

**Speech by Ambassador Burhan Gafoor,
Chief Negotiator for Climate Change, Singapore,
at the Opening Ceremony of Carbon Forum Asia 2011, Wednesday,
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Distinguished Guests
Ladies and Gentlemen,

I am very pleased to join you today for the opening of Carbon Forum Asia 2011. In the past five years, Carbon Forum Asia has become the leading event in the Asia Pacific for players in the carbon and energy markets.

2 We begin our conference today at a moment of great challenge for the global economy. The outlook for the global carbon market is also very grim. Earlier this year, the World Bank made a stark assessment, which is that global carbon markets have stalled after five years of consecutive growth. There is the added uncertainty about the future of the Kyoto Protocol and the flexibility mechanisms. There is no doubt that the current situation looks bleak. But we should take a longer-term view of carbon markets. In the medium to longer term, there are reasons for cautious optimism about the global carbon market.

3 Firstly, the Cancun Agreements started a process of mitigation actions by both developed and developing countries which bode well for the

carbon markets. Under the Cancun Agreements, all developed countries have pledged to reduce their emissions. This is complemented by the nationally appropriate mitigation actions of developing countries. Collectively, estimates by UNEP have shown that the efforts by both the developed and developing countries will result in a reduction of 3 to 7 gigatonnes of CO₂ equivalent. These efforts are a step towards meeting the global goal of limiting temperature rise to 2 degrees below pre-industrial levels. I would also point out that although the global carbon market has reached a plateau, the total valuation is still substantial, amounting to US\$142 billion last year. We have thus come a long way from when the carbon market started in 2005.

4 Secondly, the large majority of developed and developing countries want the global carbon market to continue. In fact, a specific decision was taken last year for the emissions trading and project-based mechanisms under the Kyoto Protocol to continue. Therefore, the question now is not whether the carbon markets will continue, but how they can be improved and whether new mechanisms should be developed.

5 Thirdly, it is encouraging to note that interest in the carbon market is growing. The EU remains the pioneer in this field and has extended its emissions trading scheme (ETS) beyond 2012 regardless of the outcome of the international negotiations. The California cap-and-trade system will also be operational in 2012. Australia's decision to move towards cap-and-trade is an important boost for the global carbon market. Many other countries are developing or exploring their own voluntary carbon markets. China, India, South Korea, Brazil and South Africa are examples of such countries. Against this background, there is some basis for cautious optimism about the future of the global carbon market. The key challenge will be to integrate such diverse regions and countries into a functioning international market based on common rules.

6 Singapore has always strongly supported the role of the global carbon market. In Singapore's view, the Conference of Parties in Durban must send a

strong signal to the international community that the carbon markets will continue post-2012. In particular, we need a clear signal that the Kyoto Framework will continue and that the flexibility mechanisms will not only continue but they will also be improved.

7 At the same time, we must acknowledge that the idea of a universal carbon market covering all the major players is still some time away. We are far from concluding a legally-binding global agreement on climate change. The reality is that we will have a fragmented carbon market that will grow and expand in a bottom-up manner. In such a scenario, we need to develop common rules to govern the carbon markets between regions and between economies. We also need rules to ensure convertibility and the environmental integrity of carbon units traded. The Kyoto Framework provides the robust rules we need. Our challenge is to preserve these rules and construct a multilateral emissions trading system that is open to all interested participants.

8 Singapore provides a good platform for carbon services companies to build and expand their businesses in the Asia-Pacific region. Singapore is home to nearly 600 financial institutions and many of the major carbon market players already have a presence here. Furthermore, Southeast Asia will remain an important source of carbon credits after China and India. We therefore remain committed to developing the carbon market ecosystem in Singapore to serve both the regional and the global market.

9 Let me conclude by saying that this conference is a very timely one because it takes place less than a month before the Durban conference. You can send a strong message to governments in the region and around the world that the carbon market can make an important contribution to the objective of managing the challenge posed by climate change. I wish you all a productive conference.

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