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I could not help but think during the first panel of energy as being the elephant in the room, a kind of bookend around health, environment and migration; what we say here will shape those agendas for the future, and I thought we should have been talking about energy then. The last really bad crisis we had was in 1975, and it was another of these commodity ramps; we went through commodity ramps in 2006, 2007 and 2008, and here we are again with the impacts of these runaway commodity prices. Therefore, we have to spend a bit of time thinking about what shapes them and whether we can do something different.

Last year at the podium with Anil my remarks had a degree of optimism; there was reason to think that the new US and Japanese Governments might do something different, as Copenhagen was on the horizon and things were shaping up. There might have been some fairly limited expectations for Copenhagen, but we missed them by quite a bit. We had some growth in our economies, so there was room for optimism. It was deeply disappointing in the event. It is fair to say we have run up against the limits of multilateralism, and the Copenhagen accord was only put together at the end of the day by spontaneous mini-lateralism. A group of countries got together, decided they needed to have something to go back to their electorate with, and so we got the Copenhagen Accord.

It was not bad; it said some things, it had the two degrees, and there was some political commonality of purpose. Some commitments were submitted to the Accord afterwards, and abiding by these commitments could us 50-60% to our 2050 targets. The question then was whether we really believed these things were going to happen.

The ramp to Cancun is a bit rougher; the preparatory sessions have not been good, and the last session in Beijing was disappointing. President Obama has not achieved a congressional mandate; on the contrary, he never got this piece of legislation before Congress in any meaningful way, and it was more of a regulatory approach than a top-down international commitment. The 17% reduction is still not in any kind of legislation, so President Obama is already out on a limb. The next election is the midterm on 2 November, and if things go as poorly as some think they might, it will be a lot tougher in the last two years of the Obama administration, especially if the Senate is weakened, as appears to be the case. Maybe the Senate will go better with a few more candidates like Christine O' Donnell, but for the time being things are not looking all that good.

The EU continues to debate in camera in the meantime, extending its 20% commitment to 30%. Happily, the Environment Council decided not to do that last week until they saw some comparability of effort around the circuit from other countries, so at least we will not confront that in Cancun. Meanwhile, as you heard again this morning, the developing countries are sitting around waiting for the down payment on the income transfers, starting with USD30 billion and working their way to USD100 billion. How soon will we raise USD30 billion in today's economic environment and with the stresses on our economies? I am not optimistic that we will see it by Cancun.



IMF projections in the meantime show growth at 4% in 2010, which is quite impressive, and we heard that it will be 9.6% in China, 8.5% in India, and 1.7% in the EU. That growth is very impressive, and we are on track for the worst-case scenario in terms of emissions. Maybe Rio plus 20 offers some opportunity, but looking at the number of elections in 2012, it is unlikely there will be any serious mandates available for that.

Therefore, we are looking for the right combination of participants. Will it be the G20 or the major economies? What kind of mini-lateralism can possibly come together? You do not need many countries to get 60-80% of emissions, so you do not really need a large consensus, and that consensus could lay down the rules of the game for the next few years. It could happen, but it has not happened yet; in the meantime, because we cannot get top-down agreement, it is time to focus a lot more on the bottom-up, and we heard some very good bottom-up stuff earlier today. We need databases, we need to be able to benchmark, we need to be able to measure and verify, we need to do things at sub-federal, municipal and state levels, such as carbon trading, ETS etc.

There is a potential for sectoral agreements, and a lot of work has been done on this in cement, chemicals, fertilisers, glass, and aluminium. Everybody is using the same technologies and competing in the same markets, by and large; there may be resistance in some sectors, but the concern about carbon leakage as a function of carbon prices has not been demonstrated. We do not see delocalisations because of that; there are other reasons beyond carbon prices. Therefore, we need to be a little more aggressive in setting up some of these mechanisms. Say you had an ETS, with carbon trading in some states and in Japan, for example, and you found ways to link these things, you could begin building a common global approach to carbon and maybe some sense for what carbon prices could be over time. A lot could be done.

Regarding energy markets, GDP is increasing and growth is picking up outside the OECD, energy consumption is growing accordingly; unfortunately greenhouse gases are growing faster because of the heavier carbon content and the lower efficiency of some of the economies that are growing fastest. Inside the OECD, the newly discovered phenomenon of shale gas is providing a bridge to the future, but it is a carbon bridge, so we need to be careful not to think that we are halfway there is we shut down coal plants and put in gas plants. That will not work. We need to bear in mind the carbon content, and the fact that you do not get that much saving out of gas, at maybe 50%; that is a lot, but not enough.

We have been reminded that energy disasters can be an incentive to lower carbon energies over the last few days, with Somali pirates, hurricanes, oil spills in the Gulf, and an oil pipeline being blown up in Nigeria. There are a lot of things that should incentivise lower carbon options, and there are some good signs. OECD energy efficiency is improving again, the global effort to field electric vehicles will take some time but is underway, there is greater investment in lower carbon energy, some through stimulus packages, some through subsidy programmes, and some through realisation we need to move in that direction. These strategies are quite useful.

The paths to the future are known; we know that you can get a good bit out of CCS if it is deployed fast enough, with reductions of 19%, renewables giving another 20%, nuclear 5-10%, fuel switching 15% and efficiency 45%. Who is working on efficiency? Everybody talks about it, but you do not really see any action. It is cost negative, yet it is the least pursued, at least politically. I believe we could get emissions down to 14.5 gigatonnes by 2050, but we are not on our way. Emissions have been rising globally: emissions rose by 1.1% between 1990 and 2000, and 3% in the



following seven years, in large measure because of coal. We are reaching the point where the forecasts saying we can do this through mitigation are no longer true.

Can this be done through mitigation, and is there not a risk that by shifting to adaptation, politicians will say the hard decisions are 50 years down the road, which is much better than dealing with it today? It would be a bad scenario if they started talking about adaptation and stopped mitigating.

Ban Ki-Moon talked about energy poverty this morning. Last month's MDG meeting heard a submission from the IEA, UNICEF and UNDP. There is no MDG for energy; plans to reduce extreme poverty by 2015 are essentially meaningless if you do not deal with energy poverty, and none of the MDG goals are feasible either. 1.4 billion people lack access to electricity, 40% in Africa, 30% in India and 27% in Asia. 2.7 billion people rely on traditional biomass for cooking and lighting, and more women and children die prematurely of biomass pollution than of malaria, tuberculosis and HIV/AIDS, at about 1.5 million per year, or about 15 since I started talking.

Only 31% of sub-Saharan Africans have access to electricity, and New Yorkers consume the same number of terawatt-hours as the 791 million Africans. Therefore, the UNDP and IAE have developed what they call a universal modern energy access case, which provides accelerated access to clean cooking facilities and electricity. The goals are ambitious, but it has established a policy target. The cost of the greater access to electricity target of 2030 is USD700 billion, or about USD33 billion a year; the cost of cleaning would be USD56 billion, or about USD2.6 billion a year, or USD1 per beneficiary per year. I think we should be able to find some development assistance for those areas, as they are really cost-effective ways to change the lives of a lot of people.

Another way is subsidies. Subsidies distort energy prices on markets around the world. There have to be some very valid reasons for them, as you cannot just toss them out, but they could be given more efficiently. About USD252 billion of the world's USD312 billion annual subsidies are in developing countries, which is seven times larger than the investment needed per year to provide the accelerated access already discussed. Redirecting inefficient subsidies to provide access would be pretty sound policy. It can be done; we can get CO<sub>2</sub> down, we can get poverty down, and the tools are there. Unfortunately, the political will is not there; as soon as it is there, we have to get the instructions out to the private sector, because all the official money in the world will not do this job. It will require the private sector, and if they do not have the instructions, the guidance, stability of investment environment, the cost of carbon and some other basic essentials, they cannot do it.