



Recap of Side Event “Structuring New Markets Linked to Climate Change: South-South Business Models for After the COP22” - Green Zone, November 16, 2016

SPEAKERS:

- **Thomas Eymond-Laritz**, Director - APCO Global Solutions (Moderator)
- **Abdeldjellil Bouzidi**, Economist, Manager at Emena Advisory, Member of the Public Statistics Authority (France)
- **Catherine Girard**, Expert Leader, Energy and Commodities Strategy, Renault
- **Joël Ruet**, Chairman - The Bridge Tank

This side event, introduced by Thomas Eymond-Laritz, provided an opportunity to discuss the impact of climate change and the COP21 and COP22 on the economic and industrial sectors. A particular focus was the perspective of innovative business models created in the South-South dynamic. The idea was to **anticipate future opportunities, reflect on the structuring of new and green industrial ecosystems, and examine the financial tools that will enable progress in these two areas.**

Mr. Eymond-Laritz began by reminding the audience that this COP22, the COP of Africa and the South, showed that the South can lead on climate issues. It was indeed the countries of the South that insisted on the necessity to remain firm on the commitments of the Paris Agreement following the election of Donald Trump in the U.S. “On climate issues and on innovation, the South is an economic and political engine.”

Transforming an Industrial Sector to Create Green and Sustainable Business Models: The Example of Renault

As part of the creation of the Institute of Sustainable Mobility, Renault and The Bridge Tank have established a partnership to reflect on and anticipate the evolution of industrial ecosystems and “prepare for the needs of tomorrow in terms of expertise and skills”. Catherine Girard explained that several collaborative projects were developed in this context. These projects focused on resources and the impact of their availability or unavailability on industrial choices: “resources are finite, the question of how to manage the post-abundance period is a major issue”. Utilizing this perspective, the Brazilian and Indian markets for electric mobility were two main case studies for Renault’s work. Renault aims to transfer these successes to other countries of the South.

For Ms. Girard, **the only way to construct an industrial approach that falls in line with the goal of limiting global warming to under 2 degrees is to look at the issue in a holistic manner.**

In the field of mobility, it is important to focus on the breakthroughs that are going to take place, as well as to **anticipate the innovations that will be necessary to enable such breakthroughs**: “they [the innovations] will be all the more important because the demand for mobility will continue to increase”. Anticipation thus involves understanding and quantifying the needs upstream, which will make it possible to better comprehend the evolution of the industrial sector.

In addition, Ms. Girard explained Renault’s involvement in the **development of circular economies**. The company believes that it is essential to be able to control the resources and materials necessary to manage the current state of affairs, and thus reduce an economy’s dependence on the rest of the world. To accomplish this, it is necessary to create circuits, notably thanks to the 3R’s: Reduce, Reuse, and Recycle. For example, Renault reuses certain parts and 30% of the composition of its vehicles comes from recycled materials. The objective is to develop secondary resources and extend the life of products.

Regarding electric vehicles, as energy comes less and less expensive, clean mobility will also improve and become more affordable. Nevertheless, its price remains an obstacle today. According to Catherine Girard: “To ensure the development of electric vehicles, public subsidies are needed to compensate for the price differential with traditional vehicles”. A question from the audience allowed Ms. Girard to insist on the fact that these vehicles need public subsidies specifically to allow the market to develop. Moreover, while **electric vehicles have obvious benefits, they require the development of ecosystems both upstream and around the sector that will ensure their continued development and comparative advantage**. Examples include developing zones where only green cars have access, putting in place financial incentives, public load, smart grid, etc.

Ms. Girard closed by mentioning Renault Nissan’s positioning in Morocco: “We have been partners of Morocco for many years, and we share a common desire to disseminate and adapt innovations at the local level”. In order to do this, spreading know-how is crucial, as well as the capacity to anticipate the transformations of tomorrow. Ms. Girard then concluded by specifying that the COP22 confirmed that **Morocco, with its current infrastructure capabilities, can become an industrial hub in Africa**, and is an attractive country for the automobile market.

Innovative Financial Tools to Accelerate the Green Transition

Beyond the issue of the evolution of business models and industrial sectors, the fight against climate change calls for a massive mobilization of financing to develop green technologies and low-carbon solutions. However, it’s important to note that there are

many innovative financial tools that can accelerate climate action. This was the position adopted by Abdeldjellil Bouzidi, who started by expressing his disappointment in the distribution of financing from the COP22: approximately 85% for mitigation and only 15% for adaptation. The latter represents the type of investments that are vital for the countries of the South. For Mr. Bouzidi, “finance is a strategic topic that cannot be avoided”. He offered two innovative financial tools to address this:

- **Debt for Climate Swap:** This solution is especially useful for small countries that are heavily indebted and therefore blocked from implementing other important public policies. In particular, the SIDS (Small Island Developing States), such as the Seychelles, can especially benefit from such a scheme. It acts as a debt cancellation mechanism in exchange for environmental and climate commitments from the country. However, as Mr. Bouzidi pointed out, there remains a problem of “moral hazard” since some countries that would be interested in such an agreement are politically unstable. Thus, their ability and willingness to respect their commitments is not guaranteed.
- **Environmental Impact Bonds:** These bonds, which can be issued by governments or companies, set interest rates so that they negatively correlate with environmental performance. Thus, if the objective that is established (a reduction in emissions for example) is accomplished, the usual interest rate is applied. On the other hand, in the event of failure to reach the objective, the interest rate will increase. “Such bonds signal to the markets that environmental issues are taken seriously”. Unlike green bonds, which are tied to projects, environmental impact bonds are macroeconomic tools to reach certain broader green objectives. For Mr. Ruet, “These bonds are an indirect way to finance the energy transition”. He stated that the Moroccan company MASEN, which just recently announced its first green bond, could be interested in this proposition of a green bond with a variable rate.

In concluding, Mr. Bouzidi stressed the **importance of regular, reliable, and verifiable statistics to enable a transparent and efficient implementation of these tools**. Without this factor, it is impossible to create trust among actors and investors. Too many countries publish their statistics several years late, which makes it impossible to quantify results: “delays in publication of statistics must be limited”. The Netherlands is a good example of a country that utilizes statistics effectively in the environmental realm: the country publishes a CO2 emissions bulletin every trimester.

A South-South Dynamic in the Structuring of New Markets Linked to Climate Change

The different discussions at the side event, and more broadly at the COP22, seem to express a strong South-South dynamic with the emergence of new markets and the transformation of climate change into an economic opportunity. For Joël Ruet, the dynamic can really be considered “South-South-North”, with new systems and flows of

innovation, technology, and know-how. He believes that in the North, like in the South, there are “virtuous and proactive industrialists who understand the environmental urgency and the economic opportunity”. The COP22 shows that sub-national actors will now be at the center of different initiatives, more than governments or institutions. More than ever in the South, innovation is taking place and requires funding: “The South is right to insist on financing. The energy transition can be financed by the private sector, in order to encourage the different actors to work virtuously together”.