

AN EFFICIENT APPROACH TO CLIMATE CHANGE IN THE G20

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In the Think20 meeting in December 2013, several voices spoke about the need for the G20 to take a leading role on climate change. Since the 2009 Pittsburgh Summit, the G20 has made commitments to phase out fossil-fuel subsidies, phase down hydrofluorocarbons (HFCs) through the Montreal Protocol, and stimulate climate finance.²

While Australia has been quiet about climate change this year, other G20 members will want these items on the agenda. Along with an emphasis on energy efficiency – the Energy Sustainability Working Group (ESWG) focused on this issue in February 2014 – there may be advancement yet for climate change.³ Acting on vehicle fuel economy and emissions is an option for energy efficiency, for example. With the modest space given to climate change this year by Australia, efforts to advance the climate agenda will need to be practical. The pace and scope for climate items on the G20 agenda are different and need to be treated as such.

In terms of fossil-fuel subsidies, the phase-out of these has gone through several studies and reviews as a part of the G20 agenda since 2009. Even though countries have taken measures, progress remains slow. The International Energy Agency (IEA) estimates fossil-fuel subsidies increased worldwide to \$544 billion in 2012.⁴ Expectations need to be managed given this fact. There are also strong domestic political sensitivities, as seen in Indonesia which had to roll back subsidy reform in the face of public backlash. In the 2013 Saint Petersburg Summit, the

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² For a comparison between G20 actions on fossil-fuel subsidies phase-out and HFCs phase-down, see Joshua Busby, "The G20 and Climate Change - Beyond Goal-Setting at Brisbane," Lowy Institute for International Policy, http://www.lowyinstitute.org/files/busby_the_g20_and_climate_change_-_beyond_goal-setting_at_brisbane.pdf.

³ Australian G20 Presidency, "Energy Efficiency a Focus for the G20 Energy Sustainability Working Group," https://www.g20.org/news/energy_efficiency_focus_g20_energy_sustainability_working_group.

⁴ International Energy Agency, "Energy Subsidies (2013)," <http://www.worldenergyoutlook.org/resources/energysubsidies/>.

G20 announced its intention to put in place a peer review system on fossil-fuel subsidies phase-out. The United States and China pledged to volunteer for this process in the 2013 Strategic and Economic Dialogue (S&ED), which gives substantial backing to continued reinforcement of fossil-fuel subsidies phase-out in the G20.

HFC phase-down is more of a near-term effort and can prove to be a quick win. The current commitment by the G20 is to open negotiations for adding HFCs to the Montreal Protocol in November 2014, right before the Brisbane Summit. While HFCs are not an ozone-depleting substance, the use of HFCs is the result of replacing hydrochlorofluorocarbons (which replaced chlorofluorocarbons), a substance the Montreal Protocol is currently phasing down. It is within the scope of the Montreal Protocol to address substances that cause climate change as a result of it phasing out an ozone-depleting substance. Political support for this effort has been building among states for several years. The 2013 US-China S&ED also enabled the entry of HFC phase-down into the G20 agenda.

If the Meeting of Parties (MOP) of the Montreal Protocol results in formal negotiations to include HFCs, the G20 will be proof that the major economies can work together on climate change. This would add sorely needed optimism in international climate change diplomacy preceding the United Nations Framework Convention on Climate Change (UNFCCC) meeting in 2015, a milestone conference where a follow-on agreement to the Kyoto Protocol will be negotiated.

In 2013, countries had less than three months – from the Saint Petersburg Summit in September to the Montreal Protocol MOP in November – to manoeuvre to open negotiations on HFCs. With a longer period to prepare in 2014, G20 countries have a timing advantage to move forward on the issue and, if the MOP is successful, portray themselves as climate change leaders and support efforts in the Montreal Protocol and elsewhere. By linking its political agreements with regimes that have greater enforcement capability, the G20 will ensure its relevance as a ‘global steering committee’.

As the G20 prioritises infrastructure investments, there may also be an opportunity to seek co-benefits with climate change policy.

Climate finance has not fared as well in the G20. Despite a 2011 report compiled by the World Bank and other international financial institutions and a brief progress report in 2012, the G20 has not taken up any climate finance policy initiatives – save for a working group on climate finance. While there does not seem to be space for any new initiatives this year, the G20 can provide a timely expression of support for the Green Climate Fund and the UNFCCC. As the G20 prioritises infrastructure investments, there may also be an opportunity to seek co-benefits with climate change policy.

The concept paper on the 2014 G20 issued by Australia mentions that it will “explore how it can advance work on energy efficiency”.⁵ A description of the February 2014 ESWG meeting states: “Members acknowledged the importance of energy efficiency and agreed to share national energy efficiency experience and best practice with a view to further improving the uptake of energy efficiency practices and technologies in G20 economies”.⁶

Indeed, the benefits of improved efficiency are many: ‘pocketbook’ savings for household budgets, industrial productivity gains, and increased asset values, for example. From a climate perspective, it is a huge opportunity for greenhouse gas reductions. For climate change, analysis from the IEA identifies efficiency as one of four policy areas that can keep the 2 degree target alive: “Targeted energy efficiency measures would reduce global energy-related emissions by 1.0 Gt in 2020, a level close to that of Russia today”.⁷

About 10 per cent of emission reductions from energy efficiency in the IEA scenario come from road transportation. With nearly all the major markets for passenger and heavy-duty vehicles being in G20 countries, one option the G20 could pursue – presented at the Think20 meeting in December 2013 – is a collective commitment on fuel economy and emissions standards.⁸ This could also achieve co-benefits on air quality, now that many emerging economies are faced with more people buying vehicles. Adapted from a February 2014 memo on motor vehicle air quality regulations in G20 nations, actions could include:

- For light-duty vehicles, adopt Euro 6/VI vehicle emission standards by or before 2020. Efficiency standards under best practices with sufficiently long regulatory lead-time can cost-effectively achieve 4-6% per-year reductions in per-vehicle CO₂ emissions, with fuel savings that greatly outweigh the upfront technology costs.
- For heavy-duty vehicles, ‘green freight’ programs can collect extensive data on fleets and technologies, provide reliable guidance on best practices to improve truck efficiency for fleets and accelerate

⁵ Department of the Prime Minister and Cabinet, “G20 2014: Overview of Australia's Presidency,” https://www.g20.org/sites/default/files/g20_resources/library/G20Australia2014conceptpaper.pdf.

⁶ Ibid.

⁷ OECD and IEA, “Redrawing the Energy-Climate Map,” (Paris: International Energy Agency, 2013).

⁸ Drew Kodjak, David Shorr, and Sheila Watson, “G20 Action on Vehicle Efficiency and Emissions,” Lowy Institute for International Policy, http://lowyinstitute.org/files/kodjak_shorr_watson_t20_fuel_economy.pdf.

efficiency technology adoptions (for example tyres, aerodynamic devices).⁹

The message Australia has sent to the world is that it wants a focused and efficient G20 agenda. With recent declarations by China and the United States to increase climate cooperation, and as the world heads to the 2015 climate talks, the moment is ripe for further action on climate change. By instituting the peer review process for fossil-fuel subsidies phase-out, phasing down HFCs through the Montreal Protocol, considering the climate dimension of infrastructure investment, and working to advance energy efficiency – perhaps with a focus on road vehicle fuel economy, even with a streamlined agenda the G20 can still take practical actions on climate.

⁹ Drew Kodjak, and Nic Lutsey, “Status and prospects for motor vehicle air quality regulations in G20 nations (11 February 2014)”.