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Bereit für Neues

To the point!

Cross-Asset- and Strategy-Research

Postcard from Abu Dhabi

The global South needs support in order to limit its CO₂ emissions

For a long time, policymakers were seduced by the comfortable illusion that successfully combating climate change would not entail any significant costs. After all, the transformation would create entirely new industries to replace the old, fossil-based ones. And once the transition to renewable energies is successful, energy will not only be cleaner, but also cheaper than it is today. That has been the hopeful narrative.

And there is certainly some truth to it. But if we simply replace the current state A in our minds with the ideal future state B, we leave out a crucial question: how do we get from A to B?

The energy transition entails high start-up costs

This is exactly, where it gets murky: the expansion of renewable energies requires substantial initial investments. But once the infrastructure (especially solar and wind power plants and hydrogen electrolyzers) is in place, the ongoing costs of maintenance and operation are very low.

The cost of the up-front investment poses a significant problem, especially for the poorer countries of the world, the so-called "Global South." This is because many of these countries are already on the brink of a debt crisis, buffeted by pandemic consequences and interest rate developments, and sometimes also fueled by political crises or unwise economic policy decisions.

You may say, what the heck: developing countries are responsible for only a small fraction of global emissions anyway. The future of the planet does not depend on them. That may be true for now. But not for the future. As the economies and populations of poorer countries are expected to grow much faster than those



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Louvre Abu Dhabi

Poor countries will become more important CO₂ emitters

of industrialized countries, their emissions will also rise disproportionately (see figure).

The bridge from future pledges to today's action

At the same time, rapid reduction of greenhouse gas emissions is critical. After all, the particles will remain in the atmosphere for decades, heating up the planet. Waiting until the Global South makes it a top priority to reduce its emissions, trumping urgent social needs, and mobilizes sufficient resources to implement a bold climate strategy, is simply not a viable option.

But how can we achieve the frontloading of emissions reduction in developing countries? I had the opportunity to speak about just that subject in Abu Dhabi during a preparatory meeting for the COP28 climate summit, which starts at the end of November in the neighboring emirate of Dubai.

My suggestion: The EU Recovery Fund set up during the Corona pandemic can serve as a model. Future financial pledges by rich countries would be used to secure bonds, the sale proceeds of which will be used to implement climate measures in poor countries today. That would only be fair. After all, rich countries are responsible for the vast majority of greenhouse gases emitted to date.

The EU has shown that this approach can work. Now it's time to apply its successful model to solving planetary challenges as well. As one temperature record chases another, the time has come for courageous pragmatism.

CO₂-Emissions (in Gt)



Source: Climatewatchdata.org (2000 und 2020), LBBW Research (2040 continuation of the trend from 2000 to 2020).

EU Recovery Fund as a blueprint

The presented proposal for financing the energy transition in poorer countries can be found [here](#).

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