The Just Transition and Climate Resilient Development.

How the Climate Crisis can be turned into Opportunities for Economic and Social Transformation in Developing Countries?

Presentation to UNCTAD, Third World Network and the G77 Workshop held on the 29th of September 2023

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A. Introduction

On the 12th of June 2023, the UNFCCC issued an "informal note by the co-facilitators' - guidelines for the work programme on "just transition pathways".

The guidelines include the need to;

a) enhance understanding of just transition pathways', 'taking into account the needs of all countries ....'especially developing countries in relation to the achievement of sustainable development and national priorities, the eradication of poverty, the achievement of well-being, the right to development, the ending of hunger and the ensuring of food security', including the creation of decent work and quality jobs;

b) recognizing that just transitions have global dimensions, wherein developed countries must take the lead …and help to mobilize financing for achieving such pathways in developing countries including finance, technology and capacity-building… in accordance with Articles 9-11 of the Paris Agreement.

Article 2 and Article 9-11 of Paris Agreement

- Article 2 (para. 1) of the Paris Agreement specifically refers to the need to respond to climate change in the context of sustainable development and efforts to eradicate poverty, including by 'making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development'.

- Article 9 of the Paris Agreement states that 'developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention'.

- Article 10 and 11 of the Paris Agreement pledge technology transfer and capacity building to developing countries to support the implementation the Paris agreement (UN, 2015).

Debate on just transition

- There is a debate amongst interest groups in UNFCCC on concept of a "just transition".

- Just transition – emerged in US in 1990s– workers response to environmental protection - interest groups concerned with "environmental justice", "climate justice", and "energy justice"

- At COP 26 held in Glasgow, South Africa was provided a package of loans to the value of $8.5 billion by the UK, US, France, Germany, and EU as part of South Africa's "just transition from coal-based energy towards renewables – became known JET-P – then replicated in Indonesia, Vietnam and Senegal..

- SAs JET–P or financial support - Not clearly unpacked – but the bulk is for mitigation and only a fraction is in "grant" form.

B. Competing Visions of the Just Transition – Market – based solutions

- Neo-classical economic theory that regards climate change as a market failure related to a negative externality in the form of greenhouse gas (GHG) emissions.
- Market-based mechanisms (such as carbon taxes, carbon permits, etc) aim to increase the cost of products that rely on carbon-intensive production processes.
- Some interest groups want to limit the transition to market-based solutions – these groups believe that "decarbonization was fundamentally a challenge of crowding private credit into green activities, by blending public and private finance" - these interest groups focus on 'de-risking' investments for the major investment companies, guaranteeing their profitability at the expense of the taxpayers (Gabor, 2022b).

Alternative Perspectives on the just transition and climate resilient development

- The concept of "sustainable development" was adopted by the United Nations Conference on Environment and Development, also known as the "Earth Summit" in Rio de Janeiro, Brazil, in 1992 - highlighted the interconnections between economic, social, and environmental issues and created the UNFCCC.
- IPCC researchers - Fifth Report - argue that "transformational changes" are required for "climate-resilient development pathways" - defined Climate Resilient Development as "development trajectories that combine adaptation and mitigation to realize the goal of sustainable development" (Denton et al., 2014).
- A just transition and climate resilient development pathways require alignment/coordination with:

a) Monetary and Fiscal Policy;

b) Industrialization and;

c) the role of the State.

Recommendations – competing visions

- The ‘just transition’ measures to address the energy transition will require greater coherence and alignment in developed and developing countries with; a) monetary and fiscal policies, b) sustainable industrialization, and; c) a stronger green state that guides the investments required for climate resilient pathways. Thus, a strong and intelligent state is required to lead this process of investment centred transformation for the following reasons:
- First, a mere tinkering with market-based approaches, such as carbon pricing, and ‘de-risking’ that is incremental and project based, will not be able to reach the scale and depth of the transformation that is required if humanity is to meet the challenge of holding global temperatures to below 1.5 degrees above pre-industrial levels.
- Second, attempts to de-risk the investments of asset managers and other major businesses could undermine the efforts to advance inclusive and just transitions and climate resilient development pathways in developing countries.
- Third, it is argued that efforts underway to address mitigation of GHG emissions must also accompany other efforts to address adaptation in agriculture and industry and the building of greater resilience in infrastructure and social institutions.

C. Systemic imbalances, asymmetries and inequities of the global economy

The just transition to a low carbon economy must address the existing systemic/structural asymmetries and imbalances and inequities – of the global economy and institutions that impede and constrain the development of developing countries such as:

i) The low-value trap of commodity production and trade within global value chains - the rise of GVCs and the increasing concentration of wealth and inequality between countries of wealth and inequality between countries (poor countries – 6%share of value; cocoa etc)
ii) Asymmetries, imbalances and inequities of the global financial architecture (dev countries paying 5-6 times OECD countries)
iii) The imbalance and asymmetries of the global trading system (protection of agriculture and rules on IP and subsidies that reduce the

Why developed countries have an obligation to contribute to the transformation of developing countries?

There are at least three reasons why developed countries have a responsibility and an obligation to contribute significantly to the process of transformation required for developing countries to advance their climate resilient development pathways and the SDGs.

First, developed countries have historically been the main emitters of GHG emissions and developing countries, especially, the poorest in Africa have contributed an insignificant amount to climate change.

Second, the structural asymmetries and inequalities, such as the inequitable commodity terms of trade, international trade rules and financial architecture continue to constrain and impede the development of a large number of developing countries, reducing them to poverty and underdevelopment.

Third, developing countries, especially, the most vulnerable small island states and least developed countries, are experiencing the most devastating impacts and burden of climate change.

Opportunities for Developing Countries to industrialize and transform

The current systemic crises offers developing countries an opportunity to leapfrog technologically and transform their economies:

1. building renewable energy infrastructure to provide affordable energy to the poor and for their sustainable industrialization pathways.

2. An abundance of renewable energy and critical minerals for the new green and digital revolution provide developing countries with the opportunity to add value to their commodities, create decent jobs, reduce poverty and increase living standards – sustainable industrialization or Green Manufacturing.

3. Extreme temperatures and climate change in agriculture also creates an imperative for developing countries to obtain the use of smart agriculture technologies, increase yields and productivity and develop more resilient food systems for food security.

Recommendations on Reform of the WTO

- First, developed countries should recognize the principle of S&DT and CBDR-RC as agreed in various WTO agreements and UNFCCC conferences.

- Second, the WTO can use the example of the Doha Ministerial Declaration on the TRIPS Agreement and Public Health (WT/MIN(01)/DEC/2) to also expand TRIPS flexibilities for developing countries in relation to climate-related goods and service.

- Third, developed economies such as the EU and the US that are considering applying CBAMs against the imports from developing countries should rather support a positive trade agenda to encourage and assist developing countries to implement their mitigation commitments and adaptation development strategies.

Recommendations on Reform of the Financial Architecture

- The United Nations policy brief titled, ‘Our Common Agenda’, offers a number of policy proposals for reform of global financial architecture and DFIs (WB/IMF):

- First, the report calls on multilateral development banks (such as the World Bank) to change the terminology from “de-risking” to “risk-sharing” to ensure that the private sector partners are not overcompensated.

- Second, the report urges more transparency in climate finance to ensure additionality to development assistance. Climate finance should be additional to official development assistance and incorporate adaptation and climate resilient development as reflected in Art 2 of the Paris Agreement.

- Third, the UN calls for more permanent international financing for climate finance - from levies on transborder activities such as; shipping, aviation, fossil fuel trade, and international financial transactions.

Recommendations on Reform of the Financial Architecture – Loss and Damage Fund

- The most important outcome of COP27 - the so-called ‘African COP - was the decision to create the ‘loss and damage fund’ – a demand that developing countries had been making for over 30 years.

- Barbados Prime Minister Mia Mottley’s Bridgetown Agenda, also called for the reform of the global financial architecture and to address the debt burden of developing countries.

- However, there was no further clarity on the need to increase the target of climate finance above $100 billion or to set a target for climate finance for adaptation.

- The goals of COP28 will thus be to operationalise the ‘loss and damage fund’ and to set clearer targets on climate finance for adaptation.

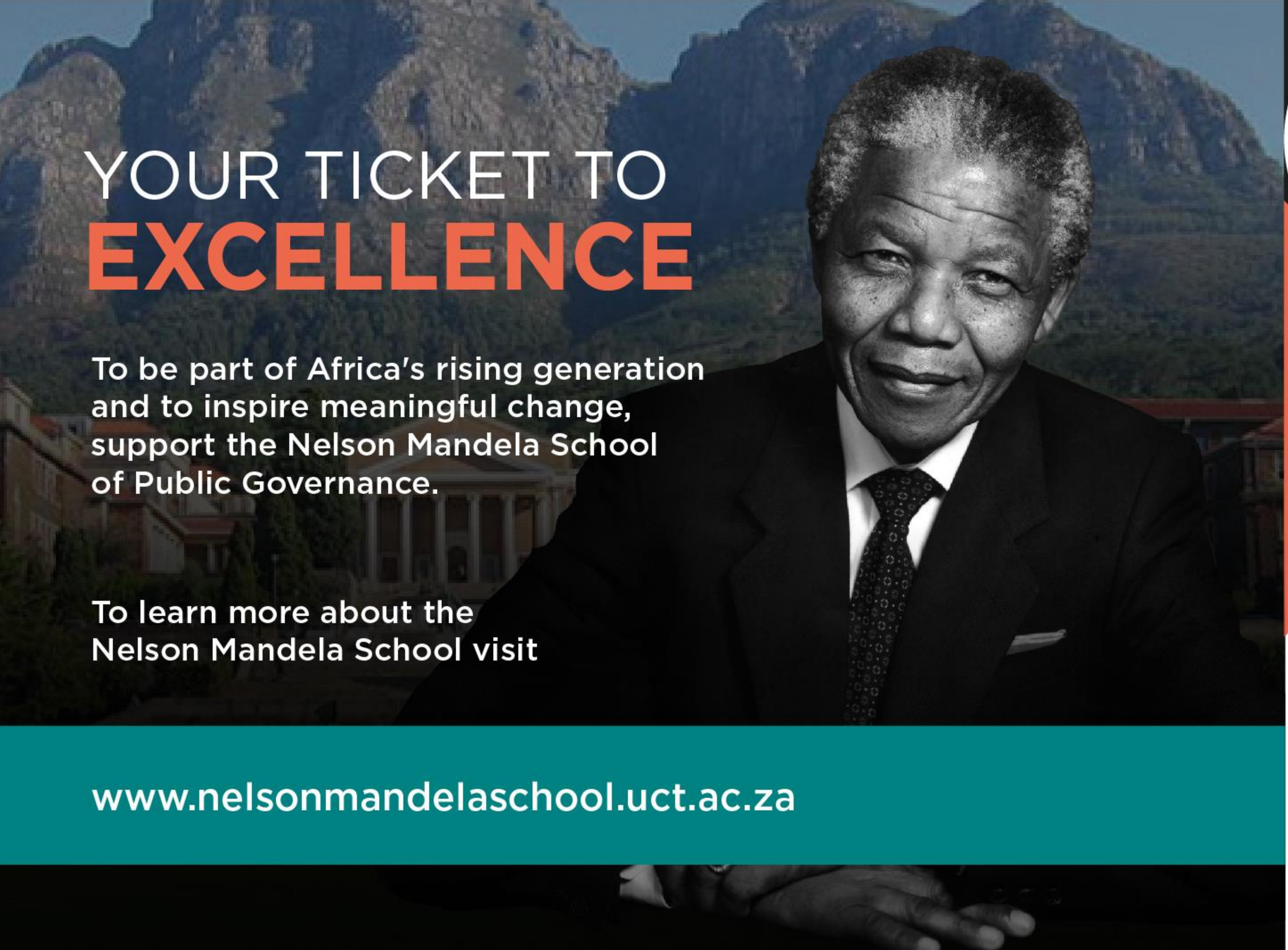
- The Paris Agreement made promises to developing countries to provide them with capacity building and technology transfer (Article 9-11) - these funds could support developing countries adaptation efforts and to build their infrastructure for climate resilience.

In Conclusion
A Global Green New Deal

- Developing countries should also engage with the major powers, build their own South-South coalitions, and advance campaigns to reform the global trade, finance, environment, and other UN agencies - creating greater coherence in global governance.

- For developing countries and indeed all of humanity this is perhaps the last opportunity to also make a transformative shift in our values; from prioritizing, profit, wealth and power for the few, towards inclusiveness, cooperation, solidarity, social justice, equity and a more harmonious relationship with nature.

- Finally, I would argue that a truly Just Transition must advance Climate Resilient Development in developing countries and requires a Global Green New Deal that combines environmental recovery, financial stability and economic justice through massive public investments in decarbonising our energy, transport and food systems while guaranteeing jobs for displaced workers and supporting low carbon growth paths and transformative sustainable industrialization in developing countries as proposed by UNCTAD.



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