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G-7: a turning point in climate policy or empty words?

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Bonn, 15 June 2015. According to Austrian playwright Johann Nestroy, progress is an illusionary giant that "appears much greater than it actually is". This is still our experience today; grand visions and expectations often come to very little; or according to Horaz, the proverbial mountain gives birth to a mouse. However, things may have been quite different at the G7 summit in the Bavarian Alps. Presumably, the climate policy elements of the final declaration will gain greater significance in retrospect. Are we witnessing a turning point?

Old wine in new bottles…

Of course, many of the good intentions expressed in the final document are by no means new. While the non-binding target of limiting global warming to 2°C is reiterated, this target originates from the Copenhagen climate conference in 2009. Likewise, the commitments to provide funding for climate initiatives in developing countries (USD 100 billion per year from 2020) were already made in Copenhagen. Moreover, these funds are supposed to be raised somewhat vaguely from a "mix of public and private sources", which leaves their eventual delivery beyond effective control.

…with one notable difference

In contrast, it is remarkable that the crucial passage of the final declaration appears just *en passant*. It calls for nothing less than a "decarbonisation of the global economy over the course of this century". While it would be easy to dismiss this as a noble goal that is a long way off, one should not underestimate the strong signal it sends out. It heralds the demise of fossil-fuel-based economies and is bound to determine the future global agenda. The cat is out of the bag.

Decarbonisation: mounting pressure

The global carbon budget (defined against the 2°C target) has largely been exhausted. Known fossil fuel reserves (of which coal accounts for two thirds) exceed their tolerable use for the period up to 2050 by fivefold. Hence, any climate policy not geared towards radical decarbonisation is quite simply irrelevant. However, decarbonisation does entail a tangible depreciation of assets built up within the traditional carbon-based economy. The gradual abdication of the oil and coal barons, already a reality in the energy sector, will soon be followed by similar trends in other sectors. Traditional car manufacturers are next in line.

A number of key trends are converging here. On the one hand, there is growing pressure from the financial markets. The share prices of fossil fuel energy companies are already plummeting in several markets, with institutional investors, such as Norway's state oil fund, restructuring their portfolios and pulling out of carbon investments. Added to this, renewable energy sources are becoming increasingly competitive. Plans for an integrated power grid expansion at EU level could provide a strong further stimulus in this regard. At the same time, more public funding is being channelled into promoting innovative, environmentally-friendly technologies. Calls for a global "Apollo programme" designed to replace carbon with clean energies are already very vocal.

Optimism, albeit with blemishes

In the context of such financial and technological factors driving the green transformation, the significance of the G7's commitment to decarbonising the global economy can hardly be overestimated. This gives us reason for cautious optimism. The noose is tightening around the future of fossil fuel-based companies and profits. The political message is loud and clear: coal and oil have had their day. That is one side of the story.

At the same time, there are two blemishes that we must not overlook. First, when it comes to declaring intentions for the rest of the century, talk is cheap. It remains to be seen to what extent they are translated into real policies. Second, it is easy to quantify the obvious anachronism of the G7 when it comes to climate issues: between them, the members of this illustrious club were responsible for 8,900 megatons of carbon emissions in 2013. This is far too much, no doubt. That being said, it is still less than emitted by China alone and corresponds to just one quarter of global carbon emissions. Against this backdrop, the climate policy decisions of the G7 need to be heavily qualified. They are quite simply a warm up for the forthcoming international climate negotiations (COP 21) in Paris, no more and no less.

Responsible global action is vital. Not only experts know that observing the 2°C limit is near impossible. Forecasts by the International Energy Agency put the unavoidable temperature increase at almost 4°C – essentially determined by existing energy, transport and building capacities based on fossil fuels. Halting the impact of this increase is a slow process akin to bringing an oil tanker to a stop at sea ("carbon lock-in"). However, the consequences of simply sitting back and accepting a 4°C temperature increase this century would be quite literally catastrophic. The G7 is sending out its signals at just the right time. We can only hope that this vision is followed up with action.