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‘Climate Change: Hong Kong’s Role in the Global Challenge

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Lecture by Andrew Seaton, British Consul-General. Hong Kong

- Professor Lau. Thank you for the invitation to give a guest lecture at the Chinese University of Hong Kong. The Chinese University has been internationally recognised as being in the top rank of universities in Asia and globally. A great achievement – I warmly congratulate the entire university community for this. It does however make my task – speaking to such a high calibre audience - a daunting one. But also a privilege. A privilege for which I thank you.

INTRODUCTION

- I returned to Hong Kong earlier this year, I say returned because I was stationed here in the 90s – from 1995 to 2000. So I have been away from Hong Kong eight years. Eight years which have seen enormous economic development and change in China and in Hong Kong. And which have seen the process of globalisation – the global integration of economics, markets and supply chains – both broaden and deepen.
- Hong Kong prides itself on being Asia’s leading globalised city. Rightly so. Continued success in a globalised world is central to Hong Kong’s future prosperity and prospects. Hong Kong – and all of China – are seen as among the great beneficiaries of globalisation: they have taken full advantage of the new opportunities presented by globalisation. But now there seems clear evidence of other less positive aspects of globalisation. Ones which will shape Hong Kong’s – and the region’s – future.
- Today I am going to speak about climate change. Why it matters and what we can do about it. You may ask why a British diplomat is raising such an issue. I am not a scientist. Nor an environmental campaigner. But this is not just a scientific issue or an environmental issue. The effects of climate change go well beyond that. My government believes the impact of climate change is geo-political and requires a global response. That’s why I want to talk to you about it today.
- There are some important messages that I hope you will take away from this afternoon. I will introduce these briefly now and come back to them in the substance of my talk.
- First. Climate change cannot be ignored, particularly by this, a university – and university student-audience. As the British Prime Minister said: “the climate change crisis is the product of many generations, but overcoming it must be the great project of this generation.” Young people around the world will take forward this debate in the following critical decades.
- Second. Carbon emissions have the same impact on global warming whether they are emitted by a flight from Hong Kong to Bangkok or from a power station in Peru. It is a global problem that requires a global solution. As a global financial and trading centre, as well as one of the richest cities in the world, Hong Kong’s global footprint is large, and it needs to be part of the solution.

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- Third. We recognise that rich countries are historically responsible for around 70% of the concentration of greenhouse gases that are in the atmosphere now. Countries like Britain need to show leadership in reducing our own emissions. We are doing this and we want to share with you what we have done.
- Fourth. Addressing climate change is possible without sacrificing economic growth. Yes there are economic costs of action to tackle climate change. But they are less than the costs of doing nothing. What we need to do is move towards a low-carbon economy.
- My final take home is perhaps most surprising. Which is, that switch to a low carbon economy presents great economic and business opportunities. And Hong Kong is well-placed to take advantage of them. Hong Kong can lead this part of the world in demonstrating the feasibility and opportunities of low carbon growth.
- But, you say, that is all fine. But what about the real crisis of the moment – the financial crisis?
- It would be wrong of me not to say a brief word about this financial crisis – not least because financial services play big parts in both the Hong Kong and UK economies.
- The UK Government announced on 8 October that it was taking decisive and extraordinary action to support the banking system and to strengthen the system for the future as markets stabilise. The Government has made available £50 billion (HK\$700 billion) to recapitalise eligible banks, predominantly through the purchase of shares. The aim is to ensure the stability of the financial system, protect ordinary savers, depositors, businesses and borrowers; and to protect the interests of taxpayers.
- The government also introduced new measures to improve liquidity of the interbank money markets; and to guarantee debts issued by the banks.
- We also warmly welcome the fact that the Euro area countries and America have now agreed similar actions on liquidity, capital and funding guarantees. As the Prime Minister Gordon Brown said “only by global action can we fully restore the confidence that is needed and build the international financial order”.
- Gordon Brown also proposed last week a wide-ranging and fundamental review of the international financial architecture, to provide better early warning of problems and to make sure that international supervisory and regulatory systems were fit for a global financial market. In short, establishing a new financial order.
- None of that removes the need to address climate change. Tackling climate change remains as important today as it was before the financial crisis. In fact dealing with climate change is part of the solution, as it makes the global economy less dependent on volatile commodities. As Gordon Brown said last week at the European Commission, “This is not the time to abandon a climate change agenda which is important for the future. What we have seen over the last year is that oil prices have risen significantly, and so the arguments for taking the action to reduce carbon consumption are not simply the arguments about environmental decay and disaster that could befall us, they are arguments about energy security and they are arguments making us less dependent on a volatile commodity. So I believe that the climate

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change agenda is part of the solution to many of the problems we face as a world economy today”.

- But we must be honest. There is a very real concern – in all countries – that acting on climate change has an economic costs. And that it will undermine development and competitiveness. And what is happening currently in the world economy has brought this concern into the open.
- All over the world, people are feeling the impact of the credit crunch. Prices have been rising in Hong Kong and Hangzhou; in London and Los Angeles and Lagos. We are paying more for a loaf of bread, a bag of rice. Meanwhile growth is slowing in virtually all of the major economies, in some cases drastically.
- Some will say that these economic pressures mean we must put our economic interests first; that we must choose economic prosperity over environmental stability. This is a false choice. Why? Because there is an alternative to carbon dependence – a low carbon economy. I will come back to that again later.

Carbon Dependence and the Geopolitical and Economic Implications of Climate Change.

- The world is already changing, globalising. We are witnessing an age of global mobility of people, goods, services and money. People are crossing the globe like never before for study and work; hundreds of thousands of Hong Kong and mainland students studying abroad each year, many in the UK. We consume goods made from across the globe, from iPods from Guangzhou to computer games from Britain. The result has been rising global wealth for the last decade. China and Hong Kong have been major drivers of that globalisation. And major beneficiaries.
- As you know, crude oil prices peaked at US\$145 a barrel in July this year. They have now fallen back, reflecting concerns about economic prospects. But the trend is still increasing, reflecting pressure on our finite energy resources from industrialisation, and from expanding demand from emerging markets such as China and India. Crude oil prices are 18% higher than they were just 2 years ago. Food prices similarly rocketed in June. Hong Kong has been hit by this like everyone else. Here we have seen price of food rise by an average of 18% in the last 6 months, compared prices to last year. Supply and demand are simply not matching up.
- What is becoming increasingly clear is that the origin of this resource crunch is carbon dependence. And – importantly - its consequences are not just environmental, but geopolitical and economic.
- What do I mean by carbon dependence? We live in a ‘high carbon’ economy. We depend on scarce, finite, and vulnerable supplies of hydrocarbons (oil, gas and coal) to satisfy our demands for energy. This is forcing up energy prices and releasing carbon into the atmosphere, causing climate change. In addition, higher energy prices and climatic pressures on land are forcing up food prices. 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.

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- So what can we do?
- If we did not need to worry about the effects on our climate of using more carbon the answer would be more straightforward. We would switch to coal for cheaper energy and greater security of energy supply. Coal is an abundant and cheap energy source. The only problem is that it emits massive amounts of carbon dioxide, adding further to the concentrations of carbon in the atmosphere, driving up the risk of climate change.
- But, you may say, is the science of climate change unchallenged? The answer is no. Anti climate change commentators have argued that what they describe as eco-fundamentalism is based on shaky science. They argue that even if global warming does happen our best response is to adapt to it; and that we should not attempt to solve the problem if the cost of solving that would be greater than the problem itself.
- I personally am not qualified to offer an opinion on the science. There will be plenty of people in this auditorium who are so qualified.
- What is clear is that the balance of international scientific opinion is now overwhelming. National science academies including the Chinese Academy of Science (CAS) and the Royal Society in Britain have signed a statement on the global response to climate change. It states that “there is now strong evidence that significant global warming is occurring”. Virtually every other major national science academy, and its equivalent, have expressed the same or similar views. The American Association for the Advancement of Science, has stated that “The scientific evidence is clear. Global climate change is caused by human activities... and it is a growing threat to society.”
- The UN’s Inter-Governmental Panel on Climate Change (IPCC) in its 4th Assessment Report, provided the strongest link yet between human activities and climate change and clearly demonstrates the need for urgent action to cut greenhouse gas (GHG) emissions and adapt to the unavoidable impacts of climate change.
- There is a clear consensus that climate change – powered by rising level of emissions of carbon into the atmosphere - presents a very serious risk to the earth, and demands an urgent global response. And – perhaps crucially – the international community has agreed that, even while there is some scientific uncertainty, this uncertainty should not be a cause – or an excuse – for inaction.
- As early as ’92 (Rio) the international community agreed an action plan to stabilise carbon emissions, so as to prevent man-made climate change which would otherwise jeopardise economic development and food production.
- In some ways this was the start of the process that led to the Kyoto agreement on reducing carbon emissions, signed in 2005 – and now ratified by 140 countries.
- This growing international action on climate change has been accompanied by a growing recognition that climate change represents not just an environment threat. Rather, it represents a fundamental threat to our security: a threat to our food supplies, a threat to our economic security, a factor that risks leading to regional and local conflict, driven by competition for resources – whether energy, water or food.

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- Is it really remote to think of countries fighting not about politics, but about water? Or people fleeing not political persecution but environmental catastrophe?
- In that sense, climate change has come out of the 'green' box and is now seen internationally as one of the key global challenges. And the response is to build a global low carbon economy. But what is this? And how much will it cost us? Can we afford it? Particularly given the credit crunch.
- What we are talking about here is a transition from a global economy dependent on coal, oil and gas, to a low-carbon economy with a diverse mix of energy sources and suppliers. Our challenge is to take the carbon emissions out of the global energy sector by 2050.
- Lord Stern, author of the influential Stern Review into the Economics Of Climate Change shows us that it is possible (Lord Stern will be visiting Hong Kong next week) The Stern Review considered, in a major study, this central issue of the economics of tackling - and not tackling - climate change.
- What the Stern Review demonstrates is that meeting the challenge of climate change is both technologically feasible and economically rational. His key message is that the costs of action are far less than the costs of delay; that we cannot afford not to act; and so the earlier we act, the easier and less expensive our task is.
- Let me spend a few minutes explaining this in more detail. There are summary versions of the Stern Review in Cantonese for anyone who wants one afterwards.
- Driven by rapidly rising use of hydrocarbon fuels, concentrations of carbon dioxide in the atmosphere have reached levels not seen for 100,000s of years. And are increasing ever more rapidly.
- The Stern Review estimates that if we continue to burn fossil fuels and release green house gases into the atmosphere, there is a 50% chance that the earth could face a 5 degree centigrade rise in average temperature by 2050. That may not sound much. But a 5 degrees centigrade above pre-industrial times is not the difference between Hong Kong and London or Shenzhen and Harbin, it is transformational. It is the difference between the modern climate and the Ice Age.
- That kind of change has massive costs associated with it. Climate change threatens the basic elements of life for people around the world - access to water, food production, health, and use of land and the environment. You will have heard some of the examples; there would be an increase in extreme weather events, there would be irreversible melting of the Greenland ice sheet, causing sea levels to rise not by centimetres, but by metres. This will endanger millions of people living in coastal regions - threatening major world cities including Hong Kong. Rising sea levels could drive millions of people to migrate: more than a fifth of Bangladesh could be under water with a 1 metre rise in sea levels. In parallel many people will face water shortages: one estimate suggests that more than a billion more people will suffer water shortages - many in Africa. There will be a rising number of people at risk from hunger, with entire regions experiencing major declines in crop yields. Many species would face extinction.

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- The cost of this physical changes and their human impact is massive. Stern estimates that the 'do nothing' option could cost the world the equivalent of 5 - 20% of GDP. To put it another way, the world becomes a fifth poorer.
- Now the Stern Review compares this cost associated with carrying on as usual, with the cost of taking action to halt climate change. The current consensus is that in order to reduce significantly the chance of massive climate change we need to reduce carbon emissions globally to an average of 2 tons per person. To put this in perspective; emissions per person, in Hong Kong they about 6.6 tons. The world average is about 8 tons. So this is a massive task.
- Will this be cost-free? No. Stern estimates that the cost of doing this at 1-2% of global GDP. But contrast that with the prospect of the world becoming 5-20% poorer, if we do not take action.
- This is itself a strong case for action today. And if we wait even 10 years it will be harder to reduce our emissions and more expensive.
- The Chief Executive, Donald Tsang recognised this in his policy address last week. He said that "Hong Kong will make early preparations to meet the challenge of climate change. In particular, we will enhance energy efficiency, use clean fuels, rely less on fossil fuel, and promote a low carbon economy – an economy based on low energy consumption and low pollution". I very much welcome this clear statement of the SAR Government's policy in this area.

Developed Country Action

- I mentioned just now this low carbon model means reducing global emissions of carbon to about 2 tons per person.
- To get to this average level of 2 tons, different countries will need to reduce their emissions by different amounts. But we need to make that process as fair as possible. Rich countries are responsible for around 70% of the concentration of greenhouse gases that are in the atmosphere now. So it is not realistic to expect developing countries to get on board unless developed countries, like Britain, set credible targets and take action to meet them, and at the same time, can demonstrate how this can be consistent with economic growth.
- In Britain, we accept this responsibility and are taking action domestically, with the EU and internationally. We have shown that it is possible to have both economic growth and reductions in emissions. Between 1997 and 2006, the British economy grew by 47%. Greenhouse gas emissions fell by almost 7%.
- Going forward the British Government is:
 - o Setting clear, binding targets through the Climate Change Bill – the first of its kind in the world. These will include a target for a 60% reduction in CO₂ emission reductions by 2050, against a 1990 baseline.
 - o setting five-year carbon budgets which take us to that target. These will cap emissions over five year periods, to promote investment in low carbon goods and services.

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- Putting in place a package of measures which enables everyone – individuals and businesses - to play a part in tackling climate change.
- With around **40%** of the UK's CO₂ emissions the result of choices individuals make, the British Government wants to enable its people to make greener choices, and ensure that their homes and products are 'low carbon'.
 - Energy companies are being asked to double the energy saving measures they put into people's homes.
 - By 2016, all new homes will be zero carbon (*ie there will be zero net emissions of carbon dioxide from all energy use in the home*).
 - The government is working on a system of improved carbon labelling for goods.
- We are also working within the EU. To further reduce our emissions. We have been a founding member of the EU's Emissions Trading scheme. The EU ETS is a carbon trading scheme aimed at companies producing the most carbon emissions. It requires European companies –like power stations or big steel plants - to buy permits for their emissions and to sell on those permits they don't need. They can buy some of their permits from other countries through the Clean Development Mechanism (CDM). That means that industry has a clear incentive to reduce carbon emissions at least cost.
- China accounts for over 50% of Clean Development Mechanism (CDM) credits generated worldwide to date. These projects allow Chinese enterprises to reduce their carbon emissions, and sell the credits to European companies, who have targets for the amount they can emit. The UK is China's largest CDM partner, with 37% of the market.
- Climate change is an important area for common European Union action. At an EU level we are committed to our share of the EU target to have 20% of all energy generation from renewable sources by 2020.
- Within the EU we are discussing a proposal with China for establishing low carbon development zones. These would follow the principles of Special Economic Zones, and would be an example of a 'low-carbon economy'. They would set high environmental standards and *could* gain preferential tax, IPR protection and foreign ownership policies to incentivise inward investment in low carbon industries.
- Action in the UK and the developed world is essential. But it is not enough. People from developing countries will make up 8 billion of world's population of 9 billion by 2050. So unless they are close to the 2 tons per capita limit, there is no way the world average can become 2 tons per capita. That's why we're working for an ambitious global deal to tackle climate change. Global issues needs a global response.

Wider International Action

- International action on climate change is essential. As I mentioned earlier the Kyoto Protocol was ratified in 2005 by 140 countries. It set binding targets for 37 industrialised countries (including Britain) for reducing greenhouse gases (GHG) emissions. These amount

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to an average of 5 percent cut in GHG emissions against 1990 levels over the five-years period 2008-2012.

- The next stage of the international negotiations takes place next November in Copenhagen. This is the next step in agreeing a framework for dealing with climate change, after the current Kyoto Protocol finishes in 2012.
- At Copenhagen the UK is seeking to agree a comprehensive, global and long-term framework for addressing climate change by stabilising greenhouse gases in the atmosphere at a level which avoids dangerous climate change. We are looking for global emissions to peak by 2020, and to achieve cuts in emissions of at least 50% by 2050, compared to 1990 levels.
- We would like commitments for developed countries in the form of deeper binding emission reduction targets. EU heads of Government and State have proposed that “Developed countries should continue to take the lead by committing to collectively reducing their emissions of greenhouse gases in the order of 30% by 2020.
- We need developing countries to reduce their emissions intensity – how much energy they use per unit of output – and not follow a high carbon development path.
- The United States, China and India have to be a part of this global story. They are all potential deal breakers, but they are waiting to see what each other will do. There is optimism that the US elections next month could be the start of a new chapter in Washington’s approach to climate change. With strong progress by the US in the first 6 months of next year, we are hopeful for a positive response at Copenhagen and commitment by the US could be an important trigger for further commitments and action by China and India.
- And China is one of the keys to a successful global outcome on climate change. But the challenge for China is immense. It is potentially the economic success story of the 21st century. It has had recorded GDP growth for the last 30 years and 100s of millions people lifted out of poverty. But against what backdrop? It is dependent on coal for 70% of its energy consumption. It has 20 most polluted cities in the world, It is now the world’s largest emitter of carbon above the US.
- But China is taking action; President Hu and Premier Wen are leading China’s response to climate change. In June 2008 President Hu said that China needed to strengthen its capacity to deal with climate change and actively develop a low carbon economy. Premier Wen chairs the National Leading Group on Climate Change, established in 2007, comprising 14 Ministries.
- As you know, together they have introduced many important climate change mitigation policies. These include policies to make China more energy efficient.
 - The authorities have committed to reduce energy consumption by 20% per unit of GDP between 2005 and 2010.
 - They are improving the energy efficiency in China’s 1000 largest energy consuming enterprises.

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- China is increasing the proportion of renewable energy to 15% by 2020. It will also increase the use of nuclear energy and natural gas, aiming to quadruple installed nuclear capacity by 2020. China has significantly increased infrastructure to utilise natural gas. And lots more...
- The UK is working closely with China on climate change. Through our UK-China partnership on climate change, we have been collaborating with China on all aspects of mitigation (technology, finance, policy framework, CDM) and adaptation. As an example, we are working with the European Commission on a demonstration of carbon capture and storage coal-fired power project in China. We are also working with the Chinese Academy of Social Sciences to understand the impacts of climate change on Chinese agriculture. In addition, we are exploring the potential for Low-carbon Development Zones in China.., as I mentioned earlier.
- The UN conference on climate change in Bali last December provided a historic breakthrough in terms of providing a roadmap for achieving a global co-operative deal in 2009. China played an important and constructive role in contributing to the agreement reached at that conference. China wants a global deal and has been playing a proactive role since Bali. It has launched a public diplomacy offensive, hosting several international climate change meetings to showcase its actions, and is working to build consensus with the G5 and G77. China's role in the next round of talks in Copenhagen will be critical to its success.

Low Carbon Energy

- These international negotiations are setting the framework for a major economic transformation in the coming decades. The move to a low carbon economy.
- This is a transformation which would 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 would this low carbon economy actually look like? It means no use of coal or gas without carbon capture and storage. It means widespread use of renewable energy. It means energy efficient technologies. To our factories, offices, homes. And in our universities and schools. 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. A couple of examples:
 - In 1943, the then 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'. Forty years later Pan Am made its first trial transatlantic flight from the USA to Ireland.
- The lesson is that we must not underestimate the scale and urgency of the challenge. But neither should we underestimate our ability to transform.

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The Low Carbon Opportunity

- 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. Because governments cannot do this on their own. It needs business, it need private sector investment, technology and skill in exploiting the opportunity. It needs research into new technologies – an areas where universities like this can clearly have a major role. The opportunities are real, and growing. I would like to conclude by looking at some of these opportunities – and what they mean for Hong Kong.
- Globally, it is estimated that environmental industries, including renewable and nuclear energy, waste management, pollution control, energy efficient products and so on will be worth \$700 billion by 2010. That is equal to the size of the global aerospace industry. By 2050 the overall added values of the low carbon energy sector could be as high as \$3 trillion per year worldwide and it could employ more that 25 million people.
- A few example
 - Between 2008-2012 global use of wind power is forecast to grow by nearly four times, nearly 400%. Reflecting this, wind turbines are now Denmark’s third largest export.
 - Over the same period the use of solar power is set to double. Revenues in the solar energy business are forecast to be \$20 billion by 2010.
 - In the UK the demand for energy efficient domestic appliances is growing at about 11% a year.
 - In the vehicle industry, the use of hybrid and other energy-efficient technologies is a major area of competition between the car companies and their supply chains. At the moment hybrids represent round 6% of Toyota’s sales in the US. They expect this to be 20% by 2012.
- The UK is taking these opportunities seriously. London is already a global hub for carbon trading; in 2007 nearly 60% of credits from the Kyoto Mechanisms were bought by UK buyers. Already in the UK there are some 400,000 jobs in low-carbon industries. So, alongside blue collar jobs and white collar jobs, we will be soon talking about green collar jobs.
- A recent report by the Carbon Trust looked at the implications for a number of industrial sectors of the move to a low carbon model. For companies that get the calculation wrong, that fail to adapt to new regulatory regimes, or to shifting consumer preference, there are of course risks. But the report concluded: “tackling climate change could create opportunities for a company to increase its value by up to 80% if it is well positioned and proactive”.

Hong Kong’s Role

- And what is Hong Kong’s role in this?
- Hong Kong is uniquely placed to play a role in this global solution. Hong Kong can lead this part of the world in demonstrating the feasibility and opportunities of low carbon growth.

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- Hong Kong has always been about embracing innovation, and new ways of doing things. Of spotting new opportunities ahead of the curve, and then generating business and creating wealth. Hong Kong never been about business as usual.
- Hong Kong is renowned for its openness to new business opportunities and for re-inventing itself. Hong Kong has transformed itself from a trading economy, to a manufacturing hub, then to being the leading player in China's extraordinary economic transformation over the last two decades, and then to becoming one of the world's leading finance and business services centres. I would argue that climate change presents a similar opportunity for Hong Kong to become a leader in a low carbon global economy.
- The potential for Hong Kong is massive. As a financial centre it is well positioned to play a leading role in **carbon trading**. Carbon markets are already worth US\$64 billion. As carbon markets expand to include the US, Australia and Japan in the coming years, the size of the global market will grow. The Hong Kong Stock Exchange has already made clear its commitment to develop a carbon trading platform.
- As a financial centre it can also take advantage of investment opportunities in mainland China and elsewhere in new clean technologies, such as carbon capture and storage and renewables. This can provide huge profits for those who get in early.
- And there are already examples in Hong Kong. In May this year Hong Kong and Shenzhen agreed to work with chemical industry giant DuPont on the establishment of photovoltaic cells research and industrial platform at the Hong Kong Science Park.
- The Carbon Trust report I mentioned earlier looks at a number of sectors important to Hong Kong – such as consumer electronics, building materials. They conclude that the sectors stand to benefit greatly from tackling climate change. Although greater may make these businesses incur some additional costs, these will be more than offset by higher sales from a global move towards a high-tech, low carbon lifestyle.
- Hong Kong is positioned right next to China's exporting hub – the Pearl River Delta. Hong Kong companies have been central to this massive development of these exporting industries. As the environmental regulatory regime tightened and as consumers in the West become more concerned that the goods they buy are 'green', so businesses in Hong Kong can benefit – benefit from the transformation of the industries; benefit also from new opportunities in carbon verification and carbon audits of export 'supply chains'.
- John Ashton, the UK's advisor on Climate Change was in Hong Kong earlier this month. He argued that the mainland is beginning of a transformation to a low-carbon economy. That in reality, it does not have a choice. People may see little evidence of this at the moment when they stroll down the streets of major mainland cities. For example, Beijing's infamous smog, which disappeared temporarily during the Olympics, soon returned. But in the top echelon of government, he believes, there is growing awareness of the environmental catastrophe that awaits the nation unless its Turbo charged growth engine can change from high-carbon to low-carbon.
- He warned that Hong Kong investors may be missing out on the business potential. Mr Ashton said mainland businesses know they will eventually pay heavy penalties for polluting practices. So, or them, the issue becomes one of controlling business risks.

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- And there are great opportunities that can be exploited from working with Guangdong. Developing a low-carbon, resource-efficient industrial base for Guangdong is a natural step in the southern mainland's economic evolution.

Conclusion

- I have argued that climate change is one of the key challenges for this generation.
- That if globally we get it wrong, the price to be paid for our environment, for our well-being and for our security will be massive.
- That there are costs involved in tackling this challenge. But that these costs are far less than the costs of not tackling it.
- That our response to the challenge has to be a global one and one in which China's role will be crucial. The response is to move to a low carbon economy.
- That this move will also generate major new opportunities for our economies, for our companies – and yes, for our universities. Opportunities which Hong Kong is well place to grasp.
- **Hong Kong – as Asia's leading global city must be part of the new global agenda.**

Ends