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**UNICE PRESS CONFERENCE ON EU CLIMATE CHANGE
STRATEGY**

**INTRODUCTION BY DR STRUBE, PRESIDENT OF UNICE
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Ladies and Gentlemen:

It is no exaggeration to say that combating climate change is one of the biggest and most complex public policy challenges of all times.

It is a policy process that concerns citizens, governments and businesses all over the world, and which will require carefully organised deployment of public and private efforts over several decades.

For an enterprise like this, it is crucial to choose a good organisational model, and to choose effective policy instruments.

In 1997, the organisational model chosen, among a series of possible models, was enshrined in the Kyoto Protocol.

How has this model operated so far?

Can this model live up to the hopes cherished for it at the outset?

I want to stress that the value of the Kyoto model must be assessed not only from the angle of its effectiveness for achieving results before its operational termination in 2012. It is also important to check its capacity to serve as a foundation for organising global cooperation beyond that date.

In this regard, US rejection of the Kyoto methodology involving quantified national absolute reduction objectives has serious consequences. This rejection means that the USA will not rejoin international cooperation in the period 2012-2020 if this cooperation is still based essentially on national absolute reduction objectives. Such failure to re-engage the USA in long-term international cooperation is highly likely to prevent rapidly industrialising countries such as China and India from joining in international cooperation. Yet, it is essential to involve these industrialising countries because of their rapidly growing emissions.

Given this context, the American and Russian attitude obliges Europe to engage in forward thinking and diplomatic initiatives designed to foster change of the Kyoto regime in a way capable of mobilising all countries in the fight against climate change.

Bearing in mind that seven years is not a long time for definition of an international convention, UNICE believes that the EU must start a strategic debate on a new international cooperation model at the European spring summit in 2005.

The spring summit must also discuss European climate strategy on a shorter-term perspective, since the unilateral EU policy currently being pursued has highly potentially negative economic and environmental consequences.

The cost of EU implementation of Kyoto is large. There are estimates that put this cost at between 0.15 and 0.30% of European GNP. These estimates must be seen as being at the bottom end of the scale, because these estimates rarely consider unilateral implementation of Kyoto by the EU.

Even now there is a wide gap between economic growth in the USA - which is 4.2% - and Europe at 2%. Europe's unilateral Kyoto policy would aggravate this difference.

Statistically, for production worth one million euros, European manufacturing industry on average emits 2.6 times less greenhouse gas than American industry. This result can only be maintained if European companies can operate in competitive conditions. The energy surcharge that unilateral implementation of Kyoto will entail will weaken the competitiveness of European companies and their capacity to contribute to environmental progress.

It is important to remember that a unilateral European Kyoto policy will also have a negative indirect effect on capacity in the transport sector, the domestic sector, the electricity sector and public entities to make the very large investments required of them to modernise their energy equipment, making them more energy-efficient and reducing the carbon content of fuels.

It seems to be an easy way for politicians to regulate the industrial sector. But private cars and private housing are major sources of emissions. Therefore, a coherent strategy for reducing greenhouse gases must also focus on stronger contributions from private households (e.g. insulation of buildings), not only from industry. If regulation is needed to reduce CO₂ emissions, all sources must be included in order to distribute the burdens of adaptation.

The competitiveness of the manufacturing sector determines to a large extent:

- the level of pay in the private and public sectors and
- the capital investment budgets of public authorities which in turn determine what consumers and public authorities can invest in climate-friendly equipment.

It is against this background that UNICE yesterday asked the President of the European Council, Dutch Premier Balkenende, and President Prodi to organise a systematic assessment of the competitive impacts of all climate-linked EU policies, considering the assumption that the USA and Russia will not ratify Kyoto. A regulatory solo-run by the EU will not solve the climate change problem but will undermine the global competitiveness of European industry.

Concluding, I should stress that UNICE fully supports the need to combat climate change. Industry in Europe is already heavily engaged. What we are asking for is that the Commission and Member States achieve the right balance, a balance between two imperatives, protecting the environment and maintaining EU industry as an engine for growth. A lack of balance could easily do irreparable damage to either.

Now, I would like to give the floor to Mr Fabrizio d'Adda, Senior Vice-President of ENI and Chairman of UNICE's Industrial Affairs Committee, who will comment on the nature of the competitiveness problems posed by the current European policy, and the European action agenda that we want to see defined in the months leading up to the 2005 European spring summit.

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