REIL roundtable demands worldwide low-carbon policy framework

Tuesday, 12th July 2011

Participants at the first Renewable Energy and International Law (REIL) roundtable in Cambridge argued that the UN must provide a worldwide common policy framework for low-carbon energy to get the renewables sector off the ground. **Aled Jones**, director of the Global Sustainability Institute at Anglia Ruskin University, and **Samir Saran**, vice president of India's Observer Research Foundation, present the rountable's key findings


Jones and Saran

Renewable energy remains a policy challenge for many political leaders around the world. It is a topic many probably wish was not there.

Climate change and energy security create a complex political challenge that must not only be considered in the context of well-entrenched existing energy markets and their incumbents, but also with a host of other issues such as international security, international trade, financial stability, inequity, debt, health care, pensions and poverty (in all its guises).

It is not helped by increasing divisions within countries, which means passing any sort of national legislation is incredibly difficult, if not impossible - never mind signing up to bold international treaties.

However, it is interesting to note that the world can look for insights from another industry that represents a significant percentage of global GDP, which did not really exist 20 years ago - namely telecoms and IT.

The telecoms industry grew up with no real oversight and no drive from policymakers. The need to self-regulate by creating common standards became very clear early on, otherwise global growth would have always been limited by competing technology platforms failing to integrate and support each other. The standards and protocols that were developed allowed the industry to grow exponentially. It is quite likely that if the early entrepreneurs had had to deal with those issues when they set out on their quest for innovation, or were faced by demands from policymakers early on, we would not have the industry that we do today.

In addition, this entrepreneurial approach allowed the industry to meet market demand at a price the market could bear. For example, in India the telecoms industry was able to tap into the billion customers at the 'bottom of the pyramid' by offering a price they could afford.

There are of course several current issues within the telecoms and IT sector - not least privacy laws and

This article was first published in the *Global Energy Review* online news, 12th July 2011
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differences in freedom of expression and freedom of information around the world. However, the industry can now tackle these issues from a strong base.

While regulation and policy in the renewable energy area exists, it is often uncoordinated, is marked by uncertainty, delivers unintended consequences and is subject to change. So is the absence of coordinated, long-term, well thought out regulation and coordinated action a good thing for the renewable energy sector?

While it may be a good thing in the short term, allowing some early entrepreneurs to build substantial enterprises, it is unlikely to achieve anywhere near the same transformation that was seen in the telecoms and IT sector - especially when the cost of renewable energy must compete with more traditional sources of power that do not incorporate a cost for carbon.

Two key reasons why renewable energy is unlikely to have the same impact as the telecoms and IT sector: land and the fact that we can see it coming.

Energy, in particular renewable energy, needs a lot of land (or a lot of ocean). This land is always owned by someone and is usually being used for something else, or is difficult to aggregate up to large-scale generation capacity in the case of rooftop installations on individual homes.

Within telecoms, the footprint of a mast is tiny and you only need one person in a large district to agree to have something installed on their land to open up a large customer base. For energy, you need to unlock a large portion of land ownership to get to a scale that attracts investment and allows significant generation capacity to be installed.

Aggregation of land needs rules usually framed by governments, overseen by authorities or regulators and adjudicated by courts in case of disputes. All of which creates regulatory and policy uncertainty, which could be a challenge for first-time innovators and could lead the sector to be dominated more by those able to manage the policy rubric rather than those with solutions and technologies.

When the telecoms industry started to grow no one knew what we would use this new technology for and there were many predictions about the global market for computers being small, the global market for mobile handsets being niche - and who would ever want to send a short message to someone when you can phone them?

If the post office, pager companies or print photography industry had seen the impact that email, messaging and electronic photographs on mobiles could have on them, they may have put up a little bit of a fight, but there wasn't really an industry that was being displaced by the new enterprises being set up.

However, in energy there are many vested interests and a range of assets that are potentially redundant if the renewable energy industry meets its full potential. How to transition across from a carbon-driven economy to a 'green' economy in a smooth and orderly way is the biggest challenge. And this challenge is

only made greater because we can see it coming.

Those vested interests and owners of assets need a much greater level of confidence in this transition before it can happen. This applies not just to the large energy companies but also the employees of those companies, the governments that rely on the taxes from their employment and resource use, the pension funds that rely on their steady return and the consumers that rely on the cheap energy that they produce. Convincing all of these stakeholders to support the move to a 'green' economy is no small task.

While there is some scope for the deployment of exciting technologies over the short term, sometimes supported by government policies such as feed-in-tariffs in countries such as China and Germany, to achieve the scale of deployment envisaged under international political negotiations such as the United Nations Framework Convention on Climate Change (UNFCCC), requires much more political backing and legislative support.

In addition, domestic subsidies and other types of support programmes for renewable energy are increasingly being referred to the World Trade Organization (WTO). For example, the US's complaint against China's subsidies for wind turbines, which appeared to favour domestic manufacturing, has resulted in China revoking those subsidies.

WTO GATT Article XX(g) refers to environmentally related trade measures and could be used to allow subsidies of this nature if domestic and international solutions are subject to the same restrictions.

A price on carbon, delivered through a cap-and-trade scheme or a new tax, is often seen as the basis from which other policies can be built. For a business, being able to have a globally consistent price on a commodity makes strategy development much easier.

Achieving a price on carbon has, however, proved challenging in many national jurisdictions and the international process under the UNFCCC is unlikely to be able to agree on an international framework that gets to the level of detail that sets a price on carbon in the next few years.

A price on carbon delivered through schemes such as cap-and-trade needs to support other policies that may be introduced such as renewable energy obligations, rather than be undermined by them. Even when implemented a price on carbon is not always a panacea. If an international agreement is achieved then it should set the basis for future partnerships around the world to tackle some of the biggest problems associated with climate change.

The UNFCCC process will not be able to set a mandate for national governments to push through energy bills and policies that they have not been able to agree within their own legislature. In addition, the legality of international environmental law, or at least its enforcement, also causes uncertainty.

If a country fails to meet an international pledge to achieve an emissions reduction target, then what is the outcome?

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Even if there is some legal framework to measure and report, policing this will be very difficult. A truly robust UNFCCC agreement should be able to provide a framework that allows countries to develop national policies that are at least consistent, allowing global solutions to get to scale quickly.

In addition, a UNFCCC agreement can create international markets where they are needed to do particular jobs - for example, reducing deforestation - as well as providing a mechanism or common standards around the use of public sector finance to underpin the development of green economies in emerging and developing economies.

For example, the Indian approach to the UNFCCC is led by the national government, but many of the energy policies, and in particular land policies, are developed at state level. So while the Indian national government could sign up to an international framework and commit India to a 'green' pathway, to actually implement this requires internal buy-in and implementation, which is not guaranteed and is rarely driven from the federal level.

So the real challenge now is how to move renewable energy and the interrelated challenges into the 'action' pile within national, state and local governments. This is a bold challenge and it needs bold leadership to tackle it. It is about risk management and economic growth, however it does need a wholesale change in the economic supply chain, which unfortunately is very difficult to achieve piece-meal.

This is why the UNFCCC process needs to agree a framework for common approaches to policy development as soon as possible. This process will be supported by domestic action - but domestic action is not a substitute for it, even with the recent change in attitudes towards nuclear power in key markets such as Japan and Germany possibly resulting in significant investments into renewable energy and major growth for the sector if their low carbon targets are to be met.

Kick-starting a new industrial revolution is no small task, but neither is spreading democracy across the Middle East - and access to information and visionary leaders created the 'Arab Spring'.

Maybe we need a 'Green Winter' to galvanise action to tackle climate change. With the Arctic ice melting at unprecedented rates we may achieve a 'Green Winter' sooner than we think.

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The REIL network is an initiative of the non-profit Renewable Energy & Energy Efficiency Partnership, which aims to develop markets for renewable energy.

Members of the network usually meet once a year at Yale University.

The Global Sustainability Institute at Anglia Ruskin University hosted the first Cambridge Roundtable of the REIL network on 20 and 21 June.

In addition to Jones and Saran, participants included Bob Simon, chief of staff of the US Senate Energy

Committee; Brad Gentry, director of the Yale Centre for Business and the Environment; Melinda Kimble, senior vice president of the United Nations Foundation; Eomon Ryan, leader of the Green Party in Ireland; Mark Fulton, managing director and global head of climate change investment research & strategy at Deutsche Bank and Martijn Wilder, head of Baker & McKenzie's global climate change and environmental markets practice.

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