# The G7 Summit in Elmau:

## Goals, Frictions, and Background Information in the Area of Climate Change

At the G7 summit in Elmau on 7 and 8 June 2015, the most important and affluent industrial nations will discuss how to facilitate the adoption of a new global climate change treaty. This white paper illuminates key background issues in the run up to the summit. It also identifies three signals that must be sent by the summit to underscore the commitment of industrial nations to preventing catastrophic climate change.

**The most important questions at the summit include:**

- The G7 summit will be observed internationally as a warming up for the World Climate Summit in Paris this December. How serious are the largest industrial nations about averting climate change?
- Will they translate the two-degree climate change limit into a concrete signal that the time of fossil fuels comes to an end – and for investment in renewables? The G7 nations must make their own efforts to phase out fossil fuels by 2050 – yet the devil is in the details.
- How are concrete initiatives being initiated for the expansion of renewables in developing countries?
- Is there an effective climate insurance initiative focused on the poor suffering from acute emergencies – for example, after extreme storms or droughts?
- Can the G7 agree on a plan to provide the 100 billion USD that was promised to developing countries for climate protection and adaptation? According to World Bank calculations, two-thirds of this money has not yet been budgeted.
- Will they send a signal to the Development Banks to invest in line with the two degrees limit?

### What is the Agenda at the G7 Summit with a view to Climate Change?

2015 could be a turning point in global climate protection. The energy landscape is changing rapidly worldwide, particularly due to the growing competitiveness of renewable energy. The new international treaty that is to be ratified in December at the UN climate conference in Paris could play a central role in stabilizing and accelerating current positive trends in the adoption of renewables. The purpose of this year‘s G7 summit is to harness the political will of the most important industrial nations for phasing out fossil fuels. The summit in Elmau, over which Germany has presidency, could send important signals for the ratification of a treaty in Paris. Yet it could also make its own significant impact as a forum for launching various initiatives, particularly with a view to the global expansion of renewables and efforts to protect against the negative effects of climate change in developing countries.

## Signal 1: Ending the Era of Fossil Fuels

### Affirming the Importance of the Two-Degree Limit with Targets for Ending the Fossil Fuel Era

It is expected that the G7 nations will affirm the importance of signing the treaty in Paris and adopting a two-degree limit. The "two-degree limit" is a target for limiting the rise in global average temperatures to less than two degrees above their pre-industrial levels. Yet the renewed announcement of this abstract target will not lend sufficient impetus to urgently needed investment. Accordingly, it is important that the G7 summit provide policymakers and business leaders a concrete shape for this target by adopting a three-pronged goal for phasing out fossil fuels. A commitment to a three-pronged goal at the G7 summit could furnish an important basis for the negotiation of the long-term goals to be enshrined in the Paris treaty. Specifically, the three-pronged goal should contain the following elements:

a) prevention of a global increase in all greenhouse gases caused by human activity by the end of the century;

b) the global elimination of all man-made $CO_2$ emissions by the middle of the century, or at the very latest by 2070;

c) the phasing out of coal, oil, and natural gas in the power sector by 2050 at the latest, with the G7 nations acting as the vanguard of this effort.

### Background

At the 2007 G8 conference in Heiligendamm, Germany, Chancellor Merkel was able to obtain approval from former President George W. Bush for the two-degree limit. At the climate conferences in Copenhagen in 2009 and Cancun in 2010, the community of nations officially recognized this target for preventing dangerous climate change. Many of the nations that will be most affected by rising temperatures even called for an upper limit of 1.5 degrees. However, the world is on a path toward much more significant warming.

A temperature rise of more than two degrees would catapult humanity out of the current extremely stable period in the earth‘s climate, the Holocene, which began more than 10,000 years ago. The stable climate of this epoch facilitated the rise of agriculture as well as the development of human civilization. A rise of more than two degrees would represent a massive uncontrolled experiment with unforeseen consequences.

### The Two Degree Limit as a Concrete Investment Signal: Phasing Out Fossil Fuels by the Middle of this Century is Imperative

The two-degree limit can only serve as a signal for investment when heads of state clearly assert what the two-degree limit means. Unequivocally voicing that the end of fossil fuels is near is much more palpable than an abstract temperature limit – and it encourages policymakers and investors to pursue more specific goals.

The 2014 report from the Intergovernmental Panel on Climate Change details what will be needed to avoid a two-degree temperature increase with a 66% probability: From 2011 onward, global emissions of $CO_2$ may not exceed 1000 billion tons. The majority of proven coal, petroleum, and natural gas reserves must remain in the ground. The global emission of all greenhouse gases must drop to zero by 2100. However, the abatement of $CO_2$ emissions, which result first and foremost from the burning of fossil fuels, must occur more quickly, with complete decarbonization – i.e. the reduction of $CO_2$ emissions to zero – occurring by 2070 at the latest. In the electricity sector, large scale decarbonization will be required in the period between 2040 and 2070. As the largest and richest industrial countries, the G7 nations are responsible for the vast majority of past $CO_2$ emissions. Accordingly, they are expected and have an obligation to play a leading role in the decarbonization effort.

The foregoing targets focus on achieving "negative" emissions by the second half of the century – that is, the gradual removal of greenhouses gases from the atmosphere. However, this will require new and untested technologies that are associated with a variety of risks. If the „risky bet" of using unproven technologies is to be avoided, then decarbonization must occur even faster. An accelerated timeline for phasing out fossil fuels is also needed if a two-degree rise is to be averted with a greater than 66% probability or if warming is to be limited to 1.5 degrees.

**Decarbonization is Possible**

There are a number of indications that global decarbonization is only possible if the political will to support it grows. Global emissions have been climbing more slowly since 2012, and in 2014 energy-related emissions did not grow at all, at least according to initial estimates published by the International Energy Association (IEA). These figures are particularly notable because the world was no longer in recession at the time they were recorded. China, a major driver of emission trends over the last 15 years, burned less coal in 2014 than in the year prior for the very first time. In many parts of the world, wind and solar power are now competitive with coal power. This has led to a huge boom in renewable energy investment. PV investment was 15 times higher in 2013 than in 2007.

The climate summit in Paris this December can help to fortify and accelerate these positive developments, transforming them into robust trends. Serious political will is the only thing missing. The G7 summit will show whether the world‘s richest nations are ready to move in the right direction. The summit is a special opportunity for adopting long-term climate goals as well as announcing concrete initiatives for the accelerated introduction of renewables in developing and emerging nations. The German G7 presidency intends to table numerous initiatives that will support the transition to renewables in developing countries, particularly in Africa, by financing or underwriting investment projects. In addition, discussions will be held on whether the G7‘s development banks should be required to adopt a two-degree limit in their investment policies.

## Signal 2: Support for Managing the Impacts of Climate Change

This signal is crucial for generating confidence in the summit among the countries most impacted by climate change. The G7 countries should openly affirm their responsibility to help the poorest countries and particularly vulnerable segments of the population to deal with the consequences of climate change. This assistance should range from the minimization of risks to the management of damage that occurs. The announced G7 initiative for the creation of "climate insurance" for vulnerable countries and people underscores the credibility of this signal.

If the avowed goal is to provide climate insurance for individuals impacted by climate change in poor regions, we cannot rely on private sector insurance alone to get the job done. Poor and particularly vulnerable people cannot afford the insurance premiums. However, success has already been demonstrated with public-private insurance schemes that provide funding based on objective criteria in order to finance emergency relief and reconstruction or support poor people in acute distress. Under such schemes, the poor population is insured directly or indirectly through emergency services (e.g. disaster plans) or infrastructure projects (e.g. schools) that are directed by the state. Nevertheless, such insurance schemes are not a universal remedy. Ultimately, they must be linked to preventative measures and policies. Germany plans to use its G7 presidency to launch a climate insurance initiative, and has already indicated that it is willing to spend an additional 150 million euros in 2015 and 2016 for this undertaking.

**Examples of Climate Insurance**

Examples in various countries demonstrate how climate insurance can work. In the "Horn of Africa Risk Transfer for Adaptation" (HARITA) program, farmers impacted by food insecurity in Ethiopia can obtain insurance against droughts, thus improving their income security and livelihoods over the long term. The insurance premiums can be paid in cash or in kind under a "work for insurance" option. If farmers select the payment-in-kind option, then they contribute to risk reduction in communal agricultural projects by, say, improving land cultivation or irrigation systems.

Another example is the African Risk Capacity (ARC) project. When droughts occur in African countries, it is often difficult to mobilize enough financial resources to react appropriately to famine. The ARC, which is funded by African countries and other important donors, provides insurance against this risk. When a drought occurs, payments are disbursed for specific purposes and based on previously negotiated disaster plans.

## Signal 3: Clarity in Climate Financing

As a third signal, developing countries expect clear plans concerning how financial promises in the area of climate policy will be upheld. At the Copenhagen conference in 2009, industrial countries pledged to mobilize additional public and private funding for climate change and adaptation in developing countries, and that this funding would grow to 100 billion USD annually by 2020.

Developing countries now expect the G7 to underscore the seriousness of their promises when they meet in Elmau. The German G7 presidency has commissioned a study concerning the amount of funding that can be mobilized by 2020, from which sources, and using which policy tools. Furthermore, in France a presidential commission is currently examining innovative sources of financing for climate protection and adaptation. The first report of this commission will be released shortly before or after the G7 summit.

On the basis of these studies, the G7 should reach an agreement together with other donors before the conference in Paris this December about a plan for achieving 100 billion USD in funding by 2020. Innovative sources of financing, including revenues from carbon pricing or a financial transaction tax, should play a role, for they could provide additional funding that is not dependent on annual government budgets.

Nevertheless, 100 billion USD is only one part of the equation. Ultimately, all global investments need to be "two-degree compatible" if we are to achieve the declared goal of averting potentially catastrophic global warming. Public development banks should spearhead this effort and only provide funding for low-emission investments. Indeed, this very topic is being researched in a study commissioned by the German G7 presidency. The G7 should use this opportunity to agree in principle on the adoption of investment criteria that are "two-degree compatible". They should also ratify a process to ensure that robust criteria are developed. As a very first step, development banks should completely divest from coal.

**Contact to Germanwatch Spokespeople:**

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