

CHECK AGAINST DELIVERY

Climate Change: The gathering storm

Annual Winston Churchill Memorial Lecture

British American Business Inc.

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Good Evening

Today's lecture remembers a man whom, of course, I never met but whose life and story are woven into the very fabric of British society – and who was a particularly formative influence upon anyone who, like me, grew up in the immediate post-war years. That makes it a very special honour to be invited here tonight.

The title I have given to these remarks is: "Climate Change - The Gathering Storm". It seemed very apt as I was flying into JFK - late - last night.

That is the name, of course, that Winston Churchill gave to the first volume of his History of the Second World War. And, there is a very serious point to the allusion – indeed it is one that Al Gore also made in his film "An Inconvenient Truth".

In *The Gathering Storm*, Churchill tells the story of the inter-war years, 1919 to 1939. And the great bulk of that book – all but the first 30 pages – is spent on chronicling the slow build up to war during the 1930s. It was a time when Churchill, perceiving the dangers that lay ahead, struggled to mobilise the political

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will and industrial energy of the British empire to meet those dangers. He did so often in the face of strong opposition and not always with success: wasted opportunities that he subsequently referred to as “The Locust Years”.

But in the end it was his foresight and his determination to prepare for a threat which – to many – was still seemingly distant and uncertain that in the end guaranteed the liberty and survival of my country and that of many others.

Today politicians and business leaders once again face an increasing danger to our security and prosperity, and growing calls for early and resolute measures. Climate change is the gathering storm of our generation. And the implications – should we fail to act – could be no less dire.

But while there are parallels between those two situations there are also crucial differences. For a start, whereas Churchill’s cause during the 1930s was one of rearmament – more guns, more planes and, in particular, more ships – we are not going to be able to ensure climate security through the exercise of hard power. An unstable climate is a direct threat to our security: but it is not one that can be met by bullets and bombs. Diplomacy failed in the late 1930s and force of arms took over – in this battle there is no backstop to diplomacy.

But we also have an advantage – perhaps even a head start – over Churchill in the 1930s. He sensed the intentions of Hitler, but he could not prove them. He had to convince people to prepare for something which could only be a possibility. In climate change, there is strong evidence to tell us that we are dealing with an inevitability. This is something that is happening and that will go on happening. Those who reject that claim are choosing this time to ignore both evidence and the massive scientific consensus as to what that evidence tells us.

Churchill was not just a great statesman, he was a gifted writer. Many of the chapters in “The Gathering Storm” are almost poetic in their titles: “The Loaded Pause”, “The Darkening Scene”. But for the pivotal chapter – covering the period in 1935 when the Nazis began to reveal their hand – Churchill is more prosaic. He calls it simply: “Challenge and Response”.

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That is the framework I want to use tonight.

I will begin by laying out the scale of the challenge. Then I will set out the response we can and must take. But I will also argue that the world is in danger of falling into the gap between the two – into the empty space which separates what we should be doing from what we are doing.

So first, the challenge. The trap to be wary of here is seeing this as just an environmental problem: a “green” issue. Don’t misunderstand me: the potential effects on our biodiversity from climate change range, under differing scenarios, from serious to catastrophic. And the image of polar bears on melting glaciers is a simple one that has had a role in raising awareness and drumming up public support.

But the, perhaps rather sad, truth is that the international community will not move with the necessary urgency or the necessary resolve if climate change is seen as primarily something that effects insects, animals and plants. To steal a slogan from Amnesty International, we need to show that tackling climate change is about saving the human.

So let’s look at the effect on humans if we do nothing.

The recent report of the Second Working Group of the Intergovernmental Panel on Climate Change paints a stark picture. Let me give just one example from it: by 2020 crop yields in some African countries, for example, could have halved.

So science is giving us a clear picture of the scale and severity of the physical impacts that will happen if we don’t do anything about climate change. It is simply inconceivable that there will not be a profound and possibly devastating effect on our collective and individual security.

There are some consequences of climate change that we can identify with some confidence and that should give us very specific reason to be worried. So, for

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example, rising sea-levels could displace millions in Bangladesh alone and add a dangerous new dynamic to an already tense region. Or, another example, the Middle East – where five per cent of the world’s population share one per cent of the world’s water – will have even less of that water to go round with the Nile flow being particularly badly affected. Increased incidence of drought in Sudan has been said to be one of the factors that brought pastoralists and nomads into conflict in Darfur.

Tomorrow, I will chair a discussion at the UN Security Council on those security implications of climate change.

Today, you may well have seen, saw the publication of a report the first line of which reads: “Projected climate change poses a serious threat to America’s national security”. Who authored that report? A dozen of the most respected retired admirals and generals in the United States.

And two weeks ago Senators Durbin and Hagel introduced bipartisan legislation – the Global Climate Change Security Oversight Act – that would require a National Intelligence Estimate to assess the security challenges presented by the world’s changing climate.

Particularly over the past year, I have discussed the link between climate and security with many people. Some of them are sceptical. They respond that we can’t prove that climate change will lead to this or that particular event – still less that it will cause any one outbreak of violence or hostilities.

But that is to misunderstand the issue and the argument.

If you are looking for a simple, linear connection between climate change and a particular flash-point, you are only picking up a glimpse of a much wider picture. The implications of climate change for our security are more fundamental and comprehensive than any single conflict.

For a start, there is that potential devastating effect on the global economy. If there is one resounding thing we have learnt in the past 150 years it is that there is a

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deadly and complex link between the global economy, economic nationalism and increased global tensions. Twice in the last century the US had to rescue Europe when it failed to heed that lesson.

The former Chief Economist at the World Bank, Nick Stern, has already shown the potential cost to the global economy of not taking action. Or to put it another way, how climate change will make us all poorer. In a report which the Nobel Prize winner Joseph Stiglitz described as: “the most thorough and rigorous analysis to date of the costs and risks of climate change”, he estimated that the dangers of unabated climate change – based on the science available in 2001 and on a narrow range of effects – would be at least five per cent of global GDP. Taking on board more recent scientific evidence and the economic effects on human life and the environment, he estimates that the global economy could take a hit equivalent to 20 per cent of GDP or more.

The implications of that for developed and developing countries alike are, of course, huge. Incidentally, and I will say more about this later, that same report shows that the costs of avoiding the worst impacts of climate change can be limited to around one per cent of GDP each year. In other words, it won't cost the earth to tackle climate change, but it will – literally and figuratively – if we do not.

Add to that mixture the sense in certain parts of the world that climate change is a developed world problem for which the developing world will pay the price and you can see how easily it could serve to exacerbate an existing sense of grievance. President Museveni of Uganda was the first African leader to describe climate change as an act of aggression by the rich against the poor: he won't be the last.

But there's more to it even than that.

I would argue that there are some fairly basic needs that underpin our collective security – as much within communities and societies as between states. Take them away, fail to prepare adequately and you raise the chances of conflict and instability. If people don't have enough food to eat it can lead to instability. If –

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perhaps even more so – they can't get the water they need for themselves and their families: again, the risk of heightened tension. Make it more difficult for them to secure the energy they need to power their homes and their businesses – in any or all of these instances they might decide to go out and take what they need for themselves.

And here's the problem. All of those pressures are already evident, and evidently growing. Rapid population growth means we are living on a planet bursting at the seams. We use double the amount of water we did in 1960. The International Energy Agency predicts a rise of more than 50 per cent in primary energy demand over the next 25 years. There are millions of people going hungry; millions are moving off agricultural land into cities that are already bursting at the seams.

The resources available to us are already stretched and under immense and growing strain. And an unstable climate threatens to exacerbate all of these existing tensions.

A study the UK did with the Chinese authorities predicted a fall in crop yields of 30-40 per cent. The recent corn riots in Mexico show the link between food prices and stability. Given the centrality of stable Chinese growth to the global economy, drought and food shortage in China is a problem for all of us.

Everything in the history and pre-history of the human race demonstrates how physical change drives change in societies and communities. The abandoned cities and even civilisations which litter our planet are evidence of that.

Think of the world today then, as a dangerously simmering pot. An unstable climate risks that pot boiling over. And we ignore that risk – literally – at our peril.

So much for the challenge. What about the response?

This too is a complex picture. The better analogy here might not be so much Churchill in the 1930s but Churchill in the 1950s. Just as the Cold War was seen

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as a threat that engaged society at every level – from the academic and the journalist, to the businessman and the general – so too must we form a collective effort to achieve climate security. Consumers, politicians, NGOs, media, industrialists, scientists, entrepreneurs, financiers, educationalists, retailers, architects, designers, builders – all have to be heading in the same direction. Like the Cold War, the soft power war for climate security will have to be fought simultaneously on the political, economic, developmental, scientific and cultural fronts.

And that direction is pretty clear. It means moving to a low-carbon, economy that uses energy far more efficiently than we do today. It is our good fortune that doing so makes sense from almost every angle. It will cut emissions and help to achieve climate security. And it will improve our energy security: making us less reliant on increasingly expensive hydrocarbons, and on a relatively small number of states, some of them in regions which are themselves already unstable. By 2020 half of the world's oil production will be in countries currently considered at risk of internal instability. And already, today, two countries – Russia and Iran – account for over two-fifths of global gas reserves.

So two of the greatest challenges we face – energy security and climate security – both demand the same solution.

So what's stopping us?

Because – and it is worth spelling this out – even where we are recognising the potential scale and gravity of the problem and where we know the action we 'must take, we haven't begun to move with the speed, the urgency or the ambition we need.

We need to add new political impetus to this effort – to expand the limits of the possible. And indeed that is one of the reasons why I'm addressing this subject today, why the UK has put in on the agenda of the Security Council tomorrow and why, shortly after I return to the UK, I'll be making a presentation to one of the

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leading security think-tanks there. To steal another phrase from Churchill, politicians must continue to “pester, nag and bite” on this issue.

But this isn't a problem for politicians action alone. Business is the most vital plank of the bridge between challenge and response, between the high carbon economy of today and the low-carbon economy of the future.

Many of the clean technologies we need are already available and already being deployed. But just not fast enough. The rate of deployment is largely a function of unit costs – and that in turn is a function of the size of the existing market: Moore's Law, in other words. So politicians, business and consumers have to find ways to grow those markets at the national, regional and global level.

The International Energy Authority is talking about an estimated US\$21 trillion being spent on the energy sector between now and 2030. Most of that will be private investment.

That is the money that must build a global low-carbon economy.

If we are going to shift the flow of capital on such a scale then we have to do three things. First set a carbon price – we can do that through cap and trade, through regulations, through carbon tax. In Europe the emissions trading scheme is by no means perfect but it is starting to work and it is showing what can be done.

Setting a carbon price is not enough – it won't deliver the magnitude or speed of change that we need.

So we have to take more direct action too. We have to set technology standards and harmonise them across borders. Trade has always been the most effective way to grow markets and set prices: so we must build on the opportunities to speed up trade and investment in low carbon goods and services and accelerate the introduction of clean-technologies into new markets. At the same time, we need to put in public investment – to prime the pump: not just for the benefit it gives in

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terms of direct financial support for fledgling technologies but also as a signal of the long-term political commitment that will give the private sector the confidence to follow.

But to get all that right; to find the alchemy that works and drives the global transition to clean, low-carbon technologies, business has to be on board at every stage. Business has to tell the politicians what incentives they think need to be in place, what barriers have to be taken down, what signals need to be given to the market.

I don't mean the cosy and formulaic exchanges on policy that you sometimes see between business and government.

I am calling for the greatest public-private partnership of all time: with governments setting the framework – mitigating early mover risks and where necessary providing other incentives; and business providing the entrepreneurship and the innovation to speed the future vision of a low carbon economy into present reality. And using our influence with different audiences too - driving home the message that climate change is real, is happening and has implications for us all.

But what is in it for business?

Well, on the one hand, there are the risks of inaction. Those include the direct losses – Swiss Re. Estimates that weather made more severe by climate change could cost the insurance industry US\$150 billion a year in the next decade.

And we all know that what costs the insurance industry money one day, costs all of us the next day.

But there are also the losses from increased global risk and from growing awareness and action among consumers and shareholders – both groups are now looking for and expecting the companies they invest in or buy from to be leaders on this issue. Indeed, that was the tenor of the recent “Call for Action” when ten

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major US corporations joined together to form the Climate Action Partnership and urged the federal government to set mandatory limits on greenhouse gas emissions. I think that is a pretty extraordinary sign of how the mood has changed on this issue in just the last year or so.

Just last week Conoco Phillips – the fifth largest oil company in the world – announced that it had joined the partnership.

I remember being in Chicago a couple of years ago giving a talk to some people there about the European Emissions Trading Scheme and seeing how some in the audience – many of whom had actually been involved during the nineties in the world's first ever emissions trading scheme in sulphur and nitrogen – literally gnashing their teeth in frustration at not being able to get in on the act.

Today the Chicago Climate Exchange is growing by the day. Just last week, Intel joined the exchange, committing to cut its greenhouse gas emissions in the United States by a minimum of six per cent by 2010.

Clean-tech is going to be a massive market. John Doerr, has called energy “the mother of all markets...the largest economic opportunity this century”: and this comes from a man who invested in, among others, Google and Amazon and now sits on the boards of both those companies.

Those who move into that market first – first to design, first to patent, first to set the technology standard, first to sell, first to invest, first to build a brand – have an unparalleled chance to make money.

In the foreword to their recent report on the Business of Climate Change, Lehman Brothers described climate change as “likely to prove one of those tectonic forces that gradually but powerfully changes the economic landscape”. It goes on to predict that: “Firms that recognise the challenge early, and respond imaginatively and constructively will create opportunities for themselves and thereby prosper”.

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Vinod Khosla, co-founder of Sun Microsystems likens the opportunity that investment in clean-tech offers to being “as good as or better” than investment in traditional Silicon Valley start-ups. And the money is already flowing. Across the US, US\$2.9 billion in clean-tech last year, nearly double what it had been the year before. By 2009 that figure is projected to hit US\$8.7 billion.

But it would be wrong to think of this as being a high-risk proposition – one for the Venture Capitalists but not for the rest of us.

The European Union is the biggest single market on the planet.

Last month, it – we – took a massive step towards becoming the first competitive, low-carbon, energy secure economy in the world. We aim to take emissions out of the European power sector by 2020 and to ensure that new fossil power plants come with carbon capture and storage by then – which, in turn, will also lead to the retrofitting of previous plants.

The European agreement involved a series of concrete commitments:

- a binding commitment to a 20 per cent reduction in EU emissions by 2020, with a further 10 per cent if this is part of a wider international effort
- a binding target of 20 per cent of our energy from renewables by the same date.
- a binding target of increasing our energy efficiency by 20 per cent
- and 10 per cent of our transport powered by biofuels.

This is change that Europeans are going to see and feel. One of the elements that the press picked up on was the phasing out of old style filament light-bulbs. From 2009, you won't be able to buy them in European shops.

And we are not doing this despite economic misgivings – despite fears that we might be hurting our economies. The idea that countries faced the traditional “prisoners’ dilemma” when it came to climate change – that no-one wanted to move first for fear of harming their own competitiveness has been superseded.

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In proposing this course of action, Europe is acting selfishly not altruistically. We are doing it because we believe that it is in our core economic interest: it represents a political consensus that Europe can only and will only compete successfully in the global economy if we increase our energy security and if we lead the global transition to a low-carbon economy.

Many here in America are moving in the same direction. Companies like those in the Climate Action Partnership. Leaders like Governor Schwarzenegger and the more than 300 mayors who have signed the Climate Protection Agreement. Individuals like Richard Sandor, founder of the Chicago Climate Exchange.

The world admires nothing more about the US than your capacity to achieve momentous goals through the application of technology – to take on challenges that others say are impossible and to best them. The Manhattan Project and the Apollo Programme fundamentally shaped perceptions of the US for two successive generations around the world. Now we need you to lend your genius, grit and drive to the shared endeavour to transform the way the world uses energy in the face of climate change.

CONCLUSION

Winston Churchill received many honours in his life. But, as he wrote to John F Kennedy, none greater than being made a citizen of the United States.

He knew the power and the potential of this nation. Whenever he spoke to an audience in this country – particularly of young people – he would remind them of the great force for good that America was and could be. In Harvard in 1943 he spoke of how the US would always be involved in the problems of the world: “convulsed by its agonies and inspired by its causes”. Three years later in Westminster College, Fulton, Missouri he put it even more plainly: “with primacy in power is also joined an awe-inspiring accountability to the future”.

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Those words have stood the test of time. Today we live in a world fractured by conflict but united under the shadow of another and even greater gathering storm that will impact upon the entire planet.

More than 200 years ago, the US forged itself as a nation in the War of Independence against the British crown. Since then, we have thankfully been comrades in arms.

Now it is time for us to rise to our newest and biggest challenge: to fight the first great war of interdependence, the struggle for climate security. There will be no winners unless we all emerge victorious.