BUILDING A HIGH GROWTH, LOW CARBON ECONOMY

Speech held by Jim Murphy, Member of Parliament, on June 25, 2008 during a Conference at the United Kingdom Trade and Investment (UKTI).

We know that we need to build a low-carbon economy, because unchecked climate change will undermine the conditions for jobs and growth. Climate change is a stress which exacerbates other stresses - in particular water security and food security. Those which can lead to a raft of global problems, from conflict, migration, higher food prices. The Chinese Head of State, President Hu Jintao said to Gordon Brown in January that food prices was the biggest problem in China. He saw climate change as one of the main causes.

Today I want to talk about the level of imagination and the level of mobilisation we will need to solve the problem. In December 2009, UN negotiators will get together in Copenhagen to conclude the global climate deal. By then, we need to see the major economies lined up to support a deal which will engineer a fundamental shift in the way their economies are structured. If their economies are not prepared, governments will be restricted in what they can agree to in Copenhagen.

So how will we meet this challenge?

First of all, it is clear that business as usual is not an option. The International Energy Agency published figures in November 2007 projecting an increase of 57% in carbon emissions from energy by 2030, with coal use up by 73% - driven mostly by China and India. We know, also from the IEA, that China is currently building two coal-fired power stations a week. In both Beijing and Shanghai, 1000 new cars are going onto the road every day.

Business as usual is unchecked climate change which threatens the security and prosperity of citizens and business in the UK and worldwide. The poorest will be hit first and hardest. This is both economically and morally unacceptable.

The answer is quite simply that we need to engineer a transformation of the global economy. We need to take the carbon emissions out of the global energy sector by 2050. This is not incremental or marginal change. It is profound and fundamental. It is transformational change in our economies, and radical change in our homes.

So what will this actually look like? It means no coal or gas without carbon capture and storage. It means widespread use of renewable energy and energy efficient technologies. It means a lot more electricity for everything. It means zero-carbon cars, trains and planes.

Transformation on this scale is hard to imagine. But it is not impossible to achieve. It has happened before, when it has been in our economic and national interest or facilitated by technological change.

In this country, between 1844 and 1851, nearly 250 new laws were put before Parliament to facilitate private sector construction of railways, at a total cost of £100m at a time when annual GDP was £532m - almost 20% of the entire GDP of the nation.

In the end, 6000 miles were built over 7 years. That's the equivalent today of spending £180 billion in 7 years.

In 1943, the Chairman of IBM said that he thought there was a world market for 'maybe five computers'. There will be more than a billion PCs in use by the end of 2008; and another billion again by 2015.

In 1895, Lord Kelvin, president of the Royal Society, said 'heavier-than-air flying machines are impossible', more than a century after the first hot air balloon, but only 44 years before Pan Am made its first trial transatlantic flight from Baltimore, Maryland, to Foynes, Ireland using a Boeing 314.

We must not underestimate the scale and urgency of the challenge. But neither should we underestimate our ability to transform.

In 1961, just one month after the first American had flown in space, and before anyone had been sent into orbit, John F Kennedy announced that that the US would commit itself to putting a man on the moon before the decade was out. He was clear about the level of ambition: "No single space project in this period will be more impressive to mankind, or more important in the long-range exploration of space; and none will be so difficult or expensive to accomplish."
I am not going to attempt to disentangle the multiple factors and conditions which led to a man on the moon. But this is the level of imagination we need to deploy to bring about the transformation required to safeguard our security and prosperity.

And for those countries and those businesses that make this leap of imagination, that take early action to embrace low carbon solutions, the opportunities are huge. By 2010 it is estimated that the renewable energy, waste management and water treatment industries will be worth $700 billion globally.

The UK is taking these opportunities seriously. London is already a global hub for carbon trading; in 2007 59% of primary credits from the Kyoto Mechanisms were bought by UK buyers. We are world leaders in marine and tidal power. Our history of innovation and manufacturing means we are strong in Research and Development, contributors to high technology supply chains, and we have expertise in successful project development.

Such expertise means the UK has the potential to become a global hub for low carbon solutions. I welcome the plans of UK Trade and Investment, part of the FCO and the Department for Business Enterprise and Regulatory Reform, to develop a new UK strategy to promote UK capabilities in this area.

And we are not the only ones to have decided that this is good for our jobs and good for our growth. I'll be visiting California next week - the 8th largest economy worldwide. Venture capitalists poured $1.79 billion into the Golden State's green companies last year, most of them in the Bay Area.

But we all have more to do to achieve our ambitions.

We'd like to see over a million UK workers in low-carbon industries within the next two decades from current estimated levels of 400,000. In future, we want an economy with a mix of good white collar, good blue collar and record levels of green collar jobs.

How can we deliver this transition?

I recently hosted a seminar at the Foreign and Commonwealth Office on creating a green collar Europe. Participants from business, civil society and trade unions came together to discuss how Europe can boost employment and prosperity in the 21st century by showing leadership on climate change.

We concluded that delivering the transition would require:

· genuine changes to business models for all sectors;

· investment to keep Europe at the forefront of technological innovation;

· strengthened and predictable regulation;

· further work on energy efficient standards; and, importantly

· getting employees on board with the process of change.

The costs of reframing the economy towards low carbon growth will of course be significant but the potential savings are huge. Shifting energy investment patterns for high to low carbon could free up around £6 trillion by 2030.

And Nick Stern has set out a compelling argument showing that the costs of inaction will be economically disastrous.

A secure climate is essential for our prosperity and our security. And developed nations must take the lead. Unlike the security challenges that defined the last century, climate change is a problem for which there are no classic hard power solutions. The decisive actors in this struggle are much more likely to be wearing pinstripes than body armour; and the qualities that will make us succeed are qualities that sit comfortably in the world of business - creativity, persuasiveness and determination - above all, the ability to think big and with imagination that transforms.