



Speech by John Ashton

Climate Change and the Race for Growth

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Business as usual died in 2008. Publics understand that. Elites, on the whole, do not. In Britain, our economy is now almost one sixth smaller than economists were saying five years ago it was going to be by now.

Young people in my country understand that they are the first generation for over 300 years since the beginning of the industrial revolution who, as they look at their future, see a prospect that might well be worse than the one their parents contemplated a generation ago. Progress - the betterment of our lives from one generation to the next - is no longer something we can afford to take for granted. People know that something has gone seriously wrong.

We need a new growth model that is less vulnerable to shocks; that rebalances from excessive debt and casino finance towards the creation of value in the real economy; and that greatly reduces the stress that a growing and increasingly affluent population puts on the resource base including the climate.

This is not a minor adjustment. It demands a substantial redesign of the economy and of the system of power relations that underpins the economy. That is the heart of the matter because the forces of incumbency will always start from the strongest position and they will always fight reform.

That is not how things look to many elites around the world. Some profit too much from the old system to countenance the thought of anything different. Others are imprisoned within an economic theory that under current conditions has lost its power to make useful predictions.

The struggle between incumbency elites and those who see the need for change will be the defining struggle of our times. It will demand a monumental effort to build a new consensus

between those who govern and those who are governed; between the over 40s and the under 30s; between those who said “trust us” and those who are no longer willing to take it on trust that elites must know what they are doing, and that they are doing it for the best.

Going back to 2007 is not an option. Either we will strive successfully to build something better or we will suffer something worse.

How can we react appropriately to climate change?

Climate change and the response to it will be at the heart of this struggle. Climate change is all about energy, and energy lies at the foundation of the economy. After all, the industrial revolution that gave rise to the modern economy was driven by a new found ability to harness the energy stored in minerals to satisfy our needs and desires. Transform the energy system and you transform the growth model.

A successful response to climate change will require the most far-reaching transformation of the energy system since the industrial revolution itself. It will be a story of electricity. We will need to use electricity in smarter ways to meet more of our needs, especially for mobility and heating. We will need at the same time to build an electricity system that is essentially carbon neutral in not much more than a single generation.

We know how to do this. We have the technology now. We have the capital now. Indeed now is the ideal time to mobilize private capital at low cost to build the infrastructure platforms we will need to support the transition. Incidentally, it is often said that the response to climate change is all about technology. This is true – but trivial. In a much more important sense it is about the infrastructure platforms necessary to support low carbon technology.

And we can do this, in most countries, in ways that, far from doing short term harm to the economy, will support rebalancing, modernize infrastructure, boost competitiveness, and reduce our vulnerability to volatility and shocks in oil, food and other resource prices.

That vulnerability is critical. It means that a rapid shift to a low carbon, resource efficient economy offers the only route not only to further prosperity but also to any reasonable prospect of collective security.

Insecurities over food, water, and energy are coming together in a nexus of systemic risk. And the risk multiplier is climate change. In a high carbon world locked into fossil energy, this nexus will become unmanageable. In a low carbon world there will be less climate stress on food and water supplies, less competition for limited hydrocarbon resources, and more political space to deal through diplomacy and cooperation with the tensions that remain.

Dealing with climate change, staying within 2°C, is not something that is desirable for the environment. It is imperative for security and prosperity. In that sense climate change has never been an environmental issue and we have lost a great deal of time deluding ourselves that it is.

How are we doing? The truth is that, by the only measure that matters, we have not even begun. In the real economy, we are locking ourselves further into carbon dependency faster than we are build a path beyond it.

Looking back, the approach to Copenhagen was the high point so far of political momentum. The tide has now gone out. Following the failure there, people concluded that governments really did not have the will to put in place policies that would channel private capital fast enough into the low carbon economy. And they were right.

Since then, the attention of leaders has been further distracted by the economic crisis and by big political transitions in some countries. I have never known a time, in 15 years involvement in the politics of climate change, when climate change has received less political attention than leaders are giving it today.

China's green investment and policies

And yet, if you look carefully, new forces are stirring, and nowhere more than in China.

Here are some of the headlines:

\$1.6 trillion of public investment under the current Five Year Plan in strategic industries critical for the transition.

China becoming a global leader in smart grids, electric vehicles, energy efficient buildings, solar and wind energy, driving key technologies down their cost curves faster than anyone had believed possible.

Low carbon pilot zones, experimenting with bold low carbon development policies encompassing over 300 million people.

The "China 2030" report, published this year by China's State Council and the World Bank under the sponsorship of Vice Premier Li Keqiang is the most radical and compelling official prospectus for a new development model that has appeared anywhere since 2008. As part of a broader blueprint for a new development model, it argues that China's national interest is to move now in building a low carbon economy, to get ahead of the competition.

A divided United States

Meanwhile the debate in the US is currently hostage to a deeper political, even cultural struggle that is raging for America's soul. As someone with close personal connections to the US, and a love of all that is best about that great country, I wish it were not so. The US is still the most dynamic, innovative society in the world. If it could build a domestic consensus to do so, it could change the game on climate overnight. But I doubt if that domestic struggle will be quickly resolved. While it is in progress, the US cannot be a global leader on climate change.

For all the positive things are happening in some of its cities, states and corporations, it cannot summon the will at federal level to put in place the domestic programmes that would be necessary to sustain a position of leadership internationally. Even if China and India were to take on legally binding carbon caps tomorrow, I doubt whether it would be possible to persuade the US Senate that the US should do so too.

The choice for the everyone else is therefore whether to wait - essentially to give up on climate change, because waiting is the one thing there is no time for - or to press ahead so that those in the US who want to move forward can warn about the danger of being left behind in the race to transform the global economy.

The European Union: distracted but evolving

In the European Union, despite the distractions, real change is beginning. The “energy shift” in Germany away from nuclear power will drive a surge of investment in renewables, smart grid infrastructure and energy efficiency. It is not without problems but that is normal when the stakes are high and change is rapid. Germany has also decided that, despite the nuclear phaseout, there will be no relaxation of its 2020 carbon target to cut emissions from 1990 levels by 40%. That is of course relevant to the analogous decision now faced by Japan.

Elsewhere in Europe, wind and solar energy are beginning to play a big part in the electricity mix, reaching 60% in Spain and 40% in Germany at some points this summer. Denmark will be 50% wind by 2020. The UK currently gets under 10% of its electricity from renewables. By 2020 that figure will be over 30%.

None of this would have happened, incidentally, without the Kyoto Protocol, which underpinned the politics of the 2020 target. Those who say that Kyoto has made no difference cannot have noticed what is happening in the world’s largest single market.

The UK’s coalition tussle

Right now the UK is a microcosm of the wider struggle I talked about.

The current coalition government, for which I worked for two years, has some strong policies. A Green Investment Bank that will reduce the risk of low carbon investment. Our biggest ever programme of building upgrades. Investment in offshore wind that has already made the UK over half of the global market.

But there is no deep consensus, even inside the coalition, on the need for a low carbon growth model. On the political right there are still those who think we can get growth back just by liberalizing markets while thinking wistfully of Mrs Thatcher. They tend to see the low carbon economy through ideological blinkers as a cost not an opportunity. Inside an economic policy establishment trapped in a theory of growth that has not caught up with systemic risk, there are signs of an undeclared effort to hollow out the legally binding carbon budgets that underpin our entire policy framework.

Despite that, I am confident that the positive forces at work in my country cannot be turned back. British business wants policy certainty not deregulation, and is ready to build a low carbon economy given clear policy signals. Parts of the country in urgent need of regeneration, including Tyneside where I grew up, are coming to life again as low carbon supply chains establish themselves. And the next generation, the under 30's I mentioned, know that a new growth model that is not credible on climate is not a credible alternative to business as usual.

But we will all be able to go faster if we feel that what we are doing is part of a common endeavor. That is why the UN climate negotiations are so important. The agreement reached last year at Durban has given us a chance to build by 2015 a legally binding framework that embodies our collective will to keep climate change within 2°C. That is what we now have to do.

What role for climate agreements?

There are some who still say that a top down legally binding climate agreement can never be reached. We should instead rely on voluntary, so-called bottom up approaches.

But nobody has ever suggested that voluntary activities should not be allowed. You don't need a global agreement to do what you would have decided to do anyway. The real choice is whether or not this should be accompanied by a top-down, legally binding framework to set the pace and the level of ambition. If it is not, people will rightly conclude that governments are only willing to do what it is easy to do, not what needs to be done. They are not willing to guarantee the outcome, even while they claim that it is imperative.

The problem is not one of architecture but of will. Copenhagen did not fail because we were wrong to aspire to binding commitments. The will was lacking to make them and it is what we now need to build.

In Durban last year, the world decided that the agreement we shall try to reach in 2015 will be a legally binding one. The strategic choice to include a top down component has now been made. But we now need to build sufficient momentum in domestic politics – sufficient confidence in the low carbon economy – so that the negotiators have instructions that will allow them to make commitments commensurate with the 2°C goal.

Japan: at a crossroads

What happens here in Japan will be crucial as we strive to build that collective will. And let me say that my interest in Japan is not merely a result of the many visits I have made, and my many friendships here. My stepson Graham lives with his family in Tachikawa. He recently left a company owned by TEPCO, Eurus, to start his own wind energy consultancy. My son John, meanwhile, is studying at the UN University. When I think about Japan I think about my family.

Like so many of Japan's friends around the world, I was moved beyond words by the courage, dignity and resilience with which the Japanese people met the Tohoku disasters that befell this country last year.

And Japan today seems to me to exemplify everything I have been talking about. You are locked in a struggle between the old and the new economy, a struggle of which energy is the main focus. An elite that told you they knew best about how to meet your energy needs has been discredited and, yes, shamed.

But you also have companies that can, given the right signals in their home market, lead the world in building a low carbon economy. You as much as any major economy have an interest in urgently reducing your vulnerability to price shocks in global energy and resource markets. You have extraordinary untapped resources in wind, solar and geothermal energy.

My impression is that Japan is at a crossroads. The decisions you take now about your growth model, after what some describe as 20 lost years, will shape the prospects of Japanese people for a generation to come.

The future for Japan

The choice Japan now faces is: does Japan want to be a leader or a follower in the transition to low carbon growth?

Japan is not at the moment seen around the world as a leader, because that is not what your actions so far have conveyed.

Why is it that with such abundant renewable energy resources, renewables at present account for only 1.7% of electricity despatched into the grid? Why is that grid still subdivided into 9 weakly connected regional subgrids, when your companies could have set the global standard for smart grids that manage demand efficiently? Why is there more excitement, and a clearer sense of national purpose, in China about electric vehicles than there is here? Why for so long have Japanese industry officials told visitors that after the great progress made in the 1970s the energy efficiency towel was long ago squeezed dry. Clearly the last 18 months have discredited that complacent view.

And why did Japan so lightly abandon the Kyoto Protocol? I have never fully understood why so many in Japan now seem to look back on Kyoto with embarrassment, not pride.

Japan's decision not to embark on a second Kyoto commitment period strengthened those who, before the decision was taken at Durban, wanted to move away from a legally binding approach. In the effort to revitalize the Japanese economy, the absence of a new Kyoto carbon cap sends a mixed signal to investors about the growth model you want. In the end it was Japan's choice. But as someone who wants only the best for this country, I have to say it looks like a missed opportunity to set a clear direction, and thus a mistake.

It seems to me there is a certain ambiguity, a certain anxiety even, in Japan's approach today, including in the speech yesterday by Prime Minister Noda. It is as if you are saying:

this is very difficult, but we will try as hard as we can. Like Hamlet, you are asking yourselves: to be or not to be?"

I have no doubt that Japan can be a leader. I have no doubt that this would be the best choice not only for Japan's standing in the world but also for growth, jobs, competitiveness and the economic renewal for which Japan is striving so hard.

But leadership is about who you are, not just what you want to do. In today's Financial Times there is an article that says that hi-tech companies in Korea are driven by a desire to overhaul Japanese rivals. If Japan fails to reaffirm its 2020 to cut emissions by 25%, people will say why does Germany have the confidence to do this but not Japan? Those who won medals at the Olympics didn't come to London saying, this will be very hard but we will do our best. They came to win.

Be in no doubt, the race that will shape the global economy is a low carbon race. The pace will be quicker, and the prizes for everyone will be greater, if Japan decides that this is a race it wants to join, and race it is determined to win.

John Ashton

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