

CATALYZING EFFECTIVE COLLABORATIONS FOR A 1.5°C FUTURE: ROUNDTABLE REPORT

BY DR. KAUSHIK DEB | SEPTEMBER 2022

On May 24, ReNew Power hosted a private roundtable conducted on a not-for-attribution basis on cooperative approaches to achieving the goal of limiting global warming to 1.5° Celsius. The roundtable took place on the sidelines of the World Economic Forum (WEF) Annual Meeting 2022 in Davos, and the Center on Global Energy Policy contributed as a knowledge partner—the author compiled the following summary of key issues raised during the event.

The focus of the roundtable was on enhancing cooperation between various stakeholders with the aim of achieving climate targets reaffirmed in the United Nations Climate Change Conference (Conference of the Parties, or COP26) in Glasgow in 2021. Roundtable participants included senior policy makers, corporate executives, civil society representatives, analysts, and experts from academia and think tanks. Participants also reflected a diversity of views across geographies, with representation from Africa, the Americas, Asia, and Europe.

Decarbonization Agenda in Developing Countries

At the outset, participants recognized that historically, developing countries have not been responsible for the vast quantities of greenhouse gas (GHG) emissions that are the problem. These countries now face the dual challenge of development and industrialization while decarbonizing their economies. Nevertheless, speakers cited a number of examples of developing countries taking action on climate change.

This event summary reflects the author's understanding of key points made in the course of the discussion. It does not necessarily represent the views of the Center on Global Energy Policy. The summary may be subject to further revision.

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For example, India made significant commitments at COP26 to develop renewable electricity, with the private sector playing a major role, according to a speaker. Another participant noted that India may industrialize without “carbonizing.” Carbonizing in this context refers to the increase in GHG emissions as countries increase their economic prosperity by industrializing and by increasing urbanization. That speaker also asserted that it is the only country with such a large economy, population, and territory that is projected to meet all its Nationally Determined Contributions defined in the Paris Agreement. A key element of India’s climate action plan includes using more renewables, and, according to participants, India has made large strides toward that goal with the central government and state governments working in partnership with private companies. Discussants agreed that effort must now be made in hard-to-abate sectors, such as refinery, fertilizer, steel, and long-distance transportation, for example by reducing the cost of producing green hydrogen and increasing its usage.

Members of the roundtable argued that Egypt has also committed significant efforts to its decarbonization pathway. Participants identified rationalizing fuel price to reflect the cost of supplying said fuels, developing renewables, moving away from coal to natural gas for power generation, and promoting green mobility as elements of this effort. Like in India, speakers noted, the private sector played a key role along with multilateral development banks. According to some discussants, adaptation and resilience is a central aspect of the fight against climate change in Egypt, and the country is finding ways to engage the private sector in this effort. Others pointed out that the green hydrogen potential is also very significant in Egypt because of its abundance of renewable energy production resources (e.g., wind and solar).

Financing the Energy Transition

Funding the transition to a decarbonized energy system through green financing was recognized as a once-in-a-generation opportunity. Roundtable participants observed that there is considerable ambition for raising funding from financial institutions for green and energy transition projects and assets. Speakers agreed that the problem is not money, but institutional frameworks. They assessed that sufficient private capital will be available as long as returns can be assured, but that that would require the development of an appropriate, enabling environment.

Discussants noted that environmental, social, and governance (ESG) and net-zero commitments from companies, particularly financial institutions, are a welcome change that could provide financing for the energy transition. They agreed that including climate change considerations in non-energy investments can help make more investment environmentally conscious.

There is also a role for multilateral development banks and public finance to mitigate risks for renewable energy projects and thus reduce the effective risk premium and interest rates. One speaker illustrated the point using the case of Egypt, arguing that national economic reforms can help mobilize private sector finance as well as funds from multilateral development banks. Participants agreed that all projects, including for adaptation, have to be financially viable and that if that condition is met, sufficient capital should be available for financing the energy transition.

Participants noted that green bonds are an option but that such financing would require more scrutiny, monitoring, and reporting. They also suggested that a pipeline of projects that need such financing would be helpful, though that would entail a great deal of coordination between diverse national entities, which would need to develop the institutional setup for green bonds and ensure that there are projects that can utilize such financing. This discussion highlighted what speakers saw as the need for developing additional capacity in financial institutions, private companies, and governments in the developing world. Some participants noted that developing such capacity might then allow for other types of activities to obtain dedicated financing, citing bonds to finance the Sustainable Development Goals as an example.

New and Emerging Technologies

In assessing various green technologies, the participants' consensus was there is a need for innovation and investment in the full energy ecosystem in order to get to a sustainable future. Speakers observed considerable investment in relatively developed technologies (participants cited some related to renewables) and that there is now an interest in earlier-stage technologies, such as hydrogen; energy storage; and carbon capture, utilization, and sequestration (CCUS). A few examples from North America were cited to illustrate such early-stage investment in new technologies. Roundtable members highlighted the role of governments in de-risking such investments.

Synergies Between Energy, Security, and Development

Russia's war in Ukraine has brought to the forefront the need to ensure energy security in an environment where the world is just emerging from the pandemic. Speakers noted that the new development of natural gas assets in the Mediterranean has allowed the region to help support Europe as it seeks to wean itself off of Russian natural gas. The Mediterranean Gas Forum, which includes Egypt, Greece, Cyprus, Israel, and Palestine, was cited as an example of regional integration that allowed for a coordinated response to the crisis in Europe.

Expectations for COP27

Roundtable participants were confident that discussions at this year's UN Climate Change Conference (COP27, which will be hosted in Sharm El Sheikh, Egypt) will focus on energy sector priorities in developing countries and, in particular, how to transition to a low-carbon economy in the Global South, as well as the role of greater cooperation between countries and among other stakeholder groups. Additionally, speakers foresee calls for larger financial outlays from developed countries.

Speakers expected that concrete actions for the execution of climate plans will emerge from COP27. In particular, discussants asserted that there has to be a focus on the ability of countries, businesses, and local authorities to deliver on commitments made as part of the Paris Agreement. However, they acknowledged that this effort may be hampered by geopolitical crises, not just in Europe but also in the Middle East and Africa. Roundtable participants underscored the need for deep collaboration, such as that emphasized by the Egyptian government, to leverage complementarity between different stakeholders.

Participants highlighted that developing countries would benefit from funders, especially from developed countries, shifting more effort, recognition, and assistance to meeting the goals of adaptation and resilience. This would be a change in emphasis from the previous focus on mitigation activities. Increased financing support from developed countries, multilateral development banks, philanthropies, and the private sector is another area speakers anticipated will be in the spotlight at COP27.

Conclusion

To conclude, roundtable participants observed that several initiatives around the world aim to mitigate climate change while also acknowledging the importance of adaptation-related actions. They observed that countries such as Egypt, the host of COP27, and India, the world's third-largest GHG emitter, are making progress toward decarbonizing their economies. New technologies, such as hydrogen, energy storage, and CCUS, are being deployed to leapfrog emerging economies into a decarbonized energy system. Financing this transition is key, and participants highlighted the critical role of non-developmental financing actors, such as ESG funds, financial institutions, and private companies. Speakers expected that these developments would accelerate in the run-up to COP27. Participants from different stakeholder groups and geographies reaffirmed their commitment to working collaboratively to achieve the goal of limiting global warming to 1.5°C and called on all countries to meet their commitments, individually and jointly.

About the Author

Dr. Kaushik Deb is a Senior Research Scholar at the Center on Global Energy Policy at Columbia University's School of International and Public Affairs, where his research focuses on policies to achieve a just and efficient energy transition in developing countries, especially the role of oil and gas markets. Prior to joining the Center, Kaushik led the Markets and Industrial Development Program at the King Abdullah Petroleum Studies and Research Center in Riyadh, managing the Center's engagement with Saudi Arabia's Ministry of Energy in supporting the development of short and long term strategies for oil and gas markets to achieve the Kingdom's energy sector objectives.

Before this, Kaushik was the Head, Global Gas Markets in Group Economics in BP overseeing analysis that formed the basis for the investment and trading strategy of the company in natural gas. He also led the gas sections of BP's flagship publications, the Statistical Review of World Energy and the Energy Outlook. Prior to BP, at IDFC (now IDFC Bank), his portfolio included policy research and advocacy on infrastructure and environmental economics issues such as low carbon infrastructure, decentralized electricity services in rural areas, and organized intermediate public transport systems for small towns. He has also guided and implemented research in applied economics in TERI (The Energy and Resources Institute) and was the Programme Director of the MBA Programmes at TERI University.

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