

Distinguished Delegates,

I am pleased to be here with you these two days to discuss this fundamental question: How do we make sure that as humanity develops, it does so in a way that doesn't hurt future generations ability to do the same?

20 years on from Rio, there is growing recognition that only real form of development is sustainable development. This means that fossil fuel based economic growth is questionable from a development point of view. To take this argument further: economic growth driven by fossil fuels which leaves a growing gap between rich and poor is ***distinctively not development.***

Why such a bold claim about current growth patterns? Research tells us that unequal societies have a series of problems that equal societies don't have: higher rates of mental illness, more people imprisoned, lower life expectancies and more children dying before the age of 1. The larger the gap between rich and poor, the more social problems.

In other words, what are discussing here is no longer a "fringe" conversation among those who concern themselves with ecological and humanitarian issues. It is a question of transformation of our societies.

Important for this region, we already see some countries of Europe, South Korea and China betting their future on green economy areas. They are already moving forward on solutions. This means that there is a green race going on and the question is how this will impact countries who have not yet taken a proactive approach to how they position their economies....and most importantly how they increase the quality of life of their citizens?

In terms of inclusive development, there is now a rethinking the idea that income inequality is a necessary part of growing your economy¹. The theory goes like this: As economies become increasingly dependent on human rather than physical capital, equality becomes a more important ingredient for economic success. This is because more equal societies lay the foundation for a better system of education and better education means a country is more competitive in a knowledge economy. This is not only about rich and poor, but also the equality of men and women. Moreover, as we are to share one planet both from a pollution and from a resource point of view each citizen has a right to be here and hence "fairness" and equality is a necessary quality to our future development.

What we need in the coming decade is a profound change. Not another **transition**, but a **managed transformation** to a sustainable model of economic and social development.

So, where do we start? To supplement broader investments and sectoral initiatives let me focus on the nexus between environmental sustainability and social equity.

Colleagues have talked about the forthcoming joint UN system report: [From Transition to Transformation](#). As a UN system, our analysis shows that immediate action is possible and can create a positive return as part of the overall transformation process. Let us take energy as an example.

¹ IMF 2011

The first goal of the Secretary General's Sustainable Energy for All campaign is to ensure universal access to modern energy sources by 2030. I propose to you: for this region, 2030 is too long to wait.

There are at least 3 million people in transition and OECD countries who live without electricity. Getting electricity to these 3 million people could be done in 5 years, not 20. Every citizen of this region should have access to modern and reliable energy by 2017.

First, what is the most cost effective? The traditional approach will be either to extend the grid or if not possible, install diesel generators to bring the 3 million out of the dark. But, I propose to you that neither of these are not the best value for money for small rural villages far from the grid. Building, installing and servicing the traditional grid in remote areas drives up the costs to the point that per watt. Delivered solar panels and biomass in rural areas is actually the *less* expensive option. Using renewable energy should be the default approach to provide access to people who do not have it.

There is a carbon constraint: We know that 450 parts per million is the safe upper limit to carbon dioxide in the atmosphere. We are already at 389, growing by 2.3 parts per million every year. So we have a carbon constraint that suggests that creating energy access for people who don't have it must not increase our overall level of pollution.

While bringing electricity to this region's 3 million people may not yield a large difference to carbon emissions, multiply that by the global figure of 1.4 billion people who currently have no access to modern energy, and it's clear why renewable and energy efficient technology is necessary.

Finally, there is an important health dimension? For the sake of our health, we need to move away from dirty forms of traditional energy. Sometimes we forget, but even in this region people rely on traditional fuels inside the home. This has drastic human consequences: in 2004, more than 14,000 people lost their lives due to reliance on solid fossil fuel heating and cooking sources.

For this transformation to work, governments need to phase out subsidizing indirectly or directly fossil fuel energy in all its forms.

A non-subsidized price of fossil fuels would send the right signal to business and households. This is surely happening in some countries of the region but needs to become the new standard. As much as we all fear higher energy prices, but in fact that the best way to change behavior of all 7 billion of us is by "right pricing" the price of energy. We simply cannot legislate our way out fossil fuel driven growth, it has to be driven by the right price through the market and the million consumer decisions men and women take every day.

This argument triggers concerns, which is why it is so difficult to remove subsidies for fossil fuels. Often we hear: what about the poor? The poor need subsidized energy, don't they? My proposal to you is this: **fossil fuel subsidies do not benefit the poor.** These subsidies are regressive and put a negative pressure on public budgets. While they do benefit people, they benefit poor people the least. Because the poor do not use as much fossil fuel – they don't own big cars or houses. Compared to targeted social

programmes, creation of green jobs and mitigation of climate change, fossil fuel subsidies is the least effective means of protecting vulnerable groups.

To get the market to work, we need a correct fossil fuel price that takes into consideration its real costs—the cost of pollution, the costs to our health, and the increase risk² due to climate change.

Based on preliminary analysis, fossil fuel subsidies constitute a surprisingly large portion of GDP for some countries in the region. This means that, once they are phased out, we can take some of those public budget savings and use them to compensate the poor and invest in sustainable development. This means for example use some funds to more proactively invest in housing energy efficiency with a focus on the lower income brackets.

Fossil Fuel subsidies need to be phased out. They are not only bad for the environment, they are bad social policy and hold back transformation.

As illustrated by the fossil fuel story, the transformation to sustainability and the associated green race will create winners and losers. And while some of these are apparent, we cannot predict exactly how this transformation will affect all groups in society.

Now in this region, we start from a solid foundation of social protection mechanisms. But the sustainability transformation is an opportunity to review what we spend on social protection and establish a minimum standard below which no citizen can fall.

This **social protection floor** would help vulnerable groups cope with new dynamics of labor markets and increasing energy prices. Going beyond the minimum floor, we can help vulnerable groups turn this transformation into a development opportunity by updating their skills for the eventual greener market of the future.

Before closing, let me touch upon partnerships

First, we need partnerships with the private sector both – for profit and non-for-profit. I am glad to see that Mr. Stigson is here as we need to hear about the activities of the World Business Council for Sustainable Development. We need you and the private sector with us. We need you because you have good ideas, we need your technologies and innovation as much as we need your investment in growing markets.

Second, we will need a modest but long term way to finance this transformation. One idea which we could consider is a minimal financial transaction tax (.005%). This will create 40Billion \$ in revenue,

²Failure to take sufficient action will not only affect the region, it can reduce human development as a whole. UNDP's 2011 Human Development Report projects that by 2050 the global Human Development Index could be some 15 percent below the projected baseline due to possible vast deforestation and land degradation, dramatic declines in biodiversity and accelerated extreme weather events.

**Jens Wandel, Deputy Director UNDP Speech for UNECE Regional Preparatory Meeting for Rio + 20
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according to the UNDP's 2011 Human Development Report.³ Imagine the possibilities for the use of these funds. Solar panels in rural schools in Tajikistan. Organic farms in Ukraine. Skills training for young people to find jobs retrofitting houses so they use energy better.⁴ Campaigns for women to take a lead role in recycling. The possibilities are endless.

- Let me close by saying that for every policy and action that I have mentioned here, energy access for the poor, phasing out of fossil fuel subsidies, low carbon transition and creation of a social protection floor, we as the UNDP with our UN partners, stand ready to assist your governments in the managed transformation towards more sustainable and inclusive societies.

³ UNDP Human Development Report 2011. *Note: The analysis and policy recommendations of this Report do not necessarily reflect the views of the United Nations Development Programme or its Executive Board. The Report is an independent publication commissioned by UNDP.*

⁴ If transition economies of the region generate 315 GW of renewable energy, projections suggest the possibility of creating over 2 million jobs in these economies, according to *From Transition to Transformation: Sustainable and Inclusive Development in Europe and Central Asia*.