

PRIME MINISTER OF PAPUA NEW GUINEA'S ADDRESS TO THE LOWY INSTITUTE FOR INTERNATIONAL POLICY

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Ms Martine Letts, Acting Director - Lowy Institute

Invited Guests

Ladies and Gentlemen

I am grateful for the opportunity to be here today to deliver a Statement to an audience organized by the Lowy Institute – an Institute that has over the years encouraged exchange of ideas and dissemination of information on Papua New Guinea.

In a country where Papua New Guinea is often misunderstood, because of lack of accurate, or sometimes highly sensationalized reporting, I believe I owe it to the Lowy Institute to accept the invitation to be here today.

Ladies and Gentlemen

I was asked to address you today on Issues/Challenges facing the region. Consequently, I have chosen Climate Change and the need to re-think traditional economic theory and market constructs.

As I have highlighted so many times, climate change is real and upon us!

I know some skeptics in the scientific community ridicule this assertion as not supported by what they call - unquestionable empirical evidence.

Well, some of us do not need science to prove this phenomenon.

We live it!

Papua New Guinea and many of our Pacific Island neighbors, including Australia, are already suffering dire consequences.

Symptoms and evidence of climate change are all there for everyone to see.

They include, but not limited to:

- bleached corals reefs that are starving our fisheries;
- atoll-based communities that are disappearing under the rising waves;

- mosquitoes that are moving up mountain ridges and killing children;
- we find beaches eroded away and suffocated by the swelling seas; and
- mighty trees, once high up on the beach, now drowned, felled and sinking under the surface.

Ladies and Gentlemen

In fact, in my own village, we have moved for the fourth time in one generation in order to escape flooding on one side and sea level rise on the other. We are probably among the first environment refugees.

Our mangrove ecosystems and, in fact, our very way of life is being destroyed.

And the destructive toll grows steadily.

We need to act and we need to act NOW.

As we consider remedies for this growing crisis, we must look deep within. We must question past assumptions, redefine ourselves, and reach toward a new vision of sustainability.

So often, we often tend to focus on the negative -- environmental degradation, catastrophic climate change, high unemployment, crippling poverty, and the list goes on.

Ladies and Gentlemen

My vision and that of my government is to transform these challenges confronting society, into a framework for environmentally and socially sustainable economic growth.

Obviously, collective action is required now.

Let me be specific.

First, the world can no longer account for the environment as an 'externality'.

Our natural environment and her services are not 'free' to society. Once we lose these services - and experience around the world suggest - often forever, the costs may prove catastrophic for global society.

Therefore, we must integrate ecosystem services into our global market constructs.

Carbon sequestration must only be the first step. This must be followed by valuations for biodiversity, water purification, waste disposal, crop pollination, etc.

For this reason, **we must now transform our natural environment into 'environmental capital'**.

These valuable ecosystem services must be harnessed as engines for wealth creation for those rural communities that have traditionally cared for these assets.

Ladies and Gentlemen

Let me try and lay out a historical parallel.

Around 250 years ago, humanity began its dependence on a product of the earth's geological services – hydrocarbons.

Commercial coal production began around 1750 and was followed some 100 years later by the commercialization of oil.

As a result, many of the rural poor became wealthy as hydrocarbons were discovered on their land.

And, as many of you know, some middle-eastern nations have leveraged this wealth to transform ancient nomadic societies into economic power-houses with world-class cities now rising above desert sands.

However, our current economic addiction to fossil fuels has carried an increasingly dangerous side effect -- a contribution to climate change.

As highlighted earlier, climate change impact is becoming increasingly vicious for the people of Papua New Guinea and many Pacific Island countries.

And we have not remained indifferent to this plight.

Ladies and Gentlemen

Pacific Island countries have agreed to take certain actions to mitigate the effects of climate change.

We have adopted the Framework for Action on Climate Change and the Disaster Risk Reduction and Disaster Management Framework for Action.

As part of this process we have agreed to implement individual action plans for climate change.

Pacific Island countries, have also endorsed certain initiatives proposed by the international community under the auspices of the United Nations, Commonwealth as well as our regional partners on reducing green house gas emissions.

In Bali, the international community agreed to a post 2012 Kyoto Protocol framework on climate change.

The most powerful nations of the world, the G8, committed themselves to reducing further harmful gas emissions.

Ladies and Gentlemen

Pacific Island countries have identified climate change adaptation and mitigation as requiring special attention.

While we contribute less to the pollution that affects climate change, we have a disproportionate responsibility to outlay huge resources to adapt and mitigate climate change effects on our countries.

We need assistance in the transfer of appropriate technology that is eco-friendly.

Ability to harness and utilize solar power, wind power, hydro power, bio-gas, gas and other clean energy technologies will greatly help the global efforts to reduce green house gas emissions.

There are resources available under the World Bank, the UN, the Commonwealth, the European Commission and from our other bilateral partners such as Australia and Japan.

Pacific Island countries need to make full use of these resource envelopes.

Hopefully, extraneous conditions are not imposed to frustrate access to these funds.

Ladies and Gentlemen

But all the efforts I have highlighted are not enough. We need to do more.

Papua New Guinea believes a global paradigm shift is required.

Today, we must correctly value a healthy and functioning natural environment.

In the case of energy, with proper investment, such a transformation may energize our global economic growth from renewable resources – the sun, the wind, the sea, the rivers, and geothermal forces.

For this reason, I have charged my new Office of Climate Change and Environmental Sustainability to determine if PNG can energize our future economic growth 100 percent from renewable energy.

I am asking: can we indeed become ‘carbon neutral’ before 2050 while at the same time expanding our GDP per capital at least 10 fold?

However, as I look to the future, it is clear that we must go further!

Let me use the issue of deforestation and forest degradation as a case study!

Deforestation is complex, but - put simply – it is driven by the fact that **the world values forests more dead than alive.**

Tropical rainforests are being cut down because we do not pay for their many valuable and diverse ecosystem services – such as climate stabilization, rainfall generation, water storage, water distillation, crop pollination, soil fertility, waste disposal, flood control, pest control and recreational services.

Traditional economic theory – which considers ecosystem services a ‘common good’ and thus free to all - is primarily responsible for this!

So, with these services valued at zero, rural communities that depend on and care for forests must make a living in other ways.

As they struggle to eke out an existence, keeping the land forested means sacrificing the opportunities to be gained by converting it to other uses.

Many deforest their land so as to trade low-value commodities like timber, beef, palm oil, soy, coffee, and cocoa.

In fact, these international commodity markets have hardly changed from colonial times.

Ladies and Gentlemen

In many ways, these economic relics are increasingly perverse and nonsensical.

The environment is devastated, rural communities stay poor, and the rich shift the blame.

They cite lack of governance and corruption.

But these issues are not drivers of deforestation, but symptoms of obsolete market constructs. Markets begin and end with demand, and this is where we need to find the levers for change.

We must shift focus from symptoms to drivers, from blame to solutions.

As the issue of deforestation demonstrates, we must empower rural communities, for the first time, to develop without deforesting, to develop without destroying their natural environment, and thereby creating sustainable wealth for themselves and future generations.

For example, the latest estimate is that around \$20 billion a year will be needed to halve carbon emissions from deforestation.

But it would be a wise investment, even for this one ecosystem service alone.

According to the IPCC, forests may sequester over 3.3 billion tons of CO₂ annually.

So, with today's carbon prices around \$33/tCO₂, the rural communities owning most of them are effectively subsidizing the rich by \$100 billion per year.

In fact, this is more than total world ODA, which is around \$80 billion per year!

Some companies are now valued in billions simply for advertising trinkets while we surf the internet. Some countries make billions selling fossil fuels that pollute our atmosphere, others for producing low-cost consumer products that humanity does not require.

Google is worth \$150 billion while the world's last great tropical forests, left standing, are worth nothing.

How can this be right?

Ladies and Gentlemen

In Papua New Guinea, our 'old ways' have allowed our 834 tribes to survive for over 50,000 years in a very challenging natural environment. But, these ancient traditions have struggled to keep pace within an increasingly complex future.

Without true valuation for our vast environmental assets, we have struggled with schools that cannot afford the best teachers and health centers with only basic medicines.

Yet our rural communities still remember how to live sustainably, a skill many others have forgotten in the rush to get ahead.

Therefore, whether we consider energy or tropical forests, the future is increasingly clear: - together, we must reconstruct our value frameworks!

New environmental service markets must support tropical countries striving toward sustainable development by generating 'environmental capital' from ecosystem services that humanity has so far been exploiting for free.

From this vision, we must forge new hope!

However, bold leadership is required on both sides of the economic divide to transform the way we value our environment.

By saving the forests, indeed, maybe humanity will relearn how to save ourselves!

Thank you!