

ENGAGING THE PRODUCTIVE SECTOR IN THE CLIMATE DEBATE: A FEW BULLET POINTS FOR THE COP21

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1. Introduction: a bottom-up approach.

In spite of a certain number of initiatives, the productive sector has remained relatively outside the centre of the climate debate. Actually, in a broader view, several specific groups of agents have been systematically if not excluded at least set aside from the negotiations. This may be argued to be inherent to the essence of the COPs: an

¹ Professor (EPGE) and Director, International Intelligence Unit, at FGV, Rio de Janeiro. This is a written version of my presentation at the last roundtable of the ‘Partnerships for Financing Equitable & Effective Climate Action’ seminar, Paris, July 15-16, 2015, jointly organised by ORF/India and FGV/Brazil, under the invaluable sponsorship of the *Ministère des Affaires Étrangères et du Développement International/République Française*, and EPF/GIZ, *Deutschland*. The roundtable also counted with the help of SciencesPo/IDDRI. I benefitted from several comments in the ensuing debates, particularly those by Markus Zimmer, Paul Clements-Hunt, Thomas Spencer and brother Samir Saran. I’m however solely responsible for the ideas in the text; my institution and sponsors bearing neither responsibility for nor influence on them.

international meeting where the different delegations, oftentimes led by the head of state, put on the table proposals and positions supposed to represent the different segments and voices of each nation.

However, what is at stake is not the basic procedure of the COP, but the fact that, once gathered together, those very delegations reproduce what usually happens in most high level international meetings: they issue, or try to issue, general and encompassing statements engaging the signatories, as in any standard international treaty.

Our contention is that, particularly in the climate change area, an effort should be made with a view to come back, from the high-level agreement, to those different segments and voices who, in the very end, will be effectively responsible for enduring, applying and implementing the conclusions. Environmental decisions ultimately affect the daily life of both small villages and large multinationals, metropolitan dwellers and sparse communities in rural and forest areas, local governments, cultural practices, productive arrangements and subsistence economies. The easiest outcome of a too broad, high level agreement is, like many laws in developing nations or young democracies, not to stick: remain approved and signed but without any influence in the society or problem they were supposed to address.

The consequence of the above is the need for a bottom-up approach in which, from the very COP level, recommendations and conclusions will invite, engage relevant actors outside the governmental sphere. Governments, together with the COP, should then act as facilitators, conveners, “seducers” and, when needed, skilful constrainers, helping to make true the desired outcome. Outcome to be produced by the actors themselves, who will also aid the United Nations and the COP in the monitoring and follow-up of the common endeavours.

In this paper, I outline a simple strategy under this framework, to closer and more effectively engage the productive sector in the climate complex. Before describing the basic idea, I dwell a bit more on the timeliness and value of the framework, in contrast to standard themes in the climate change narrative. A last section wraps up the proposal.

2. Mobilising actors instead of resorting to abstract, failed or misleading schemes: the elusive lure of finance and technology transfer.

It is interesting to see how two myths of development aid: technology transfer and finance for development have spilled over to the climate debate, in spite of the highly controversial role they've been playing in their original realm.

This paper is not the place to elaborate a comprehensive criticism of both, something that would take it far from its original purpose. Nor is my intention to fully deny the role both can play, in specific contexts and through carefully designed mechanisms, where simplicity and many times solidarity, or rather generosity usually stand as main attributes.

My concern is with the excessive room gained in the global and COP contexts; people and developing as well as emerging countries still looking at them as the universal panacea that will solve all problems and take them out of their polluting and environmentally destitute realities. And this in spite of the nowadays nearly classical arguments raised on their actual performance², stressing how debatable –to say the least– is the role they played in the development drama.

Briefly, two sad truths should be taken more seriously when giving excessive time and room to fruitless or blindly technical discussions in these two areas.

As regards technology transfer, the sad reality is that, with very few exceptions, nobody –person, laboratory, firm, enterprise, or nation– transfers technology unless there is a clear perspective of profits –direct or indirect–, material rewards in a multitude of possible ways, or power and domination, the last even if under the soft power modality. Let us be optimistic and say that this does not completely jeopardises the idea, but for sure it poses major and very serious constraints on its scope and effectiveness.

The question of financial mechanisms and instruments touches the worrying state of flux in which the financial system is nowadays. Again, to enlarge the discussion to this degree is completely outside this text, but it is important to emphasise two uncomfortable

² See, among many others, Ayittei (2005), Easterly (2001, 2006) and Moyo (2009).

points. The first is that, at present, it is quite unrealistic to expect that the financial sector will be open to significant developments towards channelling more funds to green pursuits. The second is that, similar to the previous case, only one thing moves the financial agents: profit. This renders extremely naïve various attempts based on an idyllic image of the sector. As a rule any green fund, bond or other mechanism will only survive if procuring a considerable profit to its backers or organisers, beyond the numerous commissions, taxes and transaction costs that will be paid along while the money travels from the donors to the recipients.

I repeat that I do not rule out resorting to possibilities opened by the two ideas, but I definitely pledge for less emphasis on them, together with less expectations on their final achievements.

Mobilising sets of actors can eventually be less costly and much more effective. Under this, the COPs would define the guidelines and related targets, and the actors themselves, not bureaucrats, ministers or diplomats, would fashion their collective response to each call. The next section gives a concrete example for the case of engaging the productive sector.

3. The Sectoral Codes of Conduct.³

The contribution of each manufacturer or service provider to pollution and climate change problems varies considerably, requiring different approaches to improve the respective processes and reduce their nefarious spillovers. Basic public finance mechanisms, like taxes and monetary penalties come immediately to mind, raising the related question of how to design and calibrate the tax grid. This leads to a plethora of imperfect solutions, ranging from uniform –and very likely unfair and unpopular- tax schemes, to flexible ones, in which usually the tax value would be proportional to a figure of (de)merit of the activity, like its carbon footprint; thus opening up another flank of controversies.

³ See also Drummond and Flôres (2014).

Mobilising the actors in our case means leaving to them to establish, impose and control the desirable way to conduct their own activities. In other words, they would formulate codes of conduct, normalising how the negative aspects and externalities should be treated and describing the desirable quality levels for their operation. The COP, through its secretariat, would set guidelines and conditions each code should satisfy, approving them at the Conference level. Together with the member states it would then concentrate energies in helping establish the representative working groups that would actually write the code.

Sectoral codes of conduct are no big news, and they exist already for specific, highly polluting activities –like the cement sector- or, for others, as a strong urge to good practices in their particular business line. For each sector, preliminary work should be pursued in order to identify what exists and can be suitably translated, adapted to or adopted by the present objective. If conforming to the guidelines, the actual text could have different acceptable formats, the resulting one being close to the actors' views and possibilities.

The great diversity of sectoral characteristics and their corresponding international patterns demand a thorough previous analysis of how to launch the efforts. A sensible suggestion is to start work with a few activities, the most aggressive ones standing as natural candidates. Cement, mining and one or two branches of the petrochemical galaxy stand as important cases.

Two additional advantages would ensue from this way of working.

First, like in the (international) advertising sector, control of the fair obedience to the code would be exerted by the sector peers; a mechanism of self-control that has proven to be simple and effective.

Second, a problem that has been taking place would be minimised: the competition issues raised by over (or under) use of subsidies and green finance loans by a given number of firms in the sector. By unifying and detailing the good practices, the code shall naturally create a level playing field where specific uncompetitive moves would be more difficult to be pursued. Transparent rules will make it easier to set specific country legislations and contribute to their reasonable convergence worldwide.

Though a relatively costless idea, it will oblige the COP to keep an already mentioned secretariat to manage the global work, supervise that by each sectoral group and, together with the member states, to follow up the due and harmonious application of the codes, as a side entity to the sectoral control itself.

4. Deepening and enlarging the proposal.

The effort should be combined with a quite related one: the elaboration of codes of conduct for the FDI (foreign direct investment) activities in the corresponding sector. Though related, these are different endeavours.

The FDI code will establish minimal environmental standards to be followed by investors in a third country; it must be compatible with the former –which probably will be more detailed- but, at the same time, it will complement it, by incorporating issues germane to a starting, foreign activity in a given country. My basic pledge here concerns the former, in another context I´m developing ideas on the latter⁴.

Two other extensions must be addressed. The first is that the sectoral effort may be combined with a community or a regional –intra or inter-national- dimension, the code taking into account either specific geographic characteristics that may matter or existing developments or practices at the levels that should be the object of regulation.

Another extension is to enlarge the idea to a higher stage, considering instead of sectors, different types of value-chains. A key advantage in adopting the value-chain perspective is that important activities with potentially serious impacts, like all those related to the specific logistics procedures, would simultaneously be dealt with. This line however still deserves to be better understood.

5. Conclusion.

⁴ In a project sponsored by EPF/GIZ, still a work in progress.

I advocate here a shift in the COP efforts and output, towards agreements in which the Conference would exert a co-ordinating role, the measures being meaningless without the full engagement of the related actors. By *engagement*, however, it is meant not only their participation and adherence once the measure has been approved, *but their involvement in the design of the measure itself*. The COP would give an official, international standard recognition and enforcement to each final decision.

The viewpoint was exemplified with the productive sector, an area where there is a dire need to further incorporate in the climate debate. Codes of conduct designed by the sectors themselves would set the norms to be minimally followed worldwide in their daily operations.

The approach is simple and reasonably costless and should be tried in the coming December meeting.

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