

Boediono: Macroeconomic impact of climate change – opportunities and challenges (Keynote speech)

Keynote speech by Prof Dr Boediono, Governor of Bank Indonesia, at Bank Indonesia's Annual International Seminar on "Macroeconomic impact of climate change – opportunities and challenges", Nusa Dua, Bali, 1-2 August 2008.

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Fellow Governors,
Distinguished Speakers and Scholars,
Ladies and gentlemen,

Good morning!

It is indeed a pleasure and an honor for me to welcome all of you to Bank Indonesia's Annual International Seminar in this beautiful and majestic island of Bali. This seminar has become one of Bank Indonesia's annual traditions, and this year's event marks its 6th "anniversary".

It is truly heartwarming to see the presence of distinguished guests in the audience – fellow Governors, deputy governors distinguished speakers and scholars from various world leading universities. We are truly delighted by your attendance. We are looking forward to having lively discussions and hearing your valuable insights. Having this good mix of participants we can surely hope for richer policy perspective on global warming and climate change.

In this same island last year, during the 2007 UN Climate Change Conference, 187 nations have acknowledged the unequivocal evidence of global warming and risks of severe climate change impacts. The Bali Road Map produced by that conference was a significant milestone in the global drive to address the issues arising from global warming and climate change.

The Inter-governmental Panel on Climate Change (IPPC) concluded that global warming could cause significant change to biological and physical systems, such as an increase in tropical cyclone intensity, changes in precipitation pattern, salinity of the sea, wind patterns, the reproductive period of animals and plants, species distribution and population, epidemics, and also influence various ecosystems in high latitude (including the Arctic and Antarctic), high altitude locations, as well as coastal ecosystems. Some of these effects will only be felt in the long run, some in the not too long run and some, such as the rise in the frequency and intensity of extreme weather with all of its consequences, are already evident now.

However, we need to recognize the fact that there is an asymmetry in the capability of citizens and governments in the developing and developed countries in coping and mitigating the crises' adverse impacts.

It is now agreed that to effectively respond to such a global challenge, we need a global and coordinated agenda of actions. In developing such an agenda, we ought to bear in mind that for governments in the developing world, unfavorable global climatic trend generally coupled by the lack of sufficient technology, human capacity and fiscal space may further limit the scope of policy requirements that could be extended to them.

Our coordinated and shared response to climate change must entail a systematic re-profiling and redirecting of global expenditures by both governments and businesses to the developing world.

Let me remind the audience that the Bali Road Map emphasizes the provision of financial and other incentives to, scale up the transfer of clean energy technologies from the developed to the developing world. Nations have also agreed to develop programs designed to scale up investment that will lead to the transfer of technologies to developing economies.

While the government is going to be important even critical in dealing with climate change, an even more difficult task involves changing the incentives of the billions of individual consumers and companies in the private sector. Consumers will need to reduce the use of carbon intense products and businesses motivated to develop alternatives. Getting these incentives right and unleashing private sector innovation has to be a big part of the response.

In that respect, if properly coordinated, climate change mitigation and growth can both be pursued at the same time. Capturing the needs of countries to mitigate the impacts of climate change, new industries are already rapidly developing. The countries that get the incentives right by creating an environment for the development of these technologies designed are on the right path to becoming economic winners in the next great technological revolution.

Let us also not forget the most important aspect of any program in mitigating climate change, namely not to leave behind the world poor while countries develop and implement market-based solutions to mitigate climate change risks. Mechanisms for adaptation fund to help poor countries cope with climate change should be part of our partnerships for development.

To properly define our role, as central bankers, in such a global effect, we need to spell out as precisely as we can the ramification of the macroeconomic impact of global climate change.

As we gather in this room today, the world out there is struggling to deal with a crisis not, in my view, unrelated with the problem of global climate change: the unprecedented food and fuel price surge. Unfortunately, it happens as the world finance is also in turmoil. The market consequences of all that have kept central bankers across the globe awake at night from time to time.

Fellow Governors, ladies and gentlemen,

Before I conclude my remarks, let me reiterate that we live in a truly challenging time. Viewed from a policy maker in a developing economy, I must also say that the threat of climate change may go beyond the usual welfare statistics. If left unresolved climate change and the accompanying twin crises may, in due time, put our shared vision of a free, open and democratic globe at risk.

Let me now end my opening remarks with an expression of confidence that discussions in Bank Indonesia's 6th Annual International Seminar will certainly be prolific and enrich our understanding of the macroeconomic impact of climate change. I am looking forward to this seminar's policy recommendations.

Lastly, enjoy your stay in Bali! I do hope your stay in this warm and hospitable island of gods fashions you with lasting pleasant memories of Indonesia.

Thank you.