

Ladies and Gentlemen it is an honour to be here today. Just to briefly introduce the Climate Group -

The Climate Group is an international not for profit organisation that promotes business and government leadership on climate change. Our members include a business coalition that spans BP to News Corporation to HSBC and cities and states from London to New York to California.

I would like to make five points,

My first point is that the costs of in action greatly exceed the costs of action.

Based on business as usual greenhouse gas emissions the Stern Review projects *“the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider (and likely) range of risks and impacts (e.g. on environment and health, positive feedbacks, etc) is taken into account, the estimates of damage could rise to 20% of GDP or more”*

And the Stern review concludes that

“the costs of action – reducing greenhouse gas emissions to avoid the worst impacts of climate change – can be limited to around 1% of global GDP each year”

Mckinsey in their micro-economic assessment have concluded that if we target the right greenhouse gas reduction opportunities cost *can be limited to around 0.6% of global GDP.*

McKinsey's one quarter or more

In our research Carbon Down – Profits Up we have found For the 2007 edition of Carbon Down Profits Up, The Climate Group surveyed over 1,500 organisations and profiled 137 of the most impressive results by leading corporations, cities and states which made GHG cuts of on average 14%, cumulatively 497 million tonnes of CO₂e. (The five highest achievers - Catalyst Paper Corp, DuPont, AstraZeneca and the governments of Seattle (US) and Woking (UK) – cut operational emissions by over 60%).

Over 30 corporations reported on their cost savings in particular - cumulatively \$12.576 billion by 2006, with more savings projected. And successful cities and regions reported saving US\$64bn of taxpayer money through carbon reductions.

My second point is there is already the beginnings of momentum behind the low carbon economy.

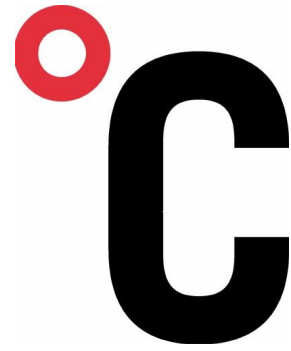
Global renewables capacity overall grew 14% between 2004 and 2005, but wind grew

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at 24%, and solar at 60% – compared with just 2% for coal power.

— In 2006, investment in renewable power reached US \$71 billion, out of total energy investment of US \$500-600 billion.

— Production of electricity-generating solar cells is one of the world's fastest growing industries, up 45% in 2005, six times the level in 2000.

— More than TWO million people are directly employed in the renewable energy industry worldwide,— In Germany, the renewables industry is the number one source of new jobs.

Clean energy and technology is in the top five for venture capital money.

My third point is that a carbon price is helping drive investment decisions.

The global carbon market is scaling - in 2006 global carbon market was worth ~ US\$30 billion. \$25billion was from sale and re-sale of EU allowances.

In the GHG reduction project market the CDM was worth about \$5 billion in 2006. Carbon money is really starting to flow into a host of projects with 800 projects registered and some 2100 in the pipeline.

Many businesses now support cap and trade schemes and a global carbon market can drive much of what needs to be done to move to a low carbon economy.

However carbon price is important but will only drive a third or so of what is required. We will need further transitional incentives to support technologies that are early stage and require a boost beyond a carbon price - solar PV, CCS, off shore wind and wave.

Which brings me to my fourth point - long term Policies and incentives are required.

In conjunction with the British government towards the end of the UK's G8 Presidency we convened 300 business delegates from around the world - the business delegates view could be summarised as – long loud and legal. Business needs sufficient policy certainty to allow it to make long term investments.

We have seen from our research that business investment and innovation are being driven in those countries and regions where they are supported by policies and incentives. The rapid rate of growth of solar in Germany, Japan and California.

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My final point is that we should regard our transition to a low carbon economy as a great opportunity. Leading Businesses are moving in this direction. GE's Ecoimagination doubling their R&D and revenues from cleaner technologies, BP's Alternative Energy, clean energy funds from major financial institutions. We have the opportunity to combat climate change and drive a clean technology revolution - the costs are affordable, the risks of inaction are great - I am hopefull we will make the right choice.

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