EU-EFTA Joint ECOFIN Meeting

Federal Councillor Doris Leuthard
Statement

13 November 2007, Brussels
Mr. President,
Excellencies,
Ladies and Gentlemen,

On behalf of the EFTA member states, I would like to start by thanking Mr. TEIXEIRA DOS SANTOS, Chairman of the ECOFIN Council, for giving us the opportunity to meet with the Ministers of Finance and Economy of the Member States of the European Union. The economies of the European continent share many concerns, and economic relations between our countries are bound to increase further.

There is not only the common market perspective that brings EFTA and EU countries together, but also - on a larger scale - globalization. Within this global perspective, a distinction can be made between two levels: the purely economic level, and a more general one related to the security of energy supply and climate change. But these two levels are linked, namely by the question of how best to reconcile energy and climate policy with the needs of the economy. This should be a concern of economic and finance ministers.

Last year, discussions centered on the Stern report, which was published shortly before the Joint ECOFIN meeting. This year, our annual meeting is being held just a few weeks before the Bali conference, which will be focusing on a post-Kyoto framework. We therefore feel that it is very timely to pursue an exchange of views between EFTA and EU members, this time concentrating discussions on the market instruments of climate and energy policy.

Indeed, climate change policies and the related energy policies are of high economic and financial relevance. The growing scientific evidence on the effects of greenhouse gas emissions creates a pressing need for significant emission reductions worldwide.

Climate change mitigation policies could potentially have important effects on economic development. It is therefore important that the future post-Kyoto climate regime and subsequent national implementation measures are effective and efficient. The problem of climate change is global and must be solved on a global scale. It is important that all countries are involved in any future commitment.

The Kyoto Protocol has led to the creation of flexibility mechanisms. These instruments promise important benefits, because they contain a double incentive: On the one hand they encourage technology transfer to the host countries and enhance their capacities to engage early on a sustainable long term growth
path. On the other hand they allow that the investor countries can count the reductions through the flexibility mechanisms like national reductions. These mechanisms can consequently increase the dynamics in CO\textsubscript{2}-reduction.

In my view, we cannot be successful in global greenhouse gas reduction without this possibility. Two thirds of the further growth in energy demand will come from developing countries. The International Energy Agency estimates their investment needs in the energy sector based on clean technologies to amount to around 10 trillion dollars by 2030. Technology transfers aimed at limiting emissions in these countries should therefore be a centerpiece of future climate policy.

It is therefore essential to also work on the credibility of flexibility mechanisms and continue to work on a smooth, transparent and unbureaucratic control system. I see this as a big challenge. We would all lose if the flexibility mechanisms are not highly reliable. These instruments are in my view a necessity in the fight against climate change. In order to avail the full benefit of this opportunity we should discuss the supplementary rule in context with the next protocol.

Beside supporting the transfer of technology the flexibility mechanisms are also the base for a global cap-and-trade system. Such a worldwide system could be an essential long term policy target, leading to an uniform price on CO\textsubscript{2}-emissions and creating a level playing field for economic players.

To resume my views on international climate policy, there are four important points in context with the next protocol:

\begin{enumerate}
  \item First, climate change is a global problem and has to be solved on a global scale.
  \item Second, to fight climate change globally, we need flexible mechanisms and in the long term a global cap-and-trade system.
  \item Third, technology transfer is an essential factor to avoid in due time the unchecked growth of emissions in developing countries.
  \item Fourth, to achieve technology transfer, we have to work on the credibility and the effectiveness of the flexible mechanisms and we should discuss the supplementary rule.
\end{enumerate}

You may be interested to know what reduction contribution Switzerland can achieve?

Switzerland is currently examining its climate policy for the period after 2012, including national and international aspects. In this decision process, I support a global approach, which contains an intensive use of the flexibility mechanisms.
in order that Switzerland could offer an ambitious target. This for the following reasons:

Due to the structure of the Switzerland economy - Switzerland has a pre-eminent tertiary sector and few energy-intensive industries – our emissions in terms of GDP are among the lowest worldwide. Besides, Switzerland’s electricity generation is currently practically carbon-free. Moreover we profit already from a well established public transport system.

But Switzerland will go on with national reduction efforts. At present, Switzerland is working on national action plans to increase the share of renewable energy and to improve energy efficiency. However, the aforementioned factors restrict the range of emissions reductions which Switzerland can achieve domestically.

Nevertheless, Switzerland should contribute to the difficult process of greenhouse gas reduction in an ambitious manner. In my view this is possible but only through an intensive use of the flexibility mechanisms or a global cap-and-trade system.

From my point of view, Switzerland could even consider the option of becoming fully carbon neutral by 2020. This would imply that Switzerland offsets all its greenhouse-gas emissions by the use of the flexibility mechanisms. This in addition to the national measures that have already been decided upon.

Since climate change has comprehensive effects, I wish and hope that the Ministers of Finance, Economy and Environment will work together to find adequate solutions to react on climate change.