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Environmentally Responsible Development

**Speech by Ms Carole COUNE,
Secretary General of the International Transport Forum, OECD, at the
XXIVth World Road Congress in Mexico City,
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Ladies and Gentlemen, Ministers,

We have to discuss how we can achieve more environmentally responsible development – which seems to be something of a challenge in the context of the current economic crisis.

I hope these discussions will help you to agree measures to protect our world ahead of the Rio Earth Summit next year.

ENVIRONMENTAL IMPACTS

It's true transport has considerable impacts on health and the environment, through air pollution, greenhouse gas emissions, and noise. But first and foremost, transport is a major factor in shaping the overall quality of life for all of us. Organizing it well therefore is imperative.

Successful, liveable cities manage congestion on the road, invest in public transport and in roads, they coordinate buses and rail systems effectively and they protect space for pedestrians and cyclists. They deliver affordable public transport and safe walking and cycling to ensure accessibility for all parts of society; and they provide high quality road, rail and air links to ensure business can prosper.

Transport is a critical factor in delivering green growth. The sector has to innovate to cut its environmental footprint, and new transport industries and transport infrastructure investment will be motors for growth. And fast growing economies in

Latin America and in Asia will determine in large part how transport's environmental footprint will evolve.

HOW MUCH INVESTMENT

Perhaps the most fundamental question is how much investment in transport we need for growth. We have a solid tradition in the transport sector of assessing the benefits of investment, and set the hurdle high, usually progressing only projects that promise benefits at least three times their costs.

Tough project selection is the right approach, as the answer to the question "how much investment do we need" is "just enough to get by with". We constantly need to improve assessment however:

- First, while appraisal has been very successful in incorporating environmental impacts, incorporating extreme climate change, with very small probabilities but potentially catastrophic impacts, remains challenging;
- Second, ensuring stakeholders and the public are effectively engaged in consultation, are able to influence decisions and feel able to accept the results of planning inquiries even when they go against their interests.
- And third, to understand better exactly how transport infrastructure investments drive economic growth. This means adding new dimensions to our analysis rather than abandoning the tried and tested techniques that focus on direct user benefits.

WHAT KIND OF PROJECTS

Transport infrastructure investments figure large in economic recovery programs because of the number of jobs they create. But understanding which projects are most likely to generate growth in the long term, beyond the construction phase, is critical to making the best use of severely limited public funds. It has a lot to do with freeing up constraints in the existing transport system that act as a brake on innovation and business development. It has a lot to do with making urban areas more rapidly

accessible from major entry points: airports, rail and bus hubs. It is about connecting workers and potential workers to employers. This is something transport Ministers will discuss in depth at the ITF Summit in Leipzig in May. A seamless transport system is appealing to its users, and it promotes economic development.

INNOVATION

Driving innovation for green growth also involves difficult public financing decisions. If very deep cuts are to be made in transport's CO₂ emissions we will eventually have to switch to low carbon fuels. At the moment this appears to involve electrification of transport. But technology evolves rapidly, and EVs may be overtaken by, for example, fuel cells fed by hydrogen from photosynthesising algae. The risks involved in choosing winners are high. Even big business in the car and oil industry is not well placed to make the investments needed to scale up for full scale production of alternative vehicles. What is absolutely needed is credible commitment to CO₂-abatement targets.

In addition, it makes sense for government to carry some of the cost of developing products that won't be competitive with conventional cars until engineers start making radical cost savings as they learn from full scale production and improve science behind some of the fundamental components, like electric batteries. The US, France, UK, Germany, China and many other countries have provided large funds to fast-track development of electric cars. Their industry partners have spent even larger sums and staked a lot of credibility on success. With continuing financial turmoil, some of the support has been scaled back, making the lives of the private partners harder. The policy imperative of converting to ultra-low carbon cars has not been dropped. Even given tangible risks it turns out more costly than hoped, intervention will be needed, so long as the risks of not attaining CO₂ targets are deemed larger than the risks of providing large scale financial support.

REGULATION

More broadly, the car industry needs a regulatory environment that provides certainty for the large capital investments it has to make. And this includes, to end on a more

conventional note, investments in improving the fuel economy of petrol and diesel vehicles. Over the medium term, fuel efficiency is the absolute key to cutting CO2 emissions. Remember, CO2 emissions from cars in 2050 could be triple levels in 2000 if fuel economy improves at only the natural rate. For stabilisation of emissions, fuel economy needs to double.

Regulatory standards for fuel economy, or CO2 emissions, provide the certainty manufacturers have to have to make the necessary investments. And the longer the planning horizon the better. Mexico is in the process of developing standards now. The US is deliberating on standards for 2025; that will provide the kind of time frame necessary to maximise technological potential. The EU has had an indicative target for 2020 since binding standards were agreed two years ago. While it negotiates the precise form of the 2020 limits it is already looking further ahead, to set the path it expects industry to follow. And when industry knows there is a regulation that treats all companies equally, they turn regulatory constraint into commercial opportunity. Governments need most of all to create the conditions for competition to drive green growth.

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