

Submission by: Institute for Agriculture and Trade Policy (IATP) - Institute for Policy Studies (IPS) - Third World Network (TWN) - Tebtebba (Indigenous Peoples' International Centre for Policy Research and Education)

Also on behalf of: Asian Indigenous Women's Network - [earth] - Friends of the Earth England, Wales and Northern Ireland - Friends of the Earth Malaysia - Sustainable Energy and Economy Network (SEEN)

Non-market based approaches (SBSTA)

I. Introduction

Invited in paragraph 48 of Decision 1/CP.18, to submit our views, the above admitted observer organisations submit to the Parties for their consideration the following submission, which provides information, experience and good practice relevant to the design and operation of non-market approaches within a framework for various approaches.

Urgent action is needed now to reduce emissions globally, primarily due to the historical emission of GHGs, which reflect the pattern of wealth inequality globally, with almost 75% of all historical emissions coming from just over 20% of the global population in the North. A Framework for Various Approaches (FVA) should therefore include a compensatory mechanism to repay developed countries' climate debt to developing country Parties (in terms of finance and technology transfers), as well as a variety of mechanisms (both market and non-market) which are capable achieving rapid reductions in global GHG emissions.

Following a review of existing carbon market mechanisms in a related NGO submissions on the Framework for Various Approaches and New Market Mechanisms, we would like to underline that carbon trading is not an effective instrument for real, effective and additional emission reductions as compared to other policy instruments, which may be market based (such as carbon taxes) or non-market based (such as feed-in tariffs for renewable energy). We therefore emphasize that in order to meet the urgent need for rapid emissions reductions, viable non-market approaches must be developed.

In this submission we list a variety of options which could be developed under the FVA. In addition, we would like to elaborate on the proposal for globally funded feed-in tariffs for renewable energy. This approach has been developed by, among others, the UN Department for Social and Economic Affairs, and is gaining traction among both climate negotiators, policy makers and civil society organisations – in both developing and developed countries.

II. Scope of approaches

The approaches considered by the Framework for Various Approaches should move beyond the failed carbon trading mechanisms and consider national non-market-based approaches, including policies and regulatory measures such as:

- a) Environmental education relating to the sustainable use of resources;

- b) Technology development, diffusion, capacity building, and transfer to developing countries, including via publicly funded research;
- c) Technology assessments to ensure environmentally and socially sound technologies prior to their diffusion and transfer
- c) Sustainable environment, energy, land, and other natural resource policy;
- d) Direct compensation of net avoidance of emissions based on a programmatic and cross-sectoral approach;
- e) Implementation of regulations that ban undesirable technologies
- (f) Support for publicly funded research and development; and subsidies for desirable activities.
- g) Investment in improving the infrastructure of mass public transit.

In line with the principle of common but differentiated responsibilities, approaches should be designed that facilitate developed country Parties to promote and finance efforts by and in developing countries in the fields of education, training and public awareness, to enhance and to promote sustainable patterns of consumption and production, taking into account the full life-cycle of materials, so as to result in the reduction of emissions from developing countries; Other approaches to be covered by the framework could include a mix of both market-based approaches and non-market based ones (e.g., feed-in tariffs).

The non-market based approaches under the FVA should by priority:

1. Define, and establish a non-market based mechanism, under the guidance of the CoP, to operationalise the payment of climate debt, including, inter alia, by determining components of this debt by country Parties (both for adaptation and emission debts) and facilitating its transfer in a manner such that the approaches listed above (in paras a-g) are realized in order to meet the purpose of the FVA and the ultimate objective of the Convention.
2. Operationalise a fund which could drastically increase investments in renewable energy through a system of globally funded feed-in tariffs, by introducing guaranteed prices for sustained, renewable energy.¹

In the remainder of this submission we provide more detail on a system of global feed-in tariffs.

III. A system of globally funded feed-in tariffs for renewable energy

We believe that a system of globally funded feed-in tariffs² can deliver ‘a green energy revolution’ for climate and development, via simple, meaningful and

¹ There are many ways to finance such a fund through public finance. One promising source is a Financial Transaction Tax (FTT). A tiny tax on financial transactions – as little as one hundredth of a percent – could raise US\$650 billion per year. This idea has wide government support, and research from economic institutions including the International Monetary Fund (IMF) has shown it to be technically feasible. For more information see: www.robinhoodtax.org

² For an overview of the feed-in tariff approach see Banuri and Hällström ‘A global program to tackle energy access and climate change’ in: What Next: Climate, Development and Equity, Dag Hammarskjöld Foundation and the What Next Forum, 2012; and Swedish Society for Nature Conservation (2009) A Green Energy Revolution for Climate and Development, SSNC, http://www.naturskyddsforeningen.se/upload/Foreningsdokument/Klimat/Knackfragor/GER_feed-in-tariff_compilation.pdf

transformational greenhouse gas emissions reductions. This is rooted in an analysis of energy access inequalities, noting that electricity for the poorest people (whether sourced from renewables or fossil fuels) is often too expensive – which can lead to a favouring of coal-power, in particular, on the grounds that it is often the cheapest source. Carbon trading (like other forms of carbon pricing) attempt to "level up" the price of coal to that of renewables. UN-DESA and others have argued that the opposite approach is needed - time-limited price guarantees for renewables, enabled and subsidised by international public climate finance. This would help to rapidly scale-up the deployment of renewables, reducing their costs per unit of energy, with the aim of bringing renewable energy prices down to the level of fossil fuels. It is crucial that, unlike with the CDM, such pricing is front-loaded to support investment, rather than linked to a promise of future payments priced by a volatile market.

The 2011 IPCC report on renewable energy³ clearly shows the almost limitless technical potential for renewable energy, given the right economic context and political will. And as the IPCC report also points out, feed-in tariffs are among the most effective mechanisms to quickly tap this potential and move the world towards 100% renewables and zero-carbon emissions.

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. 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. Access to energy is a decisive factor for people's well being, with over two billion people still relying on bioenergy, agricultural residues and dung for cooking - any prospect for effectively tackling climate change must therefore consider poor people's needs. For developing countries, a key challenge is 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.⁴ In addition to a plan to deal with high energy costs, the proposal also suggests actions to adapt technologies to varying national and local conditions, to support the developing countries with training and technological support, and remove barriers created via patents. This proposal has the potential to create a breakthrough in the climate negotiations. Implementing this plan would see major positive changes to tackle the double challenge of tackling poverty while effectively reducing emissions in a relatively short time, something which would rebuild some of the much eroded trust between developing and rich countries.

Financing and the UNFCCC

The core idea behind a system of globally funded feed-in tariffs is to create a boom in demand for sustainable, renewable energy in developing countries. The key tool is to

³ IPCC (2012) Renewable Energy Sources and Climate Change Mitigation Special Report. Cambridge University Press. http://srren.ipcc-wg3.de/report/IPCC_SRREN_Full_Report.pdf

⁴ 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

offer funding and support for the introduction of guaranteed prices, or feed-in tariffs, for sustainable renewable energy in any developing country that so desire. 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.⁵

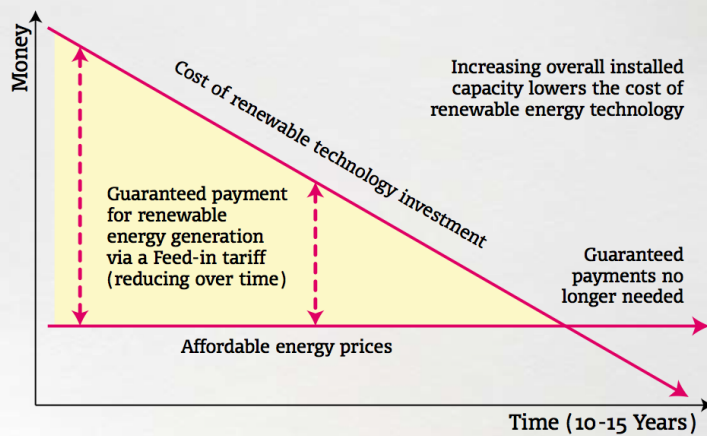
The core principle is that those who invest in renewable energy are guaranteed to sell the energy at agreed prices that allows for a small margin. The price for consumers are then decided with consideration to what poor people can afford. The cost difference is covered by a subsidy financed by the rich countries through a global climate fund. According to the UN estimation, about USD 100 billion would be needed annually during 10-15 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.

Under the 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 can meet this commitment via an ambitious global investment plan which is output based, (i.e payment is only provided when the new, renewable energy is delivered); is time-limited, with 10-15 years needed to take the world over the threshold to a renewable future; will create jobs while lowering the costs for the necessary energy transition in both developing and industrialized countries.

⁵ See, for example: http://www.dbcca.com/dbcca/EN/_media/GET_FiT_Program.pdf. ; and 'Powering Africa through Feed-in Tariifs,' 2012, a Study for the World Future Council (WFC), the Heinrich Böll Foundation (HBF) and Friends of the Earth England, Wales & Northern Ireland (FoE).

Upfront public investment brings down cost and makes renewable energy default choice



The feed-in tariffs provide the investor in renewable energy (a community cooperative, municipality or company) guaranteed prices for the energy they produce, covering the difference between production costs and the lower, affordable price for consumers.

Source: Sabido and Hällström 2012.⁶

Bottom-up energy revolution

A system of globally funded and nationally implemented feed-in tariffs could and should encourage and enable a bottom-up, people-driven transition to renewable energy. It is essential that a system and procedures are designed which guarantee 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. 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.

IV. Conclusion

The main message in this proposal is thus to take an integrated approach to climate and development and recognize the essential need for major, front-loaded public investments to enable the necessary structural transformations that are needed.

This proposal is fully compatible with the developing countries' demand for a non-market based mechanism to operationalize the payment of climate debt. The proposal builds on mutual, cooperative agreements on how to use and disperse a substantial part of climate finance to meet clearly defined goals (promotion of renewable energy and improved access to affordable energy for the poor). The proposal breaks away

⁶ Source: Sabido and Hällström 'Reclaiming Power – An energy model for people and planet', in: What Next: Climate, Development and Equity, Dag Hammarskjöld Foundation and the What Next Forum, 2012, p 281.

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, becoming an important stepping stone for rebuilding trust between north and south.