

Energizing Rio+20

How the United States Can Promote Sustainable Energy for All at the 2012 Earth Summit

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CGD Brief

Economic growth and improved living standards require access to reliable, affordable, convenient, and safe cooking fuels and electricity. Today, 1.3 billion people lack access to electricity and roughly 2.7 billion are without access to clean, safe cooking fuel.¹ Securing energy, therefore, is a development imperative. But successfully confronting climate change is too: Global warming is already disproportionately affecting the poor and is threatening to reverse hard-won development gains. Fortunately, the two goals of ending energy poverty and protecting the climate are compatible. New technologies and emerging expertise are gaining ground; what we're lacking most are creative and politically feasible partnerships to scale up these efforts and mobilize financial resources. The United Nations Conference on Sustainable Development (Rio+20) provides a useful fulcrum for lifting global ambitions. Here we outline four ways the United States can help:

- Support the Secretary-General's "Sustainable Energy for All" initiative;
- Offer concrete ideas to scale up technical assistance and share best-practice policies;
- Commit to develop a new mechanism within existing international financial institutions to connect long-term investors with sustainable-energy investment opportunities; and
- Create new initiatives to strengthen the nation's foreign investment agencies, including the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank (Ex-Im).

We Have the Technology but Need Leadership

Exciting new technologies are changing how we produce and use energy. Improved cook stoves, new inexpensive solar lanterns, and numerous other technologies are saving lives, improving the quality of life, and creating new livelihoods in even the most impoverished, rural areas. Today, many companies and governments around the world have the technological, managerial, and financial expertise to help address the sustainable energy challenge, while environmental and poverty-oriented NGOs have large networks of supporters for whom these issues have strong resonance. It is now possible to end energy poverty and meet climate goals. The International Energy Agency estimates that ending energy poverty would

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1. International Energy Agency, "Energy for All: Financing Access for the Poor," special early excerpt of the *World Energy Outlook 2011* (Paris: OECD/IEA, 2011).

only increase carbon dioxide emissions by 0.7 percent in 2030.² The full potential of these technologies will be realized only through global partnerships. The United States can lead the effort at the United Nations Conference on Sustainable Development (Rio+20), which marks the 20th anniversary of the original Earth Summit.³

Progress Is Possible Despite Economy and Politics

With a presidential election campaign, high unemployment rates, and financial uncertainty to deal with, the United States is squarely focused on pressing domestic challenges. There is almost no appetite for new international commitments and little pressure from U.S. constituents to deliver at Rio+20. Environmental groups are concerned primarily about domestic energy and clean air policies. Development advocates are working hard to avoid draconian budget cuts to foreign aid programs that may flow from the deficit reduction law passed in 2011.

Still, stronger U.S. leadership can advance both the vision and promise of sustainable development, and outlining a clear vision and a concrete set of policies for global sustainable development would be good U.S. foreign policy. These are important challenges, and America has much to offer if it decides to engage.

Recommendations

We have outlined a number of politically feasible recommendations for the Obama administration and Congress to consider—ideas that would contribute to the global effort to realize sustainable energy for all at Rio+20.

1. Support the Sustainable Energy for All Initiative

The United States should support the Secretary-General's "Sustainable Energy for All" initiative (sometimes referred to as "SE4ALL"), which proposes that governments, businesses, and civil society commit to three complementary goals to be achieved by 2030: 1) ensure universal access to modern

energy services, 2) double the global rate of improvement in energy efficiency, and 3) double the share of renewable energy in the global energy mix. While these goals lack measurability as currently conceived (there are no baselines against which to judge progress) and perhaps also a degree of ambition if defined too loosely, new energy goals (like the Millennium Development Goals they mimic) would likely bring greater global attention to energy poverty and over time greater resources to bear on sustainable energy deployment. At Rio, therefore, the United States could at a minimum work to ensure that the international community endorses the Secretary-General's objectives and folds them into a member-state-driven process to refine and expand by a date certain.

2. Offer concrete ideas to scale up technical assistance and share best-practice policies

The United States should offer concrete ideas for how to scale up technical assistance and knowledge sharing on best-practice policies that will help channel the \$5 trillion invested annually in energy infrastructure projects to sustainable alternatives. For example, the Clean Energy Solutions Center, a virtual network of experts on and tools for energy policy funded by the United States and Australia through the Clean Energy Ministerial, should be expanded. The virtual network should integrate the technical capacity of existing bricks-and-mortar centers of applied policy research across the world. Strengthening this global network would enable nations to build domestic capacity and gather helpful insights about how best to achieve sustainable energy for all, building on lessons learned elsewhere. To be effective, these institutions should be prefunded by the international community to assist any government with the political will to tailor and implement proven policies for achieving sustainable energy for all.

This theory of change—spreading knowledge through a global network of experts that serves as a global public good that governments can access largely without cost—is precisely how the international community spread the knowledge needed for the green revolution in the 1960s through the Consultative Group for International Agricultural Research. While the subject matters are quite different, the challenge is fundamentally the same: ensuring that people everywhere learn what has worked elsewhere and apply those lessons locally in appropriate and tailored solutions. In

2. Ibid.

3. For an extended discussion of the needed technologies, financing gap, and political context, please see Nigel Purvis and Abigail Jones, "Energizing Rio+20: How the United States Can Promote Sustainable Energy for All at the 2012 Earth Summit," Center for Global Development (April 2012): <http://www.cgdev.org/content/publications/detail/1426110>.

the case of energy, as was true for agriculture, implementing the right policies will be essential to success.

3. Help connect long-term investors with sustainable-energy investment opportunities

The United States should announce at Rio+20 its commitment to work with other nations to develop a new “deal flow generator”—a new mechanism within existing international financial institutions that would connect long-term investors (including pension funds, life insurance, endowment funds, and sovereign wealth funds) with Sustainable Energy for All investment opportunities. According to the IMF, long-term institutional investors in developed nations held \$60 trillion in total assets, while bank assets in these countries amounted to an additional \$72 trillion in 2009. Many private investors, including pension and sovereign wealth funds, are eager to invest in sustainable energy ventures. What’s missing is not interest or funds, but rather an abundance of investment-grade opportunities. This new mechanism would, therefore, 1) aggregate sustainable energy projects to create large-scale investment opportunities, 2) perform due diligence on projects and rate investment opportunities to help private investors manage risk, and 3) cluster projects or securitize them to create liquid and tradable assets that could be traded on private secondary markets. Such a mechanism would naturally build on the work being done in the context of the Brazil-U.S. Joint Initiative on Urban Sustainability, a platform seeking to mobilize large-scale investment in green infrastructure in both Rio de Janeiro and Philadelphia. As part of this initiative, partners are working to aggregate and bundle small-scale infrastructure projects into investment-size portfolios for diverse investors ranging from the World Bank to Goldman Sachs.⁴ Scaling up this effort to the global level to support sustainable energy for all would provide a useful starting point.

4. Shalini Vajjhala, Global Leaders Forum Presentation, Johns Hopkins School of Advanced International Studies (Washington), March 16, 2012.

4. Create new initiatives to strengthen the nation’s foreign investment agencies

The U.S. government should announce a suite of new initiatives to extend the impact of the nation’s foreign investment agencies, including the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank (Ex-Im). In addition to more funding, which remains essential, the United States should expand beyond the use of traditional techniques and offer new products such as “first loss” funds; dedicated seed funding to help small and medium businesses work with developing countries to develop sustainable energy projects; cofinancing initiatives with counterparts in Germany, Japan, and other developed nations to more effectively align and leverage available global public funding; and a new equity fund reserved only for equity investments that have high expected returns from a sustainable energy for all standpoint.

Conclusion

A major global effort to promote energy efficiency, renewable energy, and energy access in the name of sustainable energy for all would produce tremendous benefits for international development and the climate. While the economic, fiscal, and political conditions for such a campaign are far from ideal, the Rio+20 summit in June presents a number of important opportunities for progress—including the establishment of clear and compelling global clean energy and energy access goals and public-private partnerships that move the world decisively toward action.

The United States must do its part. Our recommendations, focused on private enterprise, economic growth, and expanding trade, would advance U.S. economic, development, and climate goals in ways that would attract broad political support at home and abroad. Sustainable development requires sustainable energy, and the United States should be at the forefront of promoting both.

The Center for Global Development works to reduce global poverty and inequality through rigorous research and active engagement with the policy community to make the world a more prosperous, just, and safe place for us all. The policies and practices of the United States and other rich countries, the emerging powers, and international institutions and corporations have significant impacts on the developing world's poor people. We aim to improve these policies and practices through research and policy engagement to expand opportunities, reduce inequalities, and improve lives everywhere.



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June 2012