. And if there is one thing that is sure about China, when they say they will do something, they meet or exceed their target, and this can be expected in this case too.

U.S. – Has a voluntary pledge to reduce 17% below 2005 levels by 2020 with a goal of 83% reduction by 2050. The US is introducing performance regulations in the power sector and fuel standards in the transportation sector, substantially boostin renewable energy deployment and energy efficiency investment and while it does not yet have support for a national system is moving on markets at the subnational level with the Regional Greenhouse Gas Initiative running since 2009, and a very large scheme in California beginning next year.

Three hours ago, I arrived from the **Republic of Korea** and it is very impressive what is happening there. They inaugurated this week the Global Green Growth Institute (a think tank and analysis centre) which is not only driving the green

transformation in Korea but also reaching out to other nations to demonstrate and assist how green growth can be realized throughout the world. Korea has an emissions trading system in preparation starting in 2015 for companies covering 60% of national emissions. Their national pledge for 2020 is a reduction of 30% below business as usual.

European Union – as you know the EU has the most well-established ETS covering 40% GHG emissions, mandatory for all 27 members. Their target is 21% cut below 2005 levels by 2020.

India – trading planned for 2014 covering 54% industrial energy consumption. National pledge: 20-25 per cent reduction in emissions intensity from 2005 levels by 2020.

Singapore – a very impressive tiny city state that imports all its fuel and has no viable renewable energy alternatives. Despite this, Singapore has made a pledge of a 7% to 11% emissions cut below business as usual by 2020, and has recently announced a conditional target of 16% below business as usual by 2020, should other countries also move to higher ambition.

New Zealand – trading was launched in 2010. Target: 10-20% by 2020 over 1990.

Thailand – voluntary emissions trading market from 2014. The country is currently calculating its 2020 emissions cut goal from business as usual.

And this is just the beginning of the list to give you a flavour of what is happening in the world. Countries are using a mix of laws, regulation, carbon pricing, renewable energy and energy efficiency targets, and tax and investment incentives. Some coordinate all elements in their policies, others pick and choose to optimize their particular national circumstances.

So why are Countries acting on Climate Change?

Well it is certainly not only to save the planet – it's principally about meeting their national interests:

- energy security;
- balance of trade, particularly for those that do not have significant viable renewable energy sources within their jurisdiction;
- realizing local health benefits; and
- gaining and maintaining international competitiveness and growth opportunities in the low carbon economy that we know is already here and growing into the future.

In fact, understanding of the national interest has progressed very rapidly since Copenhagen. Just a few years ago, climate change was perceived as a long-term global issue that would affect and need to be addressed primarily by the generations to come, and by populations far away.

As the clean energy revolution has gathered momentum, countries have been waking up to their short term national interest to act on climate change. The “you first” dynamic is being transformed into “first mover” dynamic, which at the same time is opening space for a new global agreement.

The most powerful realization of the past few years is that it is not a matter of either top-down or bottom-up, but that this problem will be solved through concurrent efforts that reinforce each other, creating a mutually reinforcing situation which motivates the national interest to build towards global interests and vice versa.

So to those in Australia that have pangs of loneliness, I assure you Australia is not alone in acting on climate change.

In fact Australia is a major player, and (hopefully) an emerging leader

Let’s just accept the fact: Australia is the largest emitter per person of any developed country, the 15th largest emitter in aggregate terms. It has a responsibility to act, and it must do so because it is exposed and because it has so much to gain from realising the inevitable shift to a low carbon economy.

The success that Australia is going to have in continuing to build stronger climate policies is based on defining its own self-interest:

- to jump start the national economic transformation that will come at a global level, at a time in which the costs are manageable and the benefits foreseeable; and
- to position Australia as technology provider, stimulating job growth and harnessing economic development opportunities in growth sectors.

As Australia pursues these national interests it will have global impact and implications by:

- interacting with those that are also acting and seeking to gain;
- influencing others that can do more; and
- in doing so, strengthening the global response.

Australia’s influence abroad will depend on how effectively solutions are implemented at home and this is why the world is watching the progress of the Clean Energy Future policy.

Before concluding my remarks to you, I must address the question of Australia and the Kyoto Protocol. The national and the global levels of action are intimately linked. I am fully aware that the government of Australia is considering its participation in the second commitment period of the Kyoto Protocol. During this time of consideration, I would not be true to myself if I did not point out the following:

1. Much as Australia is taking national action to address climate change, Australia cannot solve this problem on its own, but rather needs to join other countries and be part of the international response to climate change.

2. The fact is that with the Clean Energy Future policy Australia has already positioned itself well domestically to participate in the second commitment period internationally.
3. Having put the Clean Energy Future Package in place domestically, Australia has much to gain internationally, including bolstering progress toward the new global agreement, if it has the same resolve it did in 2007 in joining the Kyoto Protocol.

Ladies and gentlemen, I conclude by congratulating Australia for its visionary Clean Energy Future Package that will contribute to making low carbon living the norm and not the novelty it is now. I congratulate Australia for joining its major trade partners in ushering in a global low carbon reality which, ultimately, is the only reliable reality we have.

Thank you.

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