

Shaping an Opportunity Out of Crisis

A message to participants in the World Economic Forum Annual Meeting 2009 from Members of the Global Agenda Council on Climate Change¹

1. **Few other challenges are as serious for the future of humanity as climate change.** The IPCC in its Fourth Assessment Report has highlighted an accelerated change in average surface global temperature as well as in the sea level rise since the mid-1980s. Growing scientific evidence suggests that failure to limit global warming to 2°Celsius (3.6° Fahrenheit) above pre-industrial levels would make it impossible to avoid potentially irreversible changes to the Earth's ability to sustain human development. According to the most advanced climate system models, there is a 5 in 6 chance of success in holding the 2°C-line if worldwide greenhouse gas output is reduced by 80% by 2050, relative to 1990. In light of this scientific evidence, cuts in emissions of 50% by 2050 relative to 1990 should be the absolute minimum for target reductions and the aim should be to make cuts as close to 80% as possible if the cost is not prohibitive. For richer countries - as per recent announcements by US and European leaders - the aspiration should be at least an 80% reduction by 2050 relative to 1990 levels, along with appropriate nearer-term targets such as in 2020 or 2025.
2. **The need to begin the transition to a low-carbon global economy has become far more urgent.** We need to move fast. Scientific evidence shows world emissions must peak and decline in the next 10-15 years, to keep the door open for climate stabilization. We should be mindful that decreased emissions as a result of the economic slowdown should not be misinterpreted as real progress. **Economic recession is not an answer to climate change.** We want the world economy to grow and this growth must be sustainable, which means transitioning to a low-carbon global economy. Developed countries must show leadership in driving forward the low-carbon transition and in leading Research Development & Demonstration (RD&D) for low-carbon technologies. These challenges will be impossible to meet without the full engagement of major developing countries as well.
3. **We must innovate as we rebuild our economies during 2009.** The world is facing a lack of financial liquidity and confidence that require a synchronized global economic stimulus. It is essential that this stimulus also build our capacity to solve the longer term climate crisis. Well meaning, but short-sighted economic stimulus programmes could lock us into a predominately fossil fuel based world economy for decades. This will not bring the resilience that is needed for sustained long-term economic growth. Presuming rapid growth follows this recession, demand for energy will again grow, oil prices will rise, and energy security issues will again come to the forefront. If we fail to act, a unique opportunity to shift the world towards a sustainable growth path will have been lost. This means we must deploy aggressively and immediately those low-carbon technologies that are market ready; we must invest heavily to innovate potential breakthrough technologies that can achieve success in the market over the next two decades. While the challenges of 2025 and 2050 seem distant today, the long lag times in the world's energy system require immediate action.
4. **Let us shape an opportunity out of this economic crisis.** A large fiscal stimulus is required to mitigate the worst effects of the economic crisis. In some economies, a significant portion of the stimulus spent today could be sensibly deployed to lay the foundation for the long-term worldwide low-carbon economy of tomorrow. This makes sense in simple risk management terms: deploy a small percentage of global GDP now, to help ward off the risk of much larger impacts in the future.
5. **There are real opportunities to stimulate jobs and growth today from investments in the low-carbon economy.** Clean technology is developing fast. Large-scale activities in low-emitting technologies, renewables, energy efficiency, building insulation, information and telecommunications and some low-carbon public procurement programmes could be swiftly mobilized around the world. These activities will provide jobs and market stimulus as well as quick economic returns and they will also help lay the foundations for a low-emissions future. Different countries will choose different strategies to implement such programmes, but the net global impact on emissions could be significant. If governments provide the right policy incentives, businesses operating around the world, whether located in the OECD or in developing countries, will be able to respond rapidly to these economic stimuli.
6. **At the same time, a foundation for the longer term can be built,** if some of this money is also used to catalyse longer-term strategies, including:
 - Boosting innovative public-private investment mechanisms that create a vested interest for business and society to redirect capital flows around the world into low-carbon and energy efficiency technologies;
 - Provoking a step change in research, development and demonstration efforts for technology innovation;
 - Stimulating widespread deployment of clean and affordable technologies for the poor to help them leapfrog onto a low-carbon development trajectory;
 - Realizing new investment and financing mechanisms to reduce deforestation and forest degradation, combined with national economic development and capacity building programmes, enabling forested countries and their citizens to gain financially from being stewards in the conservation of their ecosystems and biodiversity;

¹ The views expressed here emerged from the Council discussions. They do not necessarily reflect the views of the World Economic Forum or the views of all Members of the Global Agenda Council on Climate Change or the organizations they represent.

- Restructuring, expanding or creating international markets and capital flows that can stimulate and finance the demand for both public and private sector activities in low-carbon goods and services - this requires a clear price on carbon to correct a serious market failure and harness the power of markets to reduce emissions. Such a price can come *inter alia* from international levies, taxes or quotas, trading schemes, and the reduction and removal of subsidies for carbon based energy sources without hurting the energy poor. Other incentive structures including procurement standards and regulation can give clear signals and allow the exploitation of economies of scale. Different countries will pursue different combinations of policies but incentives to cut emissions are crucial;
- Mobilizing human and financial resources for adaptation and climate preparedness;
- Strengthening and creating regional or sector based institutions that can help deploy knowledge, technology and finance to help shift the major economies onto a low-carbon pathway;
- Boosting global capacity for data collection, the harmonization of reporting and the enforcement of commitments.

Importantly, although public subsidies may play a role, each of these initiatives can identify smart ways to use limited public funds to trigger much more private finance.

7. We believe that unprecedented multistakeholder collaboration is needed for 2009 to link the climate and economic agendas. The negotiation of international commitments and the development of multilateral institutional arrangements for the new climate framework are best addressed by governments within the UN process. If designed in synch, however, the long-term international climate change agreement to be established in 2009 and the various short-term plans for economic recovery could be mutually reinforcing. The mobilization of an unprecedented public-private collaboration of international business, civil society side by side with environmental economists, trade and climate experts working with governments could play a valuable role in synchronizing this design process. In concrete terms, such collaboration could:

- Help design the policy instruments, market incentives and investment vehicles that will mobilize the entrepreneurialism and finance that exists around the world to focus on the low-carbon challenge;
- Identify critical actions as part of the stimulus packages of major economies that can sow the seeds for both economic recovery *and* long-term protection of the climate;
- Help key emitting countries develop project pipelines that can deliver results against the various climate change national plans developed as part of the UNFCCC process.

8. We also believe that climate change now presents a diplomatic opportunity. An international narrative of economic growth and a low-carbon future collectively presented by the governments of the major economies during 2009, in a leadership collaboration with international business, civil society and climate experts, would offer a positive, unifying and long-term multilateral agenda for both the economy and the climate, as well as a positive message for consumers and voters. This affirmative and growth-based agenda would help the global public see how the long-term economic interests of major economies such as the USA, China, India, the EU and Japan are served by coming together around a shared set of objectives to drive forward a low-carbon global economy:

the shared desire to deliver climate security, energy, food and water security, economic security, equity between rich and poor through enhanced capital and technology flows, all through the creation of a package that promotes economic growth by decarbonizing the world economy.

9. We look forward to the discussions at this year's World Economic Forum Annual Meeting in Davos-Klosters. We hope they lay the foundations for major government-civil society-business and expert collaboration on climate change in 2009 to pursue an agenda as described above. We encourage all participants in the Annual Meeting to engage actively in the range of climate change discussions on offer to help fulfil this objective. We stand ready to support and advise such discussions.

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Members of the World Economic Forum Global Agenda Council on Climate Change 2008-2009 are:

Atul Arya, Chief Advisor, Climate and Energy Policy, BP, United Kingdom

Tony Blair, Founder, Breaking the Climate Deadlock initiative and Prime Minister of the United Kingdom (1997-2007)

James Cameron, Vice-Chairman, Climate Change Capital, United Kingdom

Yvo De Boer, Executive Secretary, United Nations Framework Convention on Climate Change (UNFCCC), Bonn

Kemal Dervis, Administrator, United Nations Development Programme (UNDP), New York

Harish Hande, Managing Director, SELCO Solar Light, India

Connie Hedegaard, Minister of Climate and Energy of Denmark

William W. Hogan, Raymond Plank Professor of Global Energy Policy, John F. Kennedy School of Government, Harvard University, USA

Steve Howard, Chief Executive Officer, The Climate Group, United Kingdom

C.S. Kiang, Chairman, Environment Fund, Peking University, People's Republic of China

Kevin S. Leahy, Managing Director, Climate Policy, Duke Energy Corporation, USA

Gerd Leipold, International Executive Director, Greenpeace International, Netherlands

Anthony Leiserowitz, Research Scientist and Director, Yale Project on Climate Change, Yale School of Forestry and Environmental Studies, USA

Richard C. Levin, President, Yale University, USA

David MacKay, Professor of Natural Philosophy, Department of Physics, University of Cambridge, United Kingdom

Dan Reicher, Director, Climate Change and Energy Initiatives, Google, USA

David Sandalow, Senior Fellow, Foreign Policy, The Brookings Institution, USA

Hans Joachim Schellnhuber, Director, Potsdam Institute for Climate Impact Research (PIK), Germany

Robert N. Stavins, Albert Pratt Professor of Business and Government, John F. Kennedy School of Government, Harvard University, USA

Nicholas Stern, IG Patel Chair, London School of Economics, United Kingdom

Björn Stigson, President, World Business Council for Sustainable Development, Switzerland

Solomon D. Trujillo, Chief Executive Officer, Telstra Corporation, Australia

David G. Victor, Professor of Law and Director, Program on Energy and Sustainable Development, Stanford University, USA

Timothy E. Wirth, President, United Nations Foundation, Washington DC