Chapter 8

The German contribution to a global deal

Sigmar Gabriel

Sigmar Gabriel was born in 1959 in Goslar, Germany. He began his political career in his home town as local president of Die Falken, the youth group of the Social Democratic Party of Germany (SPD). He joined the SPD in 1977. He studied at the University of Göttingen to become a grammar-school teacher. Gabriel was elected to the Landtag (state parliament) of Lower Saxony in 1990, and served there until 2005, becoming SPD parliamentary leader in 1998. During this time he was a member of the Landtag's environment committee, was a local councillor of the town of Goslar, and was spokesman for domestic policy of the SPD parliamentary fraction. In December 1999 he became Minister President of Lower Saxony and subsequently chairman of the SPD parliamentary fraction. From 2005 to 2009 Sigmar Gabriel was the German Federal Minister for the Environment, Nature Conservation, and Nuclear Safety.

Note: This chapter is a commentary on chapter 7.

We live in turbulent times. With the world economic and financial system in turmoil, and growing concerns about competitiveness and job losses, times have been better for proponents of ambitious climate policies. However, these policies are more necessary than ever.

They are necessary not only to avoid the worst impacts of climate change and protect the world's most vulnerable, but also in order to begin the restructuring of the global economy towards ecologically oriented growth. They are necessary to create new economic instruments and business models to ensure that the opportunities for efficiency and renewable energies are fulfilled and result in the creation of new jobs in low-carbon industries. Hence, ambitious climate policies, which promote the practical opportunities that are already available, are the best way to counteract growing politics of insecurity being driven by high energy and commodity prices.

The Intergovernmental Panel on Climate Change (IPCC) has pointed out clearly that we are running out of time. At the 2007 UN climate conference in Bali, countries have agreed to negotiate a post-2012 agreement building on the UN Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. They have also agreed that negotiations should be concluded in 2009 at the UN climate conference in Copenhagen.

This unprecedented global negotiation effort aims to bring North, South, East and West together in a solidarity pact to save the planet. To avoid triggering dangerous tipping points in the climate system these negotiations must succeed in placing the world on a path to a future with a global temperature increase of not more than 2 °C. There is no time left for us to have a realistic second chance at agreement.

Suggestions like Lord Nicholas Stern's global deal are therefore most welcome and help to focus our thinking and introduce possible pathways to solutions. I agree with most of the elements that Lord Stern puts forward and also with his assumption that we can only reach a comprehensive agreement in Copenhagen if we design package solutions and reach a comprehensive global deal.

Germany is ready to contribute its fair share to this package. In fact, we are determined to continue our leadership role and to demonstrate in practice what Lord Stern has provided the economic analysis for: climate protection pays off.

A shared vision for climate protection to guide our efforts

A global agreement will need to spell out a vision for all countries to achieve their national economic and development goals in a low-carbon fashion that safeguards the environment, strengthens countries' ability to adapt to the changes already underway and allows for sustained economic welfare. As Lord Stern describes, industrialized countries need to demonstrate their intent to lead the way on driving the low-carbon transition, and agree to support developing countries in their own transition.

The vision should include the objective of limiting global warming to 2 °C compared to preindustrial levels. This would imply a long-term goal to at least halve global emissions of greenhouse gases by 2050 compared with 1990 levels and to bring about a peak in global emissions in the next 10 to 15 years. This will be needed in order to ensure that no critical climate tipping points are at risk of being triggered.

Mitigation of climate change: an environmental and economic imperative

It is an economic as well as environmental necessity to put our economies on the path to low-carbon intensity. The IPCC has provided the scientific analysis; the Stern Review has provided the economic arguments. If we take our 2 °C target seriously, developed countries need to adopt nationally binding caps ensuring that, collectively, they reduce their emissions by 25–40 % below 1990 levels by 2020.

This may seem hard to reach. In Germany, however, we are already well underway to showing that reductions in this range are economically feasible: We have committed ourselves to reducing our 1990 emissions by 40 % by 2020. In concert with the other EU countries that are willing to reduce their emissions by 30 % as part of an international agreement, Germany and Europe are showing the way.

Nonetheless, no matter how ambitious our climate protection targets may be, developed countries cannot reach the 2 °C target on their own. We also need enhanced actions by major developing countries, which should result in a significant deviation below business-as-usual (BAU) greenhouse gas emission growth in the order of 15–30 %. Collectively, these enhanced actions should be enough to ensure that developing country emissions peak no later than 2020–2025. I welcome Lord Stern's proposal that, guided by the overall commitment to a substantial deviation from BAU growth, each major developing economy should submit a low-carbon development plan that demonstrates what it will implement unilaterally domestically. I would further argue that these plans should also outline additional measures the country could undertake, given both greater access to the global carbon market and technological and financial support. This will indicate the degree to which the level of ambition of developing countries would be dependent on the level of support provided by developed countries.

Financing and powering the transition to low-carbon economies

One of the major elements of a global deal is undoubtedly measurable, reportable and verifiable financing and support for technology transfer. The review by Lord

Stern and the analysis done by the UN Climate Secretariat on Climate Change and Investment Flows serve as a good basis to grasp the dimension of climate protection investments and the instruments required to achieve this. The figures are impressive: the Stern Review estimated that the overall global costs of unmitigated climate change may add up to 5–20% of our Gross Domestic Product (GDP) per year, whereas the costs of action – stabilizing greenhouse gas emissions at 550 ppm – can be limited to around 1% of global GDP each year.

According to the UN Climate Secretariat, additional investment and financial flows of 200–210 billion US dollars will be necessary for mitigation purposes in the year 2030 in order to return global greenhouse gas emissions to current levels. In 2030 overall additional investment and financial flows needed for adaptation amount to several tens of billions US dollars per year.

The numbers sound huge, but there is no reason to shy away from the challenge: Lord Stern's analysis reconfirms that the money and technologies needed are broadly available.

Compared to the global volume of investments, the additional investment costs will be rather low – in 2030 they will amount to a share of 1.1 to 1.7%. The private sector will play a decisive role with regard to these investments with a share of more than 80%. At the same time, public funds will play an important role as a catalyst, which makes it obvious that we need additional instruments to mobilize investments.

The International Energy Agency estimates that by 2030, global investments in energy infrastructure will have reached a level of around 20 trillion US dollars. Our main task as political decision makers is to set the political framework so that these trillions of dollars are spent in a climate-friendly way. Framework conditions such as the international carbon market or national climate and energy policies are the necessary prerequisites to make market forces work in favour of climate protection. Therefore, I strongly support the expansion of the carbon market, as promoted by Lord Stern, which will allow the flow of funds and technologies to be directed towards the markets of developing and newly industrialising countries.

In 2008 the international carbon market already reached a volume of 64 billion US dollars – and this trend is set to rise. Depending on the structure of international provisions, it is calculated that in 2025 international emissions trading may achieve a turnover of up to EUR 800 billion, according to the UN Climate Secretariat.

During the first period of the European Emission Trading Scheme (until 2012) Germany will auction nearly 10% of the allowances. The revenues – around EUR 400 million annually – will be used to finance additional climate protection measures at home and in developing countries as part of our Climate Initiative. EUR 120 million will be available for projects abroad, particularly in developing countries and economies in transition, on a yearly basis starting in 2008. We will focus on sustainable energy systems, adaptation and sustainable forest management projects in developing countries. With a 100 % auctioning in the future, even more financial flows will be generated – some billion euros per year in Germany alone. I do not see at this moment any approach other than the carbon market that can create investment flows comparable to these numbers.

Therefore, I fully support Lord Stern's pledge that an international carbon market based on internationally binding and absolute reduction targets by industrialized countries should serve as the basis for a post-2012 climate regime under the UNFCCC. The more ambitious our reduction targets are, the greater the returns will be. The expansion of the international carbon market will generate significant additional financing for developing country mitigation. To meet the huge challenges we face, we need to create self-financing mechanisms for climate protection in the long run. The German example shows how using revenues from emissions trading for climate protection projects can yield a double dividend for the climate and at the same time secure jobs and prosperity and make our economy fit for the future.

Adapting to the inevitable impacts of climate change

At the same time, we must send a clear signal to the poorest and most vulnerable countries and people of the world that they will not be left alone to deal with the increasing impacts of climate change. I agree with Lord Stern that in a post-2012 climate deal, we need to pay more attention to supporting adaptation in developing countries.

As Lord Stern puts it, developed countries, whose emissions have been primarily responsible for climate change, have an obligation to pay at least part of the additional costs that arise from adapting to the impacts of climate change. This means that developed countries should give a firm undertaking both to honour their existing Official Development Assistance (ODA) commitments and at the same time to provide additional resources for adaptation to climate change.

Firstly, donors would need to agree to mainstream adaptation into their existing bilateral and multilateral aid programmes and 'climate proof' their investments without using funds from existing aid budgets. Secondly, we need additional resources to finance the additional support needed. In Germany we have committed new and additional money as part of our International Climate Initiative to supporting adaptation in developing countries. One option that we are exploring, which also Lord Stern points out as particularly promising, is to support disaster prevention and develop insurance schemes to provide a safety net for poor people exposed to climate change risk.

'Mission possible'

In German climate policies we are committed to practising what we preach: we have recently adopted an energy and climate package, which is unparalleled in the world and has brought us a large step closer to our goal of reducing our emissions by 40 % compared to 1990 levels by 2020. This package of measures will bring new momentum to all CO_2-relevant sectors and advance climate protection in Germany.

The planned reductions are not only compatible with economic growth but offer new business opportunities and create a large number of jobs. We are convinced that Germany will play a pioneering role on the lead markets of the future. Successful energy and climate policy will have positive impacts for Germany as a location for business and innovation.

Germany's contribution to a global deal will be to lead by example. We are aware that the implementation of European and national climate protection targets up to 2020 and beyond requires nothing less than the radical restructuring of our industrial society – and we are willing to face up to this challenge.