Climate Opportunity Initiative

The aim of the initiative is to dramatically boost climate action by aligning it with the interests and time-horizon of decision-makers. Taking action needs to make sense not only at a global level, but also at the level decisions are made.

Pilot Scheme Overview

The approach of the Climate Opportunity Initiative, described on the right, can be applied to a pilot with a more narrow scope in order to make its implementation faster, more straightforward and to prove the concept behind the initiative.

Hydrofluorocarbon (HFC) emissions represent an ideal area for a pilot scheme:

- There is strong existing political commitment to reduce HFC emissions as evidenced by the Kigali Amendment of the Montreal Protocol.
- The Kigali Amendment caps the HFC emission of individual countries and these caps could serve as the benchmark for the incentive payments.
- Reducing HFC emissions is a very cost-efficient way of reducing greenhouse gases due to existing and inexpensive alternatives. $1/ton (CO2e) could provide a meaningful incentive to cut emissions below the agreed caps.
- Due to its more limited scope and the low cost of HFC emission reductions, the financing requirement of the pilot would be much lower.
- The pilot could deliver significant climate benefits in itself by cutting carbon emissions by up to 80 GtCO2e.

Contact
Arpad Cseh
arpad.cseh@climateopportunityinitiative.org
T: +44-78-2333 1081

www.climateopportunityinitiative.org

TACKLING CLIMATE CHANGE – A NEW PERSPECTIVE

To tackle climate change and to successfully implement the Paris Agreement, we need to face the reasons behind the slow progress to date. The long-term and global nature of climate change conflicts with the short-term and self-interest dominated priorities of decision-makers.

The science is clear. The economic case for acting is very compelling at the global level. The moral imperative to minimize the harm for future generations and the environment is overwhelming. And mitigation is a real option – we have the resources, the technology and the ingenuity to deal with this problem. The issue is that taking action is against one's own interests at the level of decision-makers. The observation of President Juncker of the European Commission regarding economic reform is entirely fitting for climate change too: "We all know what to do, we just don't know how to get re-elected after we've done it."

Incentives at the decision-maker level do not support climate action. This can be changed.

How to align climate action with a four-year political cycle and secure wholehearted and sustained political commitment? Finance can help through changing incentives.

Consider the following plan:

- An annual emission benchmark is established for each country. Not binding limits or commitments, just benchmarks;
- A price for carbon saving is established. An example could be $50/t CO2e;
- Countries emitting less carbon than their benchmark in any year receive a cash payment for every ton saved;
- An international fund is created to make these payments, which borrows from private investors for the long-term; and
- The fund is backed by participating countries and repays its liabilities through their future financial contributions. The allocation of future liabilities among countries is based on a pre-agreed percentage or formula.

This plan creates a short-term financial incentive for countries to cut emissions and transforms decision-makers' priorities from a hurdle into a driver of climate action.

What are the benefits of this plan?

- ***Stronger political commitment.*** Govern-ments are much more likely to act if they receive a short-term financial incentive.
- ***Alignment with the interest of decision-makers.*** Decoupling costs from taking action transforms incentives from free riding to maximising profits from the payments received. The individual cost and shared benefit that characterizes current mitigation efforts is turned upside-down and becomes the combination of individual benefit and shared cost.
- ***Alignment with the time horizon of decision-makers.*** Borrowing by the fund pushes the financial burden into the future. This increases the prospects for action now and aligns the benefits and costs of global mitigation more closely in time. Leaving a financial debt to the future is preferable to leaving a more costly environmental burden. The sooner we act, the lower the costs and risks of climate change.
- ***Additional financing.*** Private financing raised and paid to countries helps with the adjustments and investments necessary to decarbonise the global economy.
- ***Flexible domestic implementation.*** It provides full political and policy flexibility for countries to achieve emission cuts. This is politically attractive and fosters policy innovation.
- ***Flexible implementation schedule***. No need for a simultaneous agreement among all countries, as they can join in stages. This reduces the risk of delays.
- ***No need for enforcement,*** which are tricky among sovereign states. Countries reducing emissions receive payments, others do not.

This approach has the potential to be an absolute game changer for climate change mitigation.

Imagine the world if short-term self-interest was transformed from a hurdle to a driver of mitigation. Imagine the world if mitigation was seen as an opportunity and not a burden. Imagine the world if taking action made sense not only at the global level, but also at the level decisions are made.

Flow of funds during the two stages of the proposed model