

**Forum on the Regional Greenhouse Gas Initiative (RGGI):
Decisions for Maine**
February 7, 2007
Augusta, Maine

**Speech on Climate Change
by UK Consul-General John Rankin**

I am delighted to be here today and I am grateful to the Muskie School of Public Service and the Margaret Chase Smith Policy Center for the invitation to speak to you.

I should nonetheless caution that it is always with a certain hesitancy that I come to Maine as part of my official duties. As all of you from Maine will know, a certain Governor Fairfield in 1839 declared war on Great Britain over a boundary dispute between New Brunswick and Northern Maine. Fortunately that dispute, known to historians as the Aroostook War, was settled before any blood was shed, and we have enjoyed cordial relations ever since.

There is a further, and more serious, reason for my being pleased to be in Maine today and that is to discuss the topic of climate change and the Regional Greenhouse Gas Initiative. Your state has a long history of taking environmental issues seriously. Your Board of Environmental Protection can trace its roots back to as long ago as 1941. In 2003-4, Governor Baldacci became the first US Governor to bring into being a climate change law to set specific goals and a timeline to reduce carbon dioxide pollution. That sort of commitment has also been demonstrated by your representatives at the Federal level. Senator Ed Muskie was an early leader in the fight for a clean environment, and at the beginning of this month Senator Olympia Snowe was one of those who re-introduced bipartisan legislation to reduce emissions of Greenhouse Gases.

I'd like to address three issues:

First, to say a little about the UK experience in reducing greenhouse gas emissions and the targets we have set ourselves for the future.

Secondly, the effects of our actions on UK business and the economy, and why we believe that tackling climate change can be a pro-growth and pro-business policy.

Thirdly, why we welcome the Regional Greenhouse Gas Initiative here in the northeast of the United States and the potential for linking RGGI with Carbon Emissions trading programmes elsewhere in the world, including Europe.

The overall case for reducing Greenhouse Gas Emissions is now beyond doubt. Irrespective of the scientific evidence, there are clear strategic drivers for reducing our dependence on fossil fuels. 80% of oil and gas trade is in three regions: Russia, West Africa and the Arabian Gulf. By 2025, a third of global oil production will come from Saudi Arabia, Iran and Iraq. The top 8 non-Gulf suppliers are: Angola, Azerbaijan, Columbia, Kazakhstan, Mexico, Nigeria, Russia and Venezuela. This country, the United States, depends more than ever on the supplies from countries with whom relations can be volatile, and who may not subscribe to Western values.

But the scientific case for reducing carbon emissions is also clear. My government has had no doubt about this for a number of years. The report released by the Inter-Governmental Panel on Climate Change on 2 February confirms what we already knew: that there is overwhelming scientific evidence of the urgent need to reduce human induced disruption of the global climate. As the British Foreign Secretary of State, Margaret Beckett, stated in response to the report, “what is becoming clear is that this is not just another environmental threat, but that international peace, prosperity, security and development are at stake”. We welcome the fact that President Bush, in his recent State of the Union address, made reference to the “serious challenge of global climate change”.

UK Record

The UK is a party to the Kyoto Protocol, under which our obligation is to reduce greenhouse gas emissions by 12.5% below 1990 base levels by 2012. In fact UK emissions had fallen by over 14% by 2004, and we are expected to go significantly beyond this by 2010. That is one of the best records of any Kyoto signatory, and we are one of only a few mature market economies set to meet our initial Kyoto commitments.

How have we achieved this? The answer is a mix of effective government policies, a very positive response from UK business and ordinary citizens, and a bit of luck.

The reductions have come from 4 main areas:

- Improved energy efficiency – representing about 35% of the total reduction
- Restructuring of our energy supply sector in the mid 1990’s with fuel switching from coal to natural gas
- Greater use of low carbon fuels, higher nuclear output, and use of more renewable energy
- Technological developments, leading to a fall in non-carbon dioxide emissions.

The “bit of luck” was the price-led move to natural gas – the “dash for gas” which led to restructuring in our energy supply industry to what is a lower emissions fuel than coal or oil. We recognise that may not be easy to continue if natural gas prices remain high and if coal becomes relatively less expensive.

In any event, meeting, or beating, our current Kyoto target is not enough, and the British Government is committed to going further. At the end of last year we announced new proposed legislation which will include a statutory target to reduce our CO₂ emissions by 60% by 2050. This is a challenging target. Ways in which we will achieve it are likely to include:

- Increased production of electricity from renewable sources. We are fortunate to be blessed with an abundance of sites for increased wave power, particularly off the north west of Scotland. Our Department for Trade and Industry has agreed to invest some \$80m in developing wave power technology
- We are also blessed with a good climate for wind generated electricity. We have embarked on a significant expansion, and will soon become one of the largest producers of wind generated electricity in the world
- Greening transport (one of the biggest emitters). The government is spending around \$300m over the next decade on improving public transport and reducing road congestion. Together with EU partners, we have come to an agreement with car manufacturers to improve fuel efficiency in new cars by 25% by 2008-9.

- Other policies include better countryside management to reduce agricultural emissions, and public education drives aimed at encouraging consumers to reduce energy consumption. The government itself is also taking a lead by setting strict environmental targets for local government administrations, schools and hospitals.

Business Response

UK experience has shown that tackling climate change is a pro-growth and pro-business strategy. In other words, the claim that you can't both cut emissions and achieve economic growth is simply untrue. Let me give you the statistics. Between 1990 and 1999 UK greenhouse gas emissions fell by over 13%. At the same time the economy grew by 49%, and employment increased by 4.8%.

Business has been very much a partner in this enterprise. Some of the measures which we have introduced have of course had business costs. But we have also produced incentives for business, including tax incentives and a climate change levy aimed at encouraging companies to choose low energy options. The money generated by the levy is cycled back to business through tax relief and other measures. We have also created a body called the Carbon Trust which helps businesses reduce energy use and encourages development of low carbon technologies.

The approach of improving energy performance has been clearly shown to be profitable in the business sector. Let me give you two examples. IBM has reduced emissions by 61.3% (33% from energy conservation measures), thus significantly reducing its overheads. BP has reduced emissions by 10% in two years, creating \$635m in efficiency savings. By switching to more efficient light bulbs and adding sky lights for natural light, Wal-Mart has trimmed its electricity bill by 17% since 2002.

The drive towards new environmental technologies has also created new strong business opportunities. The UK environmental industry now employs over 400,000 people in 17,000 companies. The annual turnover of the industry is around £25 billion - roughly the same as the pharmaceutical or aerospace sectors in the UK. And of course there are growing opportunities in the UK for overseas companies producing new technologies in this field – and where companies in New England, with their strong record of innovation, are ideally placed to gain a strong market share. Indeed I was discussing with Janine Carey of the Maine International Trade Centre just this morning the opportunities for commercial collaboration between UK and Maine companies in the renewable energy field.

International Markets

We also believe that international market mechanisms have a vital role to play in reducing emissions. That's because markets are the most effective way of moving resources to produce efficiencies. Carbon trading is a rapidly growing area of activity. Trading on the worldwide carbon markets is now worth over \$10 billion, and such trading is creating new business opportunities for innovation and technology development.

The UK is strongly committed to the EU Trading Emissions Scheme, which is the largest international carbon trading operation in the world and which is helping to put the EU on the accelerated pathway to becoming the world's first low carbon economy. We hope to strengthen it further, including by getting aviation emissions included within it.

The EU market has had its ups and downs. There was for example a big dip in the price of carbon credits in May 2006. But this immediately led to a high level of trades at the time, which shows the market works.

I should also mention that UK companies have done well under EU-ETS. This is partly because of the experience they had gained under the earlier-introduced UK trading scheme launched in 2002, which meant they were well prepared to benefit when the EU scheme started in 2005. There are obvious parallels here in the US. UK experience would suggest that companies and States which are well prepared for carbon trading at the regional level will be best placed to benefit as and **when** a Federal cap and trade carbon emissions programme is developed.

We welcome the development of the Regional Greenhouse Gas Initiative here in the Northeast. We have been following RGGI very closely and we are pleased that it is specifically designed to have the potential to link not only with other US states such as California, but also in due course to other international carbon emission trading programmes, including the EU one. While we would welcome the establishment of a US-wide regulatory framework, there is no reason in principle why we could not develop US east and west carbon trading with Europe and other parts of the world before cap and trade comes to the US as a whole.

And finally, let me say a few words about the wider economics of climate change. Some of you may be aware of the Stern Review on the Economics of Climate Change, an exhaustive study produced by Nicholas Stern, head of the UK Government Economic Service. If you haven't yet done so, I urge you to look at it. It's a comprehensive and compelling report. People, and businesses, in Maine, in the UK and elsewhere, of course worry about the cost of addressing climate change. But Stern shows in great detail that the costs (including for businesses) of inaction far out-weigh the cost of action. Tackling climate change can cost around 1% of GDP each year. But Stern estimates that if we don't act, the overall cost of inaction will be 5% of global GDP if we delay. And that's a conservative estimate. On the other hand, if we take action to tackle climate change now, it can both reduce costs and open up real business opportunities for innovative technology companies in the energy and climate technologies field.

Conclusion

I hope that my remarks have been of some use to you as you consider the way forward here in Maine. From an environmental and energy security perspective, the need to reduce Greenhouse Gas emissions is now a vital one. Addressing that need involves difficult decisions, and changes in the way in which we live. But as I hope I've shown, that change need not be incompatible with economic growth, and indeed there are real opportunities now for companies who forge ahead in the renewable energy and related sectors. RGGI is part of a growing web of initiatives in the US and internationally to tackle the climate change problem, and we believe cap and trade programmes are a key part of the way forward.

I hope RGGI succeeds, and I hope that between us we can succeed in our common goals. It's important that we do so. As a bumper sticker said on my way here this morning, "Good planets are hard to find."