



Speech by John Ashton

Green Growth: Gangnam Style!

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Thank you Suh-Yong, as well as the KEEI and the Ministry of Knowledge Economy for organizing this event and bringing me to Seoul to take part in it.

I spent the mid 1990s living and working in Hong Kong as an adviser to its last British Governor Chris Patten. The objective was to ensure that the essential attributes of Hong Kong, as an open economy and open society based on the rule of law, continued to thrive through the transition to Chinese sovereignty. We depended in this endeavor - ultimately I think a successful endeavor - on the support of our partners. Korea at that time had a large and growing presence in Hong Kong primarily through its banks and businesses, but also through its increasingly outward looking and far-sighted diplomacy. I can honestly say that none of our partners understood better than Korea why what happened in Hong Kong mattered for East Asia as a whole. None gave us more support in our efforts than Korea. None did more, working with the Hong Kong Government of the time, to lay the regional foundation for a successful transition. It was that experience that first brought me to Korea. And it is since that time that I have counted myself a friend of your country, and an admirer your achievements.

The choices facing Korea

This seems to me a critical moment for Korea. A moment when after a generation of astonishing progress, it is time to look back on what you have done, and decide who you now want to be. You face choices about how to develop the growth model Korea has pioneered, increasingly a green growth model, and about Korea's role in the response to climate change. But these are both aspects of a single existential choice about what it means today to be Korean as your country takes its place as a front line economy, a shaping force in a complex, interdependent world.

A Korea that chooses now to redouble the effort to build one of the world's first low carbon, resource efficient economies will be a confident and successful Korea, a Korea in control of its destiny. A Korea that, in this moment of anxiety, pauses to catch its breath, decides to

follow rather than to lead, will be a Korea that risks losing the vitality of the last two decades and becoming powerless in the face of forces beyond its control.

Like the UK - indeed even more than the UK - Korea's fortunes depend on conditions in the global economy. You are poorly endowed with energy and other natural resources, and a major importer of oil and gas. Indeed Korea's only well supplied resource is the talent of its people. For you more than almost any other economy, as you draw once again on that talent, it is critical to understand the forces that have been unleashed by the entry over the last generation of a billion new consumers into the global economy, and the risks and opportunities these forces now pose for your country.

Time for a new growth model

So let me now take a step back and consider where those forces have carried us. This is how the world looks today, at least from London where I live. Business as usual died in 2008. Publics understand that. Elites, on the whole, do not. In Britain, our economy is now almost one sixth smaller than economists were saying five years ago it was going to be by now. Young people in my country understand that they are the first generation for over 300 years since the beginning of the industrial revolution who, as they look at their future, see a prospect that might be worse than the one their parents contemplated a generation ago. Progress - the prospect of a better life from one generation to the next - can no longer be taken for granted. People know that something has gone seriously wrong. We need a new growth model that is less vulnerable to shocks; that rebalances from excessive debt and casino finance towards the creation of value in the real economy; and that greatly reduces the stress that a growing and increasingly affluent population puts on the resource base including the climate.

This is not a minor adjustment. It demands a substantial redesign of the economy and of the system of power relations that underpins the economy. Indeed the question of power relations goes to the heart the matter because the forces of incumbency will always start from the strongest position and they will always fight reform. But that is not how things look to many elites around the world. Some profit too much from the old system to countenance the thought of anything different. Others are imprisoned within an economic theory that under current conditions has lost its power to make useful predictions.

Moreover, decades of growth have spawned complacency about the old model that even the events of 2008 have been unable to shake. In some countries this has fostered cosy and uncritical relationships between those at the top of politics, finance, big business and the media, and a growing distance from the rest of society. The struggle between incumbency elites and those who see the need for change will be the defining struggle of our times. It will demand a monumental effort to build a new consensus between those who govern and those who are governed; between the over 40s and the under 30s; between those who said "trust us" and those who are no longer willing to take it on trust that elites must know what they are doing, and that they are doing it for the best. Going back to 2007 is not an option. Either we will strive successfully to build something better or we will suffer something worse.

Climate change's role in the economy

Climate change and the response to it will be at the heart of this struggle. And Korea has built a position from which it can play a decisive role. Climate change is all about energy, and energy lies at the foundation of the economy. After all, the industrial revolution that gave rise to the modern economy was driven by a new found ability to harness the energy stored in minerals to satisfy our needs and desires. Transform the energy system and you transform the growth model. A successful response to climate change will require the most far-reaching transformation of the energy system since the industrial revolution itself. It will be a story of electricity.

We will need to use electricity in smarter ways to meet more of our needs. In a low carbon economy, our cars will run on electricity, not liquid hydrocarbon fuels. Electricity not gas will heat our homes, offices and factories. We will need at the same time to build an electricity system that is essentially carbon neutral, and one in which electric power is produced, transmitted and consumed with much greater efficiency than typically is the case today. For industrial processes that are inherently carbon intensive, we will also need to capture and store the carbon emissions. And we need to accomplish the transition in not much more than a single generation.

We know how to do this. We have the technology now. We have the capital now. Indeed now is the ideal time to mobilize private capital at low cost to build the infrastructure platforms we will need for the deployment of low carbon technologies. And we can do this in ways that, far from doing short-term harm to the economy, will tame casino finance, support rebalancing towards the real economy, modernize infrastructure, and boost competitiveness. The transition, as it builds, will become a primary driver of growth and innovation and a big source of new value. President Lee has been correct in his assessment that resource importers like Korea have particular reason to embrace this restructuring, and a strong interest in moving early. This will not only give your manufacturers an advantage in rapidly growing low carbon markets but also make the country less vulnerable to price shocks affecting energy and other resources.

That vulnerability to shocks is critical. Insecurities over food, water, and energy are coming together in a nexus of systemic risk. And the risk multiplier is climate change. In a high carbon world locked into fossil energy, this nexus will become unmanageable. In a low carbon world there will be less climate stress on food and water supplies, less competition for limited hydrocarbon resources, and more political space to deal through diplomacy and cooperation with the tensions that remain.

Dealing with climate change, staying within 2°C, is not therefore something that is desirable for the environment. It is imperative for our security and prosperity. In that sense climate change has never been an environmental issue and we have lost a great deal of time deluding ourselves that it is. To talk of “green” growth, as if there were several other kinds of growth available, is in fact misleading. A rapid shift to a low carbon economy is needed to maintain the conditions for growth of any kind.

How are we doing? The truth is that, by the only measure that matters, we have hardly begun. In the real economy globally, we are locking ourselves further into carbon dependency faster than we are building a path away from it. Looking back, Copenhagen was the high point of political attention. The tide has now gone out. Following the failure there, people concluded that governments really did not have the will to put in place policies that would channel private capital fast enough into the low carbon economy. And they were right.

Since then, the attention of leaders has been further distracted by the economic crisis and by big political transitions in some countries. I have never known a time, in the 15 years since I first became involved in climate change, when the issue has received less political attention than leaders are giving it today. It is hard from London to follow the twists and turns of the election campaign approaching its climax next month in Korea. But I think I would have noticed if climate change had been high on the agenda of any of the candidates!

China's green investment

And yet, if you look carefully, new forces are stirring, not least in this country, and I will come back to that shortly. But China too is now straining at the shackles of the old high carbon model.

Here are some of the headlines. \$1.6 trillion of public investment under the current Five Year Plan in strategic industries critical for the transition. China becoming a global leader in smart grids, electric vehicles, energy efficient buildings, solar and wind energy, driving key technologies down their cost curves faster than anyone had believed possible. Low carbon pilot zones, experimenting with bold low carbon development policies encompassing over 300 million people.

The "China 2030" report, published this year by China's State Council and the World Bank under the sponsorship of Vice Premier Li Keqiang is the most radical and compelling official prospectus for a new development model that has appeared anywhere since 2008. As part of a broader blueprint, it argues that China's national interest is to move now in building a low carbon economy, to get ahead of the competition.

Domestic struggles in the US

Meanwhile the debate in the US has for some years been hostage to a deeper political, even cultural struggle for America's soul. As someone with close personal connections to the US, and a love of all that is best about that great country, I wish it were not so. The US is still the most dynamic, innovative society in the world. If it could build a domestic consensus to do so, it could change the game on climate overnight.

President Obama's election victory last week has raised the hopes of for those who want that to happen. Real progress is being made in some of America's cities, states and corporations. No leader anywhere in the world has articulated what is at stake more clearly than Mayor Bloomberg in New York, and of course Superstorm Sandy showed once again

how vulnerable basic infrastructure can be to climatic extremes, even in the most advanced economies.

I hope I am wrong but I doubt if the domestic struggle in the US will be quickly resolved. It is too deeply rooted in ideology, and in the interests of powerful industry sectors. Not only a committed Administration, which we may now have - let's see - but a committed Congress, which we do not have, will be required to resolve it.

Meanwhile, sadly, the US is not in a position to be a global leader on climate change. It simply has not been able to cannot summon the will and the resources at federal level to put in place domestic programmes at the level of ambition necessary to sustain a position of leadership internationally. Even if China and India were to take on legally binding carbon caps tomorrow, I doubt whether the Senate would agree that the US should do so too.

For now, the choice for the everyone else is therefore whether to wait - essentially to give up on climate change, because waiting is the one thing there is no time for - or to press ahead so that those in the US who want to move forward can at least warn their compatriots about the danger of being left behind in the race to transform the global economy.

Europe sees the beginnings of change

In the European Union, despite the distractions, real change is beginning. The “energy shift” in Germany away from nuclear power will drive a surge of investment in renewables, modern grid infrastructure and energy efficiency. It is not without problems but that is normal when the stakes are high and change is rapid. Germany has also decided that, despite the nuclear phaseout, there will be no relaxation of its 2020 carbon target to cut emissions from 1990 levels by 40%.

Around much of Europe, wind and solar energy are beginning to emerge, reaching 60% of power being generated in Spain and 40% in Germany at some points this summer. Denmark will be 50% wind by 2020. The UK currently gets under 10% of its electricity from renewables. By 2020 that figure will be over 30%.

None of this would have happened, incidentally, without the Kyoto Protocol, which underpinned the politics of the EU's 2020 targets. Those who say that Kyoto has made no difference cannot have noticed what is happening in the world's largest single market.

UK coalition lacks consensus

Right now the UK is a microcosm of the wider struggle I talked about. The current coalition government, for which I worked for two years, has some strong policies. A Green Investment Bank that will pull down the cost of capital for investment in low carbon infrastructure by reducing political risk. Our biggest ever programme of building upgrades. Investment in offshore wind that has, thanks not least to Korean companies like Samsung and Doosan Babcock, made the UK the world's fastest growing market, accounting already for over half of global offshore wind capacity.

There is, it is true, no deep consensus, even inside the coalition, on the need for a low carbon growth model. On the political right there are still those who think we can get growth back just by liberalizing markets while thinking wistfully of Mrs Thatcher. They tend to see the low carbon economy through ideological blinkers as a cost not an opportunity. Inside an economic policy establishment trapped in a theory of growth that has not caught up with systemic risk, there are signs of an undeclared effort to hollow out the legally binding carbon budgets that underpin our entire policy framework. These tensions deter investors, including here in Korea, and perversely undermine the very growth that the coalition says it wants to promote.

But I am confident that the positive forces at work in my country cannot be suppressed and indeed can only grow. British business wants policy certainty not deregulation, and is ready to build a low carbon economy given clear policy signals. Parts of the country in need of regeneration, including Tyneside where I grew up, are coming to life again as low carbon supply chains establish themselves. And the next generation, the under 30s I mentioned, know that a new growth model that is not credible on climate is not a credible alternative to business as usual.

I should also mention Korea's other big neighbour. Japan seems likely to embark on its own version of Germany's energy shift, away from nuclear and towards renewables, energy efficiency, and modern interconnected power grids that can actively manage demand. If the world's third and fourth largest economies are both doing that, it will turn the economics of electricity on its head, as economies of scale, market growth and innovation drive down costs for hitherto expensive low carbon technologies.

But we will all be able to go faster if we feel that what we are doing is part of a common endeavor. That is why the UN climate negotiations are so important. The agreement reached last year at Durban has given us a chance to build by 2015 a legally binding framework that embodies our collective will to keep climate change within 2°C. That is what we now have to do.

A legal top-down agreement?

There are some who still say that a top down legally binding climate agreement can never be reached. We should instead rely on voluntary, so-called bottom up approaches.

But nobody has ever suggested that voluntary activities should not be allowed. You don't need a global agreement to do what you would have decided to do anyway. The real choice is whether or not this should be accompanied by a top-down, legally binding framework to set the pace and the level of ambition. If it is not, people will rightly conclude that governments are only willing to do what it is easy to do, not what needs to be done. They are not willing to guarantee the outcome, even while they claim that it is imperative.

The problem is not one of architecture but of will. Copenhagen did not fail because we were wrong to aspire to binding commitments. It failed because the will to make them was lacking, and that is what we now need to build.

This cannot be done in the negotiations themselves. Korea will not take on a legally binding carbon cap at the behest of climate negotiators from the UK or anywhere else. It will only do so if a consensus emerges from domestic politics that this is in the national interest, to set a clear direction for the economy and provide certainty for investment. If we want to have a successful negotiation, we must first build a similar consensus in all the major economies, sustained by the conviction that a rapid shift to a low carbon growth model is essential for prosperity and security, not a threat to them.

In Durban last year, the world decided that the agreement we shall reach in 2015 must be legally binding. The choice to include a top down component has been made. But we now need to build the conditions in domestic politics to underpin this, so that the negotiators have instructions that will allow them to make binding commitments to each other commensurate with the 2°C goal.

The next steps for Korea

What happens next in Korea will be hugely important, perhaps decisive, as we strive to build that confidence. It will not, I hope, be seen as taking sides in your election to note that on the international stage President Lee has provided outstanding leadership.

In 2008 he announced at the G8 Summit in Hokkaido that Korea would be an early mover in the transition to a low carbon economy. The economic stimulus announced in 2009 was by common acclaim the greenest of all such packages. Its impact has been reinforced in successive policy cycles, including through the allocation of investment amounting to 2% of GNP annually in green infrastructure.

Policies like these strengthened my hand, during my time as a climate change envoy for the British government, in making the case for higher ambition elsewhere, including in my own country.

Subsequently, of course, Korea established the Global Green Growth Institute and has now deservedly been selected as host for the headquarters of the Green Climate Fund. These institutions have the potential to play a critical role in the transition to the new growth model.

At the same time, it seems to me there is a tension that will need to be resolved during the tenure of your new President. How you resolve it will decide whether you now accelerate the green growth project, or slow down and risk being overtaken and outcompeted by others. The political consensus underpinning green growth is so far, yes, quite broad, but it is not yet very deep.

Some Korean businesses are at the cutting edge of low carbon value creation, here in Korea and in global markets. But some see the prospect of acceleration, including in the form of international carbon commitments, more as a risk than an opportunity. It is telling that neither climate change nor green growth have been prominent in Korea's election politics. A new political settlement, linking green growth, the role of government in the economy, and a shared sense of Korea's national mission, has yet to be built.

Only you can build it. But here are a few observations that I hope might be useful in that effort. So far, much of the climate debate in Korea has focused on working with developing countries to build low carbon development models. That has been the top priority for the GGGI. And it is of course reflected in the title of this seminar. Of course it is not a bad idea to work with developing countries, especially those where there is a particular appetite to work with you. I would not for a moment say that you should stop doing it.

But it should not be your highest priority. It is in the OECD where high carbon business as usual has the deepest roots and where the struggle to build a new model will be hardest fought. Furthermore, it is what developed countries do themselves, not what they say to others, that will have the greatest impact in propagating the new model. In the history of humanity, no great transformation was ever achieved by asking other people to do something. Transformation always starts at home and spreads through the power of example.

So focus now on building the Korean model. During the Cold War, the intellectual and political citadel of the old growth model, the model that prevailed, was the OECD. Make the GGGI the citadel of the new growth model, and do that first of all by bringing that model to life here in Korea.

In doing so, take the policies you have already tested to the next level. Focus not only on incremental change in the short term but on structural change over a generation. Set clear targets not only for 2020 but beyond so that investors know how policy will evolve. Perhaps you should, as Mexico has done, establish a 2050 carbon goal to focus the policies you will need to reach it.

An issue that has featured in the election campaign is the future of nuclear power. This is far from the only country where that is now under debate. But the big electricity story in Korea must surely be the huge potential for renewables. Even Japan, where the utilities have actively suppressed the deployment of renewables, has proportionately more installed capacity than Korea's 1% of total generation. And like Japan you have huge untapped wind and solar resources.

Another issue here is the role of market mechanisms. As a European I have mixed feelings about the effort that is still in its early stage to establish a carbon price. This is important. We should certainly not go back on it. But nor should we expect it to drive the changes we need at the rate we need them to happen. Those have much more to do with the cost of capital than the price of carbon. We should see the latter in its true perspective, as a useful but second order instrument of policy. We need to make more use, alongside it, of other levers including regulation and taxation.

In the climate negotiations, Korea is seen as a pioneer but a reluctant one, somehow in while not quite yet of the OECD. But your approach to 2015 will help determine the level of ambition we can set.

At this point you might expect me, as a former climate negotiator, to call on Korea to take on a legally binding carbon cap, if not for the period to 2020 at least in the next cycle that will be enshrined in a 2015 agreement.

But let me say something a bit more complex. My impression is that at this point you have not built the political foundation on which such a commitment would need to stand. Too many Korean business leaders, policymakers and analysts have argued for too long against this.

So focus now not on the debate in the UN but on the debate in Korea. Where does your national interest really lie as you take the idea of green growth to the next level? I hope you will conclude that you should accelerate, and that because investors want nothing more than they want certainty of policy direction, a binding carbon cap, entrenched in international law, will help you do that.

If you can build that consensus, and do it quickly, then make clear that you will be willing to take on a legally binding, economy wide carbon cap and that, in your view, caps of this kind from all the major economies should drive the new agreement.

Of course, if you were to take this position you could change the game in the 2015 negotiation. Depending on circumstances at the time it could make the difference between the success or failure of the entire project. But that prospect by itself won't build you a new domestic consensus on growth.

Meanwhile your position as host country for the GCF gives you a powerful new opportunity - but also a heavy new responsibility. Neither the climate community nor the development community has yet come to terms with what we are attempting with climate finance. The GCF to succeed in its mission will need to make its presence as strongly felt as any new institution that has been established since Bretton Woods. Yet at present we are still treating this as a technocratic project. It is not touching people's lives on anything like the scale it needs to.

We have made a promise to mobilize \$100 million a year in additional finance. But the momentum for that has stalled and nobody seems to know how to get it started again. Nor have we begun to figure out how to deploy that finance in ways that make a truly transformational impact in leveraging whole economies away from the old model and into the new one.

Nor are we beginning to address the most urgent priority of all. The early stresses of climate change are already bringing harm to millions of people in dozens of countries least equipped to cope. They need to feel that they have not been abandoned, that they have a stake in the climate project, that if they use their voice it will as it did in Durban drive up ambition in others.

As host of the GCF Korea can, indeed should, be both thought leader and political champion in bringing climate finance to life, starting with a rapid scaling up of effective adaptation interventions.

Less than a lifetime ago Korea was one of the poorest countries in the world, shattered by a brutal conflict. Now it is one of the most prosperous. Your companies are among the world's most successful, in markets from ships to cars, computers, and domestic appliances. You have achieved this with only your talent, as I have said, and perched as you are on the rim of a geopolitical volcano.

Your only reward for this success is an even greater challenge. Success always has this sting its tail.

I see that the director of a leading think tank in Seoul has called on Korean energy companies to emulate with their technologies the spectacular export successes currently being enjoyed by Girls' Generation, Mr Pak Jae Sang (otherwise known as Psy) and other household names in the world of K-pop.

It's an appealing analogy. In truth, in an industry where fashions change faster than the weather, I sadly doubt if K-pop is going to set the global standard in musical taste for decades to come. But Korean technology, engineering and infrastructure certainly can do that in the real economy.

The race to shape the global economy will be a low carbon race. Your outgoing President has taken Korea to the front of the pack. Don't now pause and wait for others to catch up. Now is the time to step on the pedal. It is time to make "made in Korea" low carbon green growth the new model for global growth: Gangnam Style!

John Ashton

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From 2006-12, John Ashton was the Special Representative for Climate Change for three successive UK Foreign Secretaries. He is a cofounder of E3G, a Fellow of the European Climate Foundation, a Distinguished Policy Fellow at Imperial College, London and a visiting professor at the London University School of Oriental and African Studies. He is a Trustee of the UK Youth Climate Coalition, and of Tipping Point.