



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## Climate Change and the OECD

Remarks by OECD Deputy Secretary-General Kiyo Akasaka

UNFCCC COP10

17 December 2004

Your Excellencies, ladies and gentlemen,

The Organisation for Economic Co-Operation and Development (OECD) groups together 30 member countries which represent enormous economic weight in the world economy. Climate change is regarded by these countries as one of the most important environmental challenges they must collectively confront. OECD countries are therefore committed to the objectives of the UN Framework Convention on Climate Change, and, for most OECD countries, to the Kyoto Protocol as well.

Many OECD countries have taken important measures to reduce their greenhouse gas emissions. The total emissions of energy-related CO<sub>2</sub> by the OECD countries accounted for 52% of the world total in 2002, down from 66% of the world total in 1971. And while the GDP of OECD member countries grew by more than 30% between 1990 and 2002, their total CO<sub>2</sub> emissions grew only by 14%, which was an even lower rate of growth than the world average of 16% during that period.

Despite these encouraging figures, OECD countries are planning to do more. The OECD has long advocated the use of market-based instruments as the best way to reach environmental goals in an economically efficient manner. The Kyoto Protocol includes such innovative market mechanisms. They hold out the promise of establishing a price for carbon and for stimulating carbon-friendly investments and innovations. The EU's introduction of an emission trading scheme for its members starting early next year is therefore an important step forward.

But there is still much we do not know about the functioning of these new market mechanisms. How will businesses in fact respond? What are the costs of these policies? How can we make them even more environmentally effective and economically efficient? What is the best mix of economic instruments, regulations and voluntary measures to meet our climate goals? What technical solutions to greenhouse gas emissions are possible, and how might these technologies be developed and diffused in the most cost-effective manner?

On this latter point, the OECD, together with the International Energy Agency (IEA), is collecting lessons we have learned about government-industry co-operation for the development of new technologies. We are also assessing our recent experiences with the Clean Development Mechanism, which is poised to promote investments in -- and the rapid uptake of -- clean technologies. The goal is to identify how to further improve this important instrument.

Climate change is not just an environmental problem. It is very much an economic, developmental, and political issue, requiring a "whole-of-government" approach. As a multi-disciplinary inter-governmental



organisation, the OECD is well-placed to address cross-cutting issues. In recent years, for example, the OECD has extended its policy dialogue on climate change with developing countries. Our consultations with developing countries take place in an informal setting and aim to build a common understanding of climate change challenges and solutions. This kind of dialogue will obviously be important in the post-Kyoto context.

The OECD is also increasingly focusing on the pressing need to adapt to the effects of climate change – an issue that is important to developing and developed countries alike. Last month, we held a Global Forum on Sustainable Development, which examined the relationship between climate change and development assistance. Participants discussed the numerous examples of climate change related impacts across the globe, including: glacier retreats and their hazards in Nepal, Peru and Switzerland; anomalous heat waves in France; and sea level rises and salt water inundations in Bangladesh, Kiribati, and the United States.

Effective policy responses to these vulnerabilities require concerted efforts from all players in society. In Kiribati, for example, the national government, international donors, and local communities are jointly engaged in an effort to mainstream adaptation to climate change at all levels of decision-making. I believe that this stream of OECD work on adaptation, with its particular emphasis on how to improve natural resource management, places the Organisation at the forefront of international efforts to develop cost-effective adaptation strategies.

Here in Buenos Aires, I would also like to announce publication of a new OECD book on the *Benefits of Climate Change Policies*. This book identifies important analytical issues and a possible framework for assessing economic benefits that would emerge from adopting climate mitigation and adaptation policies. It also discusses the major impacts of climate change on ecosystems such as northern latitudes, alpine systems and coral reefs, including the metrics that will be needed to assess the economic benefits of controlling these impacts.

The OECD will continue to contribute to the international efforts to address climate change. Its added value as an inter-governmental forum is its ability to bring together economic, social and environmental perspectives. The OECD provides both analysis and a forum for countries to develop common understandings and approaches. I am convinced that the OECD will continue to play a vital role in discussions about the economics of climate change in the post-Kyoto world, thereby helping its member countries and an increasingly large number of non-members find cost effective solutions to the climate change challenge we collectively face.

Thank you.