

ICAP – International Carbon Action Partnership

29th October

Distinguished ICAP Partners
and guests,

I would like to thank everyone for being here and to welcome you to Portugal.

I would like to greet all the European Union participants who, on coming today, are proof of our commitment and confidence in the European greenhouse gas emission trading scheme.

But I would like to give a particularly warm welcome to the representatives from other carbon markets who we are delighted to have with us at this ceremony here in Lisbon.

I am referring to Governor Jon Corzine from New Jersey, and Governor Eliot Spitzer from New York, representing the Regional Greenhouse Gas Initiative (RGGI).

To Premier Gordon Campbell from the Canadian province of British Columbia, and to Secretary Linda Adams from California representing the Western Climate Initiative (WCI).

To Minister Kristin Halvorsen representing the Norwegian carbon market.

To Ambassador Peter Kennedy representing the future New Zealand carbon market.

I would also like to extend a special word of support to Governor Schwarzenegger, one of the main instigators of this initiative and who would have been with us today had it not been for the tragic situation which has been unfolding in California. I want to express my consternation both to him personally and to all Californians and offer them our total solidarity.

It is no accident that when we speak of climate changes, we do so in the plural. It is because there are multiple changes and they manifest themselves in multiple forms: the tremendous floods, the devastating fires, the severe drought, they are all dramatic evidence that the climate is changing, raising serious risks for mankind.

We have come here today to try to put a stop to phenomena such as these.

And what unites us all is the conviction that one of the best ways to combat the scourge of climate changes is to establish carbon markets.

With the creation of carbon markets, a price is put on CO₂ emissions that internalises pollution costs. This is the best way to stimulate change in behavior and attitude, as well as industrial conversion and technological innovation.

It is an incentive for example to make full use of renewable energies. The target set by the European Union is for 20% of energy consumption to come from renewable energies by 2020.

In Portugal, we have gone even further and set our mark as 45% of electricity consumption using renewable energies as early as 2010.

This is one of the three most ambitious targets in the whole of Europe. For us, in Portugal, it is quite clear: the connection between energy and innovation is called “climate change”.

This is why we have evolved so much in recent years:

- In 2005, Portugal's wind production capacity grew more than any other European Union country. In 2006 we had the second biggest growth with 36 new wind parks starting up operations representing a 60% growth in capacity;
- We have decided to anticipate the European 10% biofuel target by 10 years to 2010;
- A large percentage of our car tax is determined by CO₂ emissions;
- We have the two largest photovoltaic power stations in the world;
- We have approved a very favourable micro generation system to encourage the Portuguese to install solar panels and small wind generators in their homes;
- We have just launched a plan to build 10 new dams as a result of which we will go up from the current 46% to 70% in the use of our hydro potential, reaching 7000 MW of installed hydroelectric capacity;

- We will very soon be launching an experimental project in wave energy.

Renewable energies as well as energy efficiency are key aspects of the technological revolution that we want to implement in the coming years. And the carbon market also plays a crucial role here, supporting the attainment of these goals.

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Let me now speak to you in the name of the European Union and as President in office of the Council of the European Union.

And it is in that capacity that I wish to tell you that the European Union is proud to have been one of the first regions in the world to establish a mandatory greenhouse gas emission trading scheme.

It is with great satisfaction that we now see various other states and regions following the same path.

We want to collaborate with you. We want to work towards progressive interaction between our carbon markets. Our ambition is to move towards a global carbon market.

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Many of us here today are politicians. And, as politicians, we are concerned about the state of our economies and about the well

being of our populations. That is precisely why we decided to establish carbon markets, so as to reach a sustainable economic development.

Indeed, emissions trading is the most efficient and most economical way of dealing with the problem of climate change.

And the more far-reaching the carbon markets, the more countries and regions that are involved, the more transactions that are made, the better the results that will be achieved in this global challenge which is facing us.

That is why we decided to launch this international partnership among the world's most important carbon markets. Unity brings strength. If we work together – joining forces, sharing experiences, standardising our markets – we will grow stronger and more successful.

That is also why we have defended the importance of market mechanisms at the international negotiations on climate change underway in the UN.

Let me make myself clear. The European Union will go to the Bali Summit with a firm determination. We want to agree on a roadmap for negotiations aimed at the signing of a post Kyoto agreement in 2009.

But if that agreement is to be credible, it must have legally binding targets. The European Union has a very clear vision of what it wants

from this agreement: an agreement in which the developed countries - all the developed countries – make binding commitments to reduce their emissions.

The European Union has already made the unilateral commitment to cut its greenhouse gas emissions by 20% by 2020. And this is what I call setting an example. But we are ready to go even further, to 30%, if other developed countries make a similar effort.

Lastly, this agreement should be signed under the aegis of the UN. No other international authority, no regional organization is fit to do so. This is a global challenge and all nations must face up to it together.

It is also essential that the international emissions trading instruments are strengthened and broadened as a result of these international negotiations in the UN.

There are at least three great advantages to the international trading of greenhouse gas emissions.

First, it reduces the costs of combating climate change.

Second, it acts as an incentive to develop new clean technologies and to adopt healthy environmental behavior.

Third, it can generate the necessary finance flows to support the fight against climate change in developing countries. Not as charity, but founded on rational efficiency arguments. In other words, the

carbon market is a useful mechanism for the export of sustainable development to the third world.

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The image of Portugal and Lisbon is already associated to renewable energies and energy innovation. But we are delighted that Lisbon will be linked to this initiative as well as the message that we are sending out to the world today.

And that message is:

The market and the environment do not have to be enemies. On the contrary, they can be good and strong allies against a common adversary: climate change.

It is possible to combat the greenhouse effect in a cost-efficient way. We are already doing this. And others can follow the same path.

The world leaders should look to the example we are setting. Provided there is the necessary will and intelligence, we can make the invisible hand of the market – that Adam Smith spoke of – work to the benefit of the environment.

Thank you all very much.