

THIRD GLOBAL DIALOGUE

Impacts of the Implementation of Response Measures

ECONOMIC DIVERSIFICATION AND TRANSFORMATION

in the context of response measures
and global transition pathways

GLOBAL DIALOGUE SERIES

UN

CLIMATE CHANGE
UNFCCC



DIVERSIFY • TRANSFORM • TRANSITION

Advancing resilient, inclusive pathways

Economic Diversification Energy Trilemma Role of the UNFCCC, Paris Agreement and KCI

Advancing a just and sustainable energy transition together



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Presentation Overview

I will focus on four themes:

1

Connections between Economic Diversification and the Energy trilemma

2

Why Economic Diversification matters for a just and sustainable energy transition

3

The role of the UNFCCC and Paris Agreement in fostering economic diversification

4

The contributions of the KCI



Theme 1: Connection between Economic Diversification and the Energy Trilemma

The **energy trilemma** is the challenge of balancing three objectives simultaneously:



Diversified sources of energy supply (e.g. transition fuel/LNG, clean electricity through regional grids) reduce dependence on a single fuel, commodity, market and sector, increasing resilience to shocks.



Theme 2: Why Economic Diversification Matters for Just and Sustainable Energy Transition

Risks

- Shifts in global demand
- Carbon pricing
- Climate-related trade measures
- Changes in investment flows
- Impact on revenues, jobs and competitiveness



Opportunities

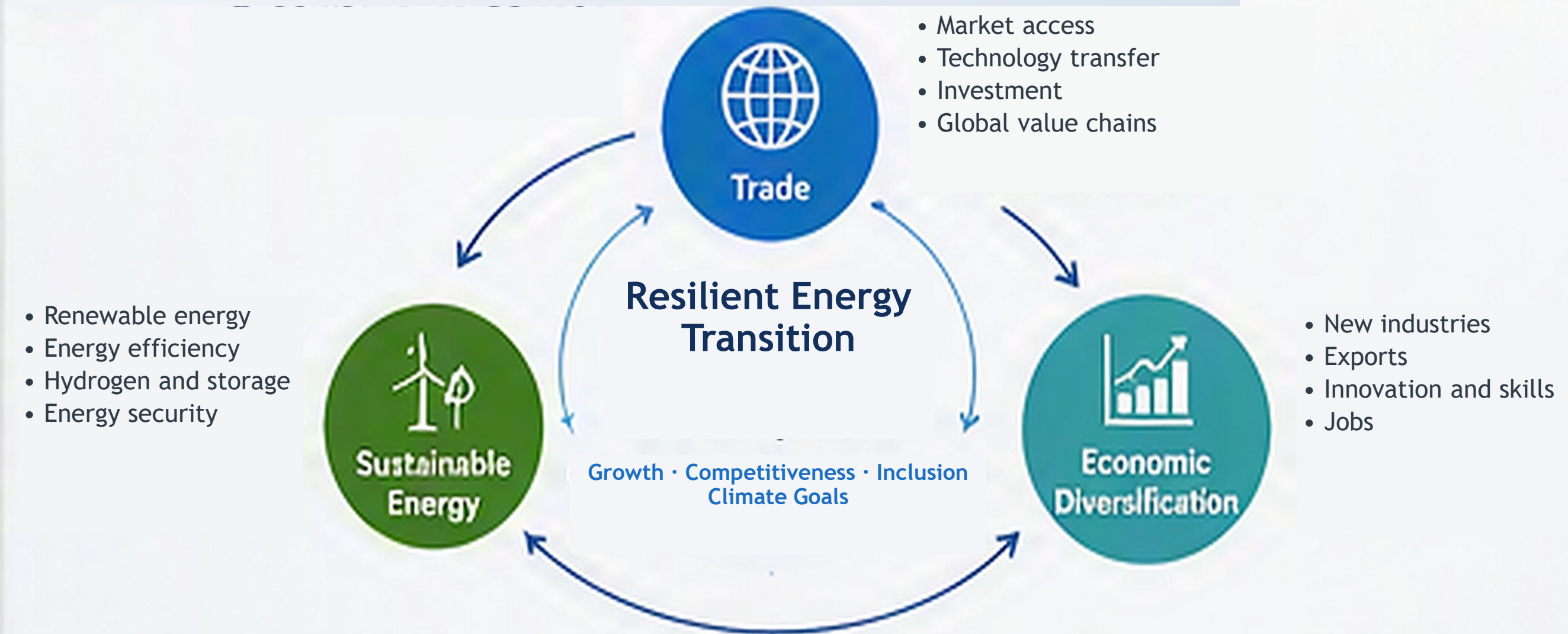
- New industries
- New markets
- Technology and innovation
- Investment
- Sustainable growth



Trade in an open and supportive international economic system is a powerful engine of economic diversification and economic development. Open and predictable trading system help countries diversify exports, attract investment, move up value chains, and capture new sources of growth

Diversified economies are better placed to compete internationally, and withstand external shocks.

Theme 2 (cont'd): Economic Diversification and Energy Transition: A Virtuous Cycle



Economic Diversification and Sustainable Energy Transition reinforce each other.

Theme 3: The role of the UNFCCC and Paris Agreement in fostering economic diversification

on



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UNFCCC, Kyoto Protocol and Paris Agreement recognize impacts of response measures, especially on developing countries.



Paris Agreement Article 4.15 calls on Parties to consider concerns of **countries most affected** by response measures.



Paris Agreement promotes climate action consistent with sustainable development and poverty eradication; implementation requires economic transformation, just transition, trade-enabled growth and capacity-building.

Theme 3 (cont'd): The Forum on the Impact of Response Measures

Parties strengthened the Forum to share experiences, best practices, analytical approaches and lessons learned.

Work programme focuses on four areas:

- 1 Economic diversification and transformation
- 2 Just transition and job creation
- 3 Impact assessment and analysis
- 4 Methodologies and tools for decision-making



Theme 4: The Role and Contributions of the KCI

KCI

**Katowice Committee
of Experts on the Impacts
of the Implementation
of Response Measures**

**Established at COP24
in Katowice in 2018**

The KCI has made important contributions in five key areas:

- 1 **Advancing knowledge** on economic diversification and just transition, through studies, best practices and lessons learned.
- 2 **Strengthening analytical capacity** with methodologies and tools to assess economic, social, environmental, energy and trade impacts.
- 3 **Expanding the knowledge base** on diversification, employment, carbon pricing, agriculture, private sector, gender, intergenerational equity, hydrogen, CCUS and AI.
- 4 **Facilitating dialogue and collaboration** through workshops, technical meetings and collaborative initiatives.
- 5 **Elevating diversification and just transition** within the climate agenda with evidence-based approaches that maximize benefits and minimize adverse impacts.



Conclusion: Pathway to a Sustainable Future



The Energy transition imperative is reshaping our world. The question is not whether it will happen, but whether we manage it in a fair, inclusive and sustainable way.

A Supportive and Open International Economic System, Trade, Sustainable Energy Systems/Transition and Economic Diversification form a mutually reinforcing framework for resilience and sustainable development.

The UNFCCC and Paris Agreement provide the **institutional framework**, while the **KCI offers expertise and practical guidance**.



Collaboration, knowledge-sharing and capacity-building are also essential to deliver climate and economic outcomes .



Discussion Questions



- 1 How can parties leverage trade openness to promote economic diversification and economic development?
- 2 Which policies best link energy transition strategies with energy diversification, economic diversification and economic development?
- 3 What further role can the Forum, and KCI play in enabling Parties to identify and advance energy diversification, and economic diversification objectives?
- 4 How can parties manage risks from climate response measures and changing energy demand while creating new sources of growth?
- 5 How can international cooperation be augmented to foster sustainable energy transition, strengthen energy security, economic resilience and sustainable development imperatives simultaneously?

