

Crossing the Bridge to a Carbon-neutral Society

An IISD Commentary

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For almost 20 years, as the science became progressively more precise and frightening, we have assumed that the only way to get to a low-carbon—and ideally a carbon-neutral—society was to reach a global agreement whereby the world’s nations would agree to act on the basis of clear targets, with the burden shared on an equitable basis among them and a functioning carbon market that would seek the most cost-effective way to reduce emissions.

Copenhagen put “paid” to that hope. We may achieve these aims, but not in the short term, and we may only have the short term—or at most the medium term—available to us if we are to act on reducing atmospheric carbon in time to avoid catastrophic and irreversible climate change.

Does this mean we should give up on the United Nations Framework Convention on Climate Change (UNFCCC) process, abandon the succession of mega-conferences in exciting cities and resorts and await the inevitable in the comfort of our homes and offices? It does not. First, while a comprehensive, ambitious and binding agreement appears out of reach, there are many areas of international climate cooperation that are moving forward and others that are close to a breakthrough. For example, Reducing Emissions from Deforestation and Forest Degradation in Developing Countries plus (REDD+); agriculture; climate finance; monitored, reported and verified systems; and others appear within reach or are already underway in a fairly satisfactory manner. It is not enough to turn the tanker around, but it is enough to keep hope alive and make continuing negotiations worthwhile.

The better news comes from the growing efforts being made at the local, regional or enterprise level to cut emissions and to favour low-carbon development. All over the world, municipalities, companies, states and provinces are showing a willingness to go well beyond what their own governments are prepared to do. The Western Climate Initiative linking several U.S. states and Canadian provinces in a shared climate action program is just one example. Another is the case of the 25 major corporations that signed a letter asking the U.S. president to take more resolute action to lower global carbon emissions. And there are literally hundreds of towns and villages all over the world that have taken a pledge to address climate action.

This is encouraging and it is a high priority to identify the successes, work out how they can be replicated and, where possible, significantly scaled up. We need a bottom-up groundswell that overwhelms (and shames) our recalcitrant governments into action and an effort focused on this level might pay more dividends than lobbying our government representatives in Copenhagen, Cancún or Durban. But neither is this enough.

There are, unfortunately, many reasons why the transition to a carbon-neutral society is proceeding at a frustratingly slow pace. These have to do with the policy frameworks in place that give

encouragement to industry and to the consumer to prefer carbon-based production and consumption over the alternatives. Three examples will suffice.

First, subsidies to fossil fuels run at over US\$500 billion per year—a sum that, if directed at the low-carbon transition, might take us a long way toward a carbon-neutral society. Instead, it offers a strong incentive to move the other way. Efforts are afoot in the G-20, within the Asia-Pacific Economic Cooperation forum and elsewhere to phase out at least the most egregious of these subsidies. But this effort is slow to take off.

Second, the conditions that govern international investment often discourage investment in clean energy. For example, if a government changes its legislation to favour investment in renewables, those invested in traditional energy can argue that this represents indirect expropriation of their own investment and seek compensation. Any dispute of this sort is likely to be heard in an international arbitration tribunal, behind closed doors, and on the basis of commercial considerations alone. The public policy goal of lowered greenhouse gas emissions is not likely to be relevant to the case. At the very least, this has a significant “chill effect” on potential investors in clean energy.

Finally, even though there are endless opportunities for investors in clean energy—especially in the developing world—too many things (in addition to subsidies and investment rules) combine to scare the investor off. These relate mostly to the domestic energy policies in the host country. Energy pricing regimes, monopolies over energy distribution, preferences for domestic producers and many other factors end up discouraging investors.

If we really want to speed the transition to a carbon-neutral society, we would be foolish to pin our hopes on the UNFCCC process. The bottom-up initiatives taken by many all around the world are worthy and they should be replicated and scaled up to the extent possible. But we will not truly cross the bridge to a carbon-neutral society until we can put in place a policy framework that favours it. This, in my view, should be our highest priority

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