

A global incentive to reduce emissions



- A fair proposal for reducing emissions would go some way towards reassuring that we do not live on another planet. And it would give everyone a greater incentive to save this one

With President Joe Biden's administration recommitting the United States to the Paris climate agreement, and with a major United Nations climate-change conference (COP26) coming later this year, there is new hope for meaningful global policies to meet the challenge. But while mounting evidence of increasing climate volatility – unprecedented wildfires in Australia, droughts in California and Sub-Saharan Africa, intensifying hurricane and cyclone seasons – suggests that we must move fast in curbing planet-warming greenhouse-gas (GHG) emissions, there are serious impediments to concluding any new global accord.

Economists generally agree that the way to reduce GHG emissions is to tax them. But such taxes almost certainly will cause disruptive economic changes in the short run, which is why discussions of imposing them tend to run quickly into

free-rider or fairness problems.

For example, industrialised countries such as the US are concerned that while they work hard to reduce emissions, developing countries will keep pumping them out with abandon. But at the same time, developing countries like Uganda point out that there is profound inequity in asking a country that emitted just 0.13 tonnes of carbon dioxide per capita in 2017 to bear the same burden as the US or Saudi Arabia, with their respective per capita emissions of 16 and 17.5 tonnes.

The least costly way to reduce global emissions would be to give every country similar incentives. While India should not keep building more dirty coal plants as it grows, Europe should be closing down the plants it already has. But each country will want to reduce emissions in its own way – some through taxation, others through regulation. The question, then, is how to balance national-level priorities with global needs so that we can save the one world we have.

The economic solution is simple: a global carbon incentive (GCI). Every country that emits more than the global average of around five tonnes per capita would pay annually into a global incentive fund, with the amount calculated by multiplying the excess emissions per capita by the population and the GCI. If the GCI started at \$10 per tonne, the US would pay around \$36 billion, and Saudi Arabia would pay \$4.6 billion.

Meanwhile, countries below the global per capita average would receive a commensurate payout (Uganda, for example, would receive around \$2.1 billion). This way, every country would face an effective loss of \$10 per capita for every additional tonne that it emits per capita, regardless of whether it started at a high, low, or average level. There would no longer be a free-rider problem, because Uganda would have the same incentives to economise on emissions as the US.

The GCI also would address the fairness problem. Low emitters, which are often the poorest countries and the ones most vulnerable to climatic changes they did not cause, would receive a payment with which they could help their people

adapt. If the GCI is raised over time, the collective sums paid out would approach the \$100 billion per year that rich countries promised to poor countries at COP15 in 2009. That would far exceed the meagre sums that have been made available thus far. Better still, the GCI would assign responsibility for payments in a feasible way, because big emitters typically are in the best position to pay.

Moreover, the GCI would not snuff out domestic experimentation. It recognises that what a country does domestically is its own business. Instead of levying a politically unpopular carbon tax, one country might impose prohibitive regulations on coal, another might tax energy inputs, and a third might incentivise renewables. Each one charts its own course, while the GCI supplements whatever moral incentives are already driving action at the country level.

The beauty of the GCI is its simplicity and self-financing structure. But it would require one adjustment in how per capita emissions are computed. What is consumed is as important as how it is produced, so there will need to be some accounting for the portion of emissions embedded in imported goods; these will need to be added to the importer's emissions tally and subtracted from the exporter's.

Also, most experts would regard a \$10 GCI as too low. But the point is to start small in order to get the scheme going and iron out the kinks. After that, the GCI can easily be raised by common agreement (or reduced, if there were some miraculous breakthrough in emissions-reduction technology). But to avoid creating uncertainty after an initial period of calibration, changes might be considered only every five years or so.

What about alternative proposals that have global effects? Some industrialised countries plan to impose a domestic carbon tax alongside a border-adjustment tax, effectively applying the same tax rate to goods coming in from countries that do not have a carbon tax. The border taxes might push other countries to impose their own carbon taxes, but it certainly would not improve fairness. On the contrary, they would let

large importing countries impose their tax preferences on poor exporting countries and might serve as a Trojan horse for protectionism.

To be sure, the bureaucrats who dominate international meetings will want to dismiss this proposal as “interesting but simplistic” (or words to that effect). The most powerful countries are also the biggest emitters, and few want to pay into a global fund, especially in these times of massive budget overruns.

But a GCI is by far the best option available. As rich countries cast about for remedies to domestic inequality, they should spare a thought for inequality between countries, which the pandemic and the unequal vaccine rollout will only worsen. Developing countries feel abandoned today. A fair proposal for reducing emissions would go some way toward reassuring them that they do not live on another planet. And it would give everyone a greater incentive to save this one.

– Project Syndicate

• *Raghuram G Rajan, former governor of the Reserve Bank of India, is Professor of Finance at the University of Chicago Booth School of Business and the author, most recently, of The Third Pillar: How Markets and the State Leave the Community Behind.*

Le premier parc solaire flottant en haute altitude au monde est en Suisse



Dans les Alpes valaisannes en Suisse, le lac des Toules accueille le premier parc solaire flottant en haute altitude au monde. Ses panneaux produisent 50% d'énergie en plus que ceux installés en vallée.

“Ce projet pilote produit 800 000 kWh par an,” explique Maxime Ramstein, responsable de projets chez Romande Energie, l'entreprise, premier fournisseur d'électricité de Suisse romande, qui est à l'origine de cette installation. *“Ce qui correspond aux besoins de 220 foyers,”* précise l'ingénieur.

Des conditions avantageuses en montagne

A 1810 mètres d'altitude, les coûts de mise en place plus élevés sur l'eau qu'au sol sont en partie compensés par des conditions plus avantageuses : en effet, en montagne, le rayonnement solaire est plus fort.

“Le rayonnement solaire est meilleur en montagne,” souligne Maxime Ramstein. *“Les températures plus faibles entraînent de meilleures performances et il y a aussi l'albédo, cet effet réfléchissant du rayonnement solaire, qui est très élevé au*

sol, sur la glace et sur la neige,” fait-il remarquer.

Limitation de l'impact environnemental

Le parc solaire est installé sur un réservoir artificiel pour la production hydroélectrique et non sur un lac naturel, limitant ainsi son impact environnemental.

“Il se vide chaque année et il se remplit à la fonte des neiges au printemps et en été,” indique le responsable de projets. *“Donc il y a très peu de flore et de faune et l'impact est très faible sur l'environnement,”* dit-il.

“Une durée de vie de 50 ans”

En cas de succès, ce projet pilote mis en service en décembre 2019 sera agrandi pour produire de l'énergie pour couvrir les besoins de plus de 6000 foyers.

“Nous avons développé une structure d'une durée de vie de 50 ans avec deux cycles de 25 ans pour les modules solaires,” déclare Guillaume Fuchs, codirecteur Solutions Energie chez Romande Energie.

“On compte agrandir ce projet sur le lac des Toules, mais aussi reproduire ce type de technologie sur un autre lac,” annonce-t-il.

LNG Makers Get Hint to Go Greener From U.S. Energy

Secretary



The days of promoting liquefied natural gas as “freedom gas” or “molecules of freedom” have ended at the U.S. Department of Energy.

During a Friday visit to Houston, U.S. Secretary of Energy Jennifer Granholm said the Biden administration would rather promote and sell a cleaner version of the superchilled power plant fuel. The statement marks a policy shift from the Trump administration, which rolled back environmental regulations and heavily promoted U.S. LNG around the world.

The energy industry has been under mounting pressure from investors and governments to step up efforts to reduce greenhouse-gas emissions, with some spectacular victories for activists over Big Oil this week. U.S. LNG makers are seeking to green their image in order to land supply deals with environmentally conscious customers in Europe and Asia.

The Biden administration, Granholm said, is looking closely at carbon capture and sequestration technology, which would take

emissions from LNG plants and other facilities, move them by pipeline and then inject them underground.

“We want to be able to promote and sell clean technologies,” Granholm said following a tour at an Air Liquide SA hydrogen plant in La Porte, Texas. “That could be natural gas that has been decarbonized, or that could be natural gas where the methane flaring has been eliminated.”

Houston-based Cheniere Energy Inc., the largest U.S. LNG exporter, recently announced that it would be including carbon emission tags with its cargoes, allowing customers to audit the environmental footprint of a shipment. One of the company’s LNG tankers recently participated in a study analyzing emissions on a roundtrip between Texas and Europe.

Arlington, Virginia-based Venture Global LNG announced Thursday that it plans to implement carbon capture and sequestration at three export terminals in Louisiana, where one is already under construction and expected to produce its first drops of the fuel later this year.

Still seeking to sell enough contracts to support its proposed Rio Grande LNG export terminal in South Texas, Houston-based LNG developer NextDecade Corp. has also pledged to add carbon capture and storage to its plant.

Spain to invest 1.5B euros in ‘green hydrogen’



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The goal is for Spain to become Europe's leading hydrogen producer using renewable sources instead of fossil fuels to curb greenhouse gas emissions and create jobs, he said.

"The Spanish government is firmly committed to green hydrogen," the Socialist premier said at a ceremony in Toledo, just south of Madrid.

His government expects the outlay will stimulate 8.9 billion euros of mainly private-sector investment to develop the technology by 2030.

Madrid has already received over 500 "green hydrogen" project proposals from energy firms, a government statement said.

Creating “green” or emissions-free hydrogen is seen as a key step towards developing sustainable energy sources and slashing carbon emissions.

One reason for the strong interest in hydrogen technology is when used to fuel motors, the only emission is water vapour.

But it is expensive to produce and the electricity needed generates a lot of carbon dioxide emissions or other pollutants.

Green hydrogen is produced via electrolysis – an electrical current passing through water – with wind, solar or hydro-electric power providing the electricity.

Europe in particular is anxious to get a handle on the new and still costly fuel, having missed the boat on solar and battery technology, which is dominated by China.

Experts predict green hydrogen using renewable energy will soon plunge in cost and become cheaper than natural gas in many areas.

US engine maker Cummins announced Monday it would spend 50 million euros to build one of the world’s biggest electrolyser plants for the production of green hydrogen in Spain.

The plant, which will be built in the central region of Castilla-La Mancha, is expected to open in 2023.

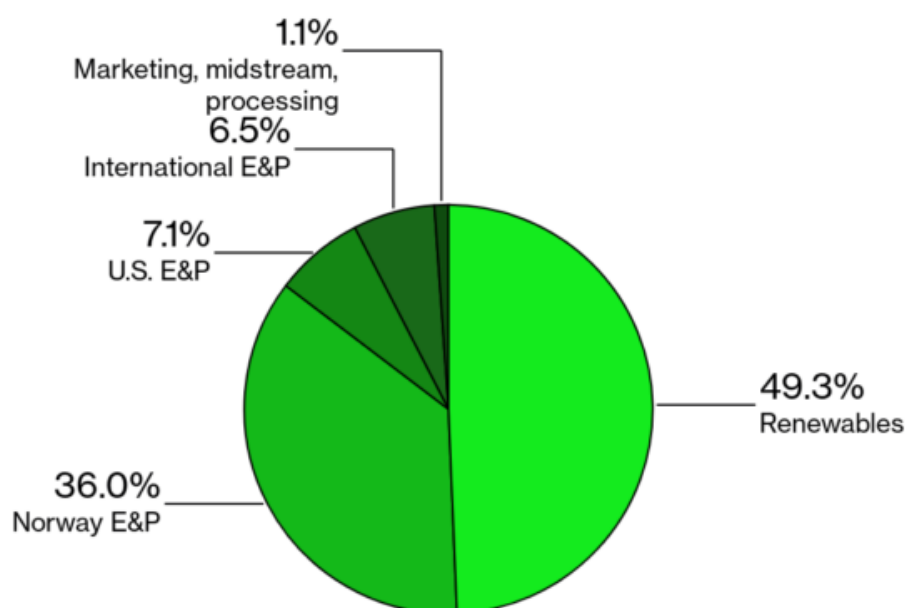
“Spain offers a strong and dynamic local environment for hydrogen production, and we are excited to invest,” said Cummins chairman Tom Linebarger.

Spain is set to receive 140 billion euros – half in direct payments, half in loans – from the 750 billion-euro recovery plan adopted by EU leaders last year as the economy reeled under virus lockdown restrictions. (AFP)

How an Oil Company Becomes a Renewables Company

How to Earn \$2.6 Billion

Equinor 1Q 2021 earnings by segment



Source: Equinor, Bloomberg

Note: E&P is exploration and production. Earnings omit \$53 million loss from "other" **Bloomberg Green**

Last week a raft of oil majors released their first-quarter results, with companies like Royal Dutch Shell Plc showing a return to pre-pandemic profit levels. At the same time, some of the majors increased their energy transition commitments: as my Bloomberg Intelligence colleagues Salih Yilmaz and Will Hares noted on Twitter, Spanish firm Repsol SA devoted 40% of its capital expenditure to low-carbon projects, and France's Total SE stated plans to increase its renewable energy capacity five-fold over the next four years.

There are energy-transition commitments, though, and then there are energy-transition results. And on the latter side,

one company shines: Norway's state-owned oil producer, Equinor ASA. It posted more than \$2.6 billion of earnings in the first quarter of 2021, 49% of which was from renewable energy. Last quarter, Equinor earned more from renewables than it did from oil and gas exploration and production.

But Equinor's results are more than evidence of a successful renewable-energy strategy. They're also a sign of the challenge ahead for other oil majors with similar ambitions.

Equinor's capital gains in renewables came from "farm downs," i.e. the selling of assets at various stages of development to new owners. (Another term for farm down is "asset rotation," which I discussed last week.) Equinor divested a 50% interest in two U.S. offshore wind projects and a 10% interest in two U.K. offshore wind farms. While asset rotation is slowing down in the power utility sector, it seems to be working fine for Equinor.

More interesting than the farming down itself is who Equinor is farming down to: two other European oil majors! BP Plc is buying into the U.S. projects, and Italy's Eni SpA is buying into the U.K. projects—or in other words, BP and Eni are paying Equinor for the privilege of taking on the earlier stages of developing offshore wind.

Therein lies the challenge for Big Oil's energy transition plans. Equinor's way to benefit from renewable-energy assets is, essentially, to put in the early work of developing them—and then reap the cash benefits of selling them to others.

Importantly, early wind development is more time-dependent and expertise-dependent than it is capital-dependent. Equinor's U.S. wind assets are the result of its success in the country's 2018 offshore-lease auction, when it won stakes with a bid of \$135 million. In its latest earnings statement, the company says BP paid \$1.2 billion for those same assets, netting the Norwegian company \$1 billion on the deal.

Equinor is a special creature in a few ways. First, one of the reasons it could be an early developer of U.S. offshore wind is that it has decades of experience developing and operating offshore oil and gas assets. Other oil majors (in particular BP) can claim the same expertise, but Equinor seems particularly adept at it.

Second, the company is two-thirds owned by the Kingdom of Norway, with Norway's Government Pension Fund Global, also known as Norges Bank, owning another 3.59% of the company via Folketrygdfondet, which is authorized to invest 85% of its funds in Norwegian companies. Not only is the government a particularly patient and committed shareholder, it also has a hand in its portfolio companies' strategies. The Folketrygdfondet "has an interest in an orderly transition in line with the Paris Agreement" and expects that its portfolio companies "integrate climate change considerations into policies and strategy."

So to recap: Norway reinvests its state-oil company's revenues back into said oil company, while also helping drive said oil company's energy transition strategy. As Equinor's first-quarter results show, all of this effort and coordination has made it possible for an oil company to get half its revenues from renewable energy, at least for now. Other oil majors reaching for that same brass ring will have their work cut out for them, certainly—and may continue to resort to buying assets from each other in their quest to get there.

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Getting to zero deforestation in the Amazon by 2030



Amazon deforestation in Brazil reached a 12-year high in 2020, and over 95 per cent of it is illegal. Governments and markets must radically revalue the rainforest's natural services and stimulate a green economy to avoid a nightmare scenario.

The Amazon Basin is fast approaching an irreversible tipping point. That should concern everyone, because what happens in the Amazon has planetary implications.

Spanning eight South American countries and French Guiana, the Amazon contains over 60 per cent of the world's tropical forests, 20 per cent of its fresh water, and about 10 per cent of biodiversity.

As a result of land speculation and insatiable global demand for meat, soy, gold, and other commodities, roughly 20 per cent of the world's largest tropical forest has already been

razed.

A further 5 per cent rise in deforestation levels could trigger catastrophic dieback, essentially dooming the 2015 Paris climate agreement.

Some fear this process may already have started. The current prognosis is not good: Amazon deforestation in Brazil reached a 12-year high in 2020, and over 95 per cent of it is illegal.

Unless governments and markets radically revalue the rainforest's natural services, this nightmare scenario may be unavoidable.

Dieback in the Amazon Basin could release the equivalent of a decade's worth of global greenhouse-gas emissions. The forest would also lose its ability to absorb billions of tons of carbon dioxide, disrupting hydrological cycles, evapotranspiration, and ocean currents.

The agro-industrial sector could collapse, and the loss of biodiversity could be staggering. Hydroelectric facilities would be shuttered, declining water tables would make cities unlivable, and fisheries would become unviable.

Preventing this outcome requires achieving zero deforestation in the Amazon by 2030. And that, in turn, requires a clearheaded scientific assessment and science-based targets.

The Science Panel for the Amazon, a coalition of about 200 leading scientists from the region, should become permanent. And, given the extraordinary wealth potential of preserving the forest's biodiversity, the best way to protect this resource is by stimulating the emergence of a green economy.

For starters, this will require a crackdown on illegal deforestation and the networks that sustain it. Brazil's environmental enforcement agency, Ibama, handed out 20 per

cent fewer fines in 2020 than in 2019, owing to funding cuts and reduced sanctions – and less than 3 per cent of fines are paid.

Reinforcing Ibama, a federal agency, is essential, as is bolstering state-level institutions on the frontlines of environmental crime, such as police, firefighters, and land registration offices.

Illegal deforestation occurs in several ways, but typically involves unlawful land invasions, followed by forest clearance for commercial agriculture and ranching.

Another encroachment, wildcat mining, mostly for gold, undermines local ecosystems and human health, while wildlife trafficking, fueled by unrelenting global demand for rare birds, reptiles, and mammals, also affects forest health.

Currently, two-thirds of global supply chains have no policies on illegal deforestation. Massive investment in high-resolution remote sensing and artificial intelligence-based alert systems is essential, as is tracking illegally extracted commodities in global supply chains and strengthening investigation and prosecution.

One of the most important priorities in the Amazon is developing a transparent and accountable system that allows property titles and land demarcations to be registered and monitored properly over time.

Given the considerable fraud and corruption in most Amazonian countries' land registries, creating a digitised, accessible, and up-to-date ledger is critical to enforcing existing laws and stimulating legal markets.

Developing an online dispute-resolution process to address outstanding legacy litigation related to competing land claims is no less vital. And establishing a blockchain verification system for land registries to demonstrate a clear

chain of ownership and custody, while difficult, would greatly improve the prospects for a green economy.

Another priority is accelerating reforestation and land regeneration. In Brazil, home to 60 per cent of the Amazon, the state of Pará is an obvious location for such efforts. In Colombia, Peru, and Ecuador, which together contain roughly 23 per cent of the Amazon, the states of Amazonas, Loreto, and Pastaza, respectively, stand out.

The key is to build a predictable pipeline of reforestation, biodiversity conservation, and sustainable forest management projects that can scale rapidly.

The Reducing Emissions from Deforestation and Forest Degradation initiative could accelerate funding for such efforts. International financing from the Amazon Fund, US President Joe Biden's administration, and tools such as green bonds would help, while local financing also could play a significant role.

So, too, could initiatives such as the Global Commons Alliance and It.org, along with investor activism, including from sovereign wealth and pension funds. In 2019, some 230 global investors, managing a total of more than \$16 trillion in assets, called on companies to meet their deforestation commitments or risk adverse economic consequences.

Most important are innovations to bolster the green economy and support the communities that are the custodians of the Amazon Basin. Such initiatives could be accelerated by a Brazilian equivalent to the US government's Defense Advanced Research Projects Agency to ramp up research and development, as well as related regulatory frameworks to enable an inclusive bioeconomy in the Amazon.

This approach would include applied research to collect and map Amazon biodiversity – with scientists studying fruits, nuts, plant extracts, and fibers, and using drones to sample

biodiversity in hard-to-reach areas – along with digital platforms to secure biological assets for the public good.

To ensure that indigenous and local populations are included and benefit, clear and enforceable data-sharing rules and safeguards to promote local value creation and retention must accompany these efforts. In addition, establishing low- and high-tech innovation hubs in selected countries can stimulate local innovation, harness traditional knowledge, and ensure local ownership.

Advancing the green economy and achieving zero deforestation in the Amazon will depend on the combined efforts of governments, the private sector, and civil society. In Brazil, several groups – including the Concert for the Amazon and the Brazilian Coalition on Climate, Forests, and Agriculture – are playing a pivotal role in shaping the agenda and connecting stakeholders. And with the country's federal government missing in action on this issue, local governments also are stepping up.

Concerted international and regional efforts – such as the Leticia Pact – combined with national and subnational interventions could create a brighter future for the Amazon. The health of the planet depends on it.

Robert Muggah, Juan Carlos Castilla-Rubio, and Julia Sekula contributed to this commentary.

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Inevitable fragments of a carbonneutral society: Natural gas coupled with CCUS, renewables, and hydrogen



As global society keeps pursuing a zero-carbon energy system, hydrogen's role is becoming more notable. Updates and progress around the topic are now being broadcasted at an increasing pace, extending to areas that promise a significant role for hydrogen. Just a couple of years ago, everyone had agreed that hydrogen would gain a meaningful share by around 2050. However, these days, due to sanctioned projects and the advancement of the related technologies with a set of adopted strategies, it is believed that the hydrogen era will

materialise much earlier.

Hydrogen is not the only piece of the puzzle to achieve carbon neutrality, but it is the one that promises a feasible pathway towards net zero-emission through complementing other routes such as electrification and natural gas coupled with CCUS (carbon capture, utilisation and storage). The supremacy of hydrogen is based on the possibility that it can be employed to decarbonise the so-called hard-to-abate sectors or in sectors in which other decarbonisation pathways, such as electrification, are challenged. These sectors include but are not limited to steel, iron and cement, as well as heavy long-haul vehicles, aviation, and maritime and railways transportation. The GECF Hydrogen Scenario encompasses some of these recent developments in its latest update, which was published in February 2021. The Scenario has taken into consideration the latest updates and strategies adopted by countries and groups and assessed their impacts.

Currently, several countries have officially published their hydrogen strategies or hydrogen roadmaps. In some of the roadmaps and strategies such as the EU Hydrogen Strategy, the main priority has been attached to renewable hydrogen. While in some others, such as for Japan, Russia, and South Korea, blue hydrogen is envisaged to take a meaningful role. In certain strategies, definite and clear targets are set, like for the EU Hydrogen Strategy that considers a minimum of 40 GW installed renewable hydrogen electrolyser or 10mn tonnes (mt) of renewable hydrogen by 2030. Within the EU Hydrogen Strategy, another 40 GW is also defined as a target to install in the neighbouring countries and import to the EU. According to the latest results from the updated GECF Hydrogen Scenario which assumes a practical penetration of hydrogen into the future of the energy system, the demand for hydrogen by 2050 will increase by more than four times. However, the carbon saving through this hydrogen penetration is forecasted to be less than six (6) GtCO₂ – far below the amount needed to

achieve the Paris Agreement goals.

This result emphasises that, firstly, the hydrogen production supply chain needs to advance in all parts, and the cost should be reduced to gain more share in the future of the energy system. Secondly, the result highlights that hydrogen could not be the only solution in the carbon neutrality pathway, and other clean and decarbonised options, such as the application of natural gas coupled with CCUS has to be seriously taken into consideration by all stakeholders. Henceforth, let's take a look at some results and forecasts from the Reference Case Scenario (RCS) of the latest GECF Global Gas Outlook 2050 (GGO 2050), as it will enable a clear view of the potential needs to fully decarbonise the hard-to-abate energy sectors when hydrogen is hypothetically assumed to take a sole role. According to the RCS results, the total EU transport demand in so-called hard-to-abate sectors will be reduced from 217mn tonnes of oil equivalent (mtoe); in 2019 and pre-Covid-19 pandemic situation, to around 150 mtoe by 2050. This reduction is primarily due to the energy efficiency enhancement of the fleets. In order to produce 150 mtoe of energy, around 52mt of hydrogen is needed, requiring more than 500 GW of electrolyser. This should be added to the demand from the iron, steel, and cement industry (other assumed hard-to-abate sectors.) The fossil fuel demand (coal, natural gas and oil products) from these sectors in the EU is forecasted to stand at 24 mtoe by 2050. To meet this level of demand only with green hydrogen, around 70 GW of the electrolyser must be installed. Based on the forecasted demand levels, the EU will need around 570 GW of electrolyser capacity to decarbonise the aforementioned hard-to-abate sectors in case that the green hydrogen is assumed to be the only solution. Based on technical circumstances and the policy, in the EU Hydrogen Strategy, the target was set to 2 x 40 GW renewable hydrogen by 2030. Therefore, the needed electrolyser capacity for 2050 seems to be challenging but feasible in the EU. However, we still need to bear in mind some other salient points. The

first point is that these results are based on assuming a successful effort in enhancing energy efficiency, and the level is subject to uncertainty. The second is that this is the volume needed only to decarbonise the referenced hard-to-abate sectors. Several other consuming sectors are supposed to be decarbonised through other pathways such as electrification.

They also create a massive volume of renewable electricity demand. A big question mark here is to gauge if there is a sufficient potential of renewable energies within the EU to accommodate all renewable electricity demand in the sectors and meet the electricity demand of electrolysers to produce green hydrogen. By looking into this subject from a global perspective, it can be observed that much more hydrogen is needed to decarbonise even these so-called hard-to-abate sectors. According to the latest modelling results published in GGO 2050, the global energy demand from hard-to-abate subsectors within transportation will stand at around 1800 mtoe per annum by 2050. In a hypothetical assumption, to provide this amount of energy only through green hydrogen production, more than 6,000 GW of electrolyser will be needed. This level is around five times more than the total current wind and solar installed capacity.

With similar calculations again on the imaginary only-green hydrogen assumption, 1,500 GW of electrolyser should be installed for the decarbonisation of iron, steel, and cement sectors. While numerous sectors are still not included in these calculations, other measures are assumed for the purpose of decarbonisation as well. In conclusion, the undeniable fact is that there is no sole solution for carbon neutrality. Indeed, a combination of measures needs to be applied to achieve a net-zero emission. Apart from the energy conservation and energy efficiency enhancement that results in a reduction in final energy demand, clean energy supply should be diversely sourced from all clean available potentials.

Renewables, natural gas, and CCUS will take greater roles in their original form, and all of them should contribute to the hydrogen production. In closing, renewables, natural gas, CCUS, and hydrogen are inevitable parts of a fully decarbonised energy system.

China leads global green-bond sales boom, but faces headwinds



China overtook the US to lead a boom in global green-bond issuance in the first quarter, but analysts said it needs to do more to draw investors to help fund President Xi Jinping's estimated \$21tn carbon neutrality pledge.

Pending tasks include raising investor awareness of the environment, harmonising fragmented rules and tackling

'greenwashing', or issuers' efforts to inflate their green credentials, they said.

At stake is Beijing's goal of net zero carbon emissions by 2060.

Chinese issuers including banks, property developers, power generators and railway operators sold \$15.7bn of bonds during January-March period to fund 'green' projects such as clean and renewable energy, according to Refinitiv data.

The volume of such bonds, mostly yuan-denominated, almost quadrupled from a year earlier, the data showed.

That exceeds the roughly \$15bn of such bonds sold by US issuers in the first quarter, and helped drive a tripling of green bond issuance globally.

Green bonds blossomed "largely thanks to China's recovery from the coronavirus," said Nathan Chow, strategist at DBS. "In addition, the Chinese government is going all out to develop this market this year."

China, the world's biggest emitter of carbon dioxide, needs 140tn yuan (\$21.33tn) of debt financing over the next 40 years to meet its net-zero emissions target, investment bank China International Capital Corp (CICC) estimates.

With roughly 800bn yuan of green bonds outstanding, China is already the world's second-biggest green bond market after the US.

However, green bonds account for less than 1% of China's \$18tn bond market.

At this stage, "companies have no cost advantages issuing green bonds...and there's not enough market support for many green projects which take a long time to complete and are seen as risky," said CICC economist Zhou Zipeng.

Highlighting such headwinds, China's first batch of "carbon neutral" bonds, launched in February, met tepid demand.

Several fund managers said green bonds are not yet on their investment radar.

"The only thing Chinese investors currently look at is yield. So obviously if green bonds cannot offer the extra returns, they ask the government, 'what can you do to help me?'," said

Ricco Zhang, Asia-Pacific director of the International Capital Market Association (ICMA).

A brokerage source said state-owned companies were motivated to issue green bonds to align with government priorities, but investors lacked incentives to buy them.

Authorities are aware of the problems.

Earlier this month, Chinese central bank governor Yi Gang called for incentives to boost private participation in meeting Beijing's carbon goals.

Moving closer to international standards by excluding coal from the green market would widen the potential foreign investor base, Chow of DBS said.

ICMA's Zhang said regulators also need to harmonise different domestic standards.

Currently, China's central bank, securities regulator and the state planner have separate rules for green bonds issued under their supervision.

"Sometimes it's hard for international investors to have a granular understanding of different (Chinese) green bonds. This brings challenges for green investors to identify the right target for investment," he said.

U.S. Oil Companies Lag Far Behind Greener Europe Rivals



Europe's largest oil and gas companies are leaving U.S. rivals further and further behind in the race to cut their reliance on fossil-fuel sales.

Total SE, Galp Energia SGPS SA, Equinor ASA, Royal Dutch Shell Plc and Eni SpA are leading the pack, while Exxon Mobil Corp. and Chevron Corp. are among the laggards, according to newly released climate-transition scores from BloombergNEF and Bloomberg Intelligence.

A big reason for this state of affairs is that Europeans are investing far more in renewable energy, battery storage, electric-vehicle charging points, carbon-capture technology and other decarbonization efforts, said Jonas Rooze, head of sustainability research at BNEF. For example, five European companies account for 51% of all renewable energy assets held by the world's 39 largest oil and gas producers. However, it's worth noting that this is all relative—these companies still devote most of their capital expenditures on climate-changing fossil fuels, he said.

Between 1988 and 2015, 25 corporate and state-owned entities,

including Exxon Mobil, Shell, BP Plc and Chevron, as well as China's coal producers and Saudi Aramco, were responsible for about half of global industrial greenhouse-gas emissions, according to a 2017 report from CDP Worldwide. The energy transition presents huge challenges for Big Oil, since the clean energy pivot is emerging as many of the companies face pressure to boost shareholder returns. The S&P 500 Energy Index has dropped 15%—including reinvested dividends—since the start of last year.

“Ultimately, our view is only seven of the 39 companies are likely to reduce their Scope 1 and 2 emissions enough to meet the International Energy Agency's Sustainable Development Scenario,” said Eric Kane, head of environmental, social and governance research, Americas, at Bloomberg Intelligence. Scope 1 and Scope 2 refer to emissions produced by the companies themselves and by the power they consume. “Further, a third of companies in the peer are yet to set comprehensive greenhouse-gas reduction strategies.”

Bloomberg's climate transition scores are forward-looking and designed to help investors answer one key question: How prepared is the company for a net-zero world relative to its peers? The scoring system is zero to 10, with 10 being the best.

The research relies on about 40 data points that are combined into one overall score. To get there, BNEF and BI analyze both current and future carbon performance, as well as business-model risks, using the same scoring system. The most heavily weighted issues are whether a company is developing low-carbon operations with proven revenue models and whether it's expanding in high-carbon activities. And then, how do the companies' 2030 emissions forecasts compare with the IEA's Sustainable Development Scenario, which is aligned with maintaining warming well-below 2 degrees Celsius.

Companies like ConocoPhillips, Occidental Petroleum Corp. and

Santos Ltd. that focus on extracting oil and gas are “more sensitive to transition risks,” like declining demand for oil, than are refiners, Rooze said. Other companies such as PTT Pcl, ENEOS Holdings Inc., SK Innovation Co. and Saudi Aramco are penalized for failing to disclose key information about their operations, such as spending for exploration and production or the amount of crude oil they process, a key metric for gauging the scale of their refining business.

When looking company by company, Exxon Mobil’s focus on fossil fuels and limited clean-energy activity hinders its overall score, even though it’s a leader in carbon capture, utilization and storage technologies to remove carbon dioxide from the atmosphere.

In Europe, BP is ramping up investments in clean energy at the expense of oil and gas. Shell has pivoted to power while still investing heavily in gas, which it sees as a so-called bridge fuel to a more renewable future. The Bloomberg scores place BP and Total ahead of Shell because of their stronger emissions-reduction targets.

Sinopec ranks ahead of PetroChina Co. and Indian Oil Corp. in the Asia-Pacific region, mainly because of its focus on transition strategies, including renewables, EV charging and CCUS and stronger emissions target.

“While quite a few major oil and gas firms have set ambitious new emissions targets recently, meaningful action to develop new low-carbon business models remains limited,” Rooze said. “These are all huge companies, but most are just dabbling.”

- Exxon-Mobil hedge fund activist reveals the multimillion-dollar price-tag of its boardroom battle.
- Sovereign rating cuts are coming to those countries that ignore climate change.
- U.S. weighs creation of a global benchmark for Wall Street’s impact on global warming.

- CEO pay tied to ESG is setting Canadian banks apart from the crowd.
 - There's some big American money joining the rush for carbon permits, as more bet that pollution prices will soar.
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World Bank, IMF to consider climate change in debt reduction talks



WASHINGTON (Reuters) – The World Bank is working with the International Monetary Fund (IMF) on ways to factor climate change into the negotiations about reducing the debt burdens of some poor countries, World Bank President David Malpass told Reuters in a Friday interview.

Three countries – Ethiopia, Chad and Zambia – have already initiated negotiations with creditors under a new Common Framework supported by the Group of 20 major economies, a process that may lead to debt reductions in some cases.

Malpass said he expected additional countries to request restructuring of their debts, but declined to give any details.

The coronavirus pandemic has worsened the outlook for many countries that were already heavily indebted before the outbreak, with revenues down, spending up and vaccination rates lagging far behind advanced economies.

China, the United States and other G20 countries initially offered the world's poorest countries temporary payment relief on debt owed to official creditors under the Debt Service Suspension Initiative (DSSI). In November, the G20 also launched a new framework designed to tackle unsustainable debt stocks.

Malpass said the Bank and the IMF were studying how to twin two global problems – the need to reduce or restructure the heavy debt burden of many poorer countries, and the need to reduce fossil fuel emissions that contribute to climate change.

“There’s a way to put together ... the need for debt reduction with the need for climate action by countries around the world, including the poorer countries,” he said, adding that initial efforts could happen under the G20 common framework.

Factoring climate change into the debt restructuring process could help motivate sovereign lenders and even private creditors to write off a certain percentage of the debt of heavily-indebted poorer countries, in exchange for progress toward their sustainable development and climate goals, experts say.

The World Bank and the IMF play an important advisory and consultative role in debt restructuring negotiations since they assess the sustainability of each country's debt burden.

Many developing countries require huge outlays to shore up their food supplies and infrastructure as a result of climate change. Governments must also spend a large amount on alternative energy projects, but lack the resources to pay for those needed investments.

"There needs to be a moral recognition by the world that the activities in the advanced economies have an impact on the people in the poorer economies," Malpass said.

"The poorer countries are not really emitting very much in terms of greenhouse gases, but they're bearing the brunt of the impact from the rest of the world," he added.

IMF Managing Director Kristalina Georgieva earlier this month told reporters about early-stage discussions underway about linking debt relief to climate resilience and investment in low-carbon energy sources.

Doing so, she said, could help private sector creditors achieve their sustainable development targets, she said.

"You give the country breathing space, and in exchange, you as the creditor can demonstrate that it translates into a commitment in the country that leads to a global public good," she said.