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Article

Welcome Speech by Christian Ude

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Welcome Speech by

CHRISTIAN UDE

Lord Mayor of the City of Munich

Ladies and Gentlemen, as Mayor of Munich, it is my pleasure to greet and welcome the participants of the 8th Munich Economic Summit to the Bavarian capital city! I am pleased that you selected the subject 'Climate and Energy: Right Goals, Wrong Approach?' for this year's meeting.

Although the global finance and economic crisis is in focus these days, we should not forget that the climate change is here to stay, at best with a lower impact perhaps. Due to a lower demand for products and services there is also less demand for energy. However, the solution for a favorable development of the world climate cannot be that the economy is going down the drain. Because this would lead to very critical social problems, in particular for poorer countries and countries like Brazil, China and India which cannot be denied to be looking for a similar level as the industrialized countries.

The subject of climate change is a global problem as we know, but even the German cities can make a contribution, no doubt. I am Mayor of a city, which has committed itself to promote environmental and climate protection a long time ago and which is proud of its leading position in Germany. Being a board member of the German Association of Cities, the umbrella organization of German cities, I plead to anchor the subject of climate protection in the work of the cities even more.

As in previous years, the Munich Economic Summit has featured top-level scientists and experts from industry and politics. Climate and energy are in focus this time. Nevertheless, I would like to share with you some thoughts and expectations along these lines before the forum starts.

Meanwhile, there is no controversy in scientific and public circles that the climate change caused

by humanity is well in process. And the development is more dynamic than originally predicted. The major concern of the man-made climate change is the climate-relevant gas: carbon dioxide, in short CO₂, which is released due to the combustion of fossil energies. The next climate-killer is methane, which is largely released in agriculture and cattle breeding.

We, that means all mankind, have to take action to prevent it from getting worse! The certainly provoking theme 'Adapt, Mitigate or Die!' of the initial debates is only showing alternatives at first glance, however. As we do not want to die as a result of climate change, we cannot continue as before. Avoiding or adapting are no alternatives but must be done in addition. The Intergovernmental Panel on Climate Change is showing us the way. All of the world's countries have to make their contribution to limit the ongoing climate change to a maximum of two degrees Celsius. A higher warming of average temperatures of the earth would bring about incalculable risks. In addition, measures will have to be taken to adapt to the already unavoidable consequences of climate change.

Furthermore, many scientists are pointing out that the financial means to limit climate change are at hand and that it is even more economical than taking adaptive measures to buffer the growing consequences. I am thinking of the expert opinion by Sir Nicholas Stern or even the calculations of the German Institute of Economic Research, which will be presented to you by Professor Claudia Kemfert. Among many climate researchers and politicians there is a consensus about the goals and partly even about the instruments to be applied in climate policy. For once, the developed countries in particular are under the obligation to strongly reduce their consumption and emissions of fossil resources. This would even have to be done in the developing or threshold countries. There is a certain consensus that these countries are entitled to a 'belated development' in the reduction of their emissions and to a lower level than the industrialized countries. To make sure that the threshold or developing countries



are not forced to follow the same path as that of the industrialized countries, which would cause unnecessary emissions on the basis of out-dated technology, the industrialized countries should supply to the threshold and developing countries the latest technologies available; whether free of charge, against loans or in cash – the opinions are bound to differ here. Countries like China have considerable foreign exchange reserves and could thus be paying the bill even for the advanced technologies. At the same time, a further deforestation of the rain forest or other forests must be stopped to preserve the benefits in CO₂ reductions. There is no alternative here for two reasons at least. According to calculations by Professor Hans-Werner Sinn, for example, even under the aspect of climate protection it does not make sense to cut down jungle forests just to gain raw materials for the production of biofuels. The second reason is that the ongoing deforestation would considerably lessen the diversity of species – with enormous damage to the environment.

And, there is certainly a consensus about the fact that the Kyoto process was a step in the right direction. However, the goals were not ambitious enough, the instruments were insufficient and, above all, important carbon-emitting nations did not joined the agreement. An important cause was certainly the fact that the United States has advanced the enacting of the protocol under the former President Clinton, it is true, but then failed to ratify it. The reason was that the rising costs of the fossil energy consumption would put the local industry at a disadvantage, whereas other countries like China or India were not willing to respect corresponding regulations. These countries, however, pointed out that their per capita CO₂ emission was lower and, in addition, they claimed to be less wealthy than the United States who thought it could not afford corresponding measures. As already mentioned in the Program of this Munich Economic Summit, OPEC countries are showing only little interest to produce smaller quantities of oil and risk lower incomes from oil sales. So, it seems that we are in for a stalemate.

The situation is serious but not hopeless. For once, the European Union with its climate protection goals has taken a lead so to speak. Important instruments of the European and national climate protection policy are the trading of emission certificates and the promotion of measures to improve energy efficiency as well as the share of renewable energies. The German Act of Renewable Energies can be

assessed as a success in this respect, which can serve as an example all over the world.

Furthermore, important arguments speak for the reduction of consumption of fossil energies, the increase in energy efficiency and promotion of renewable energy quite apart from climate protection itself. Fossil energies are limited, no doubt. The peak of oil and gas production has already been reached, respectively round the corner. At the same time, it is expected that the worldwide demand for energy will go up after we will have overcome the global economic crisis. And this will lead to rising prices too, which means that the dependency of the consumer countries on oil and gas is expected to grow even further. Those countries which are the first and foremost to become independent from oil and gas will be better off. If these countries develop technologies for better energy efficiency and the use of more renewable energies, they and their citizens and companies could save a lot of money. In addition, they could make a lot of money with the worldwide sales of corresponding facilities. Environmental technologies are considered to be a real growth sector.

These two reasons have led to a reduction of the dependency on fossil fuels from instable regions of the world, or to put it differently, a higher security of supply in combination with the profitability of 'green industries' has brought about a change of thinking since the change of the US Government. However, it is far from certain, whether there will be a majority for it in Congress or in the Senate in particular, as the delegates from 'old industrialized US States' might oppose the agreement.

What would happen, if the Europeans and some other countries set a good example and then the United States, China, India and other countries would not follow? There is also the thesis that such an endeavor from Europe might not be successful at all. If the Europeans start making the use of fossil energies in Europe more expensive through a tighter commercial system of emission trading and if they improve their energy efficiency, overall consumption in Europe would drop, no doubt. If the offer is considered as a permanent factor, other consumer countries like China could use more fossil energy at lower prices – which means that the sum total on a global level would not change at all. However, this may be a schoolbook lesson. In reality, however, even countries like China are also improving their energy effi-

ciency, willing to conserve energy and be prepared to buy the latest technology, because they can foresee the end of the resources. Here substantial capital investments are needed to be able to construct corresponding facilities and to export them at a later stage, if possible.

And what is the position of OPEC now? Is it really true that in the end OPEC will suffer, if Kyoto wins – and Kyoto will suffer if OPEC wins? This may be so in the short term, but in the long run it can only be of OPEC's interest that its members' oil reserves will continue to provide their income basis for a long time: wealth of many of these countries is almost exclusively based on oil. The similar logic applies to the gas producing countries.

In my view there will be progress in Copenhagen and the Kyoto climate protection agreement will be followed by a further step in the right direction. It is absolutely necessary to focus on binding targets for the individual regions, to achieve a transfer of technologies to poorer countries and to recognize the needs of additional funds for these countries to support adaptation. In this sense, please accept my best wishes for stimulating discussions and great success for your conference. I hope you will share my optimism and identify instruments to demonstrate and implement an effective climate protection policy. To be sure the results of this conference will provide a further impetus to the delegates in Copenhagen.