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Economic transformation in the South in response to climate change needs support

Kuala Lumpur, 6 Dec (Hilary Chiew) – Economic transformation in response to climate change needs the partnership and support of developed countries, said developing countries at the recently concluded climate talks in Marrakech, Morocco.

The Minister of Energy, Industry, and Mineral Resources of **Saudi Arabia, Khalid bin Abdulaziz Al-Faleh** said that nobody should deny the fact that transition in developing countries is going to create stresses, including in shutting down of some sectors of economy that are already fragile especially in developing countries.

The Minister also said that transformation would need partnership and support from developed countries.

The Saudi Minister made these comments when making his summary following presentations and interventions from delegates at a high-level segment meeting on 'Sustainable economic transition and economic diversification' held on 15 Nov during the 22nd meeting of Conference of the Parties (COP22) to the UN Framework Convention on Climate Change (UNFCCC). The high level meeting was held in conjunction with the annual climate talks which convened from the 7th Nov to 18 Nov.

Reacting to the presentations by several developed countries, **South Africa, Ghana** and **Saudi Arabia** pointed out that while economic diversification is desirable and needed in both developed and developing countries to address climate change, the focus must not be shifted away from the socio-economic implications arising from the implementation of response measures taken by developed countries on developing countries.

Developed country Parties spoke about the history of their respective economic diversification as means to transform their economies and how that has put them in a better stead to address climate change.

(The high level segment was the result of a decision adopted under the subsidiary bodies in May this year that 'noted the interest of some Parties in a high-level event on economic diversification and sustainable development to be held at COP22'.)

The event was organised into three parts - panel presentations, interventions and summary of discussions and views.

The **Saudi Minister of Energy** and the **United States** special envoy on climate change **Jonathan Pershing** were given the honour to sum up the discussions and provide their views from the perspective of developing countries and developed country Parties respectively.

Below are the highlights of the three parts of the event that was presided over by **Nizar Baraka**, who represented the COP22 Presidency and moderated by Chair of the Subsidiary Body on Implementation (SBI) **Tomasz Chruszczow (Poland).**

Summary of discussion and views

Minister of Energy, Industry and Mineral Resources of **Saudi Arabia, Khalid bin Abdulaziz Al-Faleh** said nobody should deny the fact that transition is going to create stresses including shutting down of some sectors of economy that are already fragile especially in developing countries.

"As we increase costs of electricity and cut jobs, it will create stress. Addressing this issue at a high and superficial level is not fair. All of us accept the Paris Agreement as a truly win-win solution ... the apprehensions we heard today by a number of countries as passionately conveyed by South Africa, Ghana and Organisation of Petroleum Exporting Countries (OPEC) are real," said the Minister further.

"One (of them) spoke about reducing barriers of intellectual property rights ... as we write the rules (of the Paris Agreement), we need to find ways to de-risk this transfer of knowledge," he pointed out.

Minister Khalid said we need to push the envelope in terms of providing finance, technology and technical expertise to developing countries.

Referring to difficult negotiations under the UNFCCC on the issue, he said the reputation of the work under the UNFCCC on response measures had reached him 'as a debate club'.

The mechanism to address response measures, he added, needs to be fit for purpose as Parties enter into the Paris Agreement.

On Saudi Arabia's economic diversification plan, he said the ultimate oil-dependent economy has evolved from a nomadic economy to becoming a member of the G20 (grouping of major economies) which enjoyed a high standard of living.

Even without climate change, he said oil is not going to be sustainable forever but climate change dictates transformation and led the country to create other sectors that are less energy-intensive and diversified in its energy mix.

Other member states of the Gulf Cooperative Council are also undertaking similar transformation but face challenges in training and investing heavily on technologies which "are not easy no matter what our means are", explained the Minister.

He stressed further that transformation would need partnership and support from developed countries. "The transformation (efforts) cannot just help the Least Developed Countries or Small-island States. Certainly, we are not asking for focus on oil economies. We need to realise that this global economy is fragile ... like a house of cards, when one card falls, everything will fall," he warned.

Citing the retaliation of voters from the coal industry in the United States as reflected by the recent US presidential election, he said even the most affluent and capable economy can be stressed by the process of diversification.

"Let's not blame developing countries for crying out for help ... it is not just about (doing) economic diversification and you will have your answer. We need to use all tools available as everybody has their unique needs," he concluded.

The **US** climate envoy **Jonathan Pershing** said he agreed about the difficulties and noted that switching from coal to natural gas has put a lot of people out of work in the US.

"They (referring to the measures) are inevitable no matter how much we like the status quo. A just transition is part of that deal to manage the transition. It is about education programmes that look at what the economies might be (in the future)…," said Pershing further.

"We are looking at a longer term vision ... such as fossil fuels with carbon capture and storage, and retrofitting our buildings. There are lots of choices. I heard a lot of explicit ways forward and heard also specific constraints and concerns which opened up the door for exchanges, for clarification on what we should do next," he added.

Panel presentations

The Minister of Climate Change and Environment of the **United Arab Emirates**, **Dr. Thani Ahmed Al Zeyoudi**, said that his country had integrated climate actions and economic diversification into its development plan. He noted that governments cannot work alone (on combating climate change) and therefore, the UAE is engaging non-state actors and businesses to find climate solutions.

The **European Union (EU)** representative said that the Paris Agreement offered a unique opportunity to transform economic growth and create new jobs. He said the EU had more than two decades of experience in designing climate technologies and brought them to the market. It also underwent the largest transition from centrally-planned economies to market economies, said the EU.

The EU, he said, has seen the benefits of early actions, noting that between 1990 and 2015, there was a reduction in greenhouse gases of 22% while gross domestic production increased by 50% while the number of green jobs increased from 2.8mil to more than 4.2mil between 2002 and 2013 and a further 6.8mil jobs created in the renewable energy sector.

The EU representative said mitigation and adaptation actions have been integrated in all EU spending programmes including in its' regional policies where some were more challenging than others.

Norway said its economy has always been in transition. In the mid 19th century, while it was heavily invested in sailing ships, many companies chose to look at steam boat by the turn of the century. And that turned the industry into the largest commercial fleet and Norway having the 6th largest fleet in the world today.

"The story says you fail, if you don't act. Norway has one of the highest carbon taxes in the world since 1991 and that has not made us less competitive. Our point of departure is that transformation is done by people and business but government can create the architecture and send signals in the right direction," it added.

It said change is not always comfortable, noting that politicians need to demonstrate that green transition means better life quality and not the opposite.

The representative from **South Africa** underscored the reality that economic transformation programmes give rise to social implications. Hence, developed countries should minimise social economic impacts on developing countries or at least equip them to adapt to the impacts of the implementation of response measures.

He said further that it is critical that developed countries be assessed not only on how they achieve their mitigation (targets) but how they avoided negative impacts on developing countries particularly Africa.

"The negative impacts of response measures on our sustainable development must be minimised. Therefore, we believe the (improved) forum on response measures that was agreed upon has a technical role to play. It should focus on building knowledge and facilitate information sharing; it should conduct assessment and analysis of response measures in the context of climate impacts and socio-economic impacts on third country Parties," he asserted.

South Africa, he said, acknowledged the need to promote economic diversification but that the exercise must not change the narrative about the minimisation of the socio-economic impacts. Economic diversification (by developing countries) needs to be assessed and analysed in the broader context of sustainable development as determined by national circumstances and not be imposed on developing countries, he emphasised.

"The national circumstances and differentiated responsibilities (towards addressing climate change) will legitimise economic diversification, added the South African representative. Sustainable transition is outlined in our national development plans through new growth path policies. The new path places quality jobs and decent work at the core of our policy. African countries require policy space to industrialise and transform our economies in order to integrate and add value to our development," he emphasised further.

Minister of Environment and Energy**, Thoriq Ibrahim** from **Maldives**' said one of the key aspects of the economic transformation is the need for it to be made in a sustainable manner. Response measures undertaken by developed countries will have adverse socio-economic consequences within developing countries and undermine the ability to achieve sustainable development, he said further.

Minister Thoriq said Maldives is extremely dependent on tourism for its economic growth and relies heavily on imports for its own basic needs. He also noted that any economic diversification plan must take into consideration the just transition of the workforce as it would involve a reallocation of resources. No one must be left behind just because transition has to be undertaken, noting that just transition of the workforce must include training in the new economic regime.

Poland's representative said the country embarked on a profound economic diversification strategy three decades ago. He said it resulted in 30% reduction of greenhouse gas emissions from the base year of 1990 while doubling its GDP.

Singapore noted that sustainable economic transition and diversification has been an integral part of the island nation's development since independence in 1965 as it was driven by efforts to improve competitiveness.

Its Minister of Environment and Water Resources **Masagos Zulkifli** welcomed the improved forum and the technical expert group to be established and outlined three key principles to be adhered to when dealing with the impact of the implementation of response measures:

- Response measures must be based on multi-lateral rules-based foundation provided by the Convention and the Paris Agreement; without it, risks of unilateral measures are high and will have distortive effects;
- Mitigation must not undermine economic growth which is recognised as an enabler for sustainable development; thus countries must maintain an open economy, including to climate-friendly goods and services;
- The special circumstance of countries must be taken into consideration such as least developed, alternative energy disadvantaged and small island developing states.

Interventions

The Secretary-General of **OPEC**, **Mohammed Sanusi Barkindo** noted that to date since 1999, a total of 22 workshops were held (on the topic of response measures) and it appreciated the focus and attention paid to this.

Supporting South Africa, he said it's time to move from rhetorical commitments to the implementation process as "we cannot be in endless workshop or roundtable discussions; what is required of our Annex I Parties is implementation (of actions to address the matter)".

The Minister of Environment from **Ghana, Mahama Ayariga** said the experiences recounted today tell very different stories and he would careful about how one can be guided by the experiences.

"They simply said countries can diversify ... indeed it is a fact that every country seeks to diversify, whether it is motivated by climate change or to improve the lives of their people. We all want to make sacrifices but the truth is that we need to help each other to live up to that commitment. It is important for us to understand the implications of the low carbon economy and to developing economies.

"That call for deeper studies and for a global mechanism that helps developing economies to assess the impacts on their economies," he asserted.

The minister also said those countries with better infrastructure and scientific knowledge will do better and reminded that the commitment to share technologies and scientific know-how is important. "So, in the area of technology transfer, let us also remember that we have to live up to our commitment," he added.

Ecuador said it was a big challenge to ensure the right policy framework to make sustainable economic transition possible and stressed the importance of technology transfer to help meet the goals faster.