Industrial decarbonisation: opportunities for philanthropy

Tom Lorber
Aspen, November 2018
Philanthropic funding for climate action is a drop in the ocean…

- 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.

Climate change mitigation philanthropy
$750 million in 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

CHILDREN’S INVESTMENT FUND FOUNDATION

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.
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
- Net zero carbon infrastructure in megacities around the world
- Decarbonisation of cement, steel and chemicals
- Super efficient air conditioning with low carbon refrigerants
- Air quality monitoring, public mobilisation and litigation
- Electric vehicle charging infrastructure
- 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

**Enabling environment**
- CCS infrastructure deployment
- Innovation policy
- Circular economy
- Trade
- Carbon pricing

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

**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

**Construction industry leaders**
- Procurement
- Building codes

- 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**

- Call to Action report: Net Zero Embodied Emissions 2050
  - Sep ’19
- Commitments to achieve Net Zero Embodied Carbon
  - Sep ’19
- Enhanced disclosure on construction supply chain
  - 2020
- Regulatory engagement with Commission & MS
  - Ongoing

**Outputs**

- Clean construction agenda
  - Public: cities, infra agencies, EIB/EBRD
  - Corporate procurers & real estate
  - Supply chain: design & engineering firms, materials & product manufacturers

**Outcomes**

- Targets & uptake of:
  - Whole Life Carbon Assessment
  - Attribute-based standards in procurement policy & building codes

**Impacts**

- Clean construction procurement becomes a norm for public & corporate buyers
- Growing mkt for lower carbon materials, shrinking mkt for high carbon
- Low carbon standards for construction materials and/or buildings & infra by 2050

**Targets & uptake of:**

- Whole Life Carbon Assessment
- Attribute-based standards in procurement policy & building codes

**Clean construction agenda**

- LEVEL(s) framework includes embodied carbon as core indicator
- Mandatory assessment of lifecycle emissions in large construction projects
- Revision of Buildings Performance & Ecodesign directives

**Building evidence, raising ambition**

**Scaling up action**

**Norm-setting**

**Mandatory regulation**

**Net zero embodied emissions in EU buildings & infra by 2050**
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

<table>
<thead>
<tr>
<th>Unhelpful?</th>
<th>More helpful?</th>
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<tbody>
<tr>
<td>‘Hard to abate’</td>
<td>Feasible, inevitable</td>
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<tr>
<td>‘Expensive’</td>
<td>Cost at company level (cement) vs end product (house) vs societal (climate, health, innovation)</td>
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<tr>
<td>‘Residual emissions’</td>
<td>Urgency: long investment cycles, gradual ramp up</td>
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<tr>
<td>‘Market-led’</td>
<td>Need for active state role, induced innovation</td>
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<tr>
<td>‘Silver bullets’</td>
<td>Need to develop optionality</td>
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*Innovation, competitiveness, jobs*
Constructive engagement with incumbents is essential

Leaked BusinessEurope memo

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 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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