

SUBMISSION

Views on the establishment of one or more non-market-based mechanisms¹

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A green energy revolution for climate and development through a global system of feed-in tariffs for renewable energy

The climate crisis requires drastically reduced use of fossil fuels. At the same time at least two billion people need to increase their energy use to satisfy their basic needs.

With drastically increased investments in renewable energy through global feed-in tariffs both these challenges can be met simultaneously – while quickly making renewable energy competitive and reducing costs also in the rich countries.

A Marshall plan for climate and development where both South and North can gain.

Energy access – the need for affordable energy

Increased access to energy is essential in order for many of the world's poor people to improve their living conditions and exercise their right to live well. If poor people's needs are not taken seriously, any prospect for effectively tackling climate change also diminishes.

Two billion people – half the population in the developing countries – still need to rely on bioenergy, agricultural residues and dung for cooking. As many live with incomes of less than 2 dollars per person and day.

¹ This submission relates to the invitation of the Ad Hoc Working Group on long-term Cooperative Action under the Convention (AWG-LCA) for submissions from Parties and accredited observer organizations on matters relating to the establishment of one or more non-market-based mechanisms to enhance the cost-effectiveness of, and to promote, mitigation actions, as referred to in document FCCC/AWGLCA/2010/L.7, paragraph 85. (FCCC/AWGLCA/2010/L.7, paragraphs 84-86). The submission could be seen as pertaining to both market and non-market mechanisms, depending on whether "markets" are defined as, more narrowly, carbon trading mechanisms or, more generally, interventions in markets through the use of other economic policy tools. The submission has therefore been submitted under both the markets and non-markets categories.

Access to energy is a decisive factor for people's well being. For example, countries with a low energy use score very low on the UN index for human development (HDI). For these countries even slightly higher energy use among the poor generally correlates to drastic improvements in HDI.

The double challenge

In order to promote a transition towards renewable energy, industrialized countries tend to favor the idea of increasing the prices of fossil energy relative to renewable alternatives, e.g through carbon trading schemes or taxes. But for poor people the main concern is cost, the availability of affordable energy – no matter what kind. For developing countries, a key challenge is therefore to make the renewable energy cheap enough.

This is the departure point for a proposal that has been called both "A Green Energy Revolution" and "A Global Green New Deal", launched in the 2009 UN report *Promoting Development – Saving the Planet*.²

The Swedish Society for Nature Conservation sees this proposal as highly promising, and believes it has the potential to create a breakthrough in the climate negotiations. If the plan would be implemented, major positive changes to tackle the double challenge of tackling poverty while effectively reducing emissions would be achieved in a relatively short time, something which would rebuild some of the much eroded trust between developing and rich countries. Aiming towards COP 17 in Durban and Rio +20, SSNC will put pressure on both the Swedish government/EU, other governments, and on other environment/development organizations to support this visionary program.

Global feed-in tariffs

The core idea in the proposal is to create a boom in demand for sustainable, renewable energy in developing countries. The key tool is to introduce guaranteed prices, or feed-in tariffs, for sustainable renewable energy. Feed-in tariffs have already been introduced in approximately 50 countries, and have contributed to significant increases in renewable energy in e.g. Germany and Spain. Many analysts have concluded that feed-in tariffs are by far the most effective policy tool/system for crowding in investments for renewable energy (see for example several Deutsche Bank reports³)

The core principle is that those who invest in renewable energy are guaranteed to sell the excess energy they don't need themselves at agreed prices that allows for a small margin. The price for consumers are then decided with consideration to what poor people can afford. The cost difference are covered by a subsidy financed by the rich countries through a global climate fund. According to the UN estimation, about USD 100 billion would be needed annually during 10-20 years – the time period needed in order to cut the production costs to a level where the subsidies are no longer needed and renewables have become cheaper than fossil fuels.

Financing

In the UN Framework Convention on Climate Change (UNFCCC), all industrialized countries have made a binding commitment to support poor countries through financing both a transition to low or zero-carbon societies and adaptation to the impacts of climate change. However, so far there have been very limited concrete contributions.

The proposal for subsidized feed-in tariffs have several qualities which speaks in favor of an ambitious global investment plan that could also gain traction among the industrialised countries.

- The system is output based, i.e payment (the subsidy) is only provided when the new, renewable energy is delivered. The energy will be metered in any case when it is sold, and the

² See <http://www.un.org/en/development/desa/news/policy/wess-2009.shtml> and http://www.un.org/esa/dsd/resources/res_pdfs/publications/sdt_cc/cc_global_green_new_deal.pdf

³ http://www.dbcca.com/dbcca/EN/_media/GET_FiT_Program.pdf

subsidy is then instantly provided through the national feed-in system, which in turn is coupled to the global climate fund. No money is dispersed for the actual construction of renewable energy projects – it is up to the investor to ensure that production costs are kept within the budget. There is thus little risk for corruption and misuse of funds.

- There is a time-limit for the program. The quicker the costs for new investments decreases, the quicker the need for the subsidies also diminishes. The program will not go on forever, but will last 10-20 years to take the world over the threshold to a renewable future.
- Diminishing costs and increased demand will also create jobs, benefit progressive companies and facilitate/lower the costs for the necessary energy transition in industrialized countries.
- The proposal is fully compatible with the developing countries' demand for public financing through the creation of a global climate fund, while at the same time tackling the rich countries' reluctance to provide funds with direct access. The proposal builds on mutual, cooperative agreements on how to use and disperse the money to meet clearly defined goals (promotion of renewable energy and improved access to affordable energy for the poor).
- The proposal breaks away from the climate negotiations current zero-sum logic to a positive-sum, win-win approach where total energy availability increases, while emissions are cut – and energy access is tackled. The proposal can in a more general sense become an important stepping stone for rebuilding trust between north and south.

SSNC puts major emphasis on the climate conventions requirement that the industrialized countries must provide new and additional financing. This means that the money should not come from the aid budgets. It is also essential that the climate fund(s) be governed in a way that guarantees participation and influence for both poor countries and civil society over how the money is allocated and that there is transparency in their spending.

Technology

The public investment proposal does not require new, uncertain technological breakthroughs. On contrary, the core idea is to mainly promote the refinement of and increase demand and cut costs for the kind of renewable energy solutions that already exist.

Steady demand is a very important driver for technological development and reduction of costs. The more ambitiously the world focuses on providing people with renewable energy, the quicker will the costs decrease.

But, there are more hurdles than high energy costs. The proposal also suggests actions to adapt both policy and the technologies to varying national and local conditions, and to support the developing countries with training and technological support.

It is also important to deal with the issue of patents, which enables companies to charge more for their technologies and leads to complicated procedures that often limits the availability of the desired technologies. These barriers must be effectively dealt with and removed.

A system of feed-in tariffs means that society are actively picking the winners, i.e actively promoting the kinds of energy solutions that are desirable. It is therefore essential that a system and procedures are designed, from the very beginning, that guarantees that technologies are assessed and scrutinized in a reliable and thorough manner, with participation of civil society and affected groups. Society must ensure that the technologies which are promoted do not lead to undesired, negative effects for people and the environment (i.e. no large hydro, biochar, biofuels, nuclear energy should be eligible for feed-in tariffs). Assessments must be made at several levels, from the local to the global. It is particularly important to analyze how different technologies impact on the poorest and most vulnerable groups in society.

Bottom-up activities

A global system of feed-in tariffs could encourage and enable a bottom-up, people-driven transition to renewable energy. For example, a municipality, or a group of communities could come together and decide they should construct their own solar energy system and set up a small, local grid. With a feed-in tariff law in place, they would be able to take a commercial loan, or obtain state grants to begin the construction process almost immediately, knowing they are guaranteed the feed-in subsidy over the whole 10-20 year period. The proposal thus has a potential to spur a true small-scale renewable energy revolution across the world.

At the same time, also private corporations – both nationally and internationally – can make investments from a profit-motif. It is, however, essential that the various national feed-in laws and systems become promoters of local, people-based solutions and that measures are designed from the beginning to avoid dominance by e.g. large, foreign corporations.

Part of the solution

A global action plan for climate must reach beyond the transition to renewable energy. And it must be clear that the quest is not about a copying of Western high energy use and overconsuming notion of development. Yet, there are unquestionable needs for much more energy among the poorer segments of society in developing countries.

The main message in this proposal is thus to take an integrated approach to climate and development and recognize the critical/essential need for major, front-loaded public investments to enable the necessary structural transformations that are needed. Responses to climate change and poverty must be much bolder, ambitious and visionary, and must manage to integrate the double challenges of climate and development. There is a need for ambitious public investments also in energy efficiency, new and efficient public transport systems, a transition to organic agriculture and ways to tackle deforestation. In addition, public investment must increase many times in order to deal with adaptation for those who are the poorest and most vulnerable.

Climate change is at the core an issue of climate and justice/equity.

The ideas for a global system of feed-in tariffs for renewable energy presented here is gaining major traction among a broad range of actors, including Parties, civil society organizations, social movements, researchers and others, and has indeed been referred to in earlier texts under LCA. We recommend, through this submission, that the proposal be reintroduced to the negotiations, and that simultaneously a constellation of both Annex 1 and non-Annex 1 countries come together to set up an initial pilot scheme that can, as a following step, be scaled up as a formal UN structure.

An 92-page compilation of fact-sheets, reports, articles and other material from both SSNC, the UN, Deutsche Bank and other institutions speaking in favour of this idea can be downloaded at http://www.naturskyddsforeningen.se/upload/Foreningsdokument/Klimat/Knackfragor/GER_feed-in-tariff_compilation.pdf