# *COP 11 LUNCH MINISTERIAL MEETING* *Final Draft*

*Section 1 (Introduction)*

I want to sincerely thank Stephane Dion from the Canadian Government and Richard Kinley from the United Nations for this opportunity to dialogue on the critical issue of Energy and Climate Change from the perspective of a large energy user. Minister Dion referred last week to "concerns about rising energy prices and energy security". He also referred to the need for urgent global actions and more innovative ways of working together.

I'd like to elaborate on these themes and also illustrate how the Chemical industry can be a partner in this debate and provide vital solutions to the challenges ahead.

We are an industry that has delivered, and wants to deliver even more… in terms of significant CO2 and GHG intensity reductions; ever enhanced energy efficiency improvements, and products and applications that reduce energy demand in society.

As an industry we share with society the need for Reliable, Affordable and Sustainable energy. The chemical industry is the largest industrial user of energy, but our industry is also a unique user in that 80% of the fossil fuels we use are as the raw material for the products that are essential to society: pharmaceuticals and health care, transportation, construction, electronics, and more.

I would like to add to your vision of the chemical industry. I want you to see that we are an enabling industry--through the employment and products our chemistry creates, to the solutions and technologies we develop. Most importantly I want you to leave today with the clear understanding that we are an industry that can do even more related to Energy and Climate Change… but we need a seat at the table so we can help pave the way for a sustainable future.

Let me start however with stating the clear realities associated with energy consumption. Our Earth is home to more than 6 billion people. We know that as our populations grow and as these people aspire to improve their standard of living, energy use will also grow.

The International Energy Agency is predicting that by 2030 energy use will have increased by 60%, and could triple by 2050. While in percentage terms high growth is forecasted for renewables and alternatives—the momentum is clear—close to 80-90% of the growth will be met through fossil fuels.

With that said, we also know that fossil fuels are non-renewable. We all see the need for diverse and secure supplies of energy, including renewables and alternatives. Paradigm technology advancements must happen. But how? The only solution is to work collectively, cohesively, globally and across all sectors of society—from domestic households to industry, from transport to government to address the global challenges with global answers.

The architects of Kyoto had a vision, and signatory countries took the leadership to create a path forward. Now is the time though to ensure the world is truly following. To ensure that the approach forward encourages the world community to engage. After all—this is the sign of true leadership—to create a platform on which the people and nations of the world want to participate and commit.

Now a few minutes on why I believe the Chemical Industry is and can be an increasingly more impactful partner, together with you, in this journey.

*Section 3 (The Chemical Industry)*

You may know that the global chemical industry generates 2.2 trillion $ in sales and employs 10 million people directly and another 50 million indirectly. But did you know ?

- That in Europe alone, this industry has reduced energy intensity by 45% since 1990
- In fact, in the same period GHG intensity has been reduced by more than 50%
- It means that for Europe alone, the cumulative CO2 reductions from the Chemical Industry would equate to one third of the total Kyoto target for that region.

But that's not all…

- The products we produce enhance energy efficiency—plastics for lighter weight cars and insulation for homes
- Our technology solutions enable materials to strengthen the composite blades of wind turbines and reduce the costs of silicon based photovoltaic cells/solar panels
- Our bio-tech efforts will lead to more cost effective technologies to enable fuels from biomass or new synthesis routes using natural renewable materials

One industry already contributing to one third of the Kyoto goal in one region … one industry enhancing energy efficiency and technology solutions globally and across sectors… this is not typically what you hear about our industry, but I hope these facts illustrate that **increasingly intelligent use of future energy** resources **will increasingly rely on technologies being used or developed by our industry**.

So let's return to our mutual energy concerns — affordability, reliability and sustainability.

First,

Comprehensive Energy Policies are fundamental—diversity and security of supply must be in place at national and regional levels. Policies must be constructed with global industry in mind.

As an example, let's look at the role of energy policy in the United States. Preferential support for natural gas as a clean, cheap source of energy has created serious supply/demand imbalances—with serious consequences. An over–reliance on natural gas has damaged availability and affordability for both industry and consumer. This belief in the "silver bullet" concept resulted in little focus being place on diversity and security of supply. The result: economic hardship and questionable evidence of a sustainable environmental benefit.

The alarming fact is that precisely this experience is now being repeated in some European countries.

Now let's examine the wider context:

Global problems need global solutions—our industry serves our customers globally and needs a level-playing field in order to continue to contribute in terms of employment and innovation. Without a global approach, geographical production shifts, driven by cost rather than environmental performance, will take place and may actually increase CO2 emissions.

CO2 is a global issue… therefore long-term regional market based systems will not solve the issue but will marginalize local industry competing in a global business environment. A truly sustainable system will incentivise the more efficient companies

and only penalise those companies that emit more CO2 than their peers. It will encourage followers, and will, through its mechanisms drive for paradigm technology solutions to be created

The IEA is predicting that by the 2020's developing countries emissions will overtake those of the developing world. So the acid test for any market based system for CO2 emissions is its capability to be inclusive of all the counties that will be major emitters within this time-frame.

Finally let me turn to how…

Innovation and new technology developments will contribute to sustainable solutions within the right regulatory and legislative framework. We believe, and our track record proves, that relative targets drive continuous performance improvement and stimulate innovation.

Time and again, our experience has shown that throughout the globe, once minimum levels for performance are established, systems that first focus on rewarding improvement are more effective than systems that concentrate primarily on restrictions or regulations. A system that encourages innovation will result in sustainable solutions.

Although not everyone in the room may agree with my conviction on this point *(with humour)*, I do believe we share agreement that Technology Transfer is a critical area of focus. One that is good for business and good for the environment… and one that can deliver real results today.

I'd like to focus in conclusion on joint actions that represent win-wins for us all. A recent press release from the World Bank highlighted a significantly improved JI / CDM agreement as a most important outcome from COP11. I suspect that most of us hoping for clear progress in Montreal support these sentiments.

As an industry and as a company we are eager to help facilitate a functioning JI/CDM system. This represents a critical vehicle to facilitate best practice, encourage innovation and sustain a viable economy for companies and countries. When markets for $SO_X$ and $NO_X$ were created, the required technologies were available to enable reductions and thus create a functioning market. With $CO_2$, we don't have the required technologies in place … YET… the alternative to simply shutdown operations hardly seems a sustainable choice for any nation. A new level of business and government cooperation to get JI/CDM up and running is however a genuine and workable alternative. We want to help make that happen—I hope you will engage us!

My time has run out, so I would like to finish with the following:

Help Us Do More:

- We are part of the solution! Sound, comprehensive energy policies that address diversity and security of supply and enable an even playing field while truly tackling global problems with global solutions will be a win-win for all.

And my offer:

- To make a significant impact on climate change, a massive joint effort on technology transfers and innovation is needed now. The existing set up simply can not cope with such demands. So in addition to working on and investing in such technologies, our industry is also willing to get more directly involved in the JI/CDM process. We can offer both the expertise and resources to help in making JI/CDM a significant part of the solution to this global climate issue. THANK YOU

# *COP 11 LUNCH MINISTERIAL MEETING*

## Logistics of Meeting/Speech:

Date: Thursday, December 8
Location: Ballroom, second floor, Marché Bonsecours, (down town) Montreal

Agenda: Proceedings start at 1:15 pm, Speech planned during lunch, lunch ends shortly after 2:30 pm

Timing of speech: about 7 minutes

Seating plan: On head table with Stephane Dion, Richard Kinley, David Suzuki and others

Audience: about 250 people, mainly Ministers of the Environment and heads of delegation

Pick up @ airport: Gordon Slack (mobile: 989 909 0118)

Return to airport: for ca 6:30 pm plane departure