Harnessing International Climate Governance to Drive Green Post-Pandemic Recovery

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1 Abstract

While the COVID-19 pandemic has cast normal policy making including global climate policy into disarray, it also demonstrates that governments are able to take far-reaching action on short notice. How the global response to the Corona crisis is shaped will be a key determinant for the future of climate policy. This paper discusses how the United Nations Framework Convention on Climate Change (UNFCCC) process may help align economic recovery packages with the climate agenda. For this purpose, this paper draws on the concept of governance functions which international institutions may perform: international institutions may send guidance and signals, they may establish rules and standards, they may provide transparency and accountability, they may organise the provision of means of implementation, and they may promote collective learning. Reflecting on these functions, the paper finds that the UNFCCC process could promote green recovery in several ways. The paper proposes the following specific lines of action.

**Key policy insights:**

- Timing is a challenge as recovery packages are being developed now. To overcome this challenge, the UK presidency and other parties should put green recovery onto the agenda of the Glasgow conference early and urge parties to bring not only better NDCs, but also transformative green stimulus packages. This could incentivise governments to design recovery packages that are Paris-consistent as they would be on notice to deliver something respectable in Glasgow. It would also enable utilisation of the preparatory process for the Glasgow conference for the promotion of green recovery. Interested parties could also bring up the topic in other interconnected fora such as the G20.

- The UNFCCC as a whole or a coalition of individual parties could also lay out specific principles and criteria for green recovery.

- COP26 or another international institutions should also establish a process to review recovery packages and their implementation to support robustness and promote policy learning.

- Developed countries should confirm and renew their collective and individual climate finance commitments and commit to working toward an increased long-term finance objective in the context of greening recovery packages. The Glasgow conference could also give guidance to the Global Environment Facility (GEF) and the Green Climate Fund (GCF) and other international institutions.
2 Introduction

2020 was supposed to be the year of climate ambition. The Nationally Determined Contributions (NDCs) countries have so far put forward under the Paris Agreement fall far short of what would be required to achieve the Agreement’s ambitious long-term objectives. Instead of keeping the rise in the global mean temperature since the start of industrialisation well below 2 degrees Celsius or even 1.5 degrees Celsius, countries’ NDCs so far would take the world onto a path to a warming of at least 3 to 4 degrees Celsius. In addition, the implementation of several NDCs has been lagging (Roelfsema et al., 2020; UNEP, 2019). While parties whose first NDCs cover only a period up to 2025 are required to present new ones by 2020, parties whose first NDCs cover a period up to 2030 may simply re-submit or “update” those (UNFCCC, 2016, Decision 1/CP21, para 23-24). However, to achieve the PA’s objectives, existing NDCs need to be strengthened as soon as possible to prevent the temperature objective slipping out of reach. The climate conference in Glasgow this November was therefore supposed to be the culmination point of an intensive diplomatic process on ratcheting up climate ambition (Obergassel et al., 2020). The Corona crisis has now cast all plans into disarray. The Glasgow conference has been postponed to November 2021.

The IMF predicts that the pandemic will lead to “the worst economic downturn since the Great Depression” (IMF, 2020). Governments across the globe are already responding with massive economic recovery packages (Hale et al., 2020). The question is, will these stimulus packages try to re-establish old structures, or will they be used as an opportunity to chart a new course? There are increasing numbers of interventions for both positions.

The ultimate outcome of this debate in the EU and elsewhere will determine key parameters for future climate policy. The fiscal impacts of the crisis and the recovery packages will leave countries with enormous budget deficits. At the same time, monumental investments are required to achieve the objectives of the Paris Agreement. In the power sector alone investments in the order of USD 20 trillion need to be shifted from fossil fuel infrastructure to renewables and energy efficiency between 2015 and 2050, and an additional USD 27 trillion needs to be attracted compared to current levels of investment to meet the Paris objectives (IRENA, 2018). If the recovery packages are not compatible with the PA’s objectives, in the following years there may be little further opportunity to raise public finance for climate protection.

So how can climate change mitigation and adaptation become mainstreamed in the global response to the pandemic? And what can the UNFCCC and specifically COP26 do to promote this and, concurrently, demonstrate the value of multilateralism?
3 Five governance functions

Oberthür et al. (2017) identify five functions international governance institutions may perform to help tackle a certain problem. In this section we discuss whether and how the Glasgow conference can promote mainstreaming of climate change in recovery packages in response to the global COVID-19 pandemic and the unfolding economic crisis.

3.1 Guidance and signal

International institutions can signal the resolve of members to pursue a certain course of action such as decarbonisation. If countries credibly agree on long-term visions and goals, this may take away some of the political uncertainty hampering investments and alter investors’ expectations about the viability of prospective projects and hence change their investment decisions of today (also see Morseletto et al., 2016; Kanie & Biermann, 2017). For instance, the objectives of the Paris Agreement have provided an important (though imperfect) signal to business and others to pursue low- or zero-carbon development (Falkner, 2016).

Fortunately, we are in a very different position globally compared to the last major global economic crisis. Unlike in 2008/2009 when the last global economic and financial crisis unfolded, we now have a solid international framework in place. The Paris Agreement and the Sustainable Development Goals can serve as guideposts for designing economic recovery policy packages. Specifically, Article 2.1c of the Paris Agreement stipulates “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” as a major objective. This should already provide guidance to governments when taking fiscal measures to soften the economic impacts of the pandemic. It should also guide the engagement of international financial institutions including multilateral development banks which will have an important role to play in facilitating economic recovery, particularly in the Global South.

Several international institutions are already reinforcing the Paris signal in this direction. For instance, the World Bank proposed a “sustainability checklist for assessing economic recovery investments” (World Bank, 2020) and the Finance Ministers of the G20 have called for an “environmentally sustainable and inclusive recovery” (G20, 2020). At the eleventh Petersberg Climate Dialogue on 27/28 April 2020, all of the about 30 participating countries stated that the restarting of their economies should be used to also advance climate protection (BMU, 2020).

The Glasgow conference could further reinforce this signal towards recovery packages by reiterating and strengthening parties’ commitment to the objectives of the Paris Agreement and urging parties to heed the objectives and principles of the Convention and the Paris Agreement also in the context of recovery policies. This could take the form of a COP decision or, failing consensus required for such a decision, a political declaration by interested parties.

The timing would be a challenge as the recovery packages are being designed now while the Glasgow conference has been postponed to November 2021. It would thus be important to start the process now, put the issue on the agenda of the UNFCCC
process immediately. This could for example be done by the UK COP presidency in co-ordination with the outgoing Chilean presidency and with the support of other parties. This would enable utilisation of the preparatory process for the Glasgow conference. In its suggested roadmap to Glasgow, the UK did pledge to champion restarting economies “in ways that protect our planet in the face of the climate emergency” (UK Cabinet Office, 2020). But it has so far not announced specific initiatives.

For example, the presidencies could call on parties to bring not only improved NDCs, but also transformative green stimulus packages to Glasgow. Parties could start submitting green recovery plans immediately and have initial discussions at the intersessional meetings re-scheduled for October (and the pre-COP still to be scheduled). Another idea could be to set up a web portal for parties to publicly present their green recovery plans. This could encourage and incentivise governments to design recovery packages that are Paris-consistent as they would be on notice to deliver something respectable in Glasgow. Thereby, it could also be of help to pro-climate stakeholders in the respective domestic discussions on shaping recovery packages. Moreover, if parties aligned their efforts towards green recovery in response to such a call, they could reinforce each other’s efforts, for example by helping create and enlarge relevant markets.

At the virtual “June Momentum” session of the UNFCCC, Japan announced to host an online platform and a virtual ministerial meeting in early September to exchange views on green recovery (Farand, 2020). While this provides some impetus, connection to the official COP agenda as suggested above could arguably provide a further push. Such a connection has so far not been put in place.

### 3.2 Rules and Standards

In addition to signalling the desired direction of travel, international institutions can also require certain actions from countries in order to achieve the common objectives. Responses may vary in form, ranging from self-enforcing standards for simple coordination problems to coordinated target setting with implicit or explicit burden sharing agreements for collective action problems with strong interdependencies (Jordan et al., 2011). The NDCs of the Paris Agreement constitute “obligations of conduct” but do not imply any “obligations of result” (Oberthür & Bodle, 2016) and hence can be considered rather a form of coincidental than coordinated target setting (Rayner et al., 2018).

In the face of the COVID-19 pandemic and the ensuing economic crisis, it is however rather unlikely that international institutions will be able to lay down legally binding rules on a green recovery. Passing legally binding rules would take too much time taking us much beyond the time horizon of the initiation and implementation of the recovery packages. However, parties could define a kind of “gold standard”, a list of best practices, dos and don’ts for how to design green stimulus packages in legally non-binding form. This could become part of the aforementioned COP decision or declaration of interested parties of a new “high ambition coalition”.

Agreement on detailed principles and criteria, even if only by a subset of parties, could help to solidify an international standard for government behaviour and
thereby exert pressure on all parties to develop their recovery packages accordingly. This would further substantiate and institutionalise the guidance and signal provided through a political declaration or COP decision. Domestic pro-climate stakeholders could refer to this international standard in their arguments for green recovery. In addition, detailed principles and criteria could be even more useful than a general call for green recovery in aligning countries’ efforts and thereby achieving mutual reinforcement.

For this function, timing is particularly challenging as standards for green recovery would need to become effective now, not in 2021. As discussed under guidance and signal, initiating the discussions may already be helpful. In addition, the political commitment sought could also be advanced in another forum, such as the G20. It could build on the existing activities by the G20 and the World Bank referred to above. The Glasgow conference and the process running up to it could then further build on and reinforce this work. While the G20 and other institutions can only speak for their respective members, the UNFCCC has near-universal membership. The Glasgow conference could therefore serve to affirm and extend standards for the whole international community.

### 3.3 Transparency and Accountability

International institutions may enhance the transparency of the actions taken by their members by collecting and analysing relevant data, and identifying and addressing problems in implementation of agreed rules/standards. A basic level of transparency is required to adopt common rules and targets in the first place. But first and foremost, transparency and accountability are required to build and maintain trust among the members (Mitchell, 1998) and to support implementation (Gupta & van Asselt, 2019).

At the most basic level, the Glasgow conference and the public attention it will generate may be used as an opportunity and “echo chamber” for naming and shaming – to celebrate countries that are using the opportunity to accelerate on a green trajectory, and point the finger at those that do not. This effect could best be achieved – and maintained beyond Glasgow – if there was a process considering green recovery, for example in the form of dedicated thematic sessions that could start at Glasgow and continue for the duration of green recovery programmes. The effect might be further enhanced if the UK presidency made green recovery one of the topics to be explicitly addressed by ministers in the COP’s high-level segment.

As part of such thematic sessions on green recovery, the UNFCCC could also organize a process of voluntary peer review of stimulus packages and their implementation, taking inspiration from the Voluntary National Reviews on how countries are implementing the Sustainable Development Goals (Huang, 2018). This would be an important advance over the 2008/2009 financial and economic crisis. While there were several ex-ante assessments of how “green” the various economic stimulus packages were then (Barbier, 2010; Bowen et al., 2009; Höhne et al., 2009; Robins et al., 2009; Schepelmann et al., 2009), there has not been a systematic ex-post evaluation of the climate effects of those measures let alone a process of international political reflections on their effectiveness (or lack thereof) (Schepelmann & Fischedick, 2020).
Early agreement on an international review of recovery packages could help motivate governments to design their actions consistently with the PA. International review could also support fine-tuning of the recovery packages during their implementation.

3.4 Means of Implementation

International institutions may facilitate the provision of capacity building, technology transfer, and financial resources among members, including coordination efforts for effective allocation, pooling of resources and burden-sharing among donors. Means of implementation have consistently been one of the most contentious negotiation issues, with developing countries constantly reiterating that the provision of adequate means of implementation is an essential enabler for international cooperation (Obergassel et al., 2020).

In 2009/2010, developed country parties pledged to “mobilise” climate finance for developing countries of USD 100 billion annually by 2020 from a variety of sources, public and private (UNFCCC, 2011, p. para 98f). In Paris, parties agreed to extend this target to 2025 and to begin negotiating an increased long-term finance objective for the period thereafter (UNFCCC, 2016, Decision 1/CP21, para 53). However, given the ensuing economic crisis and the increasing debt burden, it will become anything but easier for developed countries to commit adequate financial means of implementation.

At the same time the pandemic and the unfolding economic crisis will even increase the need for financial resources for many countries, for example for countries that are highly dependent on income from tourism and travel. There is a large intersection between highly vulnerable countries and those countries that heavily depend on tourism. According to the World Travel & Tourism Council (WTTC, 2020) 30 countries out of 185 countries covered accrued more than 20 per cent of their GDP in travel and tourism – 17 of these countries are small island developing states. For the countries at the top of the list – the Seychelles, the Maldives and St. Kitts and Nevis – tourism even contributes around two thirds of their GDP. For these countries, the pandemic could imply a near complete collapse of the economy leaving them effectively without any resources to invest in desperately needed adaptation (and mitigation) measures. COP26 should at least recognize this issue and seek ways to support the most affected countries including through providing additional or prioritizing the allocation of existing climate finance.

At Glasgow, developed countries should therefore confirm and renew their collective and individual commitments to the USD 100 billion target and to considering an increased long-term finance objective in the context of greening recovery packages. In addition, developed countries could commit to targeting financial and technological support they are providing specifically to a green relief and recovery in developing countries. For example, investments in health systems could provide particularly strong synergies between corona disaster response and climate change adaptation. The conference could also give guidance to the Global Environment Facility (GEF) and the Green Climate Fund (GCF) to provide support targeted specifically at leveraging the greening of recovery packages and call on other financial institutions to act accordingly.
3.5 Knowledge and Learning

International institutions may create knowledge as well as platforms for individual and social learning. Scientific, economic, technical and policy-related knowledge on the understanding of and/or possible solutions to the problem at hand may be created and diffused. A key contribution from international governance is the collective appraisal of knowledge to increase acceptance (Mitchell et al., 2006) and the establishment of consensual knowledge to advance international political discussions (Gehring, 2008).

While there is plenty of experience with policies to stimulate demand, the COVID-19 pandemic and the resulting economic fallout are unprecedented because they primarily result from a supply shock. At the same time, the ecological implications of green economic recovery measures have not been studied systematically (see above). With the world facing a great macroeconomic experiment, an ‘experimentalist governance’ response as a means of participatory and multilevel problem solving seems to be appropriate. (De Búrca et al., 2014, p. 477; see also Sabel & Zeitlin, 2012; Bernstein & Hoffmann, 2018). Such an approach would lend itself well to evaluating and comparing different approaches to simultaneously addressing climate change and the economic fallout of the COVID-19 pandemic.

While some policy assessment and reflection of lessons learned regarding economic and environmental effects can be expected, for instance, under the G20 or within the Organisation for Economic Co-operation and Development (OECD), the aforementioned process and thematic stream may also serve to advance and accelerate policy learning (Schepelmann & Fischedick, 2020). It could focus on reflecting what elements and features of recovery policies have worked best for moving the climate transition forward. Such a process could be particularly useful for smaller and less developed states with particular circumstances and limited analytical capacities. The process and thematic sessions under the UNFCCC contemplated above could be designed to allow parties and stakeholders to showcase and exchange on best practices and thereby promote mutual learning.
4 Recommendations

Reflecting on the governance functions, the Glasgow conference and the process leading up to it could promote green recovery in several ways. Timing is a challenge, the conference has been postponed to November 2021, but recovery packages are being developed now. Putting green recovery onto the agenda of the Glasgow conference early and urging parties to bring not only better NDCs, but also transformative green stimulus packages could help. The UK COP presidency could play a leading role, with the support of a broad coalition of interested parties. In addition, interested parties could bring up the topic in other interconnected fora such as the G20. Utilisation of such other fora would be particularly important for the development of standards and for creating political momentum toward the Glasgow conference. If international standards for recovery packages are to have an effect, they would have to be developed in the near future, not in 2021. Building on this work, the Glasgow conference could then affirm standards applicable broadly to the international community.

We propose five specific actions:

- The international community should call on countries to make all recovery actions consistent with the goals of the Paris Agreement. Such a call may be of help to pro-climate stakeholders in national discussions on shaping recovery packages. In addition, strong international signals may help to align countries’ efforts and thereby achieve mutual reinforcement. Such a signal could emanate from one of the next meetings of the UNFCCC or another institution, or a political declaration of a broad coalition of parties.

- Such a decision or political declaration could, in addition, lay out specific principles and criteria for green recovery in order to maximise political support and help align efforts.

- On this basis, the Glasgow conference or another international institution should establish a process to review recovery packages and their implementation in support of robustness and promote policy learning and fine-tuning. Such a review process could serve as forum for accelerated policy learning for combined climate and economic recovery policies. This forum should be a place to evaluate different policies, facilitate exchange of lessons learned and help to promote those policies that prove particularly successful in achieving the dual purpose of stimulating the economy and supporting decarbonisation.

- Developed countries should confirm and renew their collective and individual commitments to the USD 100 billion target and to working toward an increased long-term finance objective in the context of greening recovery packages. In addition, developed countries could commit to providing targeted financial and technological support to a green relief and recovery in developing countries. The Glasgow conference could also give guidance to the GEF and GCF to provide targeted support for leveraging the greening of recovery packages and call on other financial institutions to act accordingly.
COP26 should establish a work programme on climate change and sustainable tourism. This work programme should include immediate support for highly vulnerable and highly tourism dependent countries. For the mid to long-term perspective the work programme should seek ways to support the return of tourism in a sustainable manner. Finally, for those extremely dependent countries, the work programme may even draw lessons from the “just transition” agenda in order to support economic diversification and manage the structural changes resulting from the collapse of tourism.
5 References


