Carbon-CAP: Summary of the Topics and Key Points from the 2nd Stakeholder Workshop in Geneva (08.10.15)

Introduction

The 2nd Carbon CAP stakeholder engagement workshop took place in Geneva on the 8th of October 2015. The agenda of the workshop was informed by collaborative efforts between Climate Strategies and ICTSD. Amongst members of the consortium were experts from academia, private sector, government and international organisations who actively participated in the workshop. This document presents a summary of the main topics discussed and lists the key points that emerged during this one-day event.

Topics

Consumption accounting and international negotiations

Consumption-based accounting should be placed in the context of international negotiations as a tool to be used in all countries. As consumption accounting is not a recognised method by the IPCC and UNFCCC it does not feature in the latest Intended Nationally Determined Contributions (INDCs) outlining countries pledges to reduce territorial emissions. Consumption policies by the EU could be seen by developing countries as protectionist and detrimental to developing countries' economic growth and welfare. How could the absence of consumption policies in international efforts be addressed e.g. linking technology and finance transfers to negotiations, or creating cooperative agreements between partners e.g. cities and corporations, low carbon clubs? Also important is to identify how we could create a measuring, reporting and verification (MRV) system that is equal for all countries around the world (developing and developed) even where there is lack of emissions data for production.

Policy additionality

There was consensus that it would be useful to show the effectiveness of existing production based mitigation policies considered in the baseline, e.g. the EU ETS, and then compare them to the additional emissions reduction potential when combined to consumption-based policies. Most of the strategies currently considered relating to buildings target the 'use phase' when the focus of the project is thought to be embodied emissions. Due to the immediacy and scale of global emissions reductions needed, these options should not be either or policies but additional complementary policies. Even without formalised and globally recognised consumption-based emissions accounting, countries can still implement policies that target consumption. The project should clearly define additional policy instruments that companies (and other stakeholders) can implement. For example, would the project advocate consumption-based emission targets?

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Domestic action vs. trade mechanisms

Rapid industrialisation driven by cheap fossil fuel prices has compounded emissions embodied in trade. There should be a focus on low carbon energy deployment in such countries, whereby they can maintain economic growth whilst reducing emissions. China has already started making a transition towards a service-based economy and begun moving heavy industries to African countries. Should we then focus on decarbonising the last wave of heavy industries in Africa? How can our policies prevent the shifting of emissions? Border tax adjustments in theory have the ability to target traded emissions in countries wanting to address these, yet their scope is limited. Research presented by John Barrett suggested that only 9% of global emissions sit within a trading scheme and in their current production focus these are not able to capture electricity and materials (e.g. steel) hidden/ embodied in products (e.g. in mining, machinery and factories upstream), only the direct import of these resources, we lose a significant portion of associated emissions. In addition, it would take too much time to negotiate border taxes dealing with small percentage of traded emissions, and it would likely to be more effective to focus on domestic resource efficiency strategies e.g. product lifetimes, material efficient infrastructure, lightweight design and service-based delivery.

Trade mechanisms and General Agreements on Tariffs and Trade

There is a need to consider the mechanisms for how products are traded and whose rights and obligations are affected by additional consumption policies. For example, can demanding a certain standard of products be perceived as discriminatory and hence violate world trade agreements?; and which products would qualify for exemptions or penalties? Defining standards/ rules based on performance and not specific processes allows countries to reach the same objective by means that are most practical/ available to them. In practice, all countries need to agree on the proposed measures. Countries/ regions should send a draft text to all other countries outlining these new measures, so these can evaluate the implications and raise concerns of any unfair discrimination before these measures are implemented. Therefore agreeing on a standardised (MRV) system in trade mechanisms will take time, in the meantime there needs to be concrete and transparent proposals for how this would function, which could start to put pressure on suppliers to employ cleaner production methods.

Data and fitness for purpose

The project should demonstrate how robust the methods and modelling are for application in world trade agreements and whether they are fit for purpose. For example, how do we propose using embodied emissions; is the level of product and country detail practically adequate for measuring and implementing mitigation policies affecting consumption and trade; is there the capacity for all countries to collect and monitor such information; and would an international standard give the measurement(s) legitimacy? Whilst there is no approved method for consumption accounting, it is being discussed. The OECD for example now compiles an input-output database which is verified by national participants that could form an international benchmark. Organisations like the UN, IMF and WB have now increased their ambition to create databases indicating 'who made what for whom'.

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Co-benefits and offsets

Portraying co-benefits would strengthen the political feasibility of implementing consumption policies. If one increases awareness between countries of the benefits that each one could get from such cooperation (potential economic growth, efficiency, increased legal regulation) one can create a path of cooperation between producing and consuming countries. However, there will also be some overlap between policies that can reduce the effectiveness of one or another which need to be balanced, e.g. electric cars are only effective with low carbon electricity; the effectiveness of passive houses declines as energy decarbonises; the carbon stored in forests can be lost if submerged for developing hydro power.

National contexts

There is a need for the project to capture individual national contexts. For example, concrete is a more appropriate building material than steel in Southern America due to climatic conditions and green technologies are too expensive to implement in many developing countries that should then be complemented by raising environmental awareness. We would also need to address the lack of skills for each country that might be a barrier to innovation. For some countries the path to reducing emissions should be simple and clear rather than more technology heavy.

Circular economy

It will be important to model circular economy proposals (e.g. lean production, product longevity and reclaiming manufacturing). The models used in Carbon-CAP focus on flows, not stocks (i.e. large infrastructure), which makes this challenging. But in particular there needs to be thought given to material's end-of-life: is there an intended average lifetime for each material, are material losses through the supply chain incorporated, are there physical limitations on recycling certain materials (e.g. cement) and is there a balance between product innovation versus product replacement rates (for energy using products). What has to be taken into account is the need for transparency (what to do with what product and how) without increasing the administrative burden for industry. Also some countries might lack the ability of setting up infrastructure to adopt a circular economy or may be using other carbon intensive materials that require different recycling methods. One also has to take into account the energy use for production versus that used in the recovery of a product.

Business impacts

How does changing steel use (e.g. through an increase the cost) impact the steel sector within the EU? Would the scenarios be detrimental to EU steel sectors? As steel is less carbon intensive than cement, is there a future for steel? Can the project understand the impacts to businesses, the economy and society (e.g. affordability)? From a business perspective it will also be important to know the costs for using different materials in the production stage.

Barriers and behaviours

What can we expect from information provision to change behaviours, and what can be done in addition? For example, sub-consciously change behaviours from an early age (meat-free school days) and provide greater incentives for less carbon-intensive activities e.g. cyclists can claim 'petrol' costs.

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Industry, not just consumers, can drive changes in behaviours, especially in product lifetimes e.g. starting from the designing stage of a product (which materials to use where), extended guarantees, service delivery business models and making the consumer aware of what they are buying (e.g printing the tonnes of carbon of food shopping bills). Vested interests (national and industry) are also a major stumbling block, and at some point we need countries to put this aside and make progress in ambitious emissions reduction efforts. There are different types of barriers (modelling, political and social) that can be at odds with each other, e.g. a strategy may be environmentally effective, but politically unpopular. In the project, there is a significant challenge in quantifying the policy barriers, weighing them against each other and linking them to the (emissions) effectiveness of policies/ strategies. Social/political and economic barriers will differ between countries and have different importance (weights) depending on the country. An example was given on how educating young generations would play a key role in some developing countries.

Key points

- Identify if and how consumption-based accounting and policies can be integrated into international negotiations/ mitigation frameworks.
- Show the emissions reduction potential of existing mitigation policies (e.g. EU ETS) and then additional, clearly defined, consumption-based policy options. This will highlight the additional value of policies considered in the project.
- Weigh the benefits of domestic action (e.g. circular economy strategies) versus trade mechanisms (e.g. carbon border tax adjustments, trade agreements, low carbon clubs of countries)
- Define who and what products the potential strategies/ policies would affect. This would increase understanding for how products are traded and whose rights and obligations are affected by the additional consumption policies.
- Be specific about how data on embodied emissions is to be used within policy-making (e.g. setting product standards), how adequate current data is for this and what are the additional data and monitoring requirements.
- From a business perspective it would be useful to have a database that shows the amount of embodied emissions in each product when this is used in the production stage.
- Identify co-benefits to strengthen the political feasibility of implementation, and overlaps that can deem policies less effective (i.e. it is about the policy package as a whole)
- Consider that different policies will be more/ less feasible given different national political, social and physical (e.g. climate and housing stock) contexts.
- Integrate circular economy proposals (e.g. light weighting, product longevity and reclaiming manufacturing) within the modelling.
- From a business perspective, it will be important understand the distributive impact of policies on sectors in the EU (are there winners and losers) and the economy.
- Try to weigh up the different barriers to implementation, the means to overcome them, and quantify what these mean for emissions reduction potentials. This should also include to some extent the differences between for example the EU and developing countries.
- Need clear definitions on emissions boundaries i.e. what's included/ excluded from the accounting and an easy to digest explanation of the modelling effort e.g. how it traces product groups through complex supply chains and not just bilateral trade.

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