

# POLICY *dialogue* BRIEF



## Strategic Momentum for Climate Change Action

This Policy Dialogue Brief, drafted by the Stanley Foundation, captures key ideas expressed in the roundtable on climate change at the foundation's 55th annual Strategy for Peace Conference without identifiable attribution to participants. The roundtable took place October 15–17, 2014, at Airlie Center in Warrenton, Virginia. The participants of the roundtable discussed the Action Agenda from the United Nations Climate Summit 2014 held at the UN Headquarters in New York one month prior to the Strategy for Peace Conference. This paper reflects the discussion of possible avenues for collaboration among initiatives and steps needed to follow up on the Climate Summit on the way to the 21st Conference of Parties in Paris in December 2015, where countries will write a new international agreement to tackle climate change.

The Climate Summit succeeded in introducing momentum to global climate change action. More than 100 heads of state, 170 countries, 300 leaders from civil society organizations and research and financial institutions, and 250 subnational actors (cities and municipal entities) delivered pledges and commitments. The summit received 3 billion Twitter impressions—the most ever for the United Nations. More than 34,000 Climate Summit articles were published. The summit met the call of the Peruvian president to build “the greatest alliance the world has ever seen.”

How can the reverberations of the Climate Summit continue to mobilize political will, catalyze climate action on the ground, and change the narrative and global vision around climate change?

### Key Highlights of the Dialogue

- Tracking, reporting, and delivering on the announcements from the Climate Summit is the single most effective way to build ambition and momentum for more climate action.
- Actions generated by the Climate Summit should be directed toward building momentum for the upcoming climate negotiations.
- Announcements of initiatives that reduce metric tons of greenhouse gas emissions have the most resonance and credibility to close the emissions gap.

**55th Annual  
Strategy for Peace  
Conference**

**Sponsored by  
The Stanley Foundation**

**October 15-17, 2014**

**Airlie Center  
Warrenton, Virginia**

This brief summarizes the primary findings of the conference as interpreted by the rapporteur, Rei Tang, Chair Tomas Anker Christensen, and Stanley Foundation program officer Todd Edwards.

Conference participants neither reviewed nor approved this brief. Therefore, it should not be assumed that every participant subscribes to all of its recommendations, observations, and conclusions.

- Financial commitments give assurance to investors regarding the growth in low-carbon business opportunities.
- Mounting economic incentives for low-carbon market growth are best expressed in financial metrics versus emission reduction metrics.
- Smart movement of capital into low-carbon investments is best spurred through direct communication between actors of climate action initiatives and the financial sector.
- Linking climate actions will reinforce momentum built by the Climate Summit and will catalyze additional action.
- Opportunities for collaboration on climate action between the energy sector and other sectors should be identified to close the emissions gap.
- The scope of action around climate resilience as well as the facets of resilience as it relates to other action areas such as cities, transportation, and financing needs to be better defined.
- Climate initiatives should focus on the message of “all hands on deck” to deliver on the Climate Summit commitments and enhance climate action ambition on the road to Paris and beyond.

## “All Hands on Deck”

At the Climate Summit, an element of pride and competition over climate action was harnessed from provincial or state, municipal, civil society, and business leaders. States announced commitments to climate change mitigation, adaptation, and finance. Nonstate and subnational actors announced pledges in the form of existing or new initiatives that were categorized into different sectorial action areas—agriculture, cities, transportation, forests, energy, financing, and others. Competition along these lines could stimulate a race to the top on implementation, reporting, and further action. Implementation and accountability will be important in sustaining momentum, as actions need to be shown as credible. This “all hands on deck” mood is also needed to carry over to the Paris negotiations. The Climate Summit was a drumroll to the historic moment of Paris to put the world on track on climate change.

## A New Narrative

Climate change has transformed from an issue of burden and negotiation to one of opportunity and investment. Despite the previously perceived connection of economic growth trending up or down based on high-carbon or low-carbon business practices respectively, the economic benefits of low-carbon growth are now evident. It is better growth, meaning higher quality jobs and income, radically improved air quality and public health for emerging economies, and

more successful cities that can reduce sprawl and improve land use. Ultimately, decarbonization decisions are better economic decisions, but how decarbonization is achieved is not yet clear.

Polarity exists between two prominent narratives about climate change solutions. On one end of the spectrum is a quasi-static view of negotiation gridlock that will likely impede the timeliness of humanity’s tackling of climate change. On the other end is a more dynamic narrative of climate action taken outside of the negotiations, in the real world, that elicits optimism for humanity to overcome the climate challenge. Whereas the negotiations are about creating a set of rules for collective governance, in the real world businesses and capital are trending toward low-carbon economic decisions. Yet businesses and capital without targets or policy may still not find the right path. One element of the formal negotiation process, the intended nationally determined contributions (INDCs)—the form in which countries will pledge climate policies and emission reduction targets in the Paris agreement, bridges the polarity of these narratives. These policies can alter economic signals that inform investments and drive capital toward low-carbon growth. Even though the INDCs are an attempt to link the extremities of these narratives, the formal process is not immune to shortcomings. To avoid failure on the INDCs, if they do not add up to the international goal of keeping climate change within 2 degrees Celsius, there are four possible solutions:

1. Negotiators could insist that INDCs are floors and not ceilings.
2. The core of the Paris agreement could be a process of repledging INDCs every five years, with encouragement for midcycle ratcheting up of pledges.
3. Countries can bring greater clarity to long-term climate policy goals by specifying a time period for decarbonization.
4. Paris should be framed as the turning point and not the final stop.

While momentum from the Climate Summit initiatives highlights the front-runners of climate action, the success of the negotiations and subsequent policy is needed to bring the mainstream to commit to climate action as well. When the INDCs are tallied, if their contribution to emission reductions is less than what is needed to stay below 2 degrees (and there is concern that this is likely), then additional action is required to close the gap. There are three options to narrow this gap in the negotiations that take into account or are in addition to the previous recommendations:

1. Developed countries can increase their ambition, although this is not a near-term opportunity.

2. The findings on the benefits of low-carbon growth can be disseminated, and further progress can be made on technologies and costs.
3. International partnerships can be used to engender mutually reinforcing incentives, especially through mechanisms that exchange assistance from developed countries for action in developing countries, and to unlock potential sectors using policy coordination outside of the INDC structure (hydrofluorocarbons through the Montreal Protocol, for example).

Filling the gaps also comes with its own obstacles. International partnerships have the potential to reduce the gaps, but there are some downsides. Governments might factor them into INDCs, which may lead to double counting emissions reductions. There seems to be acceptance that there is low-hanging fruit for international partnerships, yet countries are not picking it in quantity. For example, the climate policy community is well aware of the benefits of energy efficiency, but energy efficiency is still missing in many national policies.

## Unpacking the Real World and Negotiations

The Climate Summit, which among national commitments also showcased real world action, spurred some governments to reassess their INDCs. The most potentially fruitful connection between the real world and negotiations is to reduce barriers to low-carbon growth and raise barriers to high-carbon growth. In the negotiations, there is a second track for highlighting actions in sectors: Workstream 2. This track is meant to rejuvenate negotiators by informing them about the real world. One proposal is to have a registry or platform to highlight initiatives—where negotiators could have a tool to see the impact of the initiatives—to give a greater sense of the demand and wherewithal of initiatives so as to galvanize more ambitious INDCs.

While there is a bridge between the negotiations and the real world, the momentum from the action areas is not dependent on the Paris outcome. An improved legal regime is no more paramount than a continuous groundswell of climate action. There needs to be an updated gap analysis, a call to action from civil society organizations and the media, continued advancement of the climate issue in high-profile governance meetings from the G-7 to the Conference of the Parties, summit meetings, and a plan formalized in Paris. The emerging view on climate change and growth should be further formalized in development, particularly the Sustainable Development Goals. The action areas or positive agenda should prioritize three elements: shared messaging, finance, and carbon pricing.

## Sector Gaps

### Energy

When looking at technology scenarios, many gaps and challenges are evident in trying to reach the 2-degree goal. The carbon intensity of the energy system is tethered to previous and current capital investments in infrastructure that depreciate over a long period of time, and as energy demand increases and new capital investments are required then the more important it is to ensure the system is not stuck with high-carbon energy infrastructure. Around two-thirds of greenhouse gas emissions are from the energy sector, and fossil fuels are seen as making up more than 40 percent of the energy sector by 2050 even if the 2-degree goal is met. Natural gas is gaining popularity as a replacement for coal, but it is not a clean fuel. Countries that are not members of the Organization for Economic Cooperation and Development will represent the majority of capacity expansion in the next decades. Creating opportunities from these gaps requires

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smarter, multidirectional, integrated energy systems and services—in vehicle electrification, energy storage, combined heat power, distributed electrification, and carbon capture and storage (CCS), for example.

Experts see the future of energy markets as different from the past, but transaction costs in the current system present barriers. Fossil-fuel subsidies are an often-cited barrier. Energy research and development as a percentage of gross domestic product has been falling in most developed countries since the 1980s. At the moment, it is hard to overlay a smart grid on the current market system. Biofuels growth is stagnating because they are not cost-competitive when there are oil subsidies, particularly in Brazil, and it must contend with the issue of food versus fuel. In energy markets, the analysis shows improper alignments for a widespread change to clean energy due to lagging policy and regulation and subsequent inability for consumers to access cost reductions.

In some domestic cases, market realignment has been accomplished by building coalitions of buyers like industrial consumers, getting electric utilities to provide green tariffs or offerings for consumers, and regulators and civil society organizations working together. What would this look like scaled up?

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Countries may view CCS as a part of energy security needs when costs go down. There will also need to be environmental and social safeguards for CCS—a catastrophe could destroy CCS for years. The role of coal in the future energy system is an elephant in the room. There is a sense of resignation among those concerned about fossil fuel and coal use about the lifespans of investments in the fossil-fuel industry and coal plants, effectively locking in the energy infrastructure into fossil-fuel and coal use. This gives a sense of urgency to making sure plans for coal use are made so the world does not have to live with this infrastructure. The assumption of lock-in also can be questioned.

It is clear that renewables have become a more viable option for energy generation, and electrification has become a key goal for transportation—moving to electric and hybrid—and industry. As the marginal cost of these technologies declines, as it has rapidly with solar photovoltaic, most of these changes would occur relatively quickly. It is possible to double renewable energy by 2020 with today's technology and policies.

While governments, NGOs, and industry are doing a lot of work on increasing energy efficiency, there is no truly political organization getting stakeholders to act on efficiency the same way the International Renewable Energy Agency does on renewables. At the moment, the UN role on energy efficiency is light-touch support. Many groups have been working on energy efficiency in cities and transportation. There may be an opportunity to incorporate property-management firms and buildings into an initiative. Energy efficiency should be an easy effort for emissions reductions, given its benefits in cost savings, health, and job creation.

Governments picking winners in the energy system is very risky. Even energy technology modeling that policymakers might use will not get the energy mix completely correct in 2050. Pathways for countries' energy mixes depend on available resources and development goals. In some choices about energy mix, policymakers face decisions that are less about getting it right than minimizing risk, especially on nuclear and CCS. The frameworks in the climate community seeking to address the energy challenge maintain a common emphasis on coal, energy efficiency, renewables, and energy access.

## Resilience

Global warming caused by the lasting effects of past, current, and future accumulation of excess greenhouse gases in the troposphere and stratosphere is a clear and present danger that necessitates strategic plans for resilience and adaptation. Climate change is viewed as a conflict multiplier, and economic impacts are projected to grossly outweigh the cost of mitigation today. Although the largest catastrophes are looming yet, what about resilience and adaptation needs that are already present?

Adaptation finance has received political focus in international climate change negotiations in recent years, and it now has specifically designed international funds. The Adaptation Fund has made a \$230 million commitment over three years. Multilateral development banks can play a stronger role in adaptation finance, and the Green Climate Fund has enormous potential. Fifty percent of the money in the Green Climate Fund is supposed to be used for adaptation. A lot of projects are not economically viable because private returns are not enough and most adaptation funds look only at certain sectors of infrastructure.

Vulnerable developing countries especially have begun to focus more on adaptation than mitigation and are asking for assistance for the adverse effects of climate change they are experiencing now. It is hard to fund mitigation efforts with official development assistance because donor countries often taper off assistance to emerging and middle-income economies, even if they are vulnerable.

Because two-thirds of the world's population will live in cities by 2050, urban infrastructure will need to be either newly built or refurbished for resilience. This challenge may also be an opportunity if the right financing and market signals are available. It is hard for cities to calculate the amount of infrastructure investment required for climate adaptation. But because 70 percent of consumption and emissions originate in cities, a large portion of a global financial focus should fall on cities for low-carbon-based infrastructure.

Finance is taking an increasing role in the adaptation conversation and many people are beginning to understand risk, insurance, and reinsurance as it relates to climate change. One proposed solution at the conference was catastrophe bonds, which can be a way to finance climate resilience. At the Climate Summit, the insurance industry started an initiative on reevaluating the assumptions of risks to underwritten assets for calculating 1 in 200 year event payouts. A group of insurance industry risk evaluators has been set up with credit rating authorities and regulators in Basel to create a model for evaluating risk. A new model will be launched by Paris. New insurance methodologies that take into account climate risk could incentivize and mainstream climate proofing in infrastructure investments.

In most middle-income and high-income countries, the idea of resilience and adaptation has grown dramatically. In Brazil, the metropolitan region of Sao Paulo, with 20 million people, had dangerously low water levels as of October 2014. This could increase attention toward resilience and adaptation. In the United States, \$11 trillion of insurance is at stake on the East Coast with stronger hurricanes. In the Southern United States, cities are having difficulty financing some infrastructure projects because of climate change risks. The adaptation conversation is important enough to be at the core of the road to Paris.

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## Turning Point

To bolster momentum on mitigation, the current set of initiatives could be formed into a stronger community. The initiatives could look for synergies between each other. The initiatives could first seek linkages to finance in order to bring more resources to climate action. Other, softer issues could also be linked to the broader action areas, such as technology, barriers, capacities, health, skills, and people. Cooperative synergies on resilience and adaptation can potentially mirror similar developments on mitigation initiatives.

The inventory of initiatives is small yet growing. There are notable gaps in the sectors of energy—particularly on the issue of CCS and fossil fuels—and resilience. Announcements that did not make it on the summit agenda could be added to the list of growing initiatives, such as in the area of renewable energy. Representatives of various associations could be invited to influence domestic debates in member states of the United Nations. They could come from professions that have to respond to extreme events: fire chiefs, emergency managers, and health associations. The People’s Climate March increased public awareness and enthusiasm for stronger action, which should be harnessed to raise the profile of climate action and to demand implementation and accountability. The initiatives need to continue communicating an “all hands on deck” message.

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The initiatives can assist governments with developing their INDCs. The current work of initiatives could identify actual action gaps for additional commitments through INDCs by Paris and additional commitments post-Paris, which is reason for an agreement to include a ratcheting-up mechanism so that post-Paris commitments are encouraged. Moreover, the initiatives can influence the gravity of the agreement by adding to the Workstream 2 of the Ad-Hoc Working Group on the Durban Platform for Enhanced Action, which is about pre-2020 ambition. Thus there are possibilities for the momentum of initiatives to enter into and improve the United Nations Framework Convention on Climate Change process.

The initiatives that were launched within specific action areas at the Climate Summit have an opportunity to make a sizable impact, but their future as well as the momentum for additional action are not safe from negotiation failure. The INDC results could become a distraction from positive momentum. On the other hand, the action area initiatives could decouple success from the outcome of the negotiations. The run-up to Paris would be the time to influence the outcomes of the agreement, yet initiatives can also provide a narrative of action and of what is being done beyond Paris. Hence initiatives can bolster both ambitious INDCs and continued ambition following the Paris negotiations.

With ambition as the focus of states, the initiatives can focus on action. These action areas can showcase the progress they are achieving: Paris is a turning point, wherein lies an opportunity to shift political-laden economic decisions from gridlock to a groundswell of sensible investments. The year 2015 can be a year of both action and ambition working together to show that Paris is a turning point: the economy is shifting paths, sectors are moving forward, and all hands are on deck.

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