



CHILDREN'S
INVESTMENT FUND
FOUNDATION

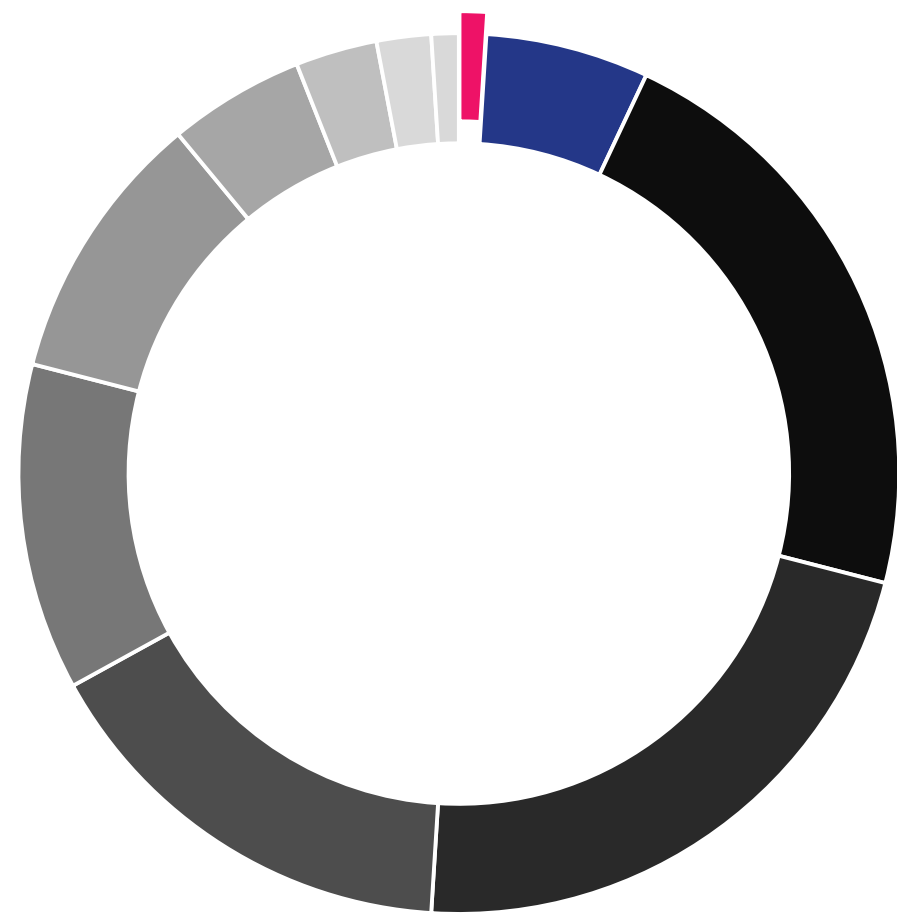


Industrial decarbonisation: opportunities for philanthropy

Tom Lorber
Aspen, November 2018

Philanthropic funding for climate action is a drop in the ocean...

Climate change mitigation philanthropy
\$750 million
in 2018



- Climate change - <1%
- Other environment & animals - 6%
- Health - 22%
- Education - 22%
- Human services - 16%
- Public affairs - 12%
- Arts & culture - 10%
- International affairs - 5%
- Science & technology - 3%
- Religion - 2%
- Social sciences - 1%

Sources: Foundation Center, Giving USA, European Foundation Center, Donors and Foundations Network in Europe, and ClimateWorks Foundation, 2018.

Philanthropy must take a systemic approach to achieving impact



Our approach:

- Tackle the issues others won't
- Provide nimble capital
- Seek leverage
- Engaged funder

Endowment

\$5 billion

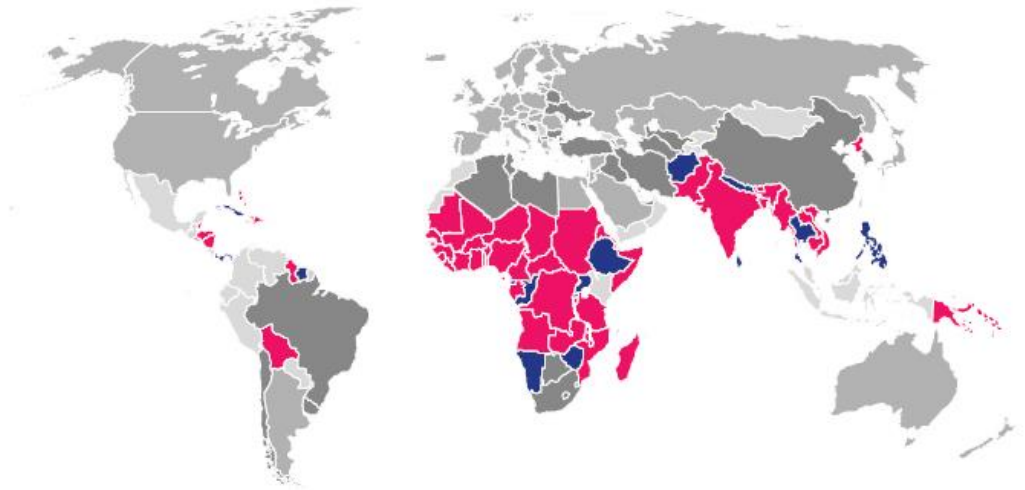
**Climate change
commitment, 2019-23**

\$500 million

Climate change poses the biggest single threat to today's children and young people, and is disproportionately affecting the poorest countries

Climate change mortality impacts today

● Acute ● Severe ● High ● Moderate ● Low



Sources: DARA & Climate Vulnerability Forum, 2012.

CIFF's climate programme works with partners around the world



- Power sector reform in China, India, Mexico and South-East Asia
- Litigation to accelerate coal phase-outs in the EU



- Developing a food system that supports healthy, low carbon diets while protecting and restoring forests



- Air quality monitoring, public mobilisation and litigation
- Electric vehicle charging infrastructure



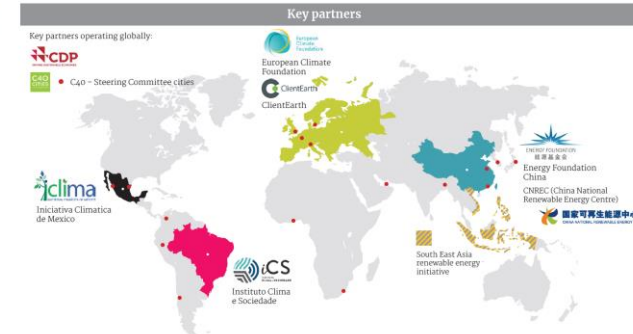
- Net zero carbon infrastructure in megacities around the world
- Decarbonisation of cement, steel and chemicals



- Super efficient air conditioning with low carbon refrigerants



- Targeted cases to force ambitious changes in law and policy so that governments and companies take action



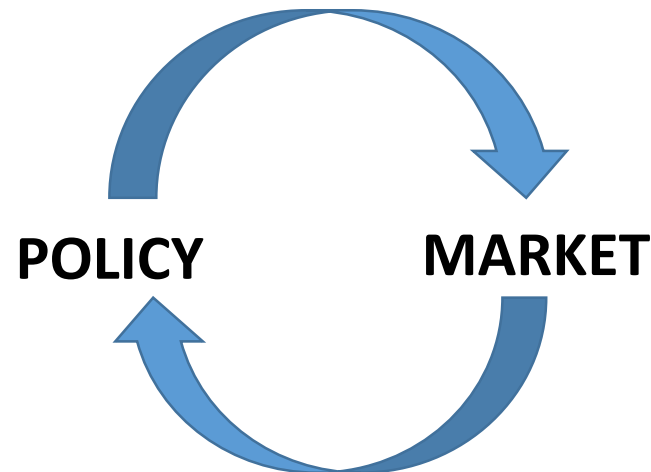
Starting up the industrial ‘ambition loop’

Why industry?

- Scale of emissions
- Urgency
- Political influence and policy failure
- Enabler for negative emissions

Where to focus?

- **Europe:** regulatory first mover, but mature
- **China:** largest industrial emitter by a mile, but maturing?
- **India, SE Asia, SS Africa:** where future growth is likely, but how to decarbonise new plant?



Framework for industrial decarbonisation

Stimuluses to action

- Feasibility: 2050 net zero pathways
- Disruption: alternative materials
- Investor engagement, disclosure & transparency
- Coal & air quality/health



Enabling environment

- CCS infrastructure deployment
- Innovation policy
- Circular economy
- Trade
- Carbon pricing

Supply-side leaders

Working with progressive companies to raise ambition

- Cement
- Steel

Demand-side leaders

To create market volume and develop standards

- Cities & Infra agencies
- Companies
- Finance
- Consumers

- Procurement
- Building codes

Construction industry leaders

- Material/product standards
- National industrial strategies
- Building/infra embodied carbon standards

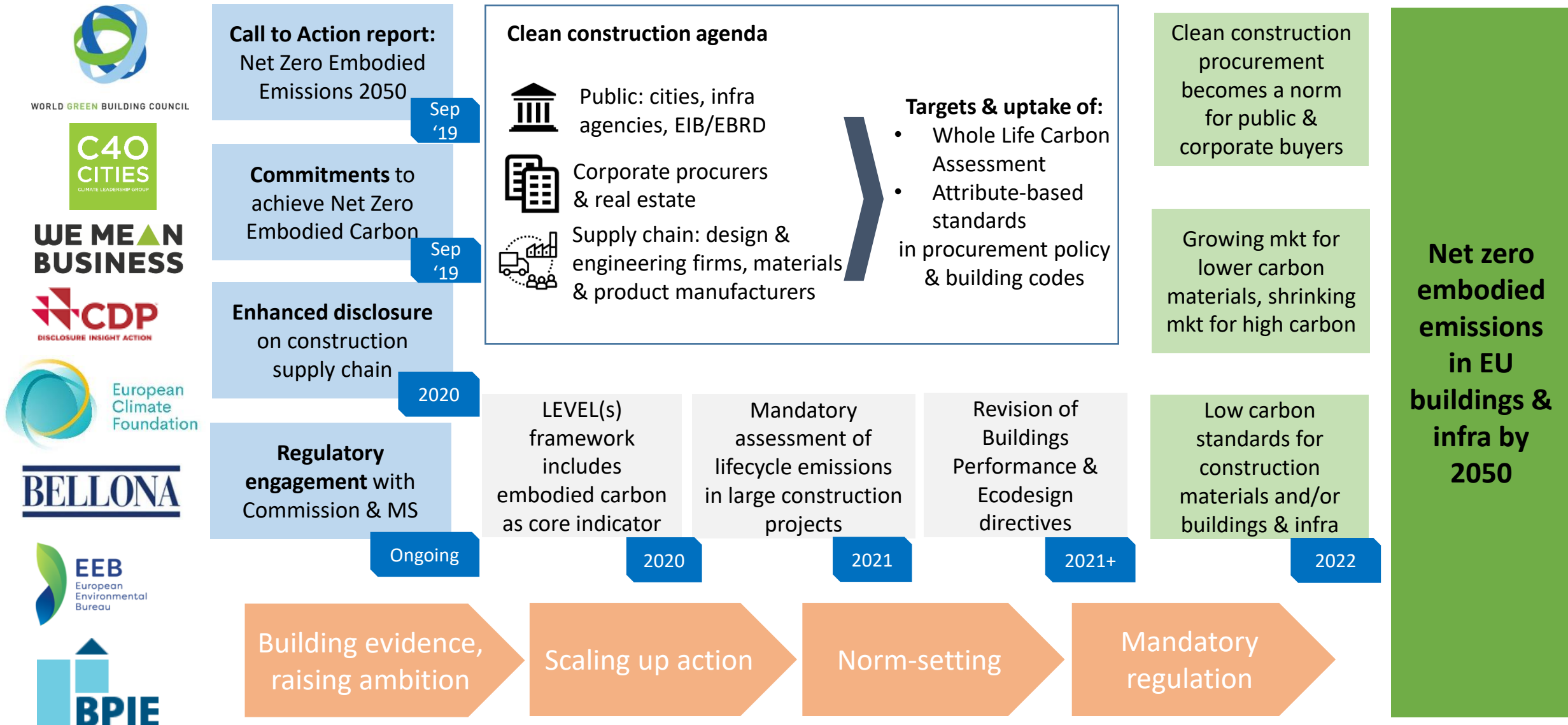
Europe can lead the way in creating the market for progressively lower carbon construction materials

NGO partners

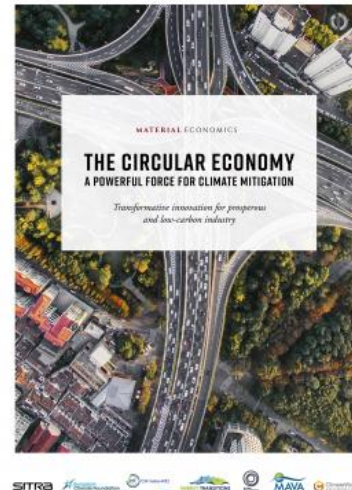
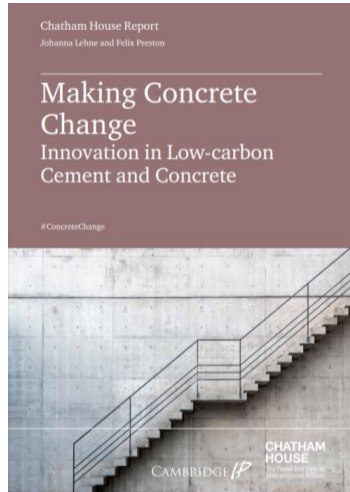
Outputs

Outcomes

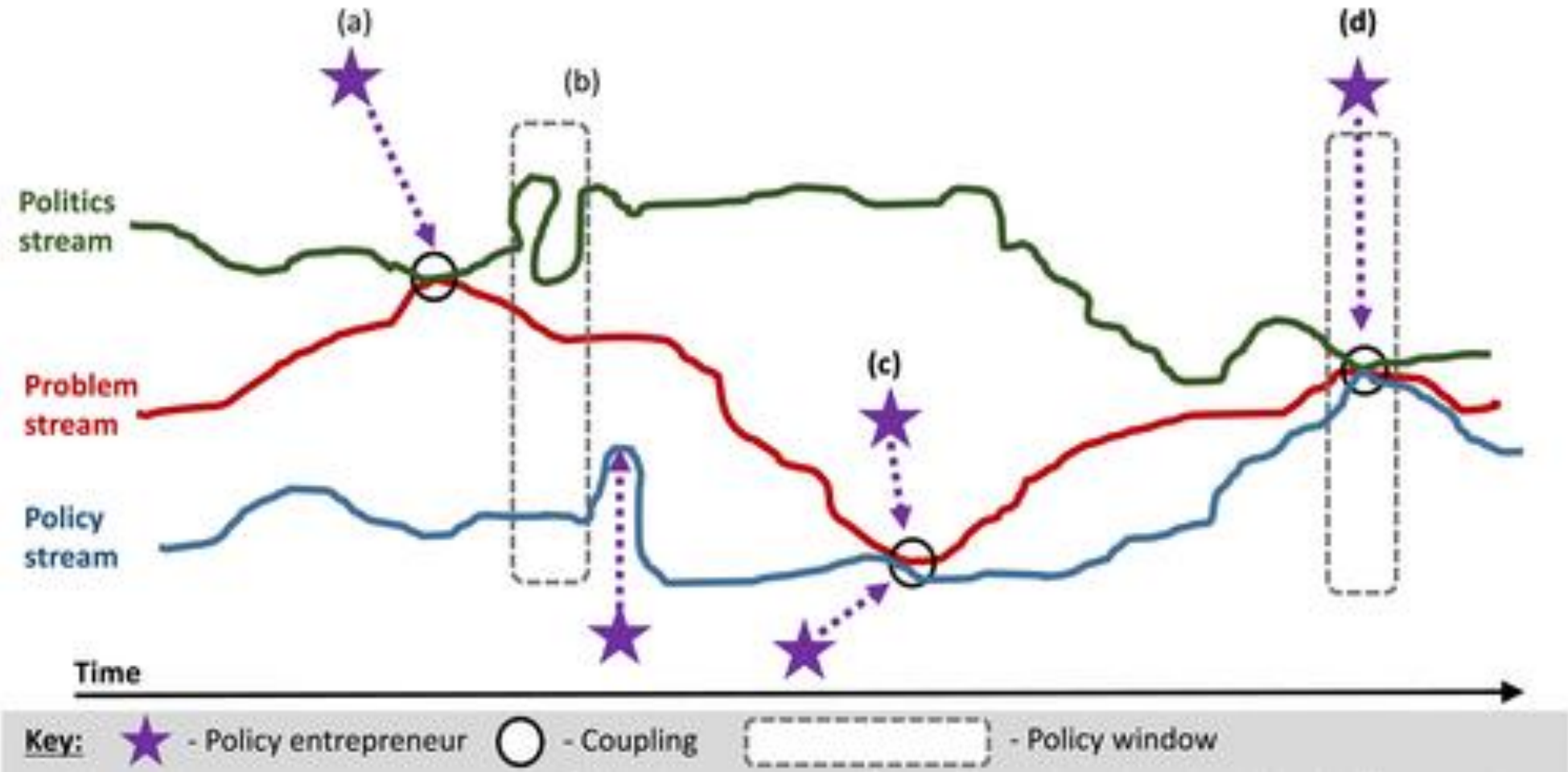
Impacts



Technical feasibility, policy and ambition: a selection of work to date



A window of opportunity is opening in the EU



Emerging thinking on investment-grade policy?

- Credible long-term target, 'predictable flexibility'
- Active industrial policy:
 - Strategic investment
 - Market creation
 - Ensure competitiveness
- Develop optionality by advancing CO2 infrastructure, circularity/substitution and electrification/process breakthroughs
- Plan for retirement of polluting plants?
- Carbon price insufficient

Today's narratives shape the future

Unhelpful?

'Hard to abate'

'Expensive'

'Residual emissions'

'Market-led'

'Silver bullets'

More helpful?

Feasible, inevitable

Cost at company level (cement) vs end product (house) vs societal (climate, health, innovation)

Urgency: long investment cycles, gradual ramp up

Need for active state role, induced innovation

Need to develop optionality

Innovation, competitiveness, jobs

Constructive engagement with incumbents is essential

Leaked BusinessEurope memo



13 September 2018

EU's 2030 GREENHOUSE GAS EMISSION REDUCTION TARGET

1. Background

- In June 2018, the European Commission, Parliament and Council during trilogues collectively agreed to increase the EU's energy efficiency binding target from 30% to 32.5% and the increased renewable energy target from 27% to 32%. Both have clause for a possible upward revision by 2023.
- EU climate and energy commissioner Arias Cañete concluded in August that "Based upon our calculation models, we should be quite far achieve a reduction in greenhouse gas emissions by 45% within the EU" by 2030 compared to 1990 levels because of the increased efficiency and renewable energy.
- German Chancellor Merkel stated she is "not very happy" about the Commission's push and thinks "we first of all have to stick with the goals we have already set for ourselves. I don't think constantly setting new goals makes any sense".
- Commission President Juncker in his 2018 State of the Union on 12 September stated that he supports Cañete's call both technically and politically.

2. Next steps - timetable

- The Commission seems willing to have this debate and possibly agree on a position in view of COP24, taking place in December 2018 in Katowice, Poland.
- The issue might be pushed into the set of conclusions of the next European Council on 18 October 2018. In case of an agreement (requiring unanimity), the impact on EU legislations such as ETS or Effort-Sharing is an unclear territory even though the Commission informally said that they have no plans of revisions at this stage. A debate could be expected as well in the Environment Council on 9 October.
- It remains unclear when / how the Parliament will position itself before COP24.

3. BusinessEurope advocacy and communication strategy

Members will be asked to discuss and agree on a line to take by BusinessEurope. As a basis for discussion, several approaches are outlined below:

- To be rather positive as long as it remains as a political statement, with no implications on the range of 2030 EU legislations (ETS, effort-sharing, etc.).
- To oppose the new increase of ambition, using the usual arguments of global playing field, we cannot compensate for others, etc.
- To encourage the process, since we need more transparency on the calculations, need for an impact assessment, risk of creating instability, etc.
- To 'minimise' the issue arguing that the formalisation of a 'de facto' extra ambition is not what matters most. What is key is to persuade other major economies to catch up with EU's ambition. The EU's leadership in the transition in Europe a success. For this we need stability to mobilise investments.

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- To challenge the process, such as the need for more transparency on the calculations, need for an impact assessment, risk of creating instability, etc.
- To "minimise" the issue arguing that the formalisation of a 'de facto' extra ambition is not what matters most. What is key is to persuade other major economies to catch up with the EU's ambition, and to make our transition in Europe a success. For this we need stability to mobilise investments.

Conclusions

- Philanthropy can accelerate the transition but must use its scarce resources wisely
- We must kick-start the 'ambition loop'
- Growing acceptance that industry can approach 'net zero' by mid-century
- Narratives and policies early stage
- Need incumbents engaging constructively
- More funding needed!

Thank you!

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