

G7 Steps Up as a Catalyst of Global De-carbonisation

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While the G7 leaders were meeting at Schloss Elmau behind closed doors, the world was waiting with bated breath at its gates, hoping for a breakthrough in the fight against global warming. There was some hope that the G7 might consign its disunity over climate change and renewable energy investments to history, but concrete pledges over radical decreases in carbon emissions and energy sector transformations were hardly expected. The reality that actually emerged is therefore a source of positive amazement. Under the leadership of Chancellor Merkel, the G7 is responding to concerns over global warming and energy security issues by committing to decarbonize the global economy within this century, reduce carbon emission in the upper end of 40-70% by 2050 and thus transform the energy sectors towards more efficient and low-carbon technologies to steer it away from fossil fuels. Why was this agreement possible in the first place? How will it be implemented? Will non-G7 states follow suit? And what should the G7 have done differently? These are the first questions arising minutes after the summits' end.

The cocktail of global factors inciting this historical leap towards low-carbon energy was simply too tasty, well served, and affordable for the G7 leaders to resist. The traditional environmental stimuli for halting climate change have been supplemented by more pragmatic arguments for a wider use of renewables. These arguments seem to have been appealing enough even to climate change sceptics and G7 representatives from Japan and Canada who, amongst others, were believed to act as barriers to major headway on this front. As a result, Germany understood well enough that as the host of the G7 summit, it must combine both environmental and practical ingredients if it wants to succeed at selling its menu of renewable energy opportunities.

The first thing pushing the seven leading industrialised nations to turn the steering wheel in the direction of renewables comes from the tensions between the West and Moscow over Ukraine and the alleged [market abuses](#) of Russia's state-controlled Gazprom in supplying EU energy needs. After all, European scars from the 2009 experience when Russia cut off its gas supply via Ukraine have never entirely healed and still remind Europeans of their vulnerability. The G7 leaders have raised their concerns about the EU's dependence on Russian gas and oil already during their 2014 Energy Ministers [meeting in Rome](#), bolstering a strong case for energy diversification. Verging on sugary diplomatic eloquence, the G7 Energy Ministers have, according to the communique from their meeting in May, promised to 'give careful consideration to implementation of International Energy Agency's recommendations for enhancing Europe's gas security'. These recommendations include the buildup of new LNG terminals, preparations for possible imports of shale gas from the US, development of new gas storage facilities, alternative pipelines and more revolutionary investments to enhance energy efficiency and increase the deployment of low-carbon energy technologies.

It is the latter two recommendations that go beyond the mere attempt of deconstructing Europe's energy vulnerability, which is likely to wane in periods of warmer relations

with Russia. As the head of the International Energy Agency [writes](#), an increase in energy efficiency has also many other positive side-effects, such as 'greater industrial productivity, improvements in health and well-being' and increased 'energy security by reducing demand'. In combination with the possibility of saving additional finances on energy imports, the G7's pledged push for efficiency could provide economic stimuli and greater prosperity in times of sluggish growth across the G7. It is this rationale and the way in which it unsettles the folk wisdom where such low-carbon policies necessarily entail sacrifices on prosperity that likely prompted G7 leaders to reach its groundbreaking climate change and energy security commitments.

A further reason why the sustainable energy banner was held so high at the G7 Schloss Elmau summit emanates from the domestic renewable energy ambitions of its German host. The commitments of the German *Energiewende* program entail the reduction of Germany's Co2 emissions by 80-90% by 2050 and to additionally source 60% of its energy renewably by 2050, making *Energiewende* the model for other countries too. Furthermore, the fact that it achieved a 28% GDP growth whilst reducing its greenhouse emissions by 22% since 1991, that renewables save Germany annually 7 billion euros, and that onshore wind energy is today nearly as price competitive as fossil and nuclear sources. This helps to showcase that such transformation programs are not mere fables but an abiding reality. Thus, out of all the G7 members, Germany was the only country that had already pushed past the empty non-binding rhetoric with its unilateral adoption of long-term structural change. In this way, if there was a country well placed to pull the G7 away from the omnipresent either-or mentality between renewables and prosperity, by inspiring a mentality of mutual inclusivity, then it was Germany. It therefore comes as no surprise that June 7, 2015 issue of the *Financial Times* printed on its front page a large image envisioning Chancellor Merkel as the climate superhero coming to the world's rescue, as part of the clean energy campaign of the Global Movement Avaaz.

Another incentive that enabled the G7 leaders to think about low carbon energy sources in a more productive way was provided by the decreased oil prices that ought to be taken advantage of. For instance, the low price of oil could offset for consumers the costs of putting a price on carbon emissions and cancelling the problematic fossil fuel subsidies (that [according to the IMF](#) make up annually \$ 5.3 trillion worldwide), which are seen as the necessary steps on the way to a low-carbon world. Not using this opportunity would halt the ambition for renewables to replace fossil fuel technologies. So although *The Guardian* may correctly [report](#) that the current oil price fluctuations have had no impact on the renewables, this is largely because renewables have already, prior to the oil price slumps, outperformed fossil fuels in terms of efficient electricity generation. It is the potential for renewables to replace fossil fuels in other sectors, such as the transport industry, which is severely at stake here. The G7 therefore had to go beyond the stated support of sustainable energy as done in its Hamburg Communique, and edge closer towards committing to measurable targets, substantial financial investments into the industry, and take steps to make fossils less attractive through taxation or subsidy cancellation – so as to discourage the currently comfortable reliance on fossils. After all, the low oil prices are already driving down global investments in non-renewables, which mounts an even more convincing case for subsidies to be

redirected into the renewable sector. These pressures have most importantly been translated into the G7's reaffirmed promise of meeting the \$100 billion a year pledge by 2020, which is meant to assist developing countries in implementing renewable energies and mitigating the existing negative effects of climate change.

Another reason why the low carbon specter might have successfully haunted leaders during the Summit is provided by the fast approaching 21st Conference of the Parties to the United Nation Convention on Climate Change (COP21) and France's preoccupation with this agenda. It seems that the conference runs the risk of failing to deliver a climate deal in much the same way as happened at the 2009 Conference of Climate Change in Copenhagen. To avoid another abysmal failure, the G7 [Communique](#) calls upon all countries to 'submit their INDCs (Intended Nationally Determined Contributions) well in advance of COP21' and expresses its hope for a new 'ambitious, robust and inclusive' global agreement.

Yet, the problem here is that by putting the premium on the INDCs, one risks relying too heavily on unilateral actions of governments, which usually lack ambition. Along these lines, Steve Sawyer of the Global Wind Energy Council writes that the Schloss Elmau summit could serve as an intervention providing the negotiators with fresh air, which is what has also happened. The G7 neither has the legitimacy, nor the mandate to implement globally binding policies, but it can provide international institutions with the necessary incentives, unity between the G7 on a major policy issue for example, which in turn helps international institutions do their job of policy adoption and implementation. Today's G7 commitments of 40 to 70 per cent reductions in carbon emissions by 2050 must be seen in this light, as they increase the likelihood of arriving at an agreement on complete de-carbonisation at the global climate deal negotiations in Paris.

What however may give us some pause as to the level of success achieved by the 2015 G7 is the ambiguity over pathways to be taken in complying with these commitments. Some German reporters have expressed the concern that in the guise of cutting down carbon-emissions, the G7 members might opt for nuclear energy instead of renewables. And while this is a reasonable concern that deserves attention, it would be unfair to charge the G7 of not setting out detailed policy plans. As mentioned earlier, the role of the G7 is a of an agenda setter, whose task is to stimulate global change within international institutions. And because the G7 is not entirely representative of the global distribution of power and does not include many of the world's fastest growing economies, it cannot afford to set out policies without consulting the rest of the world.

Moreover, its informal character denies it of any ability to legally enforce the reached commitments. This applies especially to the area of climate change where any effective policies will need to be universal in reach. So as much as a G7 commitment to implement, say a global carbon tax, would manage to produce a general civil society hurrah chorus, the concreteness of the commitment would lead to a Copenhagen-like scramble in the dirt of national interests at the December COP21 in Paris, where the non-G7 major stakeholders would complain about being sidelined by a G7 dictate. So in order not to give developing states a dangerous enticement for blocking a possible COP21 climate agreement, the G7 had to leave out detailed policy pathways in its

communiqué. The prospects for arriving at a universal climate deal later this year are thus in spite, and because of, the G7 meeting because the issues are still alive and have not been dampened.

But this explanation of why the communiqué is not filled with policy prescriptions does not excuse the G7 for staying silent on a number of more ambitious, but still necessary commitments. The pledge to “remain committed to the elimination of fossil fuel subsidies” could easily become an empty charade as it is not coupled with an impending deadline for its enactment. The G7 has also failed to send a stronger signal to the private sector and global markets as to what type of economic growth they want to see in the future. For instance, it did not set out a culture change in the private sector by announcing the willingness to make the types of energy sources used by companies and their environmental impacts as part of measuring their performance. Standardised energy efficiency and pollution measurements imposed by a universal regulatory framework, could prompt businesses to compete in meeting sustainability targets whilst stimulating their irreplaceable role in keeping the increase of global average temperatures below 2 degree Celsius. Lastly, whilst the G7 must be commended for establishing the G7-Alliance on Resource Efficiency ‘as a forum to create share knowledge and create information networks’, the communiqué does not, in practical terms, announce by how much the G7 wants to increase the efficiency of its energy sectors. For instance, an ambitious but realizable sub-commitment to double its energy efficiency by 2025 could have made the efficiency plans more trustworthy, whilst having a leadership element by inspiring other countries to follow suit.

Overall, the G7 summit outcome should be one of cautious optimism. The G7’s commitments provide no panacea to all the climate change pains. This after all, cannot be reasonably expected from this informal global governance actor. Yet, its potential for inspiring global change has been utilised by setting a leadership example. Merkel’s convincing leadership has enabled the G7 to take the leadership in a global transformation to a low-carbon world. In this way, by rapidly increasing its pollution phase out targets, the G7 encourages similar ambitions around the world, which will be hopefully translated into a truly global de-carbonisation agreement later this year.

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