

Background Note: High Level event on **Sustainable Economic Transition and Economic Diversification**

This High Level event is intended to provide a venue outside the formal negotiations for a high-level exchange of views on how to ensure a sustainable transition to a low GHG economy, including through the sharing of recent experiences with different transitions.

The Paris Agreement has confirmed the necessity of a process of deep transformation of the global economy, and emphasizes that it needs to take place at an accelerated pace. Sustainable responses to the challenge of climate change must bring both benefits, as well as avoid, or manage, unintended social and economic impacts.

While some countries have already advanced on their economic and social transformation pathways, others are at the beginning of such experiences. At the same time our economies and societies are increasingly interconnected and interdependent, making sharing of experiences, mutual learning and cooperating on implementation all the more essential. Such experiences have involved mainstreaming climate action into national development planning, while addressing a number of issues, including social solidarity; maintaining stable markets and economic growth; encouraging innovation and competitiveness; and avoiding any unintended impacts on environmental services, food security and biological diversity. All of these challenges must be addressed if we are to effectively address climate change challenges and ensure the continuous sustainable development.

A sustainable transition

The fundamental issue is how, during the period of transition, to maintain the harmony between all three pillars of sustainability – integrity of environmental protection, economic growth that leads to better life standards, as well as social solidarity and cohesion.

The proper management of the transformation process is essential for ensuring an orderly transition, as well as for the speed with which policies and measures (including mitigation) can be implemented. The buy-in that climate change policies receive from stakeholders is critical as well.

Public communication, as well as participation of all relevant stakeholders (e.g. businesses, unions, media) will ensure good understanding of the policies being put in place and drive, as well as reassure stakeholders, that measures are being put in place to manage the transition. The more society is empowered to shape and to own these policies, the more will support an ambitious and speedy process of economic and social change.

For all economies a sustainable transition will entail a degree of economic diversification. For some the challenge will be more formidable than others, depending on their level of economic development and their reliance on greenhouse gas intensive sectors. A more diverse economy can strengthen economic resilience, reduce reliance on vulnerable economic sectors, reduce adverse impacts of climate change policies, and can lead to innovation. This is referred to in many INDCs, and is also a part of the strategies of many countries, as they strive for development and poverty eradication.

In an interconnected and interdependent world, the policy choices made in one country can impact the interest of another. A sustainability of economic transition needs to also be seen in conjunction with a just transition of the work force, creation of social safety nets, and other social programmes. For an increasing number of countries, it must also be seen as an

issue of competitiveness in a rapidly changing economic and political environment, with asymmetric levels of climate change regulation.

Even as we move together towards achieving the mitigation goals set in Paris, many developing countries will need to focus first on adaptation, resilience, and vulnerability. Economic and social transformation and diversification require safety nets to help adjust to such challenges. Similarly, human development, and the improvement of standards of living, is also a part of development policies that contains measures to address climate change.

Evolution of the UNFCCC process

In UNFCCC negotiations this issue has been referred to as “response measures”, and began by focusing on the specific needs and concerns of developing country Parties, arising from the socio-economic impact of the implementation of measures taken to respond to climate change. The issue has proved contentious, for a number of reasons, including the perception that it addresses issues that touch on the regulation of international trade, including compensation.

More recently, the forum on response measures has led to an increasingly constructive exchange between parties. “Response measures” was seen as one of the important issues for COP 21. In Paris it was agreed to continue and improve the forum on response measures, in order to provide a platform allowing Parties to share, in an interactive manner, information, experiences, case studies, best practices and views, and to facilitate assessment and analysis of the impact of the implementation of response measures, with a view to recommending specific actions.

A three-year work programme was adopted in May 2016, which focuses on economic diversification to progress to a low-GHG economy and carbon neutrality, as well as on a just transition of the workforce and the creation of decent work and quality jobs.

At this time, while the title remains that of “response measures” the discussion has shifted significantly. The issue of response measures is now starting to be seen in the context of sustainable development, and especially in the context of a sustainable transition to a low GHG, climate neutral and competitive economies.

Proposed questions for discussion

1. For countries: How is your country or region putting in place measures to ensure a sustainable transition towards the objectives of the Paris Agreement?
 - a. What are your experiences with regards to measures to facilitate sustainable transition of your economies, bearing in mind the different national circumstances?
 - b. How did the process to determine what is needed for a sustainable transition include stakeholders on national or subnational level? What were the communication and consultation strategies used?
 - c. What benefits have been identified (e.g. strengthening economic, political, social resilience, competitiveness, built partnerships) that could be linked with sustainable economic transition?
 - d. What role does economic diversification and the social element of just transition of the work force play?
2. For international organizations: What are the initiatives your organization are implementing to assist countries to ensure a sustainable transition
3. What is the role of the UNFCCC, and the Paris Agreement, in addressing these issues?