

Unwrapping Optimism: What's Really Changing After COP30

Guest Speaker **SIMON SHARPE**

“You do not need 198 countries to change the economy. What matters is when the big markets move. The point isn't to solve climate change. The point is to solve the problems that cause it. Focus the diplomacy on problem solving rather than goal setting.”

Nik Gowing

Welcome to the Thinking the Unthinkable podcast, our latest leadership conversation. Hello, I'm Nik Gowing. You wouldn't think it after all the reporting from COP30 in Brazil and the compromise communique which disappointed so many people. But that reality was a distraction. We want to be positive, which is what we want to focus on. Reality is way ahead of negotiations. An incredible number of positives emerged during COP30.

Many businesses and regions of the world are getting on with sustainable investments in renewables, including in many states of the United States of America. This is because the technology is there and bluntly, there's money to be made.

So joining us is Simon Sharpe. He's renowned as what we might call an engine room of ideas that should take us all to the cutting edge of where we need to be. Simon wrote a brilliant book, *Five Times Faster, Rethinking the Science Economics and Diplomacy of Climate Change*. Published in 2023, it tried to persuade us to think way beyond the usual orthodox thinking.

Simon was a British civil servant, a radical thinker at the heart of coordinating government policy on climate. He's now managing director of S-curve economics and wears a few other hats too. So Simon, a very warm welcome. Tell it like it is, reality far ahead of what you call the mudswinging of formal negotiations.

Simon Sharpe

Thank you, Nik. Good to be with you. Well, I think the most optimistic stat that came out this year was the International Energy Agency telling us that twice as much is going to be invested into clean energy, renewable energy than into fossil fuels over the course of this year. That's an astonishing measure of progress.

So as you say, many people reading the media reporting of COP30 will have seen a failure of countries to agree some sort of roadmap to get out of fossil fuels. We can talk about whether or not that was the right thing to try to be agreeing. But there's the reality that the world is in fact moving away from fossil fuels. The investment is going towards the clean technologies. Why is that happening? to focus on the area where we do it best collectively, it's electricity generation.

Solar and wind are cheaper than coal and gas for producing electricity all over the world. And so last year, over 90 % of the new power generating capacity that was added globally was renewables. So that's really moving forward.

And of course, the reasons countries are doing that are because it's cheaper, it's more energy secure, it's less polluting of the air. There are all of those reasons that they have to get on with deploying clean power technologies, regardless of how much they do or don't care about climate change.

Nik Gowing

Let me talk to you about negotiation because you talk about not haggling more over words to describe the destination we're all trying to get to. It's to focus on the most effective steps that can be taken now. So what's your driving ambition, your driving practicals recommendation?

Simon Sharpe

My overall recommendation would be focus the diplomacy on problem solving rather than goal setting. I've spent most of my career in diplomacy, so I do believe it can be helpful, but it's helpful when it's done in the right way.

And on climate change, a great deal of effort is spent trying to agree global goals. And much of that's been done back in 1992, then countries agreed in the UN Framework Convention on Climate Change. That they would try and limit the concentration of greenhouse gases in the atmosphere so that they didn't produce incredibly dangerous climate change. That was a very important goal. Then in the Paris Agreement 2015 countries agreed we'll try and limit the increase in global temperatures below two degrees and if possible below one and a half degrees and so on. Other goals have been agreed about the amount of finance to be mobilized to support developing countries.

There is a usefulness to agreeing those global goals, but mostly we've done that. And the critical thing now is to actually solve the problems on the way to meeting those goals. So if we're going to eliminate fossil fuels very quickly from the global economy, how are we going to do that? How do we help countries all over the world move more quickly to clean power, to electric vehicles, to decarbonized heavy industry?

getting the emissions out of agriculture, to ending deforestation. Each one of those, each different sector of the economy where we burn fossils to use energy, each of those has a different set of problems to solve and also different countries that are influential and able to work together to solve those problems. So that's really where I want to see the diplomacy movement.

Nik Gowing

You put it very bluntly, in other words, worry less about reducing fossil fuels. Get on with alternatives. You see evidence that this is happening in a big way now.

Simon Sharpe

Well, of course, they're two halves of the same thing. The question is, where can you act most effectively? And of course, we have these movements like Just Stop Oil, which think, well, hey, look, oil's the problem. So let's go and tell the oil producers that they should reduce their output or let's tell governments to cut them off. Problem is, that's a really weak point of leverage because any company or any country that owns oil...

Resources that are still profitable, really wants to dig them up and sell them, and they will do that. And in the UK, we have a policy called maximize economic extraction from the North Sea. We've had that under every government, all the political stripes for as long as anybody knows, at the same time as having the toughest carbon budgets and being the first country to set a net zero target in the world. So trying to turn off the taps of the oil production is not where the power is.

If you want to beat the fossil fuels, what do you do? You have to destroy demand for them. And there you have to look to somewhere completely different. Let's look at road transport. Why is it that, well, first of all, why does it matter so much? That's where most of the oil is getting burned. Half of it is in transport, the other half is in chemicals and plastics and that sort of thing. And chemicals and plastics are going nowhere towards decarbonization so far. Road transport is going very, very fast.

We're now up to something like 20 % of global car sales being electric vehicles, up from about 2 % only six years ago. And that's beginning to cut back demand for oil. How do we make that happen? Well, first, subsidies that help deploy electric vehicles, help encourage people to buy them. And secondly, regulation that forces car manufacturers to sell a rising proportion of their cars as electric vehicles.

Those kinds of policies have been incredibly powerful in places like European Union, California, and above all China. That's how you actually beat the fossil fuels. take those kinds of policies, destroy them.

Nik Gowing

You're very specific about this. It's doing more of road transport than any other to destroy demand for oil and erode the political power of fossil fuel interests. You'd go that far, would you?

Simon Sharpe

Absolutely. I'd say there are two sectors where the world is making good progress towards clean technologies. One is the power sector, but then the fossil fuels it's leaving behind are largely coal and to a lesser extent gas. And the other is road transport. And there the fossil fuel we're getting off is oil. And of course, oil is the really valuable one. So road transport is doing more than any other sector to destroy demand for the most valuable fossil fuel. And that, of course, goes towards weakening its political power.

Nik Gowing What sectors are doing particularly badly. In other words, they're not moving five times faster yet.

Simon Sharpe

Well, I would say all of the energy intensive industries, which includes things like steel and cement and chemicals, and then you also have shipping and aviation and then agriculture, which is very different. If I just pick one of those as an example, steel is the biggest emitter of the energy intensive industries, about 7 % of global emissions. And last year, only 0.1 % of global steel production was what you could call near zero emission steel.

So that has a hugely long way to go. Contrast that with over 90 % of new power generation capacity added being clean power. It's a world of difference between those sectors.

Nik Gowing

Now, one of the things you talk about is creating new groups, new negotiating groups or new groups of determined organizations and countries who are wanting to push far forward. China, India, Brazil, EU, for example, and I'm quoting you here, and a few others can achieve a critical mass for change. Are you saying that it's a much better way because you make another point that there's no point trying to get agreement of 198 countries. Why wait for sign-off?

From Saudi Arabia, for example. In other words, the very approach has got to be changed to stand a chance of achieving much more.

Simon Sharpe

Absolutely. In each of the global sectors, you do not need 198 countries to change the economy. And in diplomacy, there's always this trade-off between breadth and depth. The more countries you try to get into an agreement, the less you can actually agree. So that's why you can have the UN General Assembly passing a resolution in favor of world peace. But if you want to agree a peace agreement in a particular part of the world,

You have much fewer actors and it's a bit like that with the transition. So for example, in the road transport sector, you have three regulators that write the rules for over half of the global market, Beijing, Brussels and Washington. And if Washington is ruled by some idiots, well, replace that with California. It's still those three covers half the global market and the three of them together, they align.

on the pace of their regulations for moving towards electric vehicles, they can actually shift industry investment so much faster to the new technology that they bring down its cost more quickly as well. And they can make electric vehicles cheaper than petrol cars for countries all over the world several years earlier than they would have been otherwise. So that's just one example of how actually a really small number of countries can do something that makes it easier for all of the rest of them to make progress forward.

Nik Gowing

Now you make a point of saying that the spread, spreading the zero carbon transition globally in the sectors where we're ahead, started in the sectors where we're behind as well, but do it in a very, very different way.

Simon Sharpe

Yeah, if I can make that contrast, then let's look at the power sector. We're already a long way ahead as we've been saying. We're now at a stage where every country in the world wants to participate in that transition, wants to be deploying solar and wind power together with more flexible technologies, energy storage and so on.

What are the difficulties? Well, one of the major widely recognized difficulties is the cost of capital for developing countries. They often have to borrow at extremely high rates. And that makes it harder for them to install this new clean energy infrastructure. One of the ways that countries might be able to help is risk guarantee schemes that help manage the risks of, for example, fluctuations in currency exchange rates. And these risk guarantees can be provided by a group of countries that itself has a good level of wealth. So countries with large sovereign wealth funds, donor countries, multilateral development banks.

In that power sector transition where we're so far ahead, that's a way that we could collectively move it forward beyond what countries can do individually. If you contrast that with, say, steel, where we're much further behind, are vanishingly small number of countries that are really serious about that transition so far. There's probably only Sweden that has yet managed to come close to deploying, building a steel plant with close to zero emissions. So what do countries need to do there? quite a useful thing, I think, would be for them to agree, what is a fair way of doing subsidies for the deployment of clean steel? think subsidies are almost certainly going to be needed.

That would have worked in the sectors where we have moved ahead. We're already seeing a beginning of a move to subsidies with Europe, Japan, the UK, Germany, beginning to use them in steel and the other energy intensive industries, which is a very good sign. If countries could agree on what is a fair way of doing that, then they lessen the risk of trade disputes in future and probably increase confidence in investment.

Nik Gowing

And Simon, let's talk about something which is where there's real challenges. You call it really slow progress on agriculture and land use. But there is a new tropical forest forever facility, difficult to say, forever facility, but it's been launched by 50 countries. Do you believe again that this is the way forward, getting 50 countries, not 190 countries, to actually commit on something like this to produce progress which can be much faster?

Simon Sharpe

Yeah, this is a Brazilian initiative and I think it's a very interesting one. What they've done is said, look, let's create a big investment fund and all the countries that want there to still be forests in the

future should put some money into this investment fund. We'll invest it in a way that generates returns and then we'll use those returns to reward countries that preserve the tropical forest that they have.

Satellite monitoring system so we can look down and see if the forest is still there or not. And we'll use that as the basis for deciding who gets these payments. I think that's a very significant initiative because it tries to make those incentives for conserving forests much more reliable, dependable. Previously, they've been really ad hoc. international assistance programs here and there saying, you reduce deforestation, we'll give you a bit of money or maybe we'll sell some offsets and we'll give you some money from that.

And that's so unreliable that it's not very effective in helping countries plan and act for preserving their forests. So the Brazilian initiative is good. It's had about 50 countries back it, as you say, politically. So far, think only about three have put serious money into it. One of those is Brazil itself, about a million dollars. Indonesia, similar. Norway, about \$3 million. It really needs more countries to come forward and put some more money in to make it as effective as...

Nik Gowing

But it shows there's a will, you're saying there's a momentum building here?

Simon Sharpe

I think you could say that it's a more hopeful initiative than there's been before. And it's very significant that it's led by one of the countries with the largest tropical forest cover, unlike trying to be dreamed up and imposed by Europeans who cut down their forest centuries ago. So that's a very hopeful thing.

Of course, in my view, that only addresses one half of the problem. The other half of the problem is the incentive for deforestation that is created by trade in agricultural commodities. And that, I think you have to work on that side of the problem too. have to have standards.

Nik Gowing

You do mention the Chinese beef importers who've agreed to import from Brazil meat only from areas which haven't been subject to deforestation. In other words, conditionality. you think that, particularly from China, that that is a kind of useful precedent to hold out hope for?

Simon Sharpe

Yes, absolutely. And there are other similar precedents in the past, like Brazil's soy moratorium, where Brazil itself regulated the export of soy according to sustainability standards. And there's been a similar program internationally on timber that was started in the EU, but involved agreements with other countries trying to limit the sale of timber according to sustainability standards.

I think we need the same sort of agreements on all of the commodities that are strongly linked to forestation. That's beef, soy, palm oil, cocoa. The crucial thing is for them to really stick, for them to move global markets, they can't be just implemented by the EU on its own, for example. They need to be agreed by these big producer and consumer countries as a group so that you've got coherent standards.

implemented in the global market. So we're talking about on the buying side, big consumer economies like China, India, Europe, America, when it has a sensible government again. And on the producer side, we're talking about countries like Indonesia and Malaysia that together account for something like 80 % of global exports in palm oil, as well as Brazil, of course, the biggest exporter of soy.

Nik Gowing

Now, Simon, we're in the last couple of minutes. So let me ask you for your big thought because I'm just very conscious reading a lot of your new publications about the idea of having a small, and I'm quoting you here, a small group of influential countries, limited set of priorities for practical cooperation, independent of any COP meeting. In other words, doing it in a very different way.

Simon Sharpe

Yeah, well, I'd say the first principle to apply to a transition is first build, then break. You have to build the new systems before you can get rid of the old ones. So if we want to destroy fossil fuels, concentrate on building the clean energy systems in each of the sectors of the economy where we need them. There are some where we've done that. There are others where we haven't. And what follows from that for diplomacy is diplomacy should focus on continuing to build up these new clean energy systems in each of the sectors. And we've got to focus it much more on problem solving, not just on rehashing the words we use to describe the end of the road.

Nik Gowing

And you're talking about a major recalibration, are you? Do you think there's a political will among so many countries to do things in a very different way to achieve much more?

Simon Sharpe

You'd hear so commonly the phrase, we need to move from negotiation to implementation. You hear that from governments from all over the world and they get together. There's a great deal of frustration with the existing process. There's a real appetite to move on. And I think for different reasons that is strong in China, in Europe, in Brazil, in Africa, in India.

So yes, I think there's great appetite and great potential to move in that direction.

Nik Gowing

On the principle of what you call first build, then break. Will that be acceptable?

Simon Sharpe

It's more than acceptable. It's the only way. There's really no feasible way that you can break down your existing system of energy supply to any part of the economy until you've got something there to replace it. The reason that we're making any progress at all on emissions in the sectors where we are is because countries have put a great deal of effort into creating the new solutions like solar and wind power.

That is the way that we have to go. That's the way that's working already. And that's definitely going with the flow of the political economy.

Nik Gowing

Well, let me just underline that point in your words here, Simon. No need to wait for agreement on the end of the road before taking the first steps along. Simon, thanks very much indeed for joining us. You can reference every detail that Simon gave us. That's because a transcript of the podcast is posted in parallel on our website, along with contact details for us and for Simon. Do please join us when we next have a conversation about Thinking the Unthinkable.

Subscribe to our YouTube channel where you'll find all our podcasts very much in the same vein of frankness as we've heard from Simon. So for me, Nick Gowing, until the next time, keep thinking unthinkables. More than ever, it's both possible and necessary. From Simon and from me, bye-bye.