

Cheap imports threaten US solar panel production boom



US companies have announced plans to build dozens of solar panel factories across the country since last year when President Joe Biden's signature climate law unleashed billions of dollars of subsidies, raising hopes a clean energy boom can provide tens of thousands of good paying jobs.

But global solar panel prices have collapsed due to a wave of new Asian production capacity in recent months, leading many in the US solar industry to worry many of these proposed factories may be uneconomical. As many as half may soon be delayed or canceled, a figure not previously reported, according to Reuters interviews with industry analysts, solar companies, and trade groups.

Changing market forces have already derailed solar manufacturing operations in Europe. In recent days, the US race for a clean energy transition has already been hit by huge writedowns and project cancellations the offshore wind

industry.

“The more prices decline in the global market, the more difficult it is to build US local manufacturing,” said Eburne Zoco, executive director for clean energy technology at S&P Global Commodity Insights. “If the cost gap between imported modules and locally manufactured modules is too big ... many of these announcements might not happen.”

Solar shipments into the US more than doubled through August to \$10bn from about \$4bn a year earlier, according to the US International Trade Commission.

The domestic industry’s souring outlook could hurt Biden’s climate agenda and hinder reelection efforts for a president who has hailed solar project plans as proof his clean energy policies can create millions of good-paying jobs.

US solar manufacturers and trade groups have said they need more government help at the federal and state levels or those jobs may not materialise, and the US will keep relying on panels made with mainly Chinese components. US officials have repeatedly warned that over-reliance on Chinese clean energy technology could pose a security risk similar to Europe’s historical dependence on Russian natural gas.

A White House spokesperson did not respond to questions about recent market challenges facing domestic solar manufacturers, but said Biden’s policies had generated a huge wave of investment and were revitalising American manufacturing.

Companies have announced over three dozen solar factories since passage of the Inflation Reduction Act in August 2022 that collectively promised to create 17,000 jobs and bring in nearly \$10bn in investment, according to projects tracked by the clean energy business advocacy group E2.

Of eight solar company representatives, trade groups and researchers who spoke to Reuters, all eight agreed the market has worsened. Energy research firm Wood Mackenzie shared its new forecast that just 52% of the 112 gigawatts of solar module capacity companies planned will be online by the target date of 2026, a projection it has not previously made public.

Mike Carr, executive director of the Solar Energy

Manufacturers for America trade group, said factories could be delayed, extending US dependence on China.

“A misunderstanding of the policy opportunity here could really undermine a signature initiative of this administration, which is to restore manufacturing competitiveness to the United States, and particularly in such a key industry,” Carr said.

Globally, the solar industry has already absorbed a 26% drop in panel prices this year to about 19 cents per watt, according to S&P Global Commodity Insights. US prices have been more resilient, but SEMA and analysts say spot prices are declining for those without long-term contracts.

The increase in solar imports stems partly from a temporary waiver of tariffs on Malaysia, Thailand, Cambodia and Vietnam, which expires in June, 2024. Imports are also up sharply from India, Mexico and other nations unaffected by that move.

The IRA provides a decade of tax incentives worth 30% of a project’s cost. But industry consultant Brian Lynch said that could be outweighed by the glut of cheap panels and worries about rising costs for labor, raw materials and financing.

“It’s almost like Dr Jekyll and Mr. Hyde. The incentives to site and open up a US factory are phenomenal,” Lynch said. “But if pricing is going to continue to go down, if the continued gamesmanship on the trade is going to continue, they can’t justify it.”

The US Commerce Department said imported panels and cells remained important to the clean energy transition.

“Commerce is committed to holding foreign producers accountable to playing by the same rules as US producers,” a Commerce spokesperson said.

The IRA also contains a 10% bonus credit for panel manufacturers using American-made components. This perk is critical for domestic panels that may command a 40% price premium to imported alternatives, according to Wood Mackenzie. But so few components are produced domestically that much of the industry cannot secure that bonus. So far, solar module

factory announcements have been more than double those for solar cells, the crucial components that transform sunlight into energy.

The industry needs more government help, including “the right tax and trade policies that build on the IRA and similar state laws that create the space for emerging US solar manufacturers to compete on a global scale,” said Danny O’Brien, president of corporate affairs at Hanwha Qcells, which is making one of the largest investments in the domestic solar supply chain.

Meyer Burger, which plans to build a factory in Colorado, said the government needs to help domestic manufacturers deal with “underpriced products that are coming from Asia”.

The Solar Energy Industries Association (SEIA), a large solar trade group that has long opposed tariffs, is also advocating for more support for manufacturers, warning it does not expect that every proposed factory will be built.

Convult Energy plans next year to open 2 gigawatts of module capacity in New York and Maine followed by a facility for components in 2025. CEO Hari Achuthan said module production lines are already about four months behind schedule because the company’s financiers are waiting for the Treasury Department to issue crucial rules on how to secure the IRA tax credits.

“Our country has done a phenomenal job seeing through the IRA bill. But now it’s going to come down to the details of the IRA and how we execute it and the support that we need to get from the Commerce Department and anybody else with regard to tariffs on imports,” he said. – Reuters

What can COP28 achieve?



COP season is almost here. For the climate-conscious, the annual Conference of the Parties of the UN Framework Convention on Climate Change (UNFCCC) is a fixture of the late-year calendar and an opportunity to take stock of our goals, needs, and achievements. We spend two weeks preoccupied with a distant event hoping that negotiators will make meaningful progress toward mitigating the climate threat. But to keep our expectations for COP28 realistic, we must understand what a COP can and cannot do.

We are steadily decarbonising our economies. Within a decade, wind and solar power will be the major sources of electricity, and sales of electric vehicles (EVs) are likely to overtake those with internal combustion engines. According to the International Energy Agency, the world's fossil-fuel consumption will start falling by 2030. Though this is probably too late to limit the global temperature increase to 2C, let alone 1.5C, above pre-industrial levels, it is sooner than one would have expected only a short time ago.

But little of this progress is directly attributable to COPs, including COP21 in 2015, from which the Paris climate agreement emerged. In fact, the Paris agreement specifies

nothing about EVs or wind or solar power. Instead, it is Tesla that is responsible for the growth of EV sales: the commercial success of the company's Model S drove other high-end automakers to develop the competitive products which are now debuting.

Is there any connection between COPs and Tesla's success? If there is, it is not direct. During its early growth stages, Tesla benefited greatly from the United States' Corporate Average Fuel Economy (CAFE) regulations, which enabled it to sell zero-emissions credits to other manufacturers. The revenues from ZEC sales sometimes surpassed those of car sales.

The CAFE regulations date back to 1975, two decades before the first COP was held. They have, however, been tightened over time, a process that might partly reflect increased awareness, fostered by the COPs, of the climate challenge. Similarly, the COPs might have encouraged the subsidies, in both the US and the European Union, from which Tesla has benefited more recently, after it had already become a major force in the auto industry.

As for solar and wind, the sharp decline in costs has driven their dramatic growth. From 2009 to 2019, the cost of solar power fell from \$0.36 per kilowatt-hour to \$0.03. This decline is attributable to two main factors: economies of scale, which lowered the costs of producing each silicon wafer, and learning by doing, which led to more efficient – and thus cheaper – manufacturing processes. Both factors sustain a virtuous cycle: as the use of solar power increases, costs come down, further accelerating the adoption of solar power.

This process was kicked off by Germany's adoption of generous feed-in tariffs for solar power in 2000. The Chinese government subsequently began investing heavily in solar, which it identified as a strategically important industry. Again, these important policy moves could have been encouraged by the increased awareness of climate change that they generate at COP meetings.

For offshore wind, the decline in costs has been driven

largely by Orsted and Equinor, two Scandinavian companies that leveraged their offshore oil and gas expertise to develop offshore wind farms, which use many of the same technologies. Government subsidies helped the nascent technology to become commercially viable.

In short, progress on decarbonisation has primarily reflected technological breakthroughs brought about by for-profit ventures with the help and guidance of supportive government policies. Those policies might have been crystallised by the discussions at, and publicity surrounding, the COPs, though they were not the result of specific directives from those meetings or contained in the Paris agreement.

So, what should we hope emerges from COP28? COPs can produce two types of positive outcomes. The first are “big picture” outcomes, such as maintaining pressure on governments and corporations to reduce emissions. Here, it is important not only to reiterate the importance of reaching zero emissions and highlight how far we have yet to go, but also to recognise the progress that has already been made.

The second type of outcome is more granular. This year’s COP must mark the beginning of a process that will clarify what constitutes a valid carbon offset. Many corporations are currently expecting to reduce, but not eliminate, their emissions, on the assumption that they can buy carbon offsets to take them to net-zero. But the world obviously cannot get to zero emissions – the ultimate goal – if anyone is still emitting.

Equally important, it has lately become clear that many voluntary carbon offsets are worthless, as they do not meet the standard of additionality (the guarantee that the relevant emissions reductions would not have occurred without support from carbon credit sales) or avoid leakage (the shifting of emissions elsewhere). An international body must set clear standards for the validity of offsets and impose limits on their use, and the UNFCCC is the obvious candidate.

COP28 has the potential to encourage further climate action, including the introduction or strengthening of policies that

can lead to emissions-reducing technological breakthroughs, as well as to deliver a much-needed rulebook on important technical issues, such as the use of offsets. Whether it succeeds depends entirely on execution. – Project Syndicate

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Climate crisis won't solve on its own: need to walk the talk



We need all governments to step up and agree to phase out unabated fossil-fuel use. We need reforms to make our

financial institutions and systems fit for purpose. And we need to take climate action seriously

Last year in Berlin, the great Kenyan long-distance runner Eliud Kipchoge broke the world marathon record, clocking 02:01:09 and beating his previous time by 30 seconds. His success has made him a legend not only in Kenya but globally. It offers a useful lesson for everyone involved in the fight against climate change. Kipchoge's winning strategy is rooted in the science of running (as well as 120 miles of hard work every week), and our own approach to the climate crisis must involve the same level of commitment and focus.

As temperatures keep rising and emissions soar, the planet, too, continues to break (dangerous) new records. But with determination and follow-through, we – together with institutional partners and other governments – can start to run faster to get ahead of the climate crisis. Success will depend on following the latest science and mobilising a joint, broad-based effort of governments and citizens.

In March, the world's top climate experts and governments signed off on the latest Intergovernmental Panel on Climate Change synthesis report. Once again, the IPCC's message was stark: Humans have permanently changed the planet, and global warming is already killing people, destroying nature, and making the world poorer. Though African countries have contributed the least to the problem, they are bearing the brunt of the damage.

According to the International Energy Agency (IEA), Africa accounts for less than 3% of the world's energy-related carbon dioxide emissions, and 600mn Africans – an outrageous figure – still do not have access to electricity.

Climate change is a shared problem that the global community must solve by working together, especially given the disproportionate burden being placed on those who are least responsible. During his recent visit to Kenya, German Chancellor Olaf Scholz and I held talks on ways to address the climate crisis. Through the Germany-Kenya Climate and

Development Partnership, our two countries have committed to deepen our collaboration on climate-resilient development and renewable energy, including by supporting green-hydrogen production and sustainable agriculture.

We are currently a long way from limiting global warming to 1.5C or even 2C, as envisaged by the Paris climate agreement. The climate crisis will not solve itself. On the contrary, we must ensure that global greenhouse-gas (GHG) emissions peak before 2025 at the latest, and then fall by at least 43% by 2030.

This is the year to drive that transformation. The United Nations Climate Change Conference this November-December (COP28) offers an opportunity to accelerate the energy transition, supercharge the growth of renewables, and commit to phase out all fossil fuels – starting with coal.

Kenya is on track to meet these goals. We already generate 92% of our power from clean sources and we have committed to achieving a 100% clean electricity network by 2030. Similarly, renewables generated 46% of Germany's electricity in 2022 and the government has committed to increase that to 80% by 2030. Critically, these commitments will not only ensure clean power and a safer environment; they will also create jobs, attract investment, and make our economies more secure and resilient in the face of volatile oil and gas prices.

But it is important that we run this race as a team. According to the IEA, the global ratio of clean-energy investments to dirty-energy investments must increase sixfold by 2030 (from 1.5:1 to 9:1).

With a strong partnership between Africa, Europe, and the rest of the international community, Kenya, with its abundant resources, can make significant contributions to decarbonisation and the global transition to a net-zero economy. We must unlock climate finance and investment, so that we can harness our potential for green economic growth. But to do that, we will need to fix the current international financial system, which has proven inadequate for dealing fairly with multifaceted global crises, from the Covid-19

pandemic and the climate emergency to debt distress across the Global South.

Next month's Summit for a New Global Financial Pact, in Paris, provides an opportunity for Europe to galvanise support for reforming the international financial system. The international community must recognise our potential to help solve global problems and take steps to ensure win-win outcomes. That means providing access to affordable, adequate, and sustainable financing that is delivered in a timely manner.

As we reduce emissions, we also need to prepare our people and our housing, agriculture, and food systems for rising temperatures and extreme weather events. Meeting the 2021 COP26 commitment to double global climate-adaptation financing by 2025 remains crucial for protecting people and nature. The latest IPCC report is clear: climate change and insufficient adaptation and mitigation efforts are reversing development gains and undermining economic stability.

But we also must remember that adaptation has limits, and that climate change is already threatening millions of peoples' lives today. As the IPCC shows, reducing GHG emissions by 43% this decade and stabilising global warming at or below 1.5C is still our best chance to keep the problem at a manageable scale. Kenya's climate summit in September will provide a key opportunity to showcase the continent's commitment, potential, and opportunities to deal with the climate crisis. We need all governments to step up and agree to phase out unabated fossil-fuel use. We need reforms to make our financial institutions and systems fit for purpose. And we need to take climate action seriously. In the words of Eliud Kipchoge, the key to success is to "walk your talk." – Project Syndicate

▪ *William Ruto is President of Kenya.*

The Climate Elephants in the Room



May 19, 2023 PINELOPI KOUJIANOU GOLDBERG

As tempting as it is to rely on multilateralism to solve a shared global problem like climate change, the world simply does not have the time for such an approach. A far more pragmatic and effective strategy is to focus on the biggest polluters that contribute disproportionately to total greenhouse-gas emissions.

NEW HAVEN – Now that the falsehoods and obfuscation of climate denialism have finally been silenced, addressing climate change has become the world's top priority. But time is running out, and the International Monetary Fund warns that any further delays on implementing policies to mitigate global warming will only add to the economic cost of the transition to a low-emissions economy. Worse, we still lack a concrete, pragmatic strategy for tackling the problem. Although economists have made a robust case for why carbon taxes are the best solution, this option has proven politically infeasible, at least in those countries that account for some of the highest emissions (namely, the United States).

Commentators have also stressed that climate change is a shared problem involving important cross-border externalities that must be addressed through a multilateral approach to global coordination. But, as with carbon taxes, this argument has fallen on deaf ears. And, given the current geopolitical climate and the increasing fragmentation of the global economy, there is little hope that the message will get through anytime soon.

Having committed to assisting developing economies as they confront climate change, the World Bank finds itself limited by the country-based model underlying its financing operations. It is earnestly weighing its options and considering how it could coordinate climate-related financing across borders. But while such efforts are well meaning and consistent with the spirit of multilateralism, they inevitably will delay concrete action. World Bank financing would have to be completely restructured, and coordinating action across multiple countries that have limited financial resources and often conflicting interests seems an impossible task. For example, while some developing economies are rich in fossil fuels, others are starved for energy sources.

Given these limitations, pragmatism dictates focusing on the biggest polluters. Global carbon dioxide emissions are concentrated among only a handful of countries and regions. China, the US, the European Union, Japan, and Russia collectively account for 63% of the total, and none of these top polluters is a low-income country anymore. China, the poorest of the group, represents around 30% of all emissions, making it by far the world's largest current polluter in absolute terms. But its government is taking steps to accelerate the transition to green energy – a winning strategy, given the country's abundance of rare earth metals.

India, the third-largest emitter, currently accounts for approximately 7% of global CO₂ emissions, and its size and

growth trajectory imply that it could easily surpass China as the leading polluter, barring stronger climate policies. In fact, when it comes to helping developing countries decarbonize, considerable progress could be made simply by targeting India alone. The big advantage of this strategy is that it would avoid the paralysis associated with attempts to adopt a multilateral approach in an increasingly fragmented world.

This does not mean that we should eschew projects aimed at climate mitigation or adaptation in other countries. But we would not need to wait until everyone is on board before doing anything. Those insisting on a multilateral approach should learn from the experience of the ultimate multilateral institution: the World Trade Organization. Its requirement that every single provision in every multilateral agreement gain unanimous support has left it increasingly paralyzed, prompting demands for institutional reform.

Of course, India is not low-hanging fruit. It is rich in coal and has little incentive (beyond the health of its citizens) to hasten the transition to green energy. In focusing on India, we would need to employ the carrot, not the stick.

Since the stick generally takes the form of pressure to implement carbon taxation, it is a non-starter. A tax would be ineffective, because it would incite massive domestic opposition (as has been the case in the US). It would also be morally objectionable, because it is unfair to ask a lower-middle-income country to bear the burden of reducing CO₂ emissions when rich countries (like the US) have failed to do the same. Moreover, even if China and India are now two of the world's biggest polluters, they bear little responsibility for the past, cumulative emissions that led to the current climate crisis.

That leaves the carrot, which would come in the form of tax incentives or subsidies to support green energy. When paired

with other policies, these can ease firms into adapting to higher environmental standards (such as those associated with a cap-and-trade program). But such policies are expensive, which means that tackling climate change will require richer countries to help finance them. Whether or not India becomes the new China, it is still in our power to ensure that it does not become the new outside polluter.

<https://www.project-syndicate.org/commentary/climate-change-prioritize-top-emitters-over-multilateralism-by-pinelopi-koujianou-goldberg-2023-05>

**Climate change continues to
cause uncertainties for
commodity prices**



It can alter rainfall patterns, increase temperatures, and cause extreme weather. Climate played a major role in commodity prices last year and looks like doing so again in 2023.

Scorching heatwaves in the northern hemisphere hit production of wheat in the US and Europe in 2022, and climate change means that catastrophic weather events are becoming more frequent.

These include La Niña, which is stretching into an unprecedented third consecutive year and will be detrimental to maize and soybean production in the first half of 2023, in addition to other crops like sugar and coffee, according to Economist Intelligence Unit (EIU).

Wheat, which was heavily affected by war-related supply disruptions in 2022, faces significant climate risks. In the US large swathes of the southern plains remain under drought conditions, and crops are in unusually poor condition heading into winter dormancy. Extremely dry, occasionally frosty weather in Argentina is causing damage across major producing provinces there, but Russia and Australia are on course for a second consecutive year of bumper crops, which, for the moment, is alleviating concerns about production in the

western hemisphere.

Weather will loom large in energy markets as well, EIU noted. Europe's heatwave drove up demand last summer, causing gas and electricity prices to spike, especially as winds dropped to levels insufficient to generate enough power to meet Europe's electricity needs while drought affected hydropower generation in many countries.

These dry conditions, together with rising water temperatures, also hit nuclear power generation.

In addition, the severity of Europe's current energy crunch depends largely on how cold temperatures fall over the winter, not just in 2022/23 but in 2023/24 as well.

"The colder the winter, the more countries will have to draw down stockpiles built up over 2022. Below-normal temperatures will not only raise the spectre of energy rationing, but also put upward pressure on prices over the summer as Europe scrambles to refill reserves—this time without Russian supplies," EIU said.

Obviously, climate change can have significant impacts on commodity prices by affecting their production, transportation, and demand for various goods.

Climate change can impact commodity prices by affecting crop yields, energy prices, water availability, and transportation costs.

It can alter rainfall patterns, increase temperatures, and cause extreme weather events like droughts and floods, which can reduce crop yields.

This can lead to lower supply and higher prices for commodities like wheat, corn, soybeans, and other agricultural products.

Climate change can also impact energy prices by affecting the production and transportation of oil, natural gas, and other energy resources.

For example, extreme weather events can disrupt oil and gas production and transportation infrastructure, leading to supply disruptions and higher prices.

Changes in rainfall patterns and increased water scarcity due

to climate change can impact the availability of water for agricultural production and energy generation. This can result in higher prices for water-intensive commodities like meat, dairy, and processed foods.

Climate change can also affect transportation costs, particularly for goods that rely on sea or river transportation.

Rising sea levels and changes in ocean currents can disrupt shipping routes and increase shipping costs, which can lead to higher prices for imported goods. Weather events like droughts and floods, which can reduce crop yields

The High Cost of Carbon Pricing



Amid the growing enthusiasm for carbon border taxes, Western policymakers have largely ignored the negative impact on the world's poorest countries. For carbon-pricing policies to succeed, developed countries must show their commitment to shared prosperity by enabling knowledge-sharing and fostering

equitable climate finance.

NEW DELHI – Carbon pricing is all the rage these days, at least in the developed world. But while global leaders and experts – most of them from rich countries – increasingly embrace the idea of putting the “right price” on carbon, the concept remains vague and ill-defined. Worse, its growing acceptance and increasingly protectionist bent may have the perverse effect of impeding efforts to decarbonize the global economy.

The idea of carbon pricing seems like a no-brainer. Meeting even the least ambitious climate goals requires decarbonizing developed and developing economies alike. Changing the relative prices of carbon-intensive activities would encourage investors to finance renewable sources of energy and the technological innovation needed to achieve net-zero emissions.

Fossil fuels account for most of the world’s greenhouse-gas emissions, so hydrocarbons seem like a good place to start. But how? Should policymakers consider the relative price of fossil fuels, or production based on consuming them?

The two most commonly discussed forms of carbon pricing – cap-and-trade schemes and carbon taxes – are based on the carbon intensity of production. A cap-and-trade system is designed to limit greenhouse-gas emissions by dividing the total target amount into allowances that can be traded among high and low emitters. While this supposedly establishes a market price for carbon dioxide emissions, it does not consider their negative social and environmental externalities. A carbon tax, by contrast, sets a price on carbon by taxing emissions-heavy activities.

But these two models reflect a very narrow (and possibly even distorted) view of how carbon should be priced into the economic system. A 2017 report by the High-Level Commission on Carbon Prices, chaired by Joseph E. Stiglitz and Nicholas

Stern, provided a much more nuanced analysis. In addition to cap-and-trade and carbon taxes, the report recommended reducing or eliminating fossil-fuel subsidies and creating new financial incentives for low-carbon projects; offsetting the negative distributional impact of carbon pricing by using the proceeds to finance policies to protect poor and vulnerable populations; and complementary policies, such as investment in public transport and renewable power. Perhaps most important, the authors noted, countries must be able to choose instruments that fit their specific circumstances, resources, and needs.

Amid the growing enthusiasm for carbon pricing and border adjustment measures, policymakers and experts have largely ignored these points. The European Union's Carbon Border Adjustment Mechanism is a case in point. When the CBAM takes effect in October, it will impose a tax on carbon-intensive imports in order to "put a fair price on the carbon emitted during the production of carbon-intensive goods that are entering the EU" and to "encourage cleaner industrial production in non-EU countries" (emphasis added).

The CBAM will initially apply to imports of cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. At first, firms will simply have to report the (direct and indirect) emissions embedded in the goods they import. But, beginning in 2026, the EU will impose tariffs on these emissions based on the weekly average auction price of cap-and-trade allowances.

The stated purpose of this measure is to eliminate so-called "carbon leakage" and ensure that the EU's climate efforts are not undermined by production moving to countries with lower emission standards. Effectively, it protects European firms from competitors in such countries.

By taxing imports to the EU, the CBAM imposes on exporters in other countries the nearly impossible task of measuring

emissions. Most developing countries (and many developed ones) lack granular data on firm-specific emissions, not to mention the ability to track the emissions of all the inputs used. Even if such data were available, the costs of collecting and analyzing it over time would be enormous. As the United Nations Conference on Trade and Development noted in 2021, the CBAM attempts “to impose on developing countries the environmental standards that developed countries are choosing.”

The EU wants to be viewed as a global leader on climate change, but it is difficult to see the CBAM as anything but a protectionist device. While the CBAM purports to encourage countries outside the bloc to reduce emissions by imposing their own carbon taxes, the EU has done nothing to help exporting countries attract new green investment or gain access to new technologies. In fact, it has persistently reneged on its (paltry) promises on climate finance and the commitments European leaders made as part of the 1992 Rio Agreement, restricting access to green technologies controlled by EU-based companies.

For decades, advanced economies have exported their emissions to developing countries by offshoring carbon-intensive production and then importing those goods. Now that greener technologies are available to (and largely controlled by) Western companies, developed countries promote reshoring without sharing knowledge or finance, thereby undermining low- and middle-income countries’ economic prospects and ability to achieve a green transition.

In February, Republican US Senator Bill Cassidy said he would unveil an emissions tariff bill in the coming months, following similar proposals by Senate Democrats. Meanwhile, lawmakers on both sides of the Atlantic have done little to limit fossil-fuel production and trade – by far the biggest sources of CO₂ emissions. The CBAM does not cover trade in fossil fuels, and neither would the proposed tariffs in the

United States. If decarbonization is the real goal, rather than protecting domestic industries, then regulation and reducing direct and indirect fossil-fuel subsidies are far more promising policies.

For carbon pricing to succeed, developed countries must demonstrate their commitment to shared prosperity by enabling knowledge-sharing and fostering equitable climate finance. If they continue to focus on border taxes on goods produced (mostly) in developing countries, their carbon-pricing efforts will fail. Worse, they will exacerbate global inequality and reinforce the perception that all their lofty rhetoric about the need for international cooperation to fight climate change is merely a fig leaf for cynical and self-serving policies.

Green power is the first domino



As world leaders convene at the UN Climate Change Conference

(COP27), it is obvious to all that bolder action is needed to avert disaster. The UN warns that global efforts to reduce greenhouse-gas (GHG) emissions remain insufficient to limit temperature increases to 1.5C, relative to pre-industrial levels.

To meet this target, decarbonising the power sector is critical. Electricity accounts for about 25% of the world's GHG emissions, and it also will play a critical role in decarbonising other sectors, such as buildings, transportation, and manufacturing. The challenge, then, is to achieve "24/7 carbon-free energy" (24/7 CFE): the total elimination of carbon from the electricity sector – at every hour of every day, in every grid around the world.

Research in the United States and Europe has shown that 24/7 CFE strategies have a greater impact on the decarbonisation of electricity systems than the current practice of purchasing electricity from renewable sources to match annual consumption patterns. Recent International Energy Agency modelling for India and Indonesia shows that hourly matching strategies lead to more diverse technology portfolios, with the clean, dispatchable generation and storage needed for net-zero transitions in the power sector. Critically, this approach helps electricity systems shift away from fossil fuels by accelerating uptake of the full suite of carbon-free technologies needed to deliver around-the-clock clean power.

Decarbonising energy systems worldwide is possible, but it will require collective action to accelerate the development and deployment of advanced clean-energy technologies. New investments, supportive public policies, and partnerships among stakeholders are all part of the solution. That is why the UN, Sustainable Energy for All (SEforALL), Google, and a diverse group of signatories launched the 24/7 CFE Compact in 2021. The compact represents a growing global community of stakeholders that are committed to providing the support, tools, and partnerships needed to make 24/7 CFE a reality everywhere.

Among the most recent to join the 24/7 CFE Compact is the

Scottish government. "Scotland was the first country in the United Kingdom to declare a climate emergency, and indeed among the first in the world to recognise the importance of taking immediate and bold action," notes Scottish First Minister Nicola Sturgeon. "Governments must hold themselves to account in limiting global temperature rise to 1.5C. We are committed to putting accountability at the centre of all that we do. Our position is clear that unlimited extraction of fossil fuels is not consistent with our climate obligations." Similarly, just last month, Google and C40, a network of almost 100 cities, launched a first-of-its-kind 24/7 CFE programme focusing on regional electricity grids. With urban areas accounting for over half the world's population and more than 70% of global carbon dioxide emissions, cities have a critical role to play in driving the changes needed to tackle the climate crisis.

Developing and emerging economies will need more energy to bridge energy-access gaps, and to support economic growth and development. But as capacity expands, it must be clean. A 24/7 CFE approach can serve both purposes, providing both greater access and cleaner energy. We therefore must move faster to make 24/7 CFE cheaper and more accessible globally. According to the latest IEA data, the number of people living without electricity will rise by almost 20mn in 2022, reaching nearly 775mn. Most of that increase will be in Sub-Saharan Africa, where the size of the cohort lacking access has nearly returned to its 2013 peak.

The world cannot achieve net-zero emissions without first ensuring universal electricity access. That will require annual investments of at least \$30bn – two-thirds of which will need to go to Sub-Saharan Africa – between now and 2030. Fortunately, not only is 24/7 CFE a moral imperative, but it also represents the most cost-effective option for connecting underserved populations.

Many of these populations will otherwise continue to rely on dirtier sources of energy. Small island developing states such as Nauru, Palau, the Bahamas, and Trinidad and Tobago, for

example, all have electricity grids that depend heavily on inefficient, carbon-intensive technologies such as diesel generators. These countries' experience shows why 24/7 CFE must not be framed merely as a European or North American issue. It is a global one, and it has become increasingly urgent for developing countries on the front lines of climate change.

Implementing 24/7 CFE strategies globally will require not only funding but also measures to scale up the deployment of advanced technologies, to create more favourable market conditions, and to share best practices and data. If we can fully decarbonise our grids, the rest of the green transition should become cheaper and easier.

The 24/7 CFE Compact provides an opportunity to drive the much-needed policy change, investment, and research in this crucial next phase of climate action. We invite all governments, companies, and organisations to join us and help chart a more sustainable path toward a net-zero future. – Project Syndicate

**COP27: Financing for climate
?damages gets a foot in the
door**



AFP/Sharm El-Sheikh

UN climate negotiations yesterday offered a sliver of hope and “solidarity” for developing countries battered by increasingly costly impacts of global warming, in agreeing to discuss the thorny issue of money for “loss and damage”.

Countries least responsible for planet-heating emissions – but hardest hit by an onslaught of weather extremes – have been ramping up the pressure on wealthy polluting nations to provide financial help for accelerating damages.

But in a sign of how contentious the issue is among richer nations fearful of open-ended climate liability, the issue was only added to the formal agenda to the UN’s COP27 climate summit in the Egyptian resort town of Sharm el-Sheikh after two days of last-ditch negotiations.

This “reflects a sense of solidarity and empathy for the suffering of the victims of climate induced disasters,” Egypt’s Sameh Shoukry, the COP27 president, said to applause.

At last year’s UN summit in Glasgow, the European Union and the United States rejected calls for a separate financial mechanism.

Instead, negotiators agreed to start a “dialogue” extending through 2024 on financial compensation.

The issue has grown ever more urgent in recent months as nations were slammed by a crescendo of disasters, such as the massive flooding that put a third of Pakistan under water in August.

Senegal's Madeleine Diouf Sarr, who represents the Least Developed Countries negotiating bloc, said climate action across the board had been far too slow.

"Lives are being lost. Climate change is causing irreversible loss and damage, and our people carry the greatest cost," she said, adding that an agreement on funding arrangements must be reached in Egypt.

Appeals for more money are bolstered by a field known as event attribution science, which now makes it possible to measure how much global warming increases the likelihood or intensity of an individual cyclone, heat wave, drought or heavy rain event.

"Today, countries cleared an historic first hurdle toward acknowledging and answering the call for financing to address increasingly severe losses and damages," said Ani Dasgupta, head of the World Resources Institute, a climate policy think tank.

But he said that getting negotiators to agree to discuss the issue was only an initial step.

"We still have a marathon ahead of us before countries iron out a formal decision on this central issue for C027," he said.

Wrangling over loss and damage has unfolded against the backdrop of an unmet promise by rich nations to provide \$100bn a year starting in 2020 to help the developing world green their economies and anticipate future impacts, called "adaptation" in UN climate lingo.

That funding goal is still \$17bn short. Rich nations have vowed to hit the target by the end of 2023, but observers say the issue has severely undermined trust.

The UN Environment Programme has said the goal – first set in 2009 – has not kept up with reality, and estimates that funding to build resilience to future climate threats should

be up to 10 times higher.

Meanwhile, countries are far off track to reach the Paris deal goal of limiting global warming to 1.5 degrees Celsius.

The UN says the world is currently heading to 2.8C of warming, or a still-catastrophic 2.4C even if all national pledges under the Paris treaty are fulfilled.

Depending on how deeply the world slashes carbon pollution, loss and damage from climate change could cost developing countries \$290-580bn a year by 2030, reaching \$1-1.8tn in 2050, according to the Grantham Research Institute on Climate Change and the Environment in London.

The World Bank has estimated the Pakistan floods alone caused \$30bn in damages and economic loss. Millions of people were displaced and two million homes destroyed.

Simon Stiell, the UN's climate change executive secretary, said vulnerable countries are "tired" and "frustrated".

"Here in Sharm el-Sheikh we have a duty to speed up our international efforts and turn words into action to catch up with their lived experience," he said.

Up to now, poor countries have had scant leverage in the UN wrangle over money. But as climate damages multiply, patience is wearing thin.

The AOSIS negotiating block of small island nations told AFP that they would like to see the details for a dedicated loss-and-damage fund worked out within a year.

"There's not enough support for us to even to begin to prepare for the loss and damage that we are expected to face," said AOSIS lead negotiator on climate finance Michai Robertson.

China is doubling down on

coal despite its green ambitions



Bloomberg / Beijing

China is building a vast array of new coal-fired power stations, potentially more than the operating capacity of the US, even though it knows the plants will probably never be fully used.

The puzzle of why the world's leading installer of clean energy is investing so much in the worst polluting – and increasingly expensive – fossil fuel shows the depth of Beijing's concern over the global squeeze in energy supplies. But it also reflects planning for a gradual relegation of coal's role, from prime power source to a widely available but often idle backup to China's rapidly expanding renewables fleet.

Work on at least 165 gigawatts of plants powered by coal should begin by the end of 2023, the National Development and Reform Commission told executives at a meeting in September, according to state-backed Jiemian News. The chairman of China Energy Engineering Corp, meanwhile, has forecast the country

could add a total of 270 gigawatts in the five years to 2025 – more than currently exists in any other nation.

New coal permits have already increased, and while the final extent of the ramp-up isn't known, adding 270 gigawatts could cost 568bn to 766bn yuan (\$79bn to \$106bn), according to a calculation based on BloombergNEF data. Excluding China, the rest of the world's pipeline of coal power projects stands at about 101 gigawatts, data compiled by Global Energy Monitor show.

China's strategy is designed to avoid the pitfalls that have hobbled parts of the US and Europe, which stopped investing in fossil fuel production and infrastructure before renewables were ready to take over. That's led to an over-reliance on imports in some places, and in others a dependence on grids that can fall prey to the unreliability of sunshine and wind.

At the recent party congress, President Xi Jinping laid out how China's energy transition would be different by following "the principle of building the new before discarding the old." In practice, that means adding both clean power and more coal to try and eliminate economy-crippling power shortages and create a buffer against volatile global fuel prices, while at the same time advancing the country's long-term climate goals. As China's economy grows, it requires ever more power, and it has said it plans to peak coal consumption only by the middle of the decade.

But even as new plants are built, the intention is for them to be used less and less as they're displaced by increasing amounts of clean energy.

In the context of global energy insecurity, it's not surprising that China would ramp up its coal capacity, said Yan Qin, an analyst in Oslo, Norway, at Refinitiv. "But the push to add more clean energy to the grid hasn't slowed down, meaning that growing renewables will squeeze the running hours of coal plants," she said.

The plan carries big risks. Coal financiers are directing capital to investments that are almost designed to be stranded. If they protest because their projects are being

underutilised, it could slow the decarbonisation of the planet's worst polluter. And the world's carbon budget is finite, which means that any coal burned at all in China increases the chances of missing targets to avoid catastrophic warming.

The NDRC's proposal is already facing some pushback from utilities and local lenders, according to a person familiar with the matter. Many coal power generators are losing money amid high fuel prices and aren't enthusiastic about funding and running plants that would only be used during times of peak demand, the person said, declining to be identified because the talks are private.

Still, it's clear that the regulator's tone on coal power has changed since last year's energy crisis, according to the person. More plants will be built in areas that are reliant on hydropower, and near the massive wind and solar farms being built in the desert interior, to ensure reliable supply when intermittent renewables generation stalls, the person said.

China is also making efforts to lessen the burden on coal power generators, in large part by leaning on miners to boost output to record levels and keep the Chinese market well below sky-high international prices. The government has also given utilities leeway to charge higher rates to industrial customers. And, it's making progress in developing a mechanism that would compensate coal plants that sit idle while on backup duty, Refinitiv's Qin said.

In any case, the rate at which clean energy is added will probably be more instructive than power plant spending in determining when coal burning starts to dwindle, said Dave Jones, a lead analyst at the climate think tank Ember in London.

Once renewables are installed they're basically free to produce, which means they'll be prioritised over coal. The moment that new clean energy generation outpaces new power demand is when coal use begins to fall, he said.

China is by far the world's largest renewables market, and its expansion continues to accelerate. Spending in the first half

of this year more than doubled to \$98bn, compared to \$12bn in the US. As wind, solar and hydropower all charted strong growth over the period, mostly coal-based thermal power generation dropped 3.5%.

Although the historic drought in the summer curtailed hydropower so much that coal is back on track for a year-on-year increase, it won't be long before new clean energy capacity puts the fuel into permanent decline, Jones said.

"There is so much wind and solar being built and generating clean electricity," he said. "As long as China's not inventing a whole new use for thousands of terrawatt-hours of power, then from a demand perspective it's got to be reducing coal power, because there's nowhere else for that electricity to go."

No net zero without nature



By Nigel Topping And Mahmoud Mohieldin/ London

Businesses, investors, and governments that are serious about fulfilling net-zero emissions pledges before 2050 should be rushing to protect, conserve, and regenerate the natural resources and ecosystems that support our economic growth, food security, health, and climate. Yet there appear to be worryingly few trailblazers out there.

Worse, we are quickly running out of time. The science makes clear that to avoid the most catastrophic effects of climate change and to build resilience against the effects that are already inevitable, we must end biodiversity loss before 2030. That means establishing lasting conservation for at least 30% of land and sea areas within eight years, and then charting a course toward living in harmony with nature by 2050.

Though the challenge is massive, ignoring it makes no sense from a business perspective. A World Economic Forum white paper estimates that nature-positive policies “could generate an estimated \$10tn in new annual business value and create 395mn jobs by 2030.” Among other things, such policies would use precision-agriculture technologies to improve crop yields – diversifying diets with more fruit and vegetables in the process – and boost agroforestry and peatland restoration.

A nature-positive approach can also be more cost-effective. For example, the Dasgupta Review (the Final Report of the United Kingdom’s Independent Review on the Economics of Biodiversity) finds that green infrastructure like salt marshes and mangroves are 2-5 times cheaper than grey infrastructure such as breakwaters.

Nonetheless, private-sector action is lagging, including in economic sectors where the health of value chains is closely tied to that of nature. That is one key finding from an analysis just released by the UN Climate Change High-Level Champions, Global Canopy, Rainforest Alliance, and others.

Out of 148 major companies assessed, only nine – or 6% – are making strong progress to end deforestation. Among them are the Brazilian paper and pulp producer Suzano and five of the largest consumer goods companies: Nestlé, PepsiCo, Unilever, Mars, and Colgate-Palmolive.

Unilever, for example, is committed to a deforestation-free supply chain by 2023, and thus is focusing on palm oil, paper and board, tea, soy, and cocoa, as these contribute to more than 65% of its impact on land. Nestlé has now made over 97% of its primary meat, palm oil, pulp and paper, soy, and sugar supply chains deforestation-free. And PepsiCo aims to implement regenerative farming across the equivalent of its agricultural footprint by 2030, and to end deforestation and development on peat.

These are positive steps, but they represent exceptions, rather than any new normal. Moreover, the financial sector has also been slow to turn nature-positive. Since the COP26 climate-change conference in Glasgow last year, only 35 financial firms have committed to tackle agricultural commodity-driven deforestation by 2025. The hope now is that more firms will join the deforestation commitment by COP27 this November. Under the umbrella of the Glasgow Financial Alliance for Net Zero, 500 financial firms (representing \$135tn in assets) have committed to halving their portfolios' emissions by 2030 and reaching net zero by 2050. And now, the Alliance has issued new net-zero guidance that includes recommended policies for addressing deforestation.

Nature functions as a kind of global capital, and protecting it should be a no-brainer for businesses, investors, and governments. The World Economic Forum finds that "\$44tn of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services." But this profound source of value is increasingly at risk, as demonstrated by the current food crisis, which is driven not just by the war in Ukraine but also by climate-related disasters such as drought and India's extreme heatwave, locust swarms in East Africa, and floods in China.

Businesses increasingly have the tools to start addressing these kinds of problems. Recently, the Science Based Targets initiative released a methodology for targeting emissions related to food, land, and agriculture. Capital for Climate's Nature-Based Solutions Investment platform helps financiers

identify opportunities to invest in nature with competitive returns. And the Business for Nature coalition is exploring additional moves the private sector can make.

Governments have also taken steps in the right direction. At COP26, countries accounting for over 90% of the world's forests endorsed a leaders' declaration to halt forest loss and land degradation by 2030. And a dozen countries pledged to provide \$12bn in public finance for forests by 2025, and to do more to leverage private finance for the same purpose. They can now start meeting those commitments ahead of COP27 in Sharm El-Sheikh, by enacting the necessary policies, establishing the right incentives, and delivering on their financial promises.

Meanwhile, the UN-backed Race to Zero and Race to Resilience campaigns will continue working in parallel, helping businesses, investors, cities, and regions put conservation of nature at the heart of their work to decarbonise and build resilience. The five strong corporate performers on deforestation are in the Race to Zero, and the campaign's recently strengthened criteria will pressure other members to do more to use biodiversity sustainably and align their activities and financing with climate-resilient development. The world is watching to see if the latest promises of climate action are robust and credible. By investing in nature now, governments and companies can show that they are offering more than words. – Project Syndicate

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