

## **Financing the next Industrial Revolution. Global Investments for Climate and Energy Security, March 27, 2007**

***On March 26/26 some 50 experts from academia, politics and businesses met in Berlin at the Annual Conference of the European Climate Forum (ECF). They discussed ways to reach the climate policy targets set by the EU recently. Participants of the conference are from a variety of European Countries, the United States, Japan and Russia.***

“2007 will be a decisive year for climate policy”, said Prof. Dr. Hans-Joachim Schellnhuber, Director of the Potsdam Institute for Climate Impact Research (PIK), and special advisor to the German Chancellor, Dr. Angela Merkel. “The suite of climate relevant large conferences this year, and in particular the G8 summit, can indeed influence our future. Germany really does have responsibility in the process.”

In the coming decade, 500 billions of dollars will be invested annually in the global energy system, such as the building of power plants. At least additional 500 billions will be invested in housing and transportation infrastructure. These investments largely determine our energy use patterns and related greenhouse gas emissions. Without re-directing them towards a low-emission society, no climate protection is possible. Used in a climate-friendly manner, we can indeed finance a new industrial revolution—and this is about the size of the challenge. The role of the banking and insurance industry is increasingly a determinant factor. “Already today we can detect how climate change has led to more hurricanes. Our business policy is taking this into account. Our sustainability oriented investment strategy contributes to climate protection.” (Prof. Dr. Peter Höppe, Head of the Geo Risk Research, Munich Re)

“Deutsche Bank perceives how clients, investors and capital markets increasingly take climate change and sustainability into account. In the U.S., already 10% of the capital market are invested ‘sustainably’. The German market, with only about 1%, is seriously lacking behind.” (Michael Hölz, Corporate Sustainability Head, Deutsche Bank)

Currently, the European Emissions Trading System is not designed in a way that supports the reduction goals of the EU. “To achieve the agreed 20% reductions of CO<sub>2</sub> emissions, a significant share of the emissions allowances should be auctioned. Raised funds through auctioning should be used to support the development and deployment of climate neutral technologies. Moreover funds should be used for adaptation measures and to compensate climate damages.” (Prof. Dr. Carlo Jaeger, President of the European Climate Forum)

Following this path, the transition towards a low-carbon economy can be reached. The environmental industry would become a major source for new jobs. “The German energy industry has a clear duty: Invest the profits from increased energy prices of the last years into innovative, climate-friendly solutions. Additional energy price increases are not acceptable. Today’s investments have to contribute to the reduction goal for 2050: minus 80% emissions.” (Klaus Mielke, Germanwatch)

In the same spirit, the German car industry has to come up with low-emission solutions, having failed to deliver on its own voluntary emission reduction promise. The innovative power of all industries is required in order to reduce global greenhouse gas emission reductions by 80% until 2050. "Besides industry, consumers have to change their behavior as well. But today, consumers simply do not know what emissions their consumption is causing", says Prof. Dr. Klaus Töpfer, former Director of the UN Environment Program. "We have to create transparency on CO2 emissions of everyday products and services in order to enable consumers to purchase in a climate friendly way."

The re-construction of the global energy system and related infrastructures requires large-scale pilot projects, such as wind and solar power plants in North Africa, new car and mobility systems, low-emission coal power plants etc. Both scientists and policymakers are bad in-advance selectors of the most effective and competitive technologies. The markets will do. "But scientists need to be integrated into the implementation of those pilot projects in order to learn from failures and successes." (Prof. Dr. Carlo Jaeger, ECF)

New forms of cooperation between science, the business sector, policy makers and NGOs are required here. For that reason, the Potsdam Institute for Climate Impact Research (PIK), together with other leading research institutions, has founded the European Climate Forum (ECF). Among others, the following institutes participated in the Berlin Conference, hosted by the Deutsche Telekom:

Carnegie Mellon University, Pittsburgh; ETH Zürich; Humboldt University; Max Planck Institute for Meteorology, Hamburg; Max Planck Institute for Chemistry, Mainz; Potsdam Institute for Climate Impact Research (PIK); German Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU); German Federal Ministry for Economic Cooperation and Development (BMZ); European Environment Agency (EEA); Germanwatch; Greenpeace; WWF; BP; Deutsche Bank; GeSI; Munich Re; RWE; Siemens; Deutsche Telekom.

*The European Climate Forum (ECF) has been founded in 2001 by seven European climate research institutes together with a number of businesses and NGOs. It serves as a platform for research, debate, and consulting related to climate change.*

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*The Potsdam Institute for Climate Impact Research (PIK) was founded in 1992 in order to investigate the impacts of climate impact, and the possible solutions to the problems it poses.*

*Web: <http://www.pik-potsdam.de>*