



Climate
Transparency

STIFTUNG
MERCATOR



AMBASSADE DE FRANCE
EN ALLEMAGNE

BROWN TO GREEN FORUM

HOW TO RAISE AMBITION IN CLIMATE ACTION IN G20 COUNTRIES?

26 January 2017
French Embassy in Berlin

REPORT



Climate Transparency's Brown to Green Forum took place in the French Embassy on 26 January 2017. High-level representatives from G20 countries, civil society, business and academia discussed how to increase ambition for climate action in the G20. Participants explored policy options, opportunities and new coalitions within the G20 and particularly discussed the role of the financial sector to drive the shift from fossil-fuel to low-carbon investments. Climate Transparency further presented a comparison of G20 countries' climate action.

The Forum was organized by Climate Transparency and co-hosted by the French Embassy and Stiftung Mercator.

This report is structured according to the agenda of the Forum.



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A. Welcome: The need for transparency in climate action

The Forum was opened by the three hosts. **Anne-Laure de Coincy**, Minister Counsellor, Head of Finance and Economic Department of the French Embassy in Berlin, emphasized the importance of the French-German cooperation leading to the success of COP21.

Climate Transparency can contribute to the implementation of the Paris Climate Alliance striving for 1) the implementation of the Paris Agreement, 2) the enhancement of the Nationally Determined Contributions (NDCs), 3) the increased provision of climate finance and technology transfer and 4) the involvement of non-governmental actors.



Picture 1: Anne-Laure de Coincy, French Embassy



Picture 2: Lars Grotewold, Stiftung Mercator

Lars Grotewold, Director, Center for Climate Change of the Stiftung Mercator, emphasized that transparency is essential for speeding up the transition to a low-carbon economy in G20 states. Decisions in climate action can only be based on thorough scientific findings, not on dogmatism.

The co-chairs of Climate Transparency, **Peter Eigen** – founder of Transparency International – and **Alvaro Umaña** – former Environment Minister of Costa Rica – presented the objectives of the Brown to Green Forum:

- Discuss the role of the G20 in climate action and green finance and identify opportunities to increase importance of climate action through the German G20 presidency
- Discuss the contribution of credible assessments and communication to raise ambition in climate action in G20 countries
- Present and discuss the plans of Climate Transparency for the 2017 G20 report with partners from G20 countries as well as international experts.



Picture 3: Peter Eigen,
Co-chair Climate Transparency

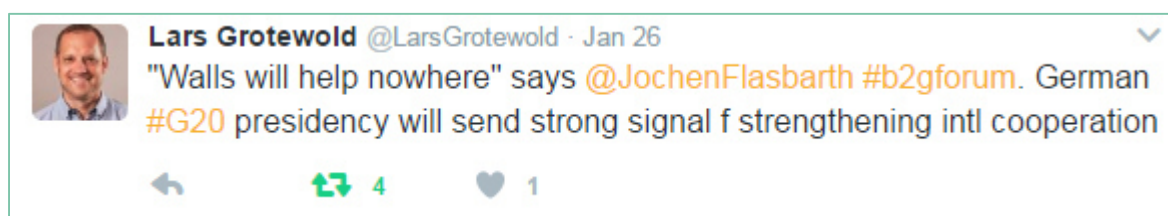


Picture 4: Alvaro Umaña, Co-chair Climate Transparency

The two co-chairs also introduced the Climate Transparency partnership and the international experts that had convened the two days before the Forum to discuss Climate Transparency's strategy for 2017.

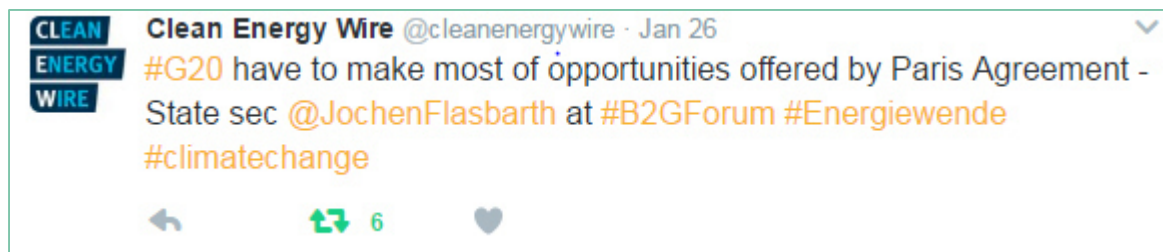
B. Keynote: Addressing Climate Change under the German G20 Presidency

Jochen Flasbarth, State Secretary of the Federal Minister for the Environment, Nature Conservation, Building and Nuclear Safety, began his keynote by stressing the importance of climate policy for the strengthening of international cooperation. More and more people are worrying about the future and mistrust politics, however **"walls will never help, nowhere in the world – we have to work together"**, said Flasbarth.



Climate change is a real threat with 2016 the hottest year ever been recorded and increasing numbers of climate refugees to be expected. At the same time, Flasbarth stated that the Paris Agreement is an encouraging sign. It demonstrated that international cooperation works. The Agreement will, however, only succeed, if the G20 countries with their high share

of GHG emissions fully engage. The G20 under the German Presidency “has to make most of the opportunities offered by the Paris Agreement”.



The state secretary praised the German *Energiewende*, while conceding that its impact on GHG emissions falls behind expectations and the national climate targets. Germany’s emissions have in fact risen during the last two years because of higher heat demand and use of coal for power. Yet, global developments are encouraging: Investments in renewable energy have surpassed investments in coal and natural gas.

Referring to Germany’s Climate Action Plan 2050, Flasbarth is convinced that climate action can be the driver behind the modernization of the German economy. This will create jobs and strengthen Germany’s role in the global market. Germany’s experience in climate action will not be directly applicable to all countries, but it offers valuable lessons.

Habitat III has shown that more than a doubling of investments in infrastructure will be necessary in 2050 as more than 66 percent of the world’s population will live in cities – and this infrastructure needs to be sustainable. It is thus a major responsibility of the G20 as leading economies to send a clear message that climate action and economic transformation can go successfully hand in hand.



Picture 5: Jochen Flasbarth, State Secretary, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany



Picture 6: Ségolène Royal, Minister for the Environment, Energy and the Sea, France

Ségolène Royal, Minister of Environment, Energy and the Sea and president of COP21 send a video message to the participants of the Brown to Green Forum. According to the minister, the German Presidency of the G20 has to maintain the ambition in order to implement quickly the Paris agreement. France is taking part in this ambition by having established a law for the energy transition (being the NDC implementation for France) and having developed a low-carbon energy strategy and multiyear energy planning. A day before the Forum, France had launched the first green sovereign bond. Royal called it a great success: **“We have had requests for 22 billion and we carried out 7 billion green loans. And I wish that all G20 countries do the same, because today we see that if investment funds engage themselves into green growth, this means that they have understood that the cost of inaction is greater than the cost of action”.**

C. Panel discussion: What role for the G20 in climate action and green finance?

The first panel focused on the role for the G20 in climate action and green finance and explored policy options, opportunities and new initiatives under the German G20 Presidency. **Thomas Spencer**, Institute for Sustainable Development and International Relations (IDDRI) moderated the discussion.

Thomas Courbe, Deputy Director General of the French Treasury, Ministry of Economy and Finance in France outlined a preferable long-term agenda on green finance within the G20:

- ➡ Merging climate and energy actions
- ➡ Continuing to engage multilateral development banks (MDBs) in climate action – France has contributed funds to African Development Bank for climate action, this should be supported by other G20 countries
- ➡ Fostering carbon pricing – The European carbon market is key to send a CO₂ signal to all actors and the pathway for a carbon tax in France has been established
- ➡ Echoing France’s mandatory climate change-related reporting for institutional investors (Article 173 of France’s law on “energy transition for green growth”)
- ➡ Supporting the green bonds market – France issued its first sovereign green bond in January 2017

Eva Kracht, Deputy Director General, European and International Policy, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety in Germany (BMUB), stressed the linkages between climate action and economic development: The G20 is vital for the implementation of the Paris Agreement while at the same time harnessing opportunities for stability, growth, competitiveness, employment, well-being and equity.

The G20 Sustainability Working Group will develop a ‘Climate and Energy Action Plan’ in the run-up to the G20 summit in July. **“Issues of climate and energy are an integral part of the broader G20 agenda. To align our economies with the goals of the Paris Climate Agreement could be a major innovation programme,”** said Kracht. At the first meeting of the Sustainability Working Group in December 2017 two concerns were raised: *First*, the G20 might duplicate the work of the UNFCCC process and *second*, it might be too early to talk about implementation of the Paris Agreement as not all rules are set yet. Kracht, however, is convinced that the implementation of the Paris Agreement cannot wait due to long-term investment planning particularly in infrastructure.



Picture 7: Thomas Courbe, Ministry of Economy and Finance, France; Eva Kracht, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany



Picture 8: Christian Schubert, BASF; Jiang Kejun, Energy Research Institute, China



Picture 9: Shelagh Whitley, Overseas Development Institute (ODI)



Picture 10: Eva Kracht, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, Germany; Thomas Spencer, IDDRI

Christian Schubert, Vice President, BASF, stressed the importance of transparency in climate action and as Deputy Chair B20 Taskforce ‘Energy, Climate & Resource Efficiency’ presented the B20 recommendations to the G20:

- Committing to the Paris Agreement
- Establishing a G20 carbon pricing platform
- Committing to financial contributions to drive innovation
- Drafting a G20 energy innovation action plan that identifies unaddressed needs and fosters R&D cooperation on a global level
- Finding a common definition of the term “green finance”
- Adopting the voluntary disclosure framework that is being developed

Jiang Kejun, Director of Research Management and International Collaboration Division, Energy Research Institute in China, said that a low-carbon development is not any longer an international concern, but has become an important domestic issue directly affecting the Chinese population. China has led the world’s largest green bond market that may raise RMB 1.5 trillion (€210 billion) for renewable energy and environmental projects from now until 2020. At the beginning of 2017, the Chinese government announced that China will spend at least \$360 billion on renewable energy development by 2020. Kejun argued that a low-carbon development has become a macroeconomic policy for the country.

The growing leadership of China in driving the low-carbon economy could balance the current developments in the US. At the World Economic Forum in Davos in 2017, Chinese President Xi Jinping underlined the country’s growing commitment to climate protection and its willingness to invest in the future. Kejun emphasized that a leadership coalition of different emerging and industrialized countries would be necessary for a fast implementation of the Paris Agreement.

The panel discussion was followed by a **Q&A session**. The audience asked about the German Finance Ministry’s position on the G20 process and which role fossil fuels play. Eva Kracht responded that it would be desirable that the German Finance Ministry followed the example of France as a role model in green finance. Regarding fossil fuel subsidies, Courbe stated that France strives to work on inefficient subsidies on fossil fuels and Schubert stressed that the G20 carbon pricing platform should also discuss inefficient subsidies.

D. Input: Climate Transparency's Brown to Green Report

Gerd Leipold, Programm Director of Climate Transparency and Jan Burck from Germanwatch e.V. presented the concept of Climate Transparency and its **annual Brown to Green Report** emphasizing the four 'Cs':

- **Comprehensive** information: Climate Transparency aims to fill a gap by providing a comprehensive overview on a country's climate performance.
- **Credible** information: The choice of information sources involves judgement calls, which should be reflected from diverse perspectives. That is why Climate Transparency convenes experts from different G20 countries.
- **Concise information**: Climate Transparency strives to inform those who are central for climate, but for whom climate is not a central concern.
- **Comparable** information: Countries can learn from each other. Climate Transparency provides comparable information to stimulate peer pressure.



Picture 11: Jan Burck, Germanwatch



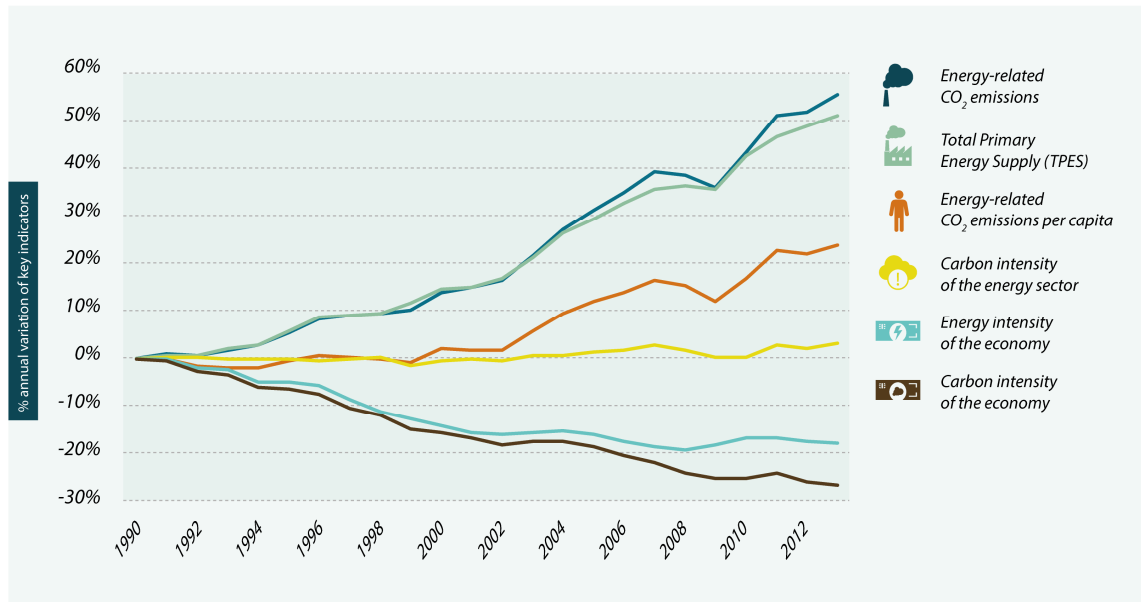
Picture 12: Gerd Leipold, HUMBOLDT-VIADRINA Governance Platform

The Brown to Green Report 2016 - launched at a workshop in Beijing at the eve of the G20 summit last year – identified the **following trends about the climate performance of the G20 countries**:

- **G20 greenhouse gas emissions are not declining**: From 1990 to 2013, G20 energy-related CO₂ emissions - the most important GHG - increased by 56%. According to preliminary data from the International Energy Agency, global energy-related CO₂ emissions, for the first time, stalled in 2014 and 2015.¹ If global temperature increase is to be kept "well below 2°C, pursuing efforts to keep it below 1.5°C", as the Paris

Agreement mandates, then absolute G20 emissions must be drastically reduced in the near future.

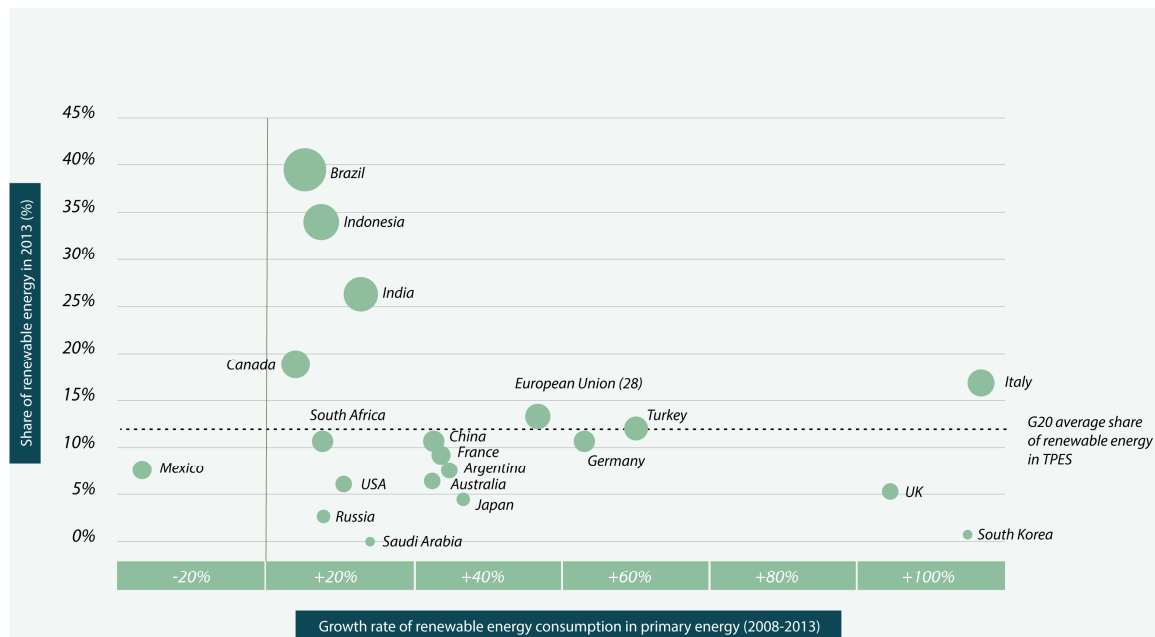
Development of key indicators



Source: CCPI, 2016

- **Renewable energy is a success story worldwide:** For the G20, the use of renewable energy has increased by 18% since 2008. Countries with a high share of renewable energy production are Brazil, Canada, Italy, India, South Africa, Turkey – and the EU. The only G20 country where renewable energy declined from 2008 to 2013 was Mexico, a trend that is expected to change if Mexico adopts new policies under consideration. The carbon intensity of the energy sector, however, is slightly increasing, a consequence of the still strong – and in some cases even growing - role of coal.

Share and growth rate of renewables in total primary energy supply (TPES) (2008 - 2013)

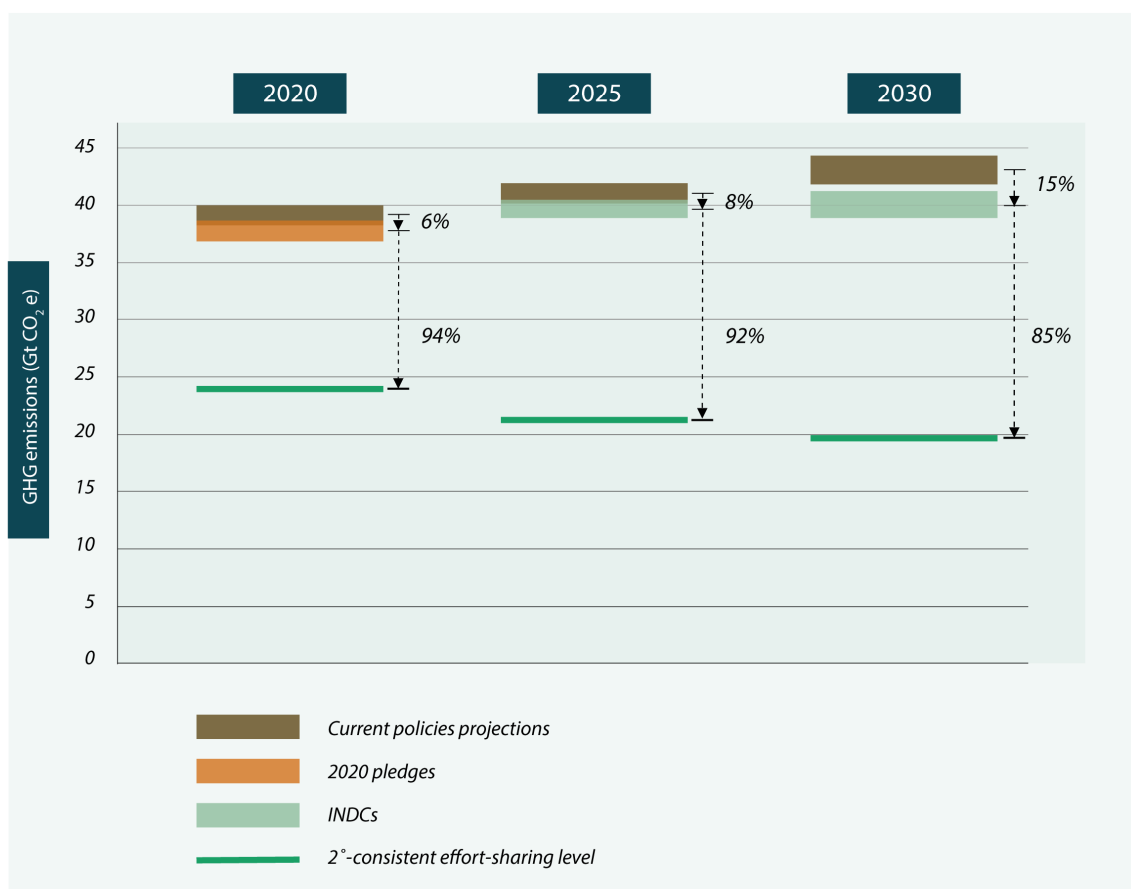


••••• Bubble size > renewable energy share

Source: Calculations by CCPI based on IEA (2014) data.

- ➔ **NDCs are not compatible with 2°C limit:** Despite all these efforts to keep warming below the 2°C limit, the NDCs of the G20 countries are still far from being sufficient: Indeed, the G20, together, needs to reduce emissions in 2030 by a further 85% - six times the efforts they have pledged so far.

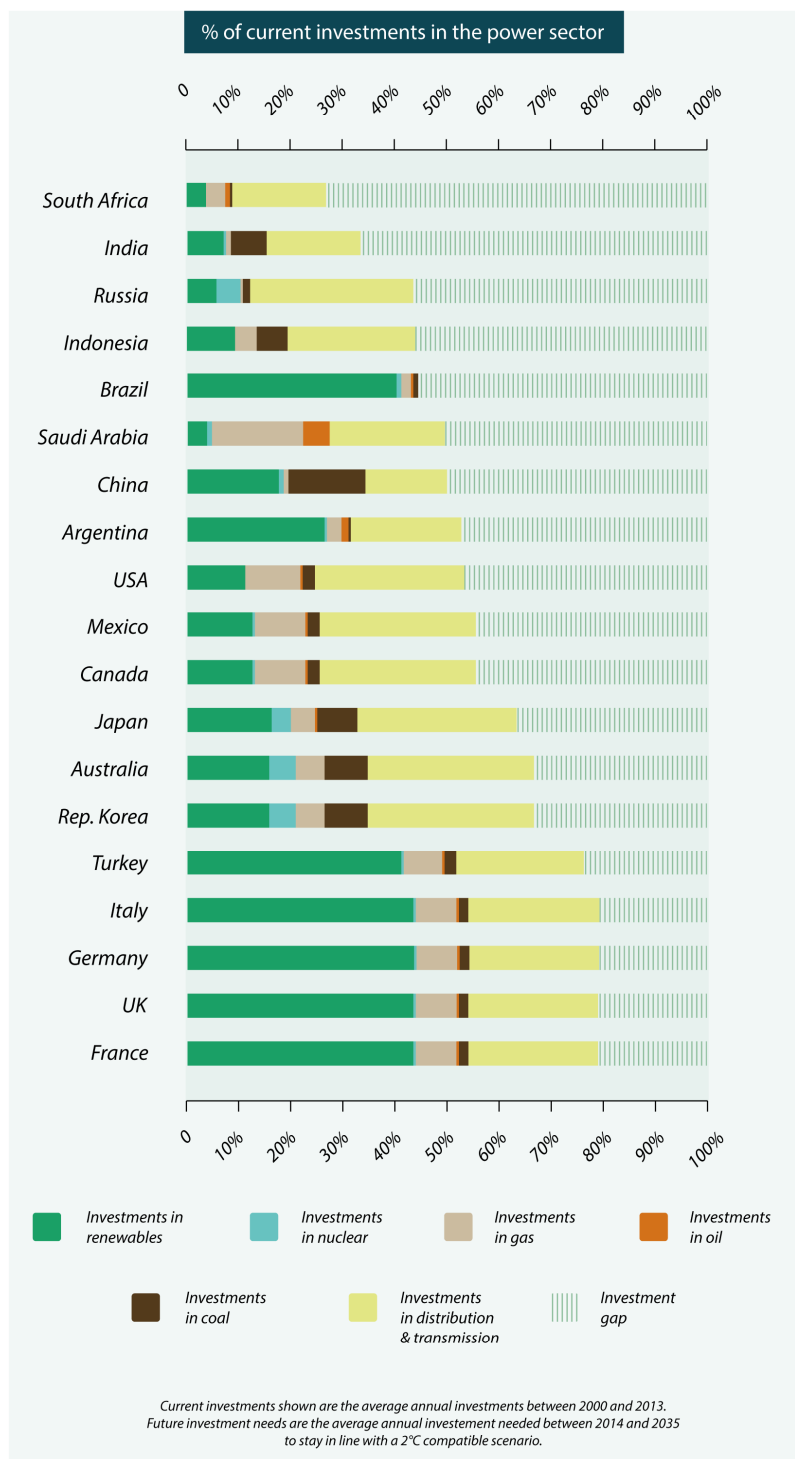
Development and projections of the G20's GHG emissions and the effect of their INDCs



Source: Calculations by CAT (2015) based on national policies and country communications

- ➔ **Investments start shifting from Brown to Green, but still a long way to go:** Channeling resources to green infrastructure and industries is essential to address the climate change challenge. Between 2000 and 2013, G20 states have invested an average of USD 371 billion a year in the power sector. Investments in renewable energy (USD 117,78 billion/year) were, on average, higher than investments in fossil fuels and nuclear energy (USD 92,79 billion/year). To be in line with a 2°C-compatible trajectory by 2035, G20 countries face an enormous investment gap of almost 340 billion USD/year in the power sector. This means doubling the annual investments in the power sector for most developing countries in the G20 and specifically for South Africa and India, more than tripling them. Not only do countries need to scale-up investments in the power sector, but they also need to shift from brown to green investments.

Past investments (2000-2013)
and future power sector investment needs for a 2°C pathway



Source: Own calculations based on WEIO, 2014

E. Panel discussion: How to stimulate more ambitious climate policies in G20 countries?

The second panel brought together partners of Climate Transparency from different G20 countries. The aim of the discussion was to compare and explain the national climate policy performance of G20 countries and discuss how change agents can drive enhanced climate action and benefit from transparency of information. **Niklas Höhne**, NewClimate Institute, moderated the discussion.

Andrew Marquard, Energy Research Centre, University of Cape Town, reported that 90 percent of South Africa's GHG emissions come from the energy and industry sector. Thus, an energy transformation is necessary, but the enormous stock of existing infrastructure like large coal fired power plants constitutes a barrier (path dependency – log in).

The development of renewable energies in the country is very promising: Wind and solar power are already cheaper than energy from coal fired power plants. Brown infrastructure will retire from 2030 onwards, but not fast enough for a 1.5 degree pathway – a real institutional transformation would be necessary. Finally, a carbon tax would have an impact, but more on consumption than on production.

William Wills, Centro Clima, highlighted that Brazil is passing through a major economic and political crisis. GDP decreased by 7% and the country has experienced several corruption cases. Given these economic and political uncertainties, a transformation is difficult to realize at the moment.

Most of Brazil's GHG emissions – 75 percent – come from land use change with a growing trend. Transparency and constant surveillance are necessary to keep civil society informed and deforestation rates in the country low.

Brazil's NDC is very ambitious for an emerging economy. The challenge for its implementation is to raise sufficient low-carbon investments.

According to **Swati Agarwal**, The Energy and Resources Institute, the implementation of India's ambitious NDC can only be achieved through the active support of different stakeholders – civil society organizations, business, politics and research. Transparency, inclusiveness and international peer to peer learning are essential for implementation.

The decarbonization of the electricity sector is crucial if the 1.5 or 2 degree target is taken seriously. This is particularly challenging in India where climate action is strongly interlinked with development questions – a large part of the population still has no access to electricity. Current policies are however promising: A draft 10-year energy blueprint published in December 2016 predicts that 57 percent of India's total electricity capacity will come from non-fossil fuel sources by 2027. The Paris climate accord target was 40 percent by 2030. The

plan also indicated that no new coal fired power stations were likely to be required to meet Indian energy needs until at least 2027.



Picture 13: Jorge Villarreal, ICM; Swati Agarwal, TERI; Fabby Tumiwa, IESR; Niklas Höhne, NewClimate Institute; William Wills, Centro Clima; Andrew Marquard, ERC



Picture 14: William Wills, Centro Clima, Brazil; Andrew Marquard, Energy Research Center, South Africa



Picture 15: Jorge Villarreal, Iniciativa Climática de Mexico, Mexico



Picture 16: Swati Agarwal, The Energy and Resources Institute, India



Picture 17: Fabby Tumiwa, Institute for Essential Service Reform, Indonesia

Jorge Villarreal, Incitiativa Climática de Mexico, explained that Mexico has an ambitious NDC (sufficient funds provided) and is one of the first countries that developed a mid-century climate strategy under the UNFCCC, but a sectoral approach is missing and implementation remains difficult. In addition, despite a renewable energy target in electricity production, public investments focus on gas infrastructure. As with past legislation, civil society in Mexico will have to play an important part in bringing about change: “To be involved is the only way to be relevant”.

Fabby Tumiwa, Institute for Essential Service Reform, reported that 75 percent of Indonesia’s emissions come from land use change. While only 20 percent of emissions are

energy-related, emissions in the energy sector are increasing. Indonesia exports a large amount of coal to China and increasingly to India. Policy makers in the country are still convinced that coal is the cheapest option.

According to Indonesia's renewable energy target, in 2025 renewable energy use should account for at least 23 percent of total energy consumption. Tumiwa stressed however that this target does not acknowledge the 2 degree limit and that no credible policy measures for implementation exist so far. The G20 could be the right forum to pressure Indonesia to perform better in its climate action.

The moderator Niklas Höhne concluded that **these country cases showed that decarbonization is happening despite weakening leadership of the US and the European Union, decarbonization is happening**. Renewable energies are cost competitive and ambitions in climate action have increased.

F. Outlook – Climate change and the Argentinian G20 Presidency 2018

Ana Di Pangraccio, Fundación Ambiente y Recursos Naturales, concluded the event by giving an outlook on “climate change and the Argentinian G20 Presidency in 2018”.

A new president, Mauricio Macri, assumed power in Argentina in December 2015. The legislative elections taking place next October will be the first big test of his administration. Macri has created the first Ministry of Environment, which will have to deal with long postponed environmental issues.

The publication of Argentina's NDC is an important milestone since the country recognizes the importance of taking action against climate change. The proposal is conservative based on a business as usual scenario, with no particular measures for mitigation nor adaptation.

The insufficient NDC is in line with the relevance given to environmental issues in the National Budget each year. On average, no more than 0,1% of the annual National Budget goes to actions to combat climate change in Argentina. In 2016, for each dollar to combat climate change, USD 159 were allocated to measures that generate higher greenhouse gas emissions, equivalent to 5% of the total budget.

President Macri has recently launched two tenders for renewable energy. If this is maintained, Argentina could reach its target of 8% of national electricity consumption from renewables by December 2017. Expansion of renewable energy could be a topic of interest for the G20 agenda in 2018.

Argentina is facing an energy crisis. It is to almost 90% dependent on fossil fuels. Subsidies to the oil industry in the country make efficiency and diversification of the energy matrix very difficult. The support of other G20 countries in this regard is crucial.

Long-term low greenhouse gas development strategies, as stipulated by the UNFCCC have been prepared by several G20 countries, Argentina is not yet among them. The G20 Presidency in 2018 may be a good opportunity to present such a strategy.

G. Closing

The Co-Chairs of Climate Transparency Alvaro Umaña and Peter Eigen closed the event. They emphasized that the discussions of the Forum have shown that there is an enormous potential for the G20 to foster more ambitious climate action. Given the vanishing international climate leadership of the US and partly the EU, a leadership role of emerging economies is more important than ever before. Current decarbonization developments in countries such as China and India are very promising in this regard.

Climate Transparency will publish its 2017 Brown to Green Report on the eve of the G20 summit in Hamburg this year. The publication will be supported by a growing network of partners from G20 countries.

In 2018 and beyond, several workshops and increasing outreach activities are planned in different G20 countries to reach those central for climate in order to stimulate a race to the top in climate action.

Climate Transparency looks forward to the next Brown to Green Forum in 2018 under the Argentinian G20 Presidency.

