

Honourable Ministers,
Ladies and Gentlemen

- According to a Japanese proverb, it is “better to **travel hopefully** than to **arrive disenchanted**”.
- We are now **more than one year** into a two-year trip that will end in the Danish city of Copenhagen.
- Guided by the **Bali Road Map and the Bali Action Plan**, the international community has only **just passed the half-way mark** of a two-year negotiating process that is to culminate in a strong, **ambitious and effective international climate change deal** at the end of this year.
- Given the political realities of today - and your commitment in the form of the **Ministerial Declaration** that will emerge from this meeting - I am both hopeful and confident that there will be **no disenchantment at the end of the road**.
- This meeting here in Tokyo is an ideal forum for **building consensus** among the 23 countries represented.
- It is clear that a global deal on transport and climate change needs to be **an integral part of the UNFCCC process**, with all its 192 Parties.
- Hence, you can **take the lead in setting the stage** for a global consensus on how to tackle the challenge.

[The transport sector is faced with several inevitabilities]

The transport sector is faced with **several inevitabilities**.

- 2009 will be a year of **dramatic change**. The world will continue to **suffer from the implications of financial crisis and recession**, which will lead to both job losses and forced structural change. This **particularly affects the transport sector**, both at the production and the consumption side.
- As a result of falling demand, **oil prices have dropped significantly**.
- However, oil prices will rebound at any sign of recovery and could easily **rise to their former peak levels** - if not rise beyond the peak levels of 2008.
- This will inevitably have an impact on the **choices people make** with regard to the products they buy. Whoever continues to rely on inefficient, polluting forms of transport will face stiffer costs and **even less interest by consumers**.
- Oil consumption **may be dropping** now as a result of recession, and less automobiles are being bought.

- But it would be **wrong to expect a long-term drop** in emissions. And it would be wrong to expect that consumers will continue to buy outdated technology.
- According to the International Energy Agency, much of the **growth in the global demand for sweet crude oil** will come from China and India, with car ownership the main driver.
- The IEA has projected that India will be the **world's third-largest oil importer by 2020**, Chinese oil imports will equal US imports of around **13 million barrels per day by 2030**, and by 2015 at the latest, **more cars will be sold in China than in the US**.
- **The current seismic economic shifts may change these timings but are unlikely to change the trends.**
- This means that under a business as usual scenario, the global demand both for fossil fuels and vehicles is on a steep upward trajectory.

[Action on climate change is inevitable]

These trends are **incompatible** with what needs to happen in the **field of climate change**

- Not least as a result of growth in the transport sector, greenhouse gas emissions trends are going in the **opposite directions** of what science tells us are needed.
- The signal we have heard from the scientific community is crystal clear: global greenhouse gas emissions need to **peak over the next 10 to 15 years and drop by at least 50%** against 2000 levels by the middle of the century in order to stabilize global mean temperature increases around 2- 2.4 °C. For industrialized countries this means **reductions by 2020 between 25 and 40 %** against 1990 levels.
- All of the **current trends in transport** fly in the face of what science tells us is required. Present political action in the transport sector is woefully inadequate. Only a few of the Parties to the UNFCCC, including Germany, have made progress in reducing transport sector emissions **below base year levels**. **In Japan** they are declining now from their 2001 peak. Industrialized countries' GHG emissions from energy use in transport **increased by 16% between 1990 and 2006**.
- It is inevitable that the outcome agreed in Copenhagen will lead to **significant legally binding commitments** on the part of developed countries and action on the part of developing countries
- Given the role that transport plays in causing greenhouse gas emissions, **any serious action on climate change will zoom in on the transport sector**.

[The recession must be seen as an opportunity to reengineer sustainable economic growth]

- The recession must be seen as an **opportunity to reengineer towards sustainable economic growth**.

- There are clear indications that it has become **easier for green industries to attract capital**.
 - The amount of **venture capital raised globally** for clean technology was 8.4 billion USD last year - up from 7 billion the year before. This may be a drop in the ocean compared to overall global investments, but it **does point towards a positive trend**.
 - **Japan is showing real leadership** by aiming to expand the “green business” market and to **create up to one million new jobs**.
 - Similarly, **eight of the world’s largest pension funds**, the so-called “P8”, have teamed up to ensure that their investments are made in a climate-friendly way. These funds **collectively manage more than USD 2 trillion** in assets.

However, **not everyone has been reading the signs of the times**.

- The financial crisis and the ensuing global recession have been brought on by **bad decisions in the form of bad loans**. We cannot continue to keep making the wrong type of decisions.
- For example:
 - Car manufacturers have **actively blocked the introduction of fuel efficiency standards** in the US State of California
 - European car manufacturers only recently **successfully lobbied to remove ambitious new carbon emission capping targets** from the EU’s energy and climate package on the grounds that they would constrict the auto manufacturing industry.
- **Huge bailout packages** are now being put together for the car industries in many countries of the world.
 - More than **USD 17 billion** will be handed to the Detroit car industry in the **first three months of 2009 alone**.
- But bailout packages for banks and for the auto industry **must be tied to strict conditions for economic and environmental sustainability**, otherwise we are **setting ourselves up for renewed failure** further down the line.

This includes ensuring that rescue packages for the auto industry are linked to a clear and strong **commitment by the industry** to produce clean and fuel efficient vehicles. Several car producers presented highly efficient showcars with minimal fuel consumption already at the beginning of this decade. We now need to see these cars on the road, **replacing today’s gas guzzlers**.

- The current crisis can **create new opportunities** for a fast-tracked transition to green technologies through a combination of **regulation, incentives and investment** at national level.
- This can happen through **policies and measures** at national level.

The international climate change agreement currently under negotiation

- There are **three political essentials** that need to be clearly determined in order to achieve a satisfactory outcome in Copenhagen
- These are: the **nature of the commitments**, how **financial resources will be mobilised** for developing countries to mitigate and to adapt and the **institutional framework** that will be needed to deliver the financial, technological and capacity building resources for both adaptation and mitigation.
- Over the past few months, developed countries have made **very positive signals** as to their levels of ambition in reducing greenhouse gas emissions.
- The incoming US administration has said that it will both return US emissions to **1990 levels by 2020** and reengage vigorously in the international climate change process. **Australia** has announced its target of a minus 1 to 15 % reduction. And the EU has agreed its climate and energy package, which entails a reduction of minus 20 % by 2020 and minus 30 % should other industrialised countries commit. Japan will announce its mid-term target in the course of this year.
- Developed countries now need to start thinking hard about what **short and medium-term, sectoral emission reductions** they want to commit to in the **transport sector**, along with what interim targets they want to build in on the way.
 - These sectoral emission reductions will play an important role in determining how the **overarching national emission reduction goals** can be met

[How will the Copenhagen agreed outcome affect the transport sector?]

So how will the Copenhagen agreed outcome affect the transport sector?

- International climate change policy is based on the **polluter pays principal**. It clarifies that the party responsible for any environmental damage should also be responsible for **paying the cost for cleaning it up**. Internalization of these external costs will show the **full price tag of freight and passenger transport**.
 - This will affect the transport sector in terms of its **material resource intensity**.
- **Cooperative R&D** is an important element of the action plan agreed in Bali in 2007 to guide negotiations towards a Copenhagen agreed outcome.

- A **major push on research and development in new technologies**, such as further research on energy efficient transport in a hydrogen economy will be required – which will in turn require a range of government support packages.
- Market deployment of these new technologies should become a major focus of government policies, as **we need to get the new technologies out of the showrooms and onto our streets and roads**.
- **Technology cooperation** between developed and developing countries, and increasingly between developing countries, will be needed on an unprecedented scale.
- Many developing countries experiencing rapid growth, are now **making huge investments** worth billions of dollars in capital stock, such as infrastructure and power generation, that will be used for thirty years or more.
- A **new global technology mechanism** under a Copenhagen outcome could boost research and development by **pooling global funds** to support a coordinated R&D agenda.
 - Such a mechanism would **not be a replacement** for R&D and technology transfer undertaken by the **private sector initiatives** which hold the largest part of financial and technological resources required in their hands.
 - But it could provide business with **incentives** that are clear, predictable, and robust.
- A well functioning **carbon market** is likely to be a prominent feature in any future mitigation framework.
- Emissions from international transport to date do not fall under the legally binding reduction commitments of the Kyoto Protocol. The transport sector needs to think hard about whether or not national objectives formulated as part of the Copenhagen agreement can be reached without transport assuming a **cap-and-trade approach**.
- Transport projects, for which energy efficiency technologies are important, are largely absent in the Kyoto Protocol's clean development mechanism and joint implementation.
- We all need to think hard about the extent to which transport could be included in an **emissions trading system** established as part of the Copenhagen agreement.

- Linking the transport sector to an **existing emissions trading scheme** would allow for cost-effective reductions of GHG emissions across sectoral borders.
 - There are several options to do so, and if vehicle producers are hesitant in joining the carbon market, then **fuel suppliers could be invited** to form the linking element.
 - Whether the sector in general would become a **net buyer or seller of carbon certificates** is yet to be seen, as there are many low-cost mitigation potentials in the transportation sector.
- Moreover, under a business as usual scenario, the transport sector will remain a prime tax target for finance ministries, instead of a beneficiary of incentives – **does transport really want to end up as the cash cow of a Copenhagen agreement!?**

[There is an urgent need for better reporting so that action can be taken]

- The **data quality on transport** needs to be improved. The quality of data on transport is limited in developing countries, and poor in developed countries.
- **A common set of indicators** for measuring, reporting and verifying national and international action on mitigation of climate change in the transport sector needs to be developed and put in place.
- Developing such a table of indicators for transport and climate change, **as input to the UNFCCC process**, would be the task of the community of international transport experts.
- Therefore, there is an obvious need to improve the data quality, as **we cannot master what we cannot measure**.
- Industrialized countries should therefore **support developing countries** in their efforts to improve their data basis.
- Parties to the Convention could use these new and higher quality data to improve their reporting on their national circumstances, **based on existing UNFCCC reporting guidelines**, and include transport-related indicators.
- If governments included **time-series indicators** such as
 - vehicle-kilometres per capita,
 - tonne-kilometres per unit of GDP or
 - average vehicle fleet GHG emissions per kilometre

in their reports under the UNFCCC, we would **gain a lot more transparency** and have a better understanding of where we are in terms of transport and climate change.

[The transport sector is at a juncture]

The transport sector is at a juncture:

- There can be no doubt that the transport sector will come **under intense pressure** and needs to dramatically change direction.
- So how can the transport sector influence regional, national and international policy to facilitate transition, rather than **digging itself deeper into a hole?**
- It is high time to take action **now** by adopting more immediate **national or regional approaches** for all transport modes which make real contributions and could set examples for others.
- Transport industries should no longer find themselves in the **position of beggars for billions of tax payer's dollars**. Instead, they need to **come back into pole position of drivers of economic growth**, through the production of smart and efficient cars, trains, ships and planes.
- There is **simply no alternative** to **facing up to the inevitable changes** that lie ahead. Climate change is already altering the face of the planet we live on.
- You as the key players in transport hold **your future and those of your children** in your hands.
- **Disenchantment at the end of the road is not an option.**

Thank you.