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Impacts of mitigation policies & sustainability of the transition

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- Transition towards a low GHG economy and society is underway
- That transition needs to be managed
- Climate change mitigation measures may cause
 - **Intended** impacts
 - GHG emission reductions, internalization of environmental externalities through carbon costs, increased energy/fuel costs, etc
 - **Unintended** impacts
 - Changes in employment patterns, carbon leakage, changes in trade and investment patterns, local pollution, etc

Context (2)

- The unintended impacts can be positive or negative and will have effects in 3 areas of sustainable development
- As transition progresses, more impacts are to be expected, especially during the first phases of the transition

Context (3)

Paris Agreement: Art 4, paragraph 15

“Parties shall take into consideration in the implementation of this Agreement the concerns of Parties with economies most affected by the impacts of response measures, particularly developing country Parties.”

- Understanding and managing the unintended impacts is critical for sustainable development
- Lack of management and transparency can decrease speed and ambition of responses to climate change
 - Actors that feel their interests could potentially be harmed might become barriers
 - Actors that will benefit from positive impacts are not mobilized sufficiently

Climate for Sustainable Growth project

- The objective of the project was analyzing:
 - The impacts of mitigation measures
 - The measures put in place to address the negative unintended impacts
- This is based on five case studies:
 - Three country case studies (Ghana, Poland, Maldives)
 - One sector case study (soda ash)
 - One policy case study (food labelling)
- Focus on unintended and negative impacts
- Project undertaken for CEPS

Project identified issues related to:

- Identifying impacts
- Quantifying impacts
- Addressing impacts

Identifying impacts

- Necessary first step for addressing unintended impacts
 - Across three dimensions sustainable development
- Two main tools are frequently used
 - impact assessments
 - stakeholder consultations
- Can be done ex-ante or ex-post
 - Ex-post means damage is done, but identification and quantification can be done more precisely

Observed impacts: overview

- Negative and unintended impacts exist and are significant
- Impacts can result from
 - Domestic measures
 - Measures in other jurisdictions
 - Not sufficiently understood and considered
 - International measures
 - ICAO, IMO, etc.

Observed impacts: overview (2)

Economic impacts

- Trade or production impacts, growth/reduction in different sectors, competitiveness, carbon leakage, changed cost structures, etc.

Social impacts

- Job losses/gains, need for retraining, democratic/political aspects, health impacts, etc.

Environmental impacts

- Non-GHG emissions, water use, water pollution, biodiversity, air quality, deforestation, land use change, etc.

Economic unintended impacts

- Changes in competitive landscape
 - Installations under EU ETS (Poland, soda ash)
 - Small agricultural producers (food labelling)
- Fiscal pressures
 - Scaling down of expenses on development issues (Maldives, Ghana)
- Potential for carbon leakage and changes in investment, production and trade patterns (Poland, soda ash)

Economic unintended impacts: cross-border

- Cross-border pass through of carbon costs (soda ash)
- Decreased tourism revenues because of higher prices for aviation (Maldives)
- Higher costs of imports and exports due to international maritime transportation measures (Ghana, Poland, Maldives)

Social unintended impacts

- Pressure on disposable incomes due to subsidy reform (Ghana, Maldives)
- Energy poverty (Ghana)
- Job losses versus job creation
 - Waste sector (Ghana)
 - Energy sector (Maldives)

Environmental unintended impacts

- Deterioration of local and sensitive areas through siting Renewable Energy projects (Maldives)
- Local soil and air pollution during construction and decommissioning of projects (Ghana, Maldives)

Identifying impacts: issues identified

- Little awareness, knowledge and capacity in developing countries
- Knowledge available in developed countries
 - *BUT: there is also a lack of understanding of cross-border impacts*
- Identification/separation of impacts climate change policies from other policies

Identifying impacts: issues identified (2)

- Creation of information systems and protocols to collect information
 - Methodology?
 - International procedure for collecting data and identifying impacts?
- International framework for identifying impacts

Quantifying impacts: issues identified

- After identifying impact, quantifying them is necessary in order to address them in a sufficient and efficient manner
- Need a methodology and tools to quantify domestic and international impacts
 - Ex-ante tools (simulations etc)
 - Ex-post tools (stakeholder consultations etc)

Quantifying impacts: issues identified (2)

- Have tools (such as IAs) as integral part of any policy approval process
 - introduce these impacts in the policy process!
- Data is currently not being collected
 - Sometimes ex-ante
 - Seldom ex-post
 - Not internationally/cross-border

Addressing impacts

- Impacts can be managed:
 - Ex-ante
 - Carbon Leakage List (Soda ash, Poland)
 - Economic Diversification Strategy (Maldives)
 - Capacity building and training (Food labelling)
 - Inclusion of options in market-based mechanisms (ICAO, IMO), such as offset mechanisms and *de minimis* thresholds
 - Ex-post
 - Fossil fuel subsidy phase out (Ghana)
 - RSPO smallholder support fund (Food labelling)

Which domestic tools have been used?

- Cost alleviation
 - Free allocation EU ETS (Poland, Soda ash)
 - International offsets (Poland, Soda ash)
 - Green Investment Scheme (Poland)
- Planning and management of projects and programmes
 - SREP investment plan (Maldives)
- Domestic safety nets for social impacts (Poland)
- Timing
 - Fossil fuel subsidy phase out (Ghana)
 - Electricity subsidy reform when fuel is cheaper (Maldives)

Which international tools have been used?

- Finance
 - International donor funding (e.g. from the World Bank, GEF, IMF)
 - International projects (CDM in Ghana)
- Capacity building and technical support
 - Capacity Building Framework (Maldives)
 - Intensive training and capacity building (Food labelling)

Which international tools have been used?

(2)

- Inclusion of impact mitigation mechanisms in multilateral policies (ICAO and IMO)
 - Offset mechanisms with credits created in countries that are impacted
 - De minimis thresholds that exclude:
 - small countries or operators
 - developing countries
 - countries that do not contribute significantly to emissions from the sector
 - Slower phase in for vulnerable countries
- Technology transfer

Which international tools have not been (sufficiently) used?

- Green Climate Fund
- Technology mechanism
- Adaptation Fund
- Capacity Building Framework

- International safety nets? Or international framework to mitigate impacts?

Questions for discussion

- Which other tools can be used to identify and quantify impacts?
- Are there more domestic and international tools ready to address impacts?
- Which role can the UNFCCC play?
- Which role can individual countries play in creating the necessary knowledge?

White Paper and case studies are available on:
www.ceps-ech.eu/article/climate-sustainable-growth

Thank you for your attention

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