

Submission for ADP Workstream 2 on pre-2020 enhancement of mitigation ambition, with a particular focus on enabling people-centred renewable energy investments in developing countries through globally funded feed-in tariffs

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The following submission speaks to the call under ADP Workstream 2 for 'technical examination of opportunities for actions with high mitigation potential, including those with adaptation and sustainable development co-benefits, with a focus on the implementation of policies, practices and technologies that are substantial, scalable and replicable, with a view to promoting voluntary cooperation on concrete actions in relation to identified mitigation opportunities in accordance with nationally defined development priorities'

General outline

This submission outlines a strategy to enable developing countries to transition to renewable energy through a system of globally-funded feed-in tariffs (G-FiTs), thus 'leapfrogging' over a development path tied to fossil fuels. In addition to being an action with significant mitigation potential, such a strategy will bring substantial development benefits through enhanced electricity access for communities and the two billion people who currently struggle with lack of electricity. Such a G-FiT programme, outlined in some detail under point 5 below, constitutes one particularly promising action with focus on developing countries, but must be understood in the broader context of the need for radical emissions reductions and developed country emissions reductions (points 1-2) and the need to enable integrated solutions in developing countries through provisions of means of implementation (points 3-4).

1. The need for radical reductions

It is apparently clear that radical emissions reductions are needed within the next decade in order for the world to have any possibility of avoiding catastrophic climate change. The problem of climate change is cumulative and every day of continued high emissions means a rapid shrinking of the remaining carbon budget.

While it is essential that the agreement for the post-2020 period that is being negotiated under ADP Workstream 1 is equitable and ambitious, any real ambition in such an agreement will be rendered unattainable if the world does not embark on a substantial change of course already in the next few years. To reach the necessary peak in global emissions within a decade means policies and new path dependencies will need to be established now.

2. Developed country emissions reductions

For developed countries this means a transformation of their societies' energy, transportation, housing and industrial systems at a scale and speed never before seen. Developed countries must immediately begin investments plans for a transition

to 100% renewable energy, prepare for decommissioning of existing fossil fuel plants and stop investment plans for new, dirty fossil fuels and nuclear energy. Likewise, stringent energy efficiency standards, housing standards and massive expansion of public transportation is necessary.

All of the above measures take time to get in place, which means that the ambitious policy work needs to begin now. However, these kinds of supply-side measures are not sufficient to decrease emissions at the necessary scale and in time. Equally important is a rapid change on the demand-side. This means a change in consumption patterns. Overcoming the climate crisis requires a curbing of wasteful, unnecessary overconsumption and change of lifestyles among the high-consuming elites of both developed and developing countries. It also requires stringent regulations, ambitious technology standards and direct interventions in the markets through taxation, public investments and targeted incentives. Countries must learn from and be challenged by each other.

Ultimately a new development paradigm that is guided by sufficiency, genuine well-being and equity must replace the currently dominating paradigm of high wasteful consumption, extraction and private profit maximization.

Developed countries must decrease their emissions at home, within their own countries, far more and faster than is currently discussed within the formal climate negotiations. Domestic emissions reductions in developed countries will likely need to be 40-60% by 2020 and 80-90% by 2030 if the world is to have any decent chance of keeping warming below the still very dangerous 2°C. The bottom line is that developed countries must reduce their emissions as fast as ever possible – with measures at scale and ambition similar to what countries have done under existential threats such as war. This, however, would still not represent developed countries fair contribution to fighting climate change, given their historical responsibility and capacities. In addition to such ambitious domestic mitigation, developed countries must provide substantial means of implementation to developing countries to meet their fair shares.

In concrete and immediate terms, this means that

- Developed countries must drastically increase their emissions reductions targets (in line with Decision 1/CP19 4c) and work towards a regime that ensures that aggregate contributions are fair and sufficient to keep warming below 1,5 degrees C.
- Developed countries must significantly ' increase technology, finance and capacity-building support to enable increased mitigation ambition by developing country Parties' (as spelled out in Decision 1/CP19 3 and 4e)
- Developed countries must collaborate and share best practices of policies, public investment measures, regulations and planning approaches that can have significant and transformational impact towards decarbonisation and emissions reductions.
- Developed countries abandon their focus on carbon trading, which has failed and does not lead to net emissions reductions, and revisit their stringent views on IPR in order to make climate friendly technologies available and accessible in both developing and developed countries.

3. Developing country emissions reductions

Yet, even with such radical emissions reductions in developed countries, emissions will still need to be reduced in developing countries over the next few decades. The remaining carbon budget is small and will soon have been diminished even with radical emissions reductions in developed countries. At the same time developing countries face tremendous challenges in seeking to develop their infrastructure, ensure provision of public services and improve the well-being of their populations. This enormous task, that has already been undertaken by developed countries through the availability of abundant and cheap fossil fuels, can no longer be pursued in the same way by developing countries. Reductions of emissions must be made also in developing countries – first in relation to business as usual trajectories to, over time, absolute reductions.

The only fair, and the only practically possible way to enable such an enormous challenge – to develop and grow economies while simultaneously reduce emissions – is through collaboration, supply of massive amounts of support (means of implementation) from developed to developing countries, and to imagine alternative development trajectories that do not repeat the mistakes and fossil fuel lock-in of the developed countries. For developing countries it also makes sense not to get locked into fossil fuel investments that will soon show economically costly as the world decides most of the fossil reserves must be kept in the ground and never be burned.

4. The case for integrated solutions for development and climate

Given the above, it is imperative to find ways where developing countries can quickly embark on trajectories that simultaneously benefit their sustainable development priorities while helping to reduce emissions.

This is particularly apparent in the area of energy. Access to electricity, and energy at large, is extremely well correlated with human well-being at low and modest consumption levels (while for higher consumption there is no correlation).

Furthermore, renewable energy solutions are conducive to decentralized, locally controlled forms of ownership that brings along multiple co-benefits for development, local job creation, participation, enhanced resilience and adaptation capacity. The future speaks to new energy models that are 100% renewable, distributed, locally appropriate and not necessarily reliant on national grid extension as a prerequisite.

As one particularly powerful and attractive approach with high mitigation potential and strikingly strong development co-benefits we therefore would like to propose the establishment of a globally supported and funded programme for renewable energy investments in development countries, with a particular emphasis on renewable energy feed-in tariffs.

5. A programme for rapid scale-up of renewable energy investments in developing countries, with a particular emphasis on renewable energy feed-in tariffs

Enabling national renewable energy feed-in tariff systems with a focus on decentralised, community controlled energy is likely one of the most effective and

visionary approaches to tackling the urgent need for transformation to renewable energy.

Energy is at the very core of both climate and 'development', and any energy solution must prioritise energy access, affordability and democratic community control.

An energy transformation to equitable, socially and environmentally appropriate renewable energy will promote development and well-being, while closing the emissions gap. It can help overcome current trade-offs between the right to development and climate change.

Through a programme of globally funded feed-in tariffs (G-FiTs), renewable energy would soon be made cheaper than fossil fuels, affordable to poor people, and accessible through a global boom in decentralised, renewable energy solutions at the local, community and national levels.

Globally funded feed-in tariffs are thus one of the boldest means to move us off the path towards catastrophic climate change, saving vast sums of money over the long term. They offer a targeted non-market approach where early, substantial public investments direct other, much more substantial public and private investments over the threshold towards 100% renewable energy.

Renewable energy feed-in tariffs are effective

Feed-in tariffs are widely regarded as the most effective policy tool for enabling investments in renewable energy.¹

The feed-in tariff guarantees minimum prices for renewable energy producers (a community, cooperative, municipality, company) to ensure their investments can be recovered. This is achieved through a predictable, carefully tuned public subsidy over a pre-defined period of time (10-15 years).

Through public financing of the subsidies, energy prices can be much lower (affordable) and differentiated/socialised (e.g. cheaper for the poorest), while still making the investment in relatively expensive renewable energy possible. The model of consumer funded feed-in tariffs as found in rich countries is not appropriate for developing countries as it results in higher electricity prices.

Already 65 countries in both the North and the South have or are in the process of setting up feed-in tariff systems. For developing countries a lack of financing is a fundamental bottleneck to ambitious scaling up of such schemes.

By scaling up renewable energy, feed-in tariffs will bring down the cost of research, development and production, thus helping to put the planet on an energy transition pathway.

Design of a programme of globally funded feed-in tariffs

The components of such a programme should include:

¹ The IPCC special report on renewable energy concludes that "well-designed and well-implemented FITs are the most efficient... and effective... support policies for promoting Renewable Energy electricity" (IPCC (2012), Renewable Energy Sources and Climate Change Mitigation Special Report of the Intergovernmental Panel on Climate Change, Cambridge: Cambridge University Press. http://srren.ipcc-wg3.de/report/IPCC_SRREN_Full_Report.pdf)

- » Encouragement and support to developing countries to establish, through their NAMAs, new or link existing *national feed-in tariff mechanisms* to a coordinated programme under UNFCCC.
- » *A global funding through e.g. the GCF*, providing public finance to the many national feed-in tariff systems. Both supply and access to these funds would be based on equity principles in line with CBDR-RC.
- » *Commonly agreed rules* that ensure the national feed-in tariffs:
 - only promote *socially and environmentally appropriate* renewable energy technologies with stringent technology assessment. These should require national strategies for renewable energy access with substantial civil society involvement. In addition, the TEC and CTC&N could have important roles to play in identifying, assessing, promoting and transferring appropriate technologies.
 - are *in no way linked to offsets and carbon trading*. The programme would be geared to making possible for developing countries to avoid future emissions as a necessary measure to keep warming below 1,5 or 2 degrees, and would need to be done in addition to radical emissions within developed countries. Off-sets would cancel out any mitigation gains, and be effectively developed country financing for their own mitigation.
 - do not target big private corporations and investors, nor allow foreign corporations to reap the benefits of the feed-in tariff.
 - are particularly directed to *decentralised, public, community, cooperative and municipality* level projects off the national grids.

Benefits of a programme for globally funded feed-in tariffs

A G-FiT programme would deliver the bold solutions we need for both energy access and climate mitigation. Over 10-15 years it can deliver electricity to the 2 billion people without any or only poor access today, while allowing the developing countries to leapfrog to alternative, clean, resilient and climate-friendly development paths. This would promote a true bottom-up renewable energy revolution.

Such a programme would also help *reverse the current state of distrust and locked-in negotiations* stemming from Annex 1 countries' weak ambitions and hollow finance promises to instead genuine trust-building through real international cooperation and climate finance.

Developing countries would be the driving force behind this collaborative programme, but it would *not impose new limits or obligations* upon them. Rather it would recognise solutions already pursued or desired by many developing countries, and fully in line with existing principles and responsibilities of the Convention.

It would concretise the *need for real, disbursable public climate finance* (likely in the range of USD 100-150 billion per year over 10-15 years.) It is results-oriented and would *not need additional MRV*, since the feed-in tariff subsidy is only paid upon delivery of clean, affordable energy.

Such a program would furthermore show the value of early, front-loaded public investments. By acting early, technology costs, future emissions, future adaptation needs and future loss and damages are reduced, thus *substantially bringing down overall costs*.

Sources of finance

There could be multiple sources of finance to help drive the proposed programme. In accordance with legally binding obligations under the UNFCCC, the Green Climate Fund (GCF) should receive new and additional public finance from rich, industrialised countries.

In addition to assessed tax-based contributions, globally funded feed-in tariffs could be financed through 'innovative sources' of climate finance (via the GCF).

- Shifting fossil fuel subsidies and a levy on aviation and maritime fuels both bring in considerable sums, although they would need to adhere to common but differentiated responsibilities (CBDR) principles. A recent study shows that up to US\$90 billion/yr is released as tax-based fossil fuel subsidies in OECD countries alone.
- According to the European Parliament, a financial transaction tax to curb speculation, like the one currently operating in Brazil, could bring in as much as US\$650 billion a year if applied globally.
- IMF Special Drawing Rights could bring in an additional US\$100 billion a year without affecting inflation.

All these sources would provide upfront public capital for governments to invest rather than resorting to carbon markets – which are unreliable sources of capital and ineffective at reducing emissions. Carbon markets also try to drive up the price of fossil fuels to make renewables competitive, when the opposite – bringing down the cost of renewables – is required to ensure affordability.

A comprehensive approach

An ambitious time-bound public investment programme in renewable energy feed-in tariffs could in 10-15 years radically transform the world, and should be combined with other key measures such as a quick phasing out of new fossil fuel projects (there is simply no emissions space left for a lock-in of further investments in fossil fuel based energy) and an end to tax-payer/government producer-subsidies to private fossil fuel companies. These public funds must be re-directed to investments in decentralised renewable energy through e.g. feed-in tariffs and other appropriate means.

To have any chance of avoiding catastrophic climate change, a comprehensive approach to energy must be initiated now, regardless of what mid-and long-term emissions reduction goals are eventually agreed.

UNFCCC negotiations are currently deadlocked over a widespread assumption that cuts in emissions will mean sacrifice and hardship. However, if the transition to a renewable energy future is well-managed, countries (and especially developing countries) can benefit from economic development, improved quality of life and ecosystems unpolluted by fossil fuel extraction, while no longer contributing to global GHG emissions. Feed-in tariffs can be key to delivering that transition.

Ways forward in relation to the WS2 technical process

We welcome the establishment of the new solutions oriented technical process under ADP Workstream 2, where we note that the idea of globally funded feed-in tariffs have already been highlighted. This work should be intensified and focused in coming meetings. In order to make the WS2 process successful:

- We strongly insist on substantial and early participation of civil society – in line with the multi-stakeholder approach as originally intended by AOSIS. Civil society organizations have significant expertise and experience on these issues and should be thoroughly involved in the deliberations of the process at an early stage.
- We urge Parties and observers to outline and quantify how various policy, regulatory, technology standards and planning measures can be applied to make possible the radical emissions reductions that are needed in Annex 1 countries, including decommissioning of existing fossil fuel instalments, strict bans on new investments in dirty fossil fuels and redirection of fossil fuel subsidies.
- We urge a process be set up that allows continuity and continuously deepened exploration and elaboration of particularly relevant and promising approaches discussed under workstream 2 (such as globally funded feed-in tariffs). This can be done through e.g. extended, well prepared workshops.
- We urge developing and developed country parties that are ready and willing to take a lead in promoting measures such as globally funded feed-in tariffs to set up pilot projects where the partnerships and platform for cooperation can be elaborated and demonstrated as inspiration and model for further scaling up and eventual incorporation under the UNFCCC.