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**THIRD GREEN ECONOMY GREEN GROWTH,  
GEGG FORUM**

**22 November 2013**

**The UK's Green Growth Journey - DAVID VINCENT**

Distinguished guests, ladies and gentlemen.

I would like to begin by thanking the organisers of this Third Green Economy, Green Growth Forum for inviting me to participate and share with you some of the important elements of the UK's Green Growth Journey.

Before I do that, I would just like to take a little time to explain why the UK believes that it is vital for all countries to set out on the green economy, green growth path. In our view there are at least three imperatives driving this crucial agenda. These are climate change, sustainable economic growth, and global security. I will take each of these in turn.

The scientific basis for climate change has never been clearer than it is today. Nor has there been a clearer call to action than the recently published UN Intergovernmental Panel on Climate Change Fifth Assessment Report. This report states that warming of the climate system is unequivocal, and that many of the observed changes since the 1950s are unprecedented over decades to millennia. The atmosphere and oceans have warmed, the amounts of snow and ice have diminished, sea level has risen, and the concentrations of greenhouse gases have increased. The report also states that it is extremely likely (that's scientific shorthand for over a 95% probability) that human influence has been the dominant cause of most of the observed warming since the mid-20th century.

Our thoughts and prayers at this time go out to the enormous number of victims of Typhoon Haiyan in the Philippines, which many experts are saying is the most powerful storm ever to make landfall. In the shadow of such an event, it is perhaps unnecessary for me to talk about the impacts of climate change that scientists warn us are around the corner if we don't all act now to reduce carbon emissions. These impacts- rising sea levels, more frequent and severe heatwaves, storms, droughts and floods will impact us all for generations to come if we do not act decisively and quickly. And South East Asia is particularly vulnerable to the impacts of climate change, as Cyclone Nargis showed us here in Myanmar in 2008 and Typhoon Haiyan has now reminded us so brutally.

If a green economic path is essential to avoid the catastrophic future impacts of climate change, it is also necessary to ensure sustainable economic growth. It is really important to state this point clearly, given that green growth is portrayed by some as the enemy of economic development. In fact, the UK believes that precisely the opposite is true: there cannot be sustainable economic growth without green growth. We believe this for three main reasons.

Firstly because unsustainable exploitation of natural resources like agricultural land, forests, water, energy and minerals cannot support long term economic development.

Secondly because green growth provides enormous economic opportunities. We estimate that about a third of the UK's economic growth in the financial year 2010-11 came from green business, with the UK low-carbon and environmental goods and services sector generating £122 billion in that year.

This represented year- on-year growth of almost 5%, and placed the UK 6<sup>th</sup> globally for this sector.

Thirdly, the longer countries avoid embracing low carbon growth, the greater will be the economic costs they have to bear: an Asian Development Bank study estimates that a failure to tackle climate change could cost South East Asia about 7% of its annual regional GDP every year by 2100, that is twice the global average loss estimated by Lord Stern in his review of the economic impacts climate change.

Countries should also set out on the green growth journey as a way of enhancing and protecting their national security. Unsustainable economic growth depletes the natural resources upon which many economies and populations depend and degrades the environment and living conditions, with the poorest in society often suffering the most. Climate change has rightly been described as a threat multiplier because it places even greater stress on key natural resources like water, agricultural land and renewable energy. In the longer term, and as the global population continues to increase, a failure to embrace the green economy, coupled with the impacts of climate change, risks increasing resource-driven tensions both within and between nations.

Ladies and gentlemen, each country's journey to a green, low carbon economy will be a different one, rooted in national circumstances and capacities. What works for the UK will be different from what works in Myanmar, which will be different again for what works say in China or the US. Some actions will be common to all however, for example the need to decarbonise the energy sector. And there are a number of high-level prerequisites for low carbon and green growth action which do indeed apply to all countries. It is these fundamental pre-requisites that I would like to concentrate on for in the rest of

my speech. I will give some practical examples drawn from the UK's green growth journey to illustrate them, and bring in some regional context where I can.

Firstly effective action requires a vision and sustained political leadership, at the very top of government. We are fortunate to have had this in the UK through successive governments. Action to tackle climate change, both internationally and domestically, is one of the priorities identified in our Coalition's Programme for Government, and our Prime Minister has pledged his government to be the greenest ever.

Here in South East Asia, countries like Indonesia and Singapore have shown leadership internationally, and many more (including Malaysia, Thailand, Vietnam, Brunei and the Philippines) have high-level green growth and climate strategies in place. Here in Myanmar, I understand that you are also taking strategic steps through your National Adaptation Programme of Action and, more recently, the formation of the Myanmar Climate Change Alliance.

Secondly, governments need to ensure that high level green growth and climate commitments are actually translated into real, significant action on the ground. In the UK we have achieved an emissions reduction of about 26% over 1990 levels, almost three times greater than our 12.5% UNFCCC commitment.

We have achieved this by reducing energy demand through sector wide energy efficiency improvements, and by reducing the carbon intensity of our power generation. We now burn more gas, and less coal and oil in our power stations. We have also made a policy commitment for no new coal-fired power stations without Carbon Capture and Storage.

At the end of the 1990s we began to implement a new set of climate-change policies directly targeted at energy efficiency and emission reductions. Since 2000 we have increased our low carbon electricity capacity from about 3GW to about 12GW. Renewable electricity generation now supplies about 10% of total UK electricity generation, up from 2.5% in 2000. This has been achieved by diversification of technology and making best use of the UK's natural resource advantages, particularly around offshore wind. Achieving this has been a challenge, and has required sustained policy support through measures like our Non-Fossil Fuel Obligation, Renewables Obligation, Feed-in-Tariffs, and carbon budgets as well as the EU 2020 and 2050 targets.

We continue to believe that carbon markets will have a crucial role to play in reducing global carbon emissions. The United Kingdom's main pricing instrument is the EU trading scheme, which covered about 48% of UK CO<sub>2</sub> emissions in 2009. It is a cap-and-trade scheme that sets quantitative limits for emissions by firms within its scope, helping to create an economic incentive for action and investment to reduce emissions.

In 2008, we became the first country to establish a national, long term, legally binding framework to address the dangers of climate change, when we passed the UK Climate Change Act. The Act specifies that the UK must reduce its emissions by at least 80% by 2050 relative to 1990, and by at least 34% by 2020. The Act also requires the UK to set "carbon budgets", which establish a maximum emissions limit over each five year period along the way. The Act also established the Committee on Climate Change – an independent body that advises the Government on emissions targets, and which reports to Parliament on progress made in reducing greenhouse gas emissions.

Again, a number of South East Asian Countries have progressive policies in place, including to incentivise greater renewable power generation and improved energy efficiency, but making progress to reduce emissions is proving challenging.

Thirdly, the task of promoting green growth reducing emissions needs mainstreaming throughout all government departments. This is true of all ministries but particularly those presiding over major emitting and polluting sectors like energy, industry and transport. Put simply, there is little prospect of a country reducing its carbon emissions significantly if its energy policy envisages ever increasing energy demand, supplied by ever increasing amounts of fossil fuels. Indeed it is difficult to overstate the importance of ensuring that energy and climate policies are consistent. In South East Asia the majority of carbon emissions have traditionally come from land use, land use change and the forestry sector. Close involvement of the government ministries and agencies relevant to these sectors will therefore be essential in this region.

In the UK, we believe our current energy policy will secure both lower emissions and our future energy security. The UK's Energy Bill is helping to support consumers to cut energy waste by providing help to pay for and install energy efficiency measures through the Green Deal. It is helping consumers understand how much energy they use by installing Smart Meters; and providing comprehensive, good quality advice and information to help people decide on the options to reduce energy use and make their homes more efficient.

The UK's proposed Electricity Market Reforms will put the institutional and market arrangements in place to secure the private sector investment needed to deliver a reliable and affordable future low carbon energy mix including

renewable energy, new nuclear and Carbon Capture and Storage. It will introduce a package of measures to provide investor certainty including a Carbon Price Floor that will provide long-term certainty about the cost of carbon in the UK electricity generation sector, and a Feed-in Tariff providing long-term revenue certainty and reduced revenue volatility.

Fourthly, a green growth and low carbon future requires finance. Realisation of the UK's future energy plans will require huge investment. It is estimated that replacing and upgrading our electricity infrastructure and closing power stations over the next decade will require approximately £110 billion of capital investment – this is like building 20 Olympic stadiums every year. Most of this we envisage coming from private sector investors like banks, pension funds and Sovereign Wealth Funds. But the UK government is also investing heavily in our low carbon future, for example by committing £12 billion to renewables in the past 18 months alone, £3 billion to the Green Investment Bank, and more than £300 million to the Green Deal in its first year.

For developing countries, access to climate finance, both public and private, will be essential to their low carbon development. The UK has pledged almost £4 billion in climate finance to 2016 through its International Climate Fund, of which about £1 billion has already been spent or committed, including here in South East Asia. In addition, the UK Foreign & Commonwealth Office will deploy over £10 million this financial year to support low carbon and climate change projects around the world.

The recently published EU Report on Fast Start Finance shows that both the UK and EU have actually exceeded their Fast Start Finance Commitments, spending £1.55 billion and €7.34 billion respectively. And developed countries as a whole have committed US\$33 billion between 2010 and 2012.

Additionally, the task of green growth and emissions reduction requires action by business. The business sector is a big emitter and businesses can do a lot to reduce emissions in their operations and supply chains. Energy intensive industries (like cement, steel, waste and chemicals) are particularly important. Pricing carbon is an important way of encouraging business to seek lower carbon solutions and, as I have already said, emissions trading schemes therefore have an important role to play. In the UK, the Green Investment Bank is the first bank of its kind in the world, with £3 billion of funding from the UK Government to invest in sustainable projects. It invests in UK projects which are both green and commercial, but only where it is "additional" to available private sector finance. The mandate from the government is that 80% of the capital will be deployed in offshore wind, waste recycling or energy from waste, non-domestic energy efficiency and in support of the Green Deal.

Here in South East Asia, countries like Thailand, Malaysia, Vietnam and the Philippines have prepared, or are preparing Nationally Appropriate Mitigation Actions (or NAMAs) for key sectors and industries. The UK is supporting the implementation of transformational NAMAs in developing countries through the €70 million NAMA Facility we launched at COP18 in Doha with Germany. The first bidding round for the Facility was heavily oversubscribed, but it was announced last week that bids from Costa Rica, Chile, Colombia, and Indonesia have been approved for funding.

And lastly, householders and the general public need to play their part in the green growth journey. The domestic sector is another big emitter, and the actions we chose to take, as households and individuals, are therefore very important. In the UK the government has put in place a number of policies to incentivise lower carbon choices. These include a graduated road tax for

vehicles which penalises owners of gas guzzling vehicles, clearer appliance labelling, energy performance certificates for houses, smart meters and the Green Deal. The Green Deal allows householders and businesses to make energy savings improvements to their homes and businesses without paying all the costs up front. This can include anything from insulation, heating, draft proofing and double glazing to renewable energy technologies such as solar panels or wind turbines. It involves an assessment of a property to see what improvements can be made, the signing of a contract or Green Deal Plan and the provision of work by a Green Deal Provider. Once all the work is complete the cost is paid off in instalments through the electricity bill. The Green Deal is already beginning to encourage people to make energy efficiency improvements. Over 85,000 Green Deal Assessments had now been carried out, with 80% of customers reporting that they have either already acted upon or intend to act upon the energy-saving recommendations .

Energy prices are also a key driver of behavioural change for consumers. Higher energy and fuel prices act as powerful incentives for lower carbon choices. Countries which operate fossil fuel subsidies (as many do in this region) are presenting a formidable barrier to a lower carbon future: we strongly and consistently advocate the removal of these subsidies, and undertake policy work with countries in the region on how to do so, without removing the necessary protections for the poorest in society.

Ladies and gentlemen, people often ask the question “what can we do to embrace green growth and combat the threat of climate change”. In one sense the answer is simple: every country, whether it’s the UK, Myanmar or Brazil or India needs to set its ambition high, both internationally and domestically if we are to meet these important challenges. In another sense, however, the

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answer is much more complex, because (as we have found in the UK) this is one of the most challenging and multi-faceted issues we face. Each country's pathway to a low carbon future will be its own, but it is a pathway we all must tread if we are avoid the adverse climate, economic and security challenges we will otherwise all face .

I am pleased to say that UK continues to reach out internationally on green growth and climate change, to share our own experiences, and to help others who share our goal of a low carbon future. My South East Asia Climate Change & Energy Network has worked for a number of years with ASEAN countries on climate change, green growth and energy. I very much look forward to continuing this important regional collaboration, including with colleagues here in Myanmar, and to the discussions which we will have during the rest of this important and timely conference.

Thank you.