



**Moving the trillions:
decarbonization
and carbon reduction
are the “new gold”**

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Current facts of life:

Worse scenarios loom over recent scientific reports on ocean levels, glaciers melting, agriculture crisis and other impacts.

Every new year now is becoming “the hottest ever”.

If all INDC are religiously implemented we will have by 2030 a 15 Gigaton “gap” locking us towards 3 degrees (or more)

A 2 degree pathway is still possible but only if the world economy can be decisively aligned with the postulate that climate change is a crucial challenge for humanity

Even if the famous US\$ 100 or 120 billion/year somehow become available this is “peanuts” compared to the 3 to 5 trillions we need for transition towards low carbon and later carbon neutral economies

Governments just don't have the resources to directly fund a new “Marshall Plan” but nevertheless can become a vital part of the solution

The world's liquidity dwells in the global financial system –something like 220 trillion- most of it in the speculative sphere most far away from productive investment.

“Financialization “ has become an important factor in stagnated global macroeconomics.

We need a deep economic/cultural shift: the recognition of how crucial the challenge of climate change is for humanity and **the recognition of the social & economic value of carbon reduction/removal as of intrinsic economic value**

This is an historical economic insight similar to the institution of the metal coins to revolutionize commerce in the era of barter or paper money representing these same gold coins many centuries latter. It took imagination, political recognition and general trust

This is when an overwhelming historical necessity is convened into a new paradigm of economic value.

Thus carbon reduction/removal becomes the “new gold”!

The first steps for this have already happened at COP 21:

Article 2 of the Paris Agreement: *“making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”*

Paragraph 108 of the Paris Decision: *“recognizes the social, economic, and environmental value of voluntary mitigation actions and their co-benefits to adaptation, health, and sustainable development”*

This will not be achieved within the UNFCCC negotiation process that has already done its part. **This path depends on the G 20 and a “Climate Club” formed by some key governments, central and development banks, multilateral institutions and the private financial market acting together**

At this time we have 3 distinct types of economic mechanisms :

1 – The “carbon markets”. Low hanging fruits related to a limited scope of ambition. “Double count” and other problems. Not our focus at this time

2 – “Real pricing”: carbon pricing for taxation. Also includes ending subsidies for fossil fuels. Integrates carbon intensity and local pollution externalities. Helps clean energy compete.

It is a nation by nation uphill battle given taxation systems and subsidies are national policies.

3 – The positive pricing of carbon reduction is based upon the COP 21 “recognition of value”

Governments may not have the trillions needed to invest but they do have the billions needed to offer guaranties for the “carbon reduction certificates”.

Issued by a “climate club” of governments, central and development banks & multilateral institutions they will help fund mitigation actions

This could also be good for global macroeconomics enabling **mitigation targeted quantitative easing**.

It can work out as the 'tipping point' for massive investments by the financial sector currently inhibited by its perceptions that low carbon investments bare too big upfront costs, risks and offer smaller profits compared to other options

Problems:

- There is no single institution capable of implementing this but a fragmented myriad of unrelated actors
- The power brokers and the media contemplate “positive pricing” with some interest but are afraid it is somehow “too good to be true”
- It doesn't oppose “real” pricing or green bonds: they are all compatible and complementary and address the financing issue through different angles
- There is a lot of technical challenges to be addressed

Some good questions:

- What is the nature of the agreements and institution (s) that would manage the “carbon reduction certificates”?
- How would they be originally allocated?
- How would their price be established? Fixed? Floating? The same for all mitigation actions or differentiated by sectors?
- How to deal with “this adds to public deficit!” opposition?

...and what can be done immediately, for starters?

- Governments and big development banks can create a **huge guaranties AAA fund**. This can help solve the 100 billion GCF impasse at the UNFCCC and in the future uphold positive pricing
- Central Banks implementing **quantitative easing can do it with mitigation criteria** instead of just throwing money on junk bonds. A % of the QE can be allocated in carbon reduction/removal value projects & policies
- **Rewarding early and additional action** related to aggregate economy wide NDC targets in green bonds for products, services and technology producing subsequent mitigation thus creating a virtuous cycle.





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