CLIMATE CHANGE

Momentum, but few measures

INTRODUCTION

In 136 countries across the globe, following Leonardo DiCaprio, Ban-Ki-Moon, Laurent Fabius and Sting, activists marched on Sunday to put pressure on their leaders ahead of the UN Climate Summit in New York. More than 120 of them – including President Obama – turned up but no new emission targets were proposed. Glaringly absent were China's Xi Jinping and India's Narendra Modia, respectively leaders of the two most populous countries and the first and third carbon emitters on earth. Also conspicuously missing, Canadian and Australian Prime Ministers Stephen Harper and Tony Abbott and Russian President Putin. Despite the snubs, however, there is no question that renewed political momentum is under way for the development of global CO2 emissions reduction targets ahead of the 21st Conference of the Parties on Climate Change 2015 (COP 21) in Paris in December 2015.

PIECEMEAL MEASURES

On 5 June 2014, the G7 reiterated its commitment to agreeing to those targets by December 2015, closely following President Obama's announcement that the US would aim to reduce CO2 emissions from the US power generation sector to roughly 30% below 2005 levels by 2030.

Brussels

In Brussels, policymakers remain focused on political jockeying. Commissioners-elect are getting ready to walk the plank at parliamentary hearings. MEPs are considering how to assert – read increase – their powers without creating an institutional crisis. Greens are accusing the new Commission of not being green enough for their liking. However, you will be hard put to find a Commission, Parliament or Council official who is not acutely aware that CO2 emission abatement will be front and centre of the policy agenda in the next five years. Notably thorny will be the revamp of the EU's flagship and fledgling European Trading Scheme (ETS) and the progression of the proposed 2030 policy framework for climate and energy. Should an agreement be found in Paris at COP 21, Juncker's Commission will need to implement it. No easy task considering the diversity of Member State energy mixes, policies, economic situations and priorities. On an individual basis, however, most European heavyweights have already implemented some form of emission reduction policy.

London

In the Energy Act 2013, the UK initiated reform of its electricity market to encourage low carbon electricity generation and to ensure security of supply. The Act created the EU's first European Performance Standard (EPS), although excluding from its scope the country's existing fleet of coal-fired plants. However, the 2014 Budget saw the coalition government announce that the carbon floor price would be capped at £18 per tonne from 2016 to 2020 to limit carbon leakage and avoid increasing consumer bills. As the general election nears and with EU membership bound to be high on the political agenda, the government won't be boasting to editors about its support for Europe's green agenda but will continue to bargain with Warsaw behind closed doors to soften the latter's opposition to any ambitious EU-wide measures.

France

Across the Channel, Ségolène Royal, the current Minister for Ecology, Sustainable Development and Energy, recently presented to Cabinet the much-awaited law 'on the energetic transition for Green Growth'. Paris has ambitions to become an example of environmental excellence, particularly in view of its hosting COP 21, but is faced with the difficult challenge of reducing the share of nuclear energy in its mix without increasing the country's CO2 emission. The new bill sets out an array of ambitious energy transition objectives (CO2 reduction; share of nuclear; consumption of fossil fuels; energy efficiency) and provides remarkably little insights on just how these will be achieved.

Germany

Berlin's ambition to take off the grid the last German nuclear plant by 2022 may have won the hearts of anti-nuclear activists but has boosted consumer prices and coal consumption alike. The entry into force of the national renewable energy law in August 2014, which aims to reform the approach to the build-up of renewable energy and infrastructure, is unlikely to fully solve the issue. Chancellor Merkel will continue, however, to advocate more ambitious targets than the EU and aims to reduce greenhouse gas emissions by 40% by 2020.

Private sector

In boardrooms as in Cabinet meetings, the challenges of climate change are increasingly steering some decisions. In March 2014, Norway's 'oil fund', the largest sovereign wealth fund in the world, launched an expert group to analyse if it should stop investing in fossil fuel companies. On Monday, the Rockefeller Fund announced it would divest from coal and Canadian oil sands and review all its investments in the fossil industry. On the same day, a World Bank initiative saw more than 1,000 businesses and investors signal their support for carbon pricing including the likes of BP; BHP Billiton; Arcelor Mittal and the China National Offshore Oil Corp. (CNOOC). Similarly, a number of leading oil and gas companies were reported to have sent representatives to the UN summit.

CONCLUSION

Faced with the increasing momentum for climate change mitigation polices, companies are engaging with policymakers to ensure industry-specific favourable outcomes. The complex nature of the existing body of legislation, coupled with direct and indirect subsidies favouring the expansion of particular energy generation sources, have produced significant market distortions. These are likely to remain – but change – as policy continues to intrude in energy markets whether to address the challenges posed by climate change or by security of supply. Whether in Washington, Beijing, London, Brussels, Berlin or Paris, policymakers will be talking climate change for the foreseeable future. The question is: which industries will be part of the conversation rather than the subject of it?

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