GLOBALLY FUNDED FEED-IN TARIFFS

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A non-market mechanism to deliver transformative solutions to climate mitigation and development

A visionary approach

» Globally funded feed-in tariffs with a focus on decentralised, community controlled energy are the ***most effective*** and visionary approach to tackle the urgent need for ***transformation to renewable energy***.

» Energy is at the very core of both ***climate and 'development***', and any energy solution must prioritise energy access, affordability and democratic community control.

» Done correctly, an energy transformation to ***equitable***, ***socially*** and ***environmentally appropriate renewable energy*** will promote development and well-being, while closing the emissions gap. It can help ***overcome*** current trade-offs between the right to development and climate change.

» Through a programme of globally funded feed-in tariffs, renewable energy would soon be made ***cheaper*** than fossil fuels, ***affordable*** to poor people, and ***accessible*** through a global boom in decentralised, renewable energy solutions at the local, community and national levels.

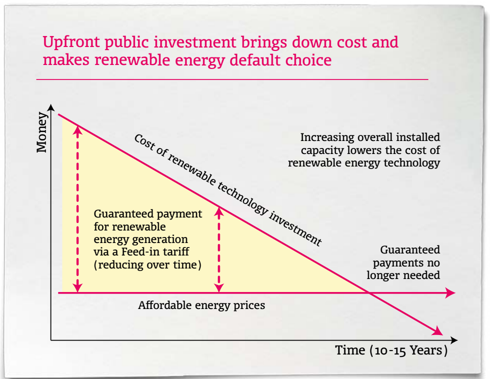
» Globally funded feed-in tariffs is perhaps the most bold and in the longer run cheapest mechanism to move the world out of the current catastrophic climate trajectory. It is a ***targeted non-market approach*** where early, substantial public investments direct other, much more substantial public and private investments over the threshold towards 100% renewable energy.

What are renewable energy feed-in tariffs?

» Feed-in tariffs are widely regarded as the ***most effective policy tool*** for enabling investments in renewable energy.*

» The feed-in tariff ***guarantees minimum prices*** for renewable energy producers (a community, cooperative, municipality, company) to ensure their investments can be recovered. This is achieved through a predictable, carefully tuned public subsidy over a pre-defined period of time (10-15 years).

» Through public financing of the subsidies, prices for consumers of the energy can be much lower (affordable) and ***differentiated/ socialised*** (e.g. cheaper for the poorest), while still making the investment in relatively expensive renewable energy possible. The model of consumer funded feed-in tariffs as found in rich countries is *not* appropriate for developing countries as it results in higher electricity prices.



The feed-in tariffs provide the investor in renewable energy (a community cooperative, municipality or company) guaranteed prices for the energy they produce, covering the difference between production costs and the lower, affordable price for consumers.

» Already 65 countries in both the North and the South have, or are in the process of, setting up feed-in tariff systems. For developing countries the financing is a fundamental ***bottleneck*** to ambitious scaling up of such schemes.

» By ***scaling up*** renewable energy, feed-in tariffs will bring down the cost of research, development and production, thus helping to put the planet on an energy transition pathway.

Sources of finance

In accordance with legally binding obligations under the UNFCCC, the GCF should receive new and additional public finance from rich, industrialised countries.

In addition to **assessed tax-based contributions**, globally funded feed-in tariffs could be financed through 'innovative sources' of climate finance (via the GCF).

- **Shifting fossil fuel subsidies** and a levy on aviation and maritime fuels both bring in considerable sums, although they would need to adhere to common but differentiated responsibilities (CBDR) principles. A recent study shows that up to US$90 billion/yr is released as tax-based fossil fuel subsidies in OECD countries alone.
- According to the European Parliament, a **financial transaction tax** like the one currently operating in Brazil to curb speculation could bring in as much as US$650 billion a year if applied globally.
- IMF **Special Drawing Rights** could bring in an additional US $100 billion a year without affecting inflation.
- All these sources would provide upfront public capital for governments to invest rather than resorting to carbon markets – which are unreliable sources of capital and ineffective at reducing emissions. Carbon markets also try to drive up the price of fossil fuels to make renewables competitive, when the opposite – bringing down the cost of renewables – is required to ensure affordability.
- The necessary public funds exist. For example, in response to the global financial crisis, central banks in the European Union and the United States purchased US $2.5 trillion in debt. In prosecuting wars in Iraq and Afghanistan, the United States has allocated around US$1.09 trillion.

* The IPCC special report on renewable energy concludes that "well-designed and well-implemented FITs are the most efficient... and effective... support policies for promoting Renewable Energy electricity" (IPCC (2012), Renewable Energy Sources and Climate Change Mitigation Special Report of the Intergovernmental Panel on Climate Change, Cambridge: Cambridge University Press. http://srren.ipcc-wg3.de/report/IPCC_SRREN_Full_Report.pdf

How should a programme of globally funded feed-in tariffs be designed?

The components of such a programme would include:

» Invitation and support to developing countries to, through their NAMAs, establish new or link existing ***national feed-in tariff mechanisms*** to a coordinated programme under UNFCCC.

» ***A global funding mechanism*** through the GCF, which provides the public finance to the many national feed-in tariff systems. Both supply and access to these funds would be based on equity principles in line with CBDR-RC.

» ***Commonly agreed rules*** that ensure the national feed-in tariffs:

– only promote ***socially and environmentally appropriate*** renewable energy technologies with stringent technology assessment. National strategies for renewable energy access with substantial involvement of civil society must be required. In addition, the TEC and CTC&N should have important roles to play in identifying, assessing, promoting and transferring appropriate technologies.

– are ***in no way linked to off-sets and carbon trading***, and do not target big private corporations and investors, nor allows foreign corporations to take advantage of the feed-in tariff.

– are primarily directed to **decentralised, public, community, cooperative and municipality** level projects off the national grids.

What are benefits of a programme for globally funded feed-in tariffs?

» It delivers the ***bold solutions*** we need for both energy access and climate mitigation. Over 10-15 years it can deliver electricity to the 2 billion people without any or only poor access today, while allowing the developing countries to leapfrog to alternative, clean, resilient and climate-friendly development paths. A true bottom-up renewable energy revolution.

» It can ***reverse the current mode of distrust and locked-in negotiations*** stemming from Annex 1 countries' weak ambitions and hollow finance promises to instead genuine trust-building through real international cooperation and climate finance.

» It would be collaborative, but with a strong ***driving force from developing countries***. It is not an imposition of new limits or obligations on developing countries, but rather recognition of solutions already pursued or desired by many developing countries, and fully in line with existing principles and responsibilities of the convention.

» It would concretise the ***need for real, disbursable public climate finance*** (likely in the range of USD 100-150 billion per year over 10-15 years. It is results-oriented and has essentially ***built-in MRV*** in that the feed-in tariff subsidy is only provided upon delivery of the clean, affordable energy.

» It shows the value of early, front-loaded public investments. By acting early, technology costs, future emissions, future adaptation needs and future loss & damages are reduced, thus ***substantially bringing down over-all costs***.

A comprehensive approach

An ambitious time-bound public investment programme in renewable energy feed-in tariffs could in 10-15 years radically transform the world, and should be combined with other key measures such as:

» ***A ban on all new fossil fuel projects.*** There is simply no emissions space left for a lock-in of further investments in fossil fuel based energy.

» ***An end to tax-payer/government producer-subsidies to private fossil fuel companies***. These public funds must be re-directed to investments in decentralised renewable energy through feed-in tariffs and other appropriate means.

To have any chance of avoiding catastrophic climate change, a comprehensive approach to energy must be initiated now, regardless of what is eventually concluded as mid- and long-term emissions reductions goals.

UNFCCC negotiations are currently deadlocked over a widespread assumption that cuts in emissions will mean sacrifice and hardship. However, if the transition to a renewable energy future is well-managed, countries (and especially developing countries) can benefit from economic development, improved quality of life and ecosystems unpolluted by fossil fuel extraction, while no longer contributing to global GHG emissions. Feed-in tariffs can be key to delivering that transition.

We urge parties to make submissions in the lead-up to COP19, both in the formal negotiations (ADP, finance, technology, capacity building, non-markets) as well as in development of NAMAs.

Further reading

- 'A global programme to tackle energy access and climate change ' in *What Next Volume III: Climate, Development and Equity*. Provides an overall framing of the idea. www.whatnext.org/resources/Publications/Volume-III/Single-articles/wnv3_banuri_hallstrom_144.pdf
- 'Reclaiming power – an energy model for people and the planet'' in *What Next Volume III: Climate, Development and Equity*. Provides elaboration on policy design and necessary safeguards. www.whatnext.org/resources/Publications/Volume-III/Single-articles/wnv3_sabido_hallstrom_144.pdf
- 'Powering Africa through Feed-in Tariffs: Advancing renewable energy to meet the continent's electricity needs' by Friends of the Earth-EWNI, World Future Council and Heinrich Böll Stiftung. Report providing examples and analysis of how feed-in tariffs can be successfully applied in Africa.www.foe.co.uk/resource/reports/powering_africa_summary.pdf
- 'Reclaiming power – an energy model for people and the planet'. Report with detailed elaboration of policy design at local, national and international levels. www.foe.co.uk/resource/briefings/gfits_briefing.pdf
- Submission to SBSTA on non-market mechanisms, 11 April 2013. Submission by eight civil society organisations highlighting the need for globally funded feed-in tariffs. http://unfccc.int/resource/docs/2013/smsn/ngo/334.pdf