**Speech 1 - Low Carbon Policy & Market Fundamentals: Unleashing Green Growth.**

Lead: Shell International: Graeme Sweeney (Executive Vice President, CO2, Chairman, ZEP) (3 min)

The European Union has been a global political leader in climate change policy for many years. The combination of a resilient and effective carbon market along with practical support for vital emerging technologies such as Carbon Capture and Storage (CCS) provides a useful framework for the coming decades.

However, ongoing and timely action is essential to ensure this framework remains robust if the EU is to achieve its long term vision.

There are two key areas which need to be addressed.

The first of these is concerned with defining the 2030 goal and delivering clarity on the objectives for the 2020s including a commitment from the EU to action programmes that will deliver that 2030 goal. This will mean making essential changes to the ETS which will then support the carbon price and spur investment. This is critical because the framing of the 2020 actions and the 2030 goal will influence investment decisions that companies will take not in coming decades but in the next few years. Without this clarity from the EU, companies will be unable to move fast enough to deliver the CO2 mitigation actions needed.

Secondly, the EU needs to move quickly to deliver political support at both EU level and at Member State level along with essential financial support. This means we need to see fast action to deliver the funding proposed in the NER 300 in order that we can progress the first round of CCS projects by 2015. I remind us all that the IEA’s assessment of the role CCS can play is dependent on swift delivery of the demonstration projects.

The economic downturn should not be used as a reason to delay action on climate change. We all know that Member States face an ongoing economic challenge but we must focus on the fact that CCS is highly cost effective and represents a genuine value for money prospect given the huge potential it has in mitigating CO2 emissions. We therefore need to move fast.

As we plan ahead and focus on what needs to be done let us also not lose sight of what we can do immediately. For most countries using more natural gas in power generation is the quickest and lowest cost way for them to reduce CO2 emissions in the coming decade. Support for the gas industry is therefore an important ingredient for our future success.

Let me make one final remark. This is an issue which has economics at its heart, not simply environmental concerns. Developing technologies like CCS and using the depth of knowledge already available across the EU is a competitive advantage that Europe has at this time. A failure to move quickly will undermine the long term prospects for Europe as a lower carbon energy technologies leader with the commensurate knock on effects in terms of jobs and wider economic growth prospects.

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| **Speech 2 - Low Carbon Prosperity, Economics and Competitiveness** |
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| Graeme Sweeney, Executive Vice President, CO2, Chairman, Zero Emissions Platform (ZEP), Shell International (5mins)  We are at a crucial tipping point for the CO2 challenge in Europe. Well intentioned vision, aspiration and hope must become tangible targets, commitments and action. To realize the vision that EU leaders aspire to means that policy progress needs to be made now and it has to be backed by practical, financial support.  We have come a long way in a short period of time and I’m personally grateful to the powerful partnership that the Zero Emissions Platform has formed with the Commission and across the Member States but our journey has only just begun.  Member States continue to face significant economic pressures. A value for money based approach to mitigating CO2 emissions provides a genuine opportunity for progress and we must focus on doing the doable today. Let me highlight two crucial areas we need to prioritize.    The European Climate Foundation’s 2050 Roadmap shows that decarbonisation of the power sector is at the core of a low-carbon economy. For most countries increasing the amount of gas used in power generation is the fastest and lowest cost way to reduce CO2 emissions in the coming decade. Development of gas plants is also quicker and cheaper than any other competing form of power. What is more, focusing on gas will deliver wider benefits than just simply meeting CO2 targets. Some of you will be aware of a recent McKinsey survey which found that a focus on gas could also protect millions of jobs and result in lower cost electricity bills for customers. Greater support for natural gas provides a simple way for Europe to make real inroads in reducing its emissions. |

The second area is the urgent need to progress carbon capture and storage projects. I was delighted to see the positive funding commitment through the NER 300 but I struggle to understand why it will take two years for that funding to be unlocked and invested. Industry stands ready to develop CCS which the IEA has noted could provide as much as a fifth of the CO2 mitigating needed by 2050 – but this is only possible if we can get the demonstration projects underway quickly.

Given the long lead times in the energy industry, sufficient impetus has to be given to the energy system now to ensure that the projects will deliver the reductions needed by 2030. Let me share with you one example. In the UK, the Climate Change Committee is proposing an indicative 2030 target to reduce emissions by 60% relative to 1990 levels (46% relative to 2009 levels). This would imply a near zero emissions power sector by 2030, which represents a massive shift from the situation today. In order to meet that goal there has to be a huge acceleration in the current level of project activity.

The UK is thinking about much of this in terms of additional domestic policy, but the power sector in the UK is part of the EU-ETS, which is where the work should be done. For the EU this has important policy implications. It wasn’t that long ago that the Commission finished with the main design elements of Phase III of the EU Emissions Trading System. But waiting another four or five years to repeat this process for Phase IV (2021 and later) is no longer a tenable option. This is the year to develop Phase IV thinking and 2012 is the time to take it to the EU Parliament. Industry needs the clear direction that such a move would give.

We need to support and unlock ways to ensure that the fastest, cheapest technologies deliver, defining the future pathway as soon as possible and retaining our confidence in tools such as the ETS to deliver an effective transition to a lower carbon economy.

The clock is ticking. We can only make progress together and I look forward to a productive year, with clear way forward and concrete actions to deliver what is needed.