



AOSIS Submission

Submission by Samoa on behalf of the Alliance of Small Islands States on views from Parties on the work programme 2023 topic of accelerating just energy transition

Mandate: Matters relating to the work programme for urgently scaling up mitigation ambition and implementation referred to in paragraph 27 of decision 1/CMA.3 para 12.

May 25 2023

Introduction

The Alliance of Small Island States (AOSIS) welcomes the opportunity to submit its views on matters related to accelerating the just energy transition under the work programme (MWP) to urgently scale up mitigation ambition and implementation in this critical decade (...) in a manner that complements the global stocktake (GST). Keeping the 1.5°C temperature limit within reach requires accelerating global mitigation efforts through immediate, rapid, deep, and sustained reduction in global greenhouse gas emissions. AOSIS stresses the importance of prioritizing sectors with the highest mitigation potential by the end of the decade and welcomes the focus on “accelerating the just energy transition” put forward by the co-chairs of the MWP. Given the grand scope of the topic, AOSIS would like to highlight the intersection between just transition, energy systems and energy resilience and their relevance in setting the world on a path to 1.5°C with no overshoot.

AOSIS is of the view that the MWP global dialogues and investment focused events can help pave mitigation pathways where technical outcomes are transformed into policy implementation. Parties should feel welcome to engage in productive discussions around real world case studies and best practices as well as address financial, technological, and capacity-building needs for a just energy transition both locally and globally. Climate resilient development pathways should continue to guide international cooperation and be at the forefront of major economic policies and regulations.

AOSIS acknowledges the efforts by the co-chairs of the Sharm el-Sheikh Mitigation Ambition and implementation Work programme in advancing discussions under this encompassing agenda item. AOSIS trusts that the dialogues will include considerations for special circumstances and needs of Small Island Developing States (SIDS) and will lead to actionable conclusions that will inform discussions at COP28 negotiations, including at the High-level Ministerial Round Table, as well as the ambition and implementation of Parties’ NDCs and LTSs.

Scientific Context

The Working group 3 (WG3) of the Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report (AR6) makes it clear that current global efforts towards reducing GHG emissions are insufficient

and would result in disproportional catastrophic consequences, especially for SIDS. Getting on a 1.5°C pathway will require global GHG emissions to peak before 2025 and be reduced by 43% by 2030 compared to 2019 levels. Scenarios with delayed action and more disorderly transition to net zero show higher costs, higher carbon pricing and more stranded assets.

SIDS contribute the least to global GHGs, but are particularly vulnerable to and are disproportionately affected by the growing impacts of climate change. Rising temperatures leads to ocean and cryosphere changes which are the main cause of sea level rise, frequent tropical cyclones and marine heatwaves. Changes in rainfall patterns also threaten marine resources and biodiversity, hindering major sectors of SIDS' economies including tourism, fisheries, and agriculture. Strengthening resiliency in an equitable way will help ensure the survival of SIDS.

To avoid overshooting 1.5°C, structural economic transformations are needed, especially in energy systems. Parties must act with urgency in line with the IPCC's 1.5 aligned pathways and be held accountable to the Glasgow Climate Pact and Sharm el-Sheikh Implementation Plan through implementing the phase down of unabated coal power and phase out of inefficient fossil fuels subsidies, to keep 1.5°C within reach in this critical decade.

AOSIS calls on all Parties to action the Sharm el-Sheikh Implementation Plan by revising their NDCs this year with strengthened 2030 targets to align with the Paris Agreement temperature goal, and in accordance with principles of equity, just transition and other cross-cutting matters. Reducing GHG emissions across the full energy sector requires major transitions, including decarbonizing energy systems, the mobilization of renewable energy and energy efficiency installations, building human and capital capacity to operate new equipment, and strengthening the focus on renewable energy and sustainable mobility technologies.

During MWP global dialogues, AOSIS expects all parties to draw correlations between just energy transition and increasing mitigation ambition as a means to amplify and maximize impact in decarbonization pathways and yield to an action oriented decision at COP28. AOSIS is also of the view that synergy should be sought between the MWP and the Just Transition Work Program that will build on discussions and outcomes from the MWP dialogues and events and avoid duplication while allowing for full participation of all Parties in both spaces.

Just Transition

The WG3 Report concludes that equity and just transition can enable deeper climate ambitions and help close the gap between ambition and implementation. The application of just transition principles and collective decision-making processes in energy transition pathways is an effective way to ensure the sustainability of climate policies. However, the implementation of these policies will depend on geographic, historic, and national circumstances; where tailored policies and processes are likely to yield most successful outcomes. Given the disproportionate impacts of climate change on SIDS, AOSIS is of the view that the concept and principle of just transition must also be extended to include the adverse impacts of climate change on those communities who may be disenfranchised through loss of livelihoods arising from the adverse impacts. This, we feel, will also address issues of equity and alignment with the “no one

left behind” principle, as well as identifying opportunities and synergies for enhanced mitigation and sustainable livelihoods.

SIDS continue to face unique challenges in accessing and mobilizing capital for renewable energy expansion and developing capacity to accelerate the energy transition. Although there has been progress to increase financial flows to states that are the most vulnerable, the current climate finance architecture is unable to meet SIDS’ needs. Global creditors still operate under inflexible structures that are outdated and centralized, making it harder for SIDS to compete with larger scale projects.

A just transition for SIDS will need to have a particular focus on means of implementation including access to finance and capacity building . Major barriers, opportunities and best practices should be considered in each of these areas to effectively build tangible just transition policy packages.

Focus Areas

1. Enhancing Access to Finance

Barriers

The climate finance architecture still largely operates on a one-size fits all model, failing to accommodate SIDS’ unique needs. Increasing climate disasters coupled with the effects of the COVID-19 pandemic have pushed SIDS into growing debt and trade deficits, restraining governments’ ability to increase revenue and finance sustainable development and climate projects.

Existing fossil fuel infrastructure are locked into long-term contract agreements with utilities, which will bear financial losses from risk of debt default and stranded assets. This limits the financial solvency of utilities and government to implement their clean energy targets and implement a just transition.

Geographical and physical constraints often limit the size and magnitude of renewable energy projects in SIDS, making them less attractive to lenders. In SIDS, access to clean energy technologies is the most challenging as small scale projects tend to have a higher transaction cost and have difficulty demonstrating economies of scale and additionality, leading to a reduced amount of funding opportunities for SIDS and subsequently a de-prioritization of their project proposals among multilateral lenders.

The current complex and fragmented financial landscape further slows down SIDS access to the financial resources needed for the energy transition. The OHRLLS report “*Accessing Climate Finance: Challenges and Opportunities for SIDS*”(2022) states that SIDS’s main challenge is embedded in their human and technical capacity constraints to meet financial proposal standards and reporting requirements¹. The lack of technical capacity creates substantive bottlenecks that increase proposal turnaround time and delay the entire project implementation schedule; making it harder for SIDS to meet their NDCs and sustainable development goals. Finance required for creating social safety nets to buffer unintended consequences of the transition would also need to be considered if we are to make the transition truly just and equitable.

Data limitation is another substantial barrier for SIDS in meeting project proposals requirements. SIDS routinely lack technological and capacity resources to access present and historical data, especially on a more granular level. These knowledge gaps contribute to delays in feasibility assessment and weaken the

¹ UN-OHRLLS, “Accessing Climate Finance: Challenges and Opportunities for SIDS” (2022).

technical strength of project and their bankability, reinforcing existing missed opportunity cycles and a need for a more enabling financial environment.

Opportunities

Given the structural nature of the outlined barriers and the high capital costs of clean energy technology, there is a need for tailored funding mechanisms that will catalyze financing opportunities in SIDS and enable capacity development. IPCC WG3 states with very high confidence that accelerated international cooperation on finance is an important catalyzer for low-carbon and just transition. Alignment of multilateral stakeholder engagement in streamlining processes requirements and creating funding opportunities targeted to SIDS will accelerate clean project implementation and help de-risk clean investment opportunities.

AOSIS recognizes the value for private sector engagement in helping technical agents quantify negative externalities in scenario analysis. Opportunities include designing long term energy agreements (e.g., power purchase agreements) and catalysing investments in of renewable energy, energy efficiency, and low-carbon technology projects through innovative financing mechanisms such as carbon markets can help make projects more competitive in global markets.

Non-governmental agencies and research institutes could also play a role in the provision of resources and networks to ameliorate data collection and analysis. Access to more granular and disaggregated data could also be enhanced through multi-party collaboration including universities, technical bodies, policymakers, and international organizations. Better quality data would strengthen financial applications and help bridge the technical capacity gap in the medium to long-run.

AOSIS suggests bringing the Network of Regional Sustainable Energy Centers (e.g., Pacific Centre for Renewable Energy and Energy Efficiency (PCREEE) and Caribbean Centre for Renewable Energy and Energy (CCREEE)), international sustainable energy partners (e.g., International Renewable Energy Agency (IRENA)) and UN Climate Technology Centre & Network (CTCN) to join the global dialogues.

Actionable Solutions

The urgency of the climate crisis calls for an increase in financial flows from all sources and through the adoption of best practices that will help expand access to capital. To maximize both climate and societal benefits, AOSIS encourages all financial bodies to adopt elements of just transition in their funding approval, including proof of:

- Environment social and governing standard (ESG)
- Environmental and Social Standards (ESS),
- Workers' reallocation and transition social packages

Innovative financing instruments have potential to unlock structural bottlenecks in the financial sector and promote mitigation of GHG while fostering sustainable development. These can include:

- Repurposing subsidies away from fossil fuel investments and towards targeted support to the poorest and most vulnerable as stated in the Glasgow Climate Pact. The International Energy Agency (IEA) estimates that global subsidies towards fossil fuels amounted to USD 1 trillion in

2022, by far the largest annual value ever seen. And those subsidies are mostly concentrated on developing economies². It is critical that these subsidies are repurposed to advance sustainable development and climate goals.

- Fossil Fuel to Energy Transition support : Apart from repurposing subsidies away from fossil fuels investments, measures could also be considered on curbing fossil fuel consumption in SIDS economies through legislative, regulatory reforms, and policy interventions that compels co-sharing of responsibilities between the industries and governments towards renewable energy support including capacity building.
- Debt swaps for climate/nature encourage access to fiscal resources targeted at improving resiliency without the need to trigger fiscal crisis or spending in development priorities. When debtors provide debt relief in turn of resilience investments, government have greater incentive to accelerate mitigation strategies and NDCs.
- Development of risk sharing mechanisms: SIDS structural characteristics make them vulnerable to economic, environmental, and external shocks that are typically seen as high-risk and are unattractive to most private investors. Increasing the linkages between public and private sector in undertaking infrastructure investments will help de-risk these projects and increase private sector involvement.

2. Cooperation for Technology Development and Deployment

Technological development and deployment will also be needed to address challenges related to climate change. The IPCC AR6 highlights that low-carbon solutions will be a key part of keeping global warming to within 1.5°C.

These solutions are technologically possible, and international cooperation will be critical to enable development and deployment to make them economically efficient, with scalability requiring further innovation. Moreover, demand for circular economy practices is expected to increase exponentially, creating new jobs and technological opportunities for new industries while strengthening SIDS resiliency.

Enabling the development and deployment of low-carbon technologies requires immediate action-driven policies. The Global Dialogues should identify concrete and practical ideas on how Parties can work together to facilitate the development and deployment of such technologies, e.g. by enabling capacity-building programs, deeper sharing of learning and experiences, facilitating pilot projects and alliances to testbed technology solutions, address regulatory considerations, and aggregate demand and supply to enable economies of scale.

3. Capacity Building

Barriers

The consensus among several studies (IRENA, ILO, IEA, and New Climate Economy) is that the energy transition away from fossil fuels will create more jobs than it will displace. However, to consider a

² IEA, “World Energy Employment” (2022).

successful clean and just transition, countries are encouraged to look beyond the direct numbers and prioritize societal welfare. The adoption of a systemic-level view of the workforce displacement analysis reveals structural barriers in the just transition including:

- Geographical constraints: fossil fuel and clean energy resources do not usually share the same location, making it harder for workers and their families to move across the country and leave their communities behind.
- Skill mismatch: Most conventional renewable jobs have lower wages than the fossil fuel industry, increasing the need to reallocate workers beyond the energy sector. Creating high-quality jobs in the service sector will benefit vulnerable countries that do not have extractive industries.
- Absence of training programs in the institutional and societal level: In most developing countries including SIDS, there is a limited number of qualified workers in the clean energy sector, yielding to an overreliance on external consultants and volunteers with high turnover and no capacity retention. Increase qualified capacity to deploy, operate and maintain clean energy technologies will accelerate renewable energy deployment and implementation processes.
- Insufficient workforce data in developing countries: Data constraints on job markets in developing countries are important limitations in the execution of socio-economic assessments and feasibility studies for new project pipelines.

Opportunities

The IPCC WG3 report makes it clear that inequalities in the distribution of emissions and in the impact of mitigation policies affect social cohesion and the acceptability of mitigation and other environmental policies. The transformation of energy systems and resilience will therefore benefit from a capable and well-trained workforce that is prosperous and equitable.

The opportunities to redesign energy systems will be strengthened by policies oriented towards skill retention such as programs that optimize existing skills and reallocate them to jobs within communities. Stronger data collection from international institutions will help identify areas in the economy with high demand for workers without the need for geographical displacement, such as in the service sector.

Developing countries need planning, institutional and technical capacity that extends beyond foundational technical training. This creates an opportunity of knowledge exchange between developed and developing countries with a focus to strengthen local capacity in SIDS and other vulnerable countries.

Actionable Solutions

Ensuring resilience and prosperity in the face of climate change will require a collective and long-term effort that prioritizes human well-being and global cooperation. Thus, there is a need for:

- Creation of training programs that build on existing skills and apply to the creation of new jobs: According to *Realizing the Green Jobs Promise* report, half of the covid jobs losses in Eastern Caribbean states have been transferred to building distributed renewable energy resources³.

³ RMI. "Realizing the Green Jobs Promise" (2023).

- Investment in job analysis and collection: Improving the understanding of job markets in vulnerable states will strengthen resource planning and optimize fund disbursement processes.
- Inclusive policy making: Policies that are system-oriented and people centric will address challenges and bottlenecks early in the process and be more successful in creating national strategies for climate and sustainable development.