



The Economics of Boldness

Equity Outcomes for this and future generations

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Some Initial observations on the UNFCCC as an institution

- The Climate institutions are set of rules – emerging from interactions by agents
- These take place within a multilateral regime, encompassing in principle all parties
- Agents' play games – these:
 - shape rules
 - interpret principles
- Agents choose actions within domestic and international circumstances – context counts.

A sense of the vision of the rest:

Why not focus on collectively avoiding impacts and creating opportunities?

- Convention's ultimate objective is not CBDR or development
- Neither is it equity or equitable access to sustainable development
- It is avoiding dangerous anthropogenic interference with the climate
- And all parties, large or small, have a direct stake in this objective– avoiding CC impacts
- From here
 - Expanding opportunities for mutual gains in impact avoidance through cooperation (i.e. non zero sum games opportunities)
 - A need for early incentives for action by all
 - CBDR & RC
 - A common interest in the BAP and Cancun institutions deployed to support action and cooperation – on both sides

More action, more cooperation

There are multiple different collective allocations and impacts possible...

- Commitments for action lead and expanded global carbon market, climate finance and technology transfer
- A dual institutional equilibrium in climate regime:
 - Cautious and shy – little if at all some contributions - diminished size for carbon market, and climate spoiled
 - Bold and deep – expanded contributions to carbon markets, climate might be saved
- Assess collective outcomes considering all costs deriving from all parties' stated actions
- A collective focus: all parties can make a difference

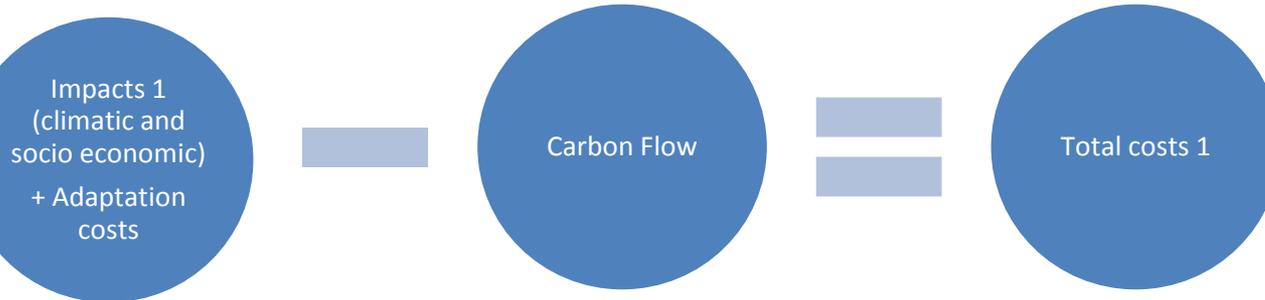
Not a new approach – developed by LAC parties with Energeia in 2008- 2009 within an ongoing regional workshop

Are DCs better off the more ambitious the regime – for all?

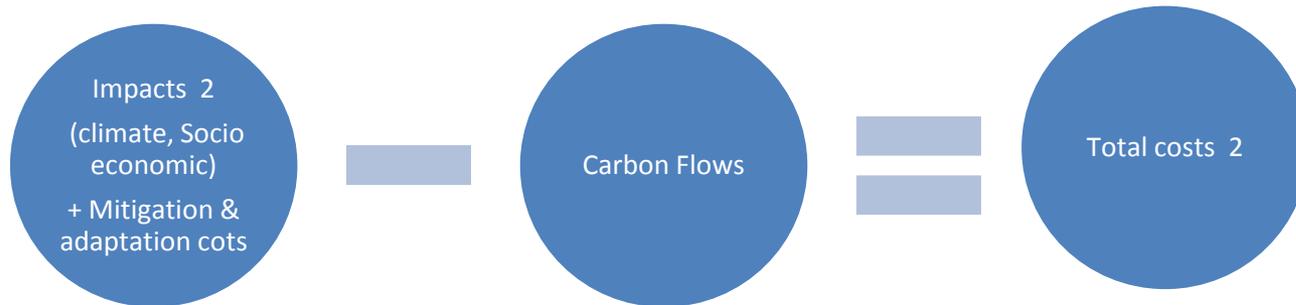
Assessing the world emerging in 2009 – 2010

Shy scenario (low ambition)

5 scenarios, with differentiated low to very high ambition:



Bold scenario (high ambition)



Modelling options from 2008 to 2010 offered USA, Japan, Canada, EU, Russia from 2008 to 2010 and further additional actions

- -5% and -35% (2020 & 2050) to
- -35% and -95% (idem)

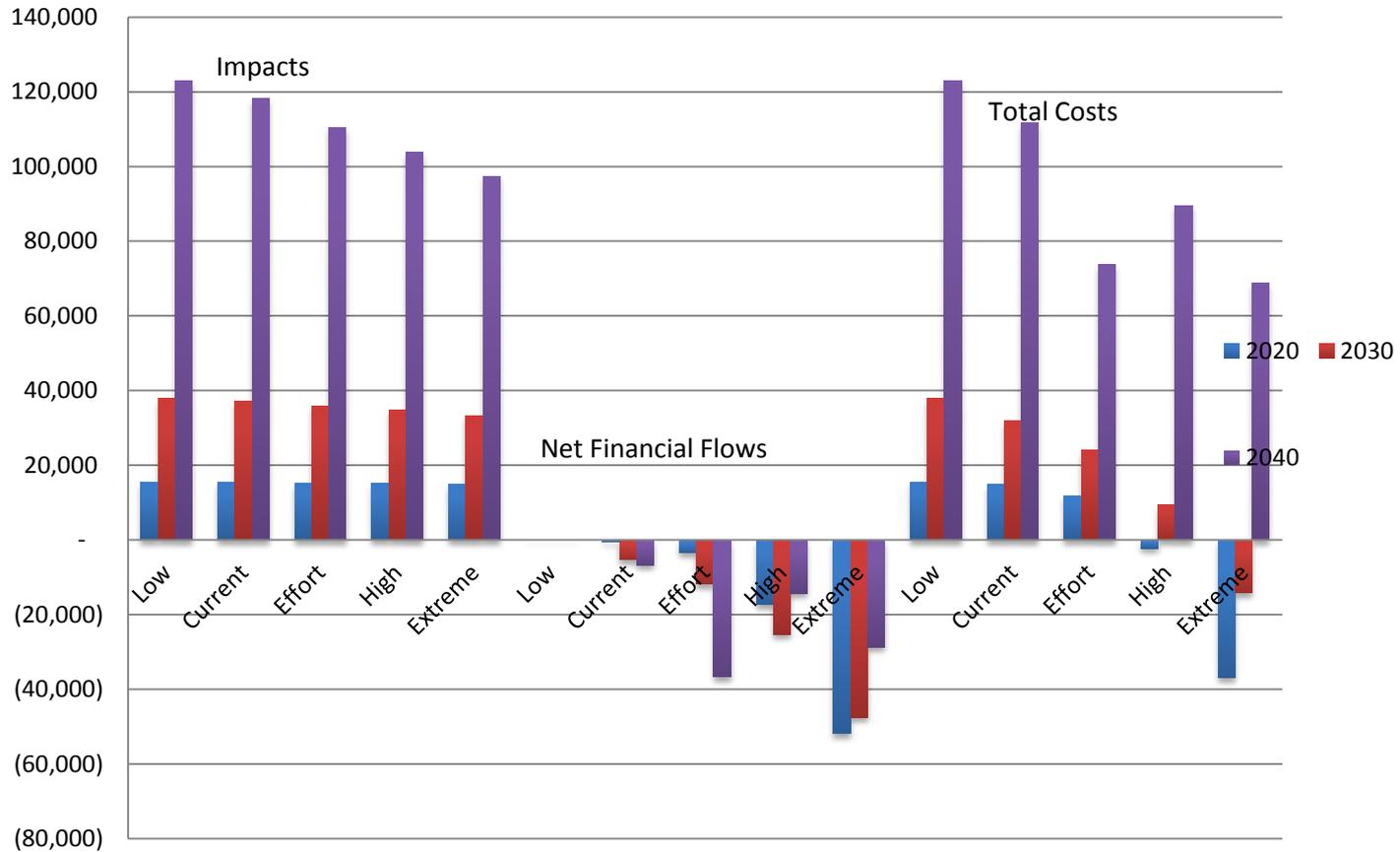
NA1 from:

- doing nothing to
- -10, -15, and -20% BAU deviation (2020, 2030, and 2050) to
- -35, -45, and -45% (idem)

Carbon markets went from having no trading at all, to having perfectly flexible, encompassing forest and all sectors

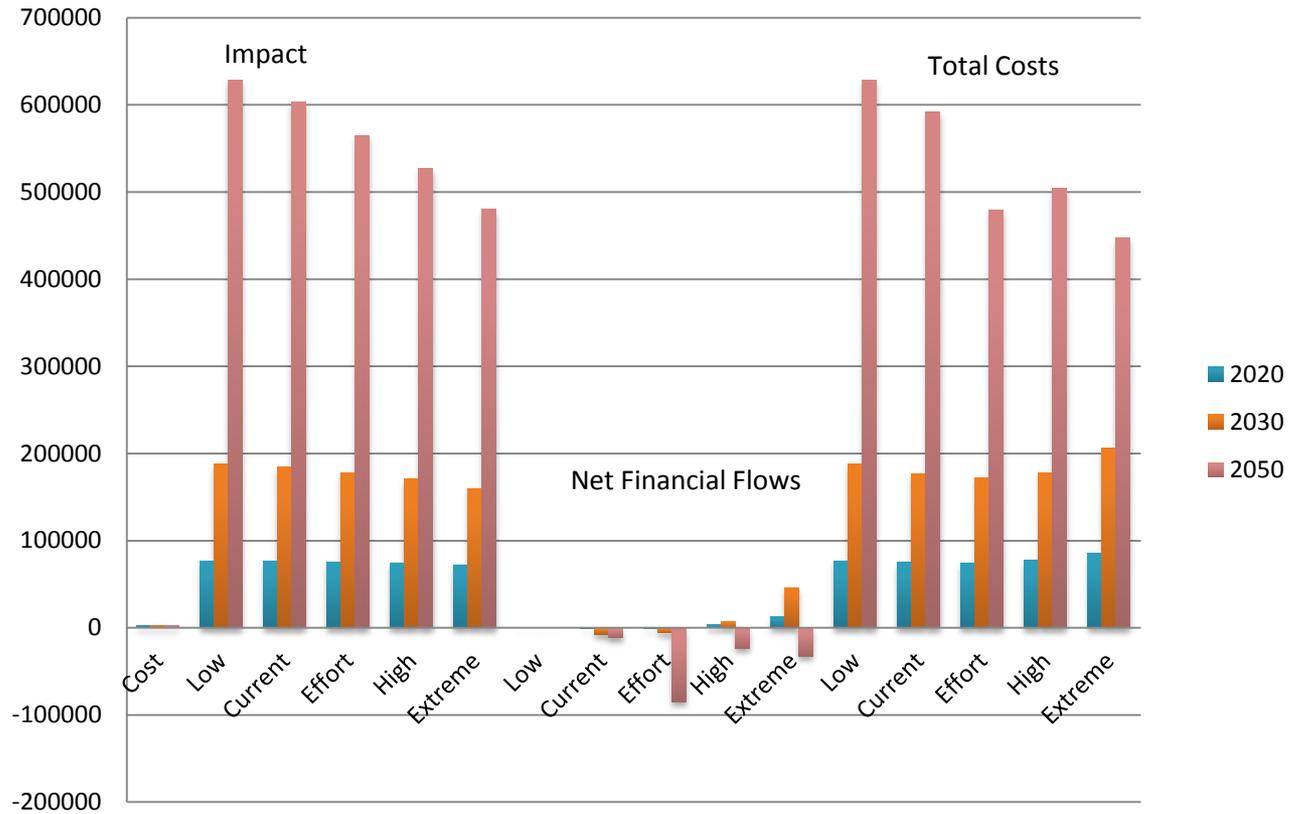
Results - LAC

Costs Latin America



Results S & SEA

Costs South and SE Asia



Other studies

Survey of 5 separate studies covering overall climate impacts in Latin America Vergara et al. (2013) note that the studies range between 1,5 to more than 4 points of the GDP, while adaptation costs no more than 0,4 percentage points; and mitigation, no more than 0,2. Vergara et al. (2013) calculate themselves impacts at 100 billion by 2050 (i.e. 0,5 per cent of the region's 2050 GDP or 2,2 per cent of the 2010 one). These results are within the range if slightly higher than those calculated above.

Even if following a very strong global climate commitment of not emitting more than 2 tons per capita (from the expected 7 to 9 tons expected in BAU) would not cost the region more than 100 billion by 2050 (0,5 of 2050 GDP) – and this is without considering any potential gain from collective international cooperation in carbon markets or finance.

ADB (2010) estimates the economic cost of climate change in SEA could be equivalent to a loss of about 6.7% of GDP by 2100 when non-market and catastrophic risks are taken into account, with annual benefit of avoided damage from climate change likely to exceed the annual cost by 2060 (Figure 5.6), and the benefit potentially reaching 1.9% of GDP, compared to the cost at 0.2% of GDP. In terms of mitigation, the study also finds multiple win-win mitigation solutions; if focusing only on those with a positive cost of up to 50 US\$ a ton, it is estimated that SEA countries would have to invest about \$9.5 billion—approximately 0.9% of GDP in 2020 to realize them.

Consequences on principles

- Action important on its own - not only linked to equity
- Hope and responsibility central - not only justice
- Equity = equity of outcomes / intergenerational / Across groups
- Development = transformative development
- CBDR = CBDR&RC – a prompt for action
- National circumstances = opportunity, not an excuse.
- Importance of the morality and leadership of the own example as an collective action prompt – regardless of size
- All parties relevant – particularly those suffering and willing to act

Debate: how about finding collective allocation solutions were we all contribute and cooperate to do more...soon?

All this possible within existing convention principles:

Consequences on negotiations

- Emphasize collective focus on need to avoid impacts
- Walk the talk: press more larger emitters with own example – wherever they are grouped
- Trade resulting mitigation action and regime advances for:
 - further collective support
 - incentives for enhanced leadership by early and ambitious movers – big, small or tiny
- Align and press for carbon markets and finance for enhanced action: a solution cannot be achieved if both are constrained
- Time is of the essence: structure negotiations so all areas can advance, diminish blockage potential
- Support and learn from other parties or groups, large or small, willing to stand up and do the same.