

FOR IMMEDIATE RELEASE

28 September 2009

Still a long way to Copenhagen

Perspectives on UN Climate Week in New York from Richard Gledhill and Jon Williams, climate change specialists in the PricewaterhouseCoopers LLP Sustainability and Climate Change practice.

With a burst of activity at the UN and G20 talks over the last week, it is clear that the climate talks are gaining momentum in the lead up to the Copenhagen Summit in December. It is less clear yet whether they will reach the finishing line in time.

For those looking for a robust deal, there have been encouraging signs recently: China pledged to increase energy efficiency and limit its carbon emissions growth; President Obama promised a "new era" of promoting clean energy and reducing carbon pollution; Japan offered to cut emissions by 25%; and The European Commission said the EU should provide up to \$15bn each year to help poor countries mitigate and adapt to the impacts of climate change.

Hu steps forward

Although China's statement was perhaps over-hyped, the commitment to reduce carbon intensity by "a notable amount" is perceived by many as real progress. Quite what President Hu meant by *notable* remains to be seen, but China had already reduced emission intensity by almost 50% from 1990 levels by 2006¹.

Just as significant is the shift away from the knee-jerk (though not unreasonable) position taken by developing countries that developed countries caused the problem and so should act first. With 97%² of the increase in emissions to 2030 expected to come from developing countries, this may be the most important outcome of the New York talks.

Yes we can?

But it will take more than one country to reach a global deal in Copenhagen – it will take two at least. Progress in the US has been limited and passage of climate legislation though Congress has been tortuous. The target set out in the Waxman-Markey bill is considered to be unambitious by European countries - a reduction of 17% on 2005 levels by 2020 is equivalent to only 4% on 1990 levels - but even this might not pass through the Senate, which would also have to approve any international treaty.

Obama spoke of acting "boldly, swiftly and together". With healthcare insurance reform and the economy being more pressing domestic priorities, it now seems unlikely that the US will act swiftly enough to give the US negotiating team a clear mandate to agree a robust deal in Copenhagen. But it may be more important to take time to act boldly, rather than to rush through unambitious US climate legislation in time for Copenhagen in December.

US Energy Secretary Stephen Chu spoke in New York about the realities of what we have to do to tackle emissions growth, highlighting that we are on the verge of breaking a long held covenant with the next generation, that we will leave them poorer not richer if we do not act. With other life threatening decisions, we would act decisively, yet we are failing to do so on climate change. He also laid bare the fact that oil and carbon will become expensive, scarce commodities that we will have to use sparingly, that technology can and will be deployed to beat climate change ("we have done so for every other threat to humankind"), and that the role of the private sector will be key.....

Towards a low-carbon recovery?

Cue the World Economic Forum G20 Taskforce on Low Carbon Economic Prosperity. The Taskforce report, presented to Gordon Brown (as chair of the G20) following the meeting at the United Nations, set

¹ Carbon intensity (based on emissions from fossil fuels, relative to GDP) fell by around 45% from 1990 to 2006, according to US Energy Information Administration data.

² Source: International Energy Agency World Energy Outlook 2008

Still a long way to Copenhagen.../2 of 3

out a long list of bold recommendations: ambitious standards, private-public partnerships, the ability to leverage public money 5, 10 or 20 times to raise billions of dollars to support adaptation and mitigation, concrete proposals around CCS and smart grids, etc.

But at the press conference to launch the report, PwC's Sam DiPiazza, reinforced the central message from business: policymakers must have the courage to agree an ambitious deal in Copenhagen. Without a clear mandate from governments to underpin policy and markets, it will be harder for the private sector to deliver the investment and drive the change that the hopes of so many of our leaders rest on.

Little new in Pittsburgh

At Pittsburgh, later in the week, the spotlight moved from climate change, as the G20 grappled with the global economy and financial regulation. The Leaders' Statement issued at the end of the week included a promise to phase out fossil fuel subsidies, but otherwise there was little of real substance on climate change. Of course they reaffirmed their strong commitment to a comprehensive global deal in Copenhagen, but the critical issue of financing the response to climate change was left to Finance Ministers, who are not due to meet again until early November.

Good news from the IEA...

Beyond these bold statements, there is data that actual emissions have decreased this year. The International Energy Agency has shown that CO2 emissions from burning fossil fuels have declined further than in any year in the past 40 – largely the result of falling industrial output. Good news from one perspective, but also confirmation that economic activity is still inextricably linked to emissions levels. We have a long way to go to a low carbon economy.

...but not from the European Courts

A ruling by the European Court of First Instance against a Commission decision to cut the allocation of EU allowances for Poland and Estonia came too late for the UN talks last week, but undermined confidence in the carbon prices – EU Allowance prices dropped by 5%, to €12.68, in response. This may set a dangerous precedent for other Member States and risks hanging over the talks in Copenhagen.

So, are we any closer to a deal?

Governments are now meeting in Bangkok for the penultimate negotiating session before Copenhagen and need to pare down the hundreds of pages of draft text to something workable.

But even as world leaders begin to show their cards, it seems increasingly unlikely that there will be a robust global deal. Many observers are now lowering their expectations, fearing that Copenhagen will only deliver a less than satisfactory smörgåsbord of pledges and initiatives, rather than a comprehensive global deal.

Does this matter?

At the end of the day, achieving emissions targets is obviously much more important than setting them – in this respect, China is a better role model than many Western countries – and it will be national rather than international regulation which will drive the change needed. But it will be a lot easier to deliver an effective response if countries work together towards a common goal.

Meanwhile, scientists are meeting in Oxford this week to discuss the growing risk of catastrophic climate change. A new report by the UK Met Office warns that temperatures could rise by 4° Celsius by as early as 2060 without urgent action on emissions.

So let's not give up yet on an ambitious global deal at Copenhagen.

ENDS

Contacts:

Still a long way to Copenhagen.../3 of 3

Rowena Mearley, media relations manager, PricewaterhouseCoopers LLP
Tel: +44 (0)207 213 4727, Mobile: +44 7841 563 180, Email: rowena.mearley@uk.pwc.com

Note(s) to Editor:

1. Richard Gledhill and Jon Williams are available for interview and further comment on issues surrounding climate change and carbon markets. Please contact Rowena Mearley for details.
2. The PricewaterhouseCoopers climate change team will be issuing regular updates on the status of the climate change talks in the lead up to, and at, Copenhagen. For more information please register at www.pwc.com/climateready or contact Rowena Mearley (rowena.mearley@uk.pwc.com)
3. PwC is a strategic advisor to the World Economic Forum Climate Change Initiative, and a member of the Low Carbon Prosperity Taskforce which is working with the G20 governments to develop a set of practical projects and policy proposals to encourage a rapid transition to a low carbon economy.
4. PwC has a 17 year track record of advising clients on sustainability and corporate responsibility issues across its assurance, tax and advisory practices. In the past 18 months the UK practice has trebled in size, joining a global network of over 800 practitioners.

About PricewaterhouseCoopers

PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

"PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.