

# Raising climate ambition through long-term energy sector plans and sound participatory processes

Concept idea by the NDC Support Cluster

## Introduction to the approach

The approach proposes that long-term climate-compatible sectoral strategies and action plans should be designed and implemented to achieve mitigation and adaptation goals in line with both the objectives of the United Nations Framework Convention on Climate Change and the Paris Agreement as well as the Sustainable Development Goals (SDGs) and the Agenda 2030. Beyond their immediate impact in the short- and mid-term, these climate-compatible sectoral policy instruments can serve as a vehicle for increasing climate ambition over time. While the NDC provides a broader goal and sectoral or economy wide activities, the design of specific policies and measures, including programmes and individual projects, is required to put the high-level commitments into practice.

Taking climate mitigation and adaptation to the sectoral level allows for a reassessment of what is achievable and affordable, taking into account recent technological, socio-economic, financial and political developments. In turn, sectoral strategies and their implementation must feed into national-level climate and broader development decision-making, not least to inform the NDC revision and Agenda 2030 implementation processes. Thus, a two-way process is being created, which, if designed appropriately and provided political will and leadership, can become an ambition-raising policy formulation cycle.

The core of the approach lies on three key tenets:

A long-term focus. Most NDCs have a short or medium-term focus – and even if objectives are long-term, these are set from today’s perspectives and often based on experiences of the past. In-depth sectoral knowledge and long-term forecasting capacities are needed to create sectoral strategies and implementation plans that can create the deep transitional change that will be necessary if countries want to contribute their best possible share to long-term climate targets. Long-term sectoral policies allow to set a clear direction, lending themselves to ‘locking in’ transitional climate commitments. This is particularly important to counter the often-short-term perspective of policy makers who tend to think within the timeframe of legislative periods.

Participatory policy making. Broad-based public participation is key for developing ambitious and sustainable climate-compatible sector plans. Translating national-level climate commitments into sectoral policies and strategies often means challenging the existing status quo and hence having to face vested interests. To be successful, governments driving such change need as strong of a mandate, support and even shared ownership from non-governmental actors as possible. The design of long-term, deep-transition climate-compatible sector strategies should thus be based on a highly participatory and inclusive process, designed to take into account the views of a wide range of actors including representatives of civil society, academia, and the private sector, with the ultimate goal to develop a broad national consensus.

Energy as a ‘champion’ sector. The approach suggested in this concept paper envisions a role for energy to act as a pioneering sector. In this area, the approach would be first put into practice. Pushing the sector’s boundaries and embarking on a new ambitious and truly transitional trajectory would send a strong signal to other sectors with high climate relevance such as industry, transport or agriculture to follow its example. With the energy sector being central to most NDCs, the reform or alignment/transition of the sector is critical to most countries’ climate policies. Energy-sector planning and policy implementation could be used to design and test model climate policies such as eco-taxes or carbon trading, and assess their impact on the national economy, the delivery of socio-economic co-benefits, and contribution to overarching climate and development goals. Beyond a powerful broader encouragement through the demonstration of transitional change being possible, many concrete lessons learned in the energy sector relating to governance, policy, regulation, administration etc. might be applied in other sectors.

The underlying aim of the approach is to form a future-oriented national consensus for, and broad-based societal ownership of, NDC implementation which gradually leads to increased climate ambition.

## Challenges and barriers tackled

### Difficulty in engaging sectors in climate policy implementation and long-term planning

When the design of NDCs is largely a top-down “central-government” process, it can be difficult to ensure sectoral collaboration. This in turn can limit the level of ambition of the national climate change goals and the effectiveness of envisioned policies. Simply asking the line ministries representing specific sectors that had not previously undergone a climate-focused analysis of their work to suggest contributions to climate mitigation and adaptation has proven difficult and often led to unambitious and vague commitments, if any. This could be due to a lack of expertise and resources, often resulting in perceived ‘trade-offs’ between climate-compatible policies and economic growth and limited awareness of the co-benefits of tackling climate action (vs inaction) at the sectoral level. Supporting national line ministries to work with subnational and non-governmental actors on an evaluation of “their” sector’s climate mitigation and adaptation potentials allows space for internal learning and fosters sectoral ownership and leadership. If the key drivers of a sector feel empowered to lead in development of climate-compatible sector goals and measures, and if they are consulted when national policies are designed – this will likely result in an increase of sectoral climate ambition that otherwise would have been difficult to achieve.

### The challenge of political change – short-term thinking as a key barrier to climate action

The nature of climate change and the scale of transformation required to address it challenges traditional political decision-making. Long-term, even generational commitment for deep-transformational change needs to be sustained. This contrasts with the short-term thinking that often dominates public policy circles and cycles. A sectoral plan in line with NDCs providing also a long-term vision of deep transformation, can act as a safeguard against the potentially damaging effects of continuous political change. It provides a higher degree of predictability, thus strengthening trust and reliability among all stakeholders involved. Such stability is particularly important for attracting private-sector engagement and investment to support NDC implementation. While stability should not mean total inflexibility – to the contrary, policies and their impacts should be measured and evaluated – any redirection of the existing strategy has to be justified and evidence-based, with the overarching goal of deep long-term transition toward a climate-compatible sector not being up for negotiation<sup>1</sup>.

### Lack of climate knowledge and capacity beyond the national government expert circles

While the effects of climate change and climate policies alike manifest most clearly at the local level, this does not automatically ensure that here the objectives of NDCs and the consequences of their implementation are also widely understood. The lack of understanding of the link between climate change challenges and national policies and measures can create resistance to governmental action, thus challenging effective NDC implementation. Further, it can lead to political disengagement and thus limit the legitimacy and the operating space of the government<sup>2</sup>. Applying participatory policy-

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<sup>1</sup> IADB 2010. Political Institutions, Politics and Policy Making.

<sup>2</sup> OECD 2005. Evaluating Public Participation.

making to the development of NDC-compatible sector plans ensures broad-based buy-in from the outset thus strengthening the sustainability of the climate action.

## Target group / beneficiaries

In the energy sector, the most direct beneficiaries are the energy ministries and agencies that take on a proactive role in shaping a country's climate action in line with their sectoral capabilities and priorities. Their position is underlined by a strengthened mandate developed through the broad-based participatory policy formulation process.

The stability and long-term planning introduced through the approach benefits a wide range of other key sector actors such as utilities, independent power producers (IPPs) and energy consumers, including public and private organisations from the transport, industry and household sectors.

## Putting the concept into practice – success factors and challenges

In line with the three key tenets of the approach, this section describes in greater detail the process of formulating a long-term deep-transition energy sector plan, focusing on the key prerequisites for developing a long-term vision and successfully challenging the vested interests and conventional paradigms to raise climate ambition at the sector and subsequently the national level.

- a. Aligning energy sector planning with national climate objectives. The policy design process should start with the development of an in-depth understanding of how sectoral priorities align with the NDC. In the case of energy, for example, the need to balance the energy trilemma of energy security/flexibility, energy affordability, and environmental sustainability will provide a framework for the sectoral strategy design process. The analytical process should be supported using reliable, up-to-date, and sufficiently disaggregated information sources. The availability of good quality and sufficiently exhaustive data may vary from sector to sector. One approach of addressing this challenge is through the participation and inputs of sectoral experts who could feed in the key information, provided that specific and timely requests are made.
- b. Understanding the regulatory/policy framework helps to identify the strategic entry points and potential bottlenecks that could affect the policy formulation process. It is important to consider the relevant existing legislation and regulatory measures, as well as ongoing policy development processes. A stronger focus could be put on areas where supporting policy and measures exist or are currently being developed, as this could provide a basis for raising the level of ambition. The focus should be both on the sector in question, as well as other related sectors that could have synergies or spill-over effects.
- c. Seizing the opportunities: synergies between NDC-compatible energy sector planning and the Agenda 2030. Governments around the world are increasingly acknowledging the extensive synergies between the climate and sustainable development goals (SDGs). Smart climate mitigation and adaptation policies and measures can strongly advance other governmental priorities and societal co-benefits, and the SDGs, whereas ill-designed ones can harm social and economic development. Vice versa, climate change holds the potential to halt or even undo progress in global development, if ambitious mitigation and adaptation measures are not undertaken as early as possible. Connecting the dots between the climate

and SDG agendas highlights how national level processes for the implementation of the Agenda 2030 can provide a strong platform for climate-compatible energy sector planning.

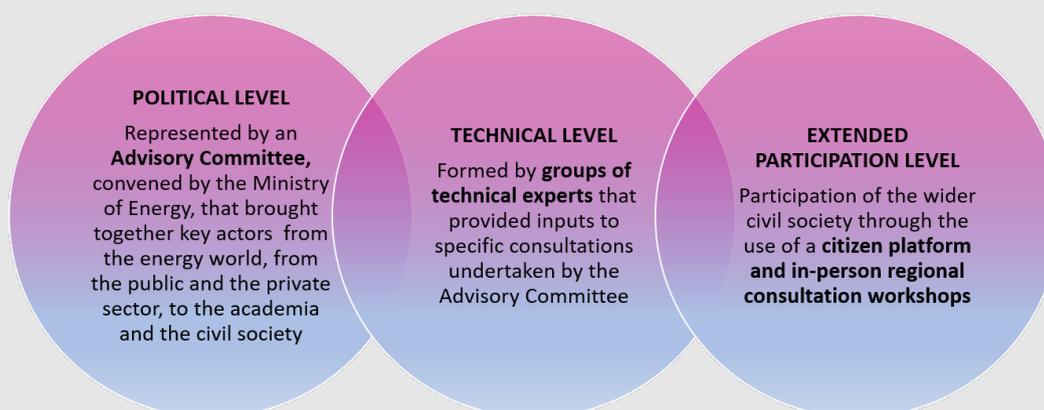
- d. Designing and planning the participatory policy making process. A broad-based and representative participation in the policy design process (including actors at a national and local level) will confer legitimacy to the process and provide a strong basis for challenging the vested interests and existing status quo. The process should be carefully planned, and the specific role of each participating actor should be defined to achieve their effective participation. Some of the key elements that should be considered include:
- Governance. High-level political buy-in and leadership at the top of the energy ministry are crucial to create the momentum and set the right tone for increasing the climate ambition. The execution of the consultative process, however, should be led by a broad-based group of stakeholders, including selected representatives of relevant agencies, private companies, the academia, NGOs and Unions. The process should be supported by a technical group.
  - Timeline. Allowing sufficient time for the participatory process is crucial to ensure its success; yet clear timelines should be set. A 'smart' plan for developing a sectoral strategy will consider political timelines, using this information to identify 'windows of opportunity' to drive an ambitious climate-responsive sectoral strategy forward.
  - Communication. Selection of appropriate tools and the design of a communication and outreach strategy are crucial for effective participatory policy making. The strategy should consider both outreach to ensure representative inputs, as well as communication of the progress and the final outcomes. The design and subsequent implementation of the long-term sectoral strategy should be underlined by values of transparency and visibility. Establishing effective communication with the participants of the policy formulation process and the broader civil society establishes trust and support for the process.
  - Monitoring, reporting and 'feeding-up' process. Defining monitoring, reporting and verification procedures of the policy actions will allow to track the level of achievement of the policy goals and determine corrective or new measures.

## Box 1. The design of Chile's NDC-compatible energy policies

The approach presented in this concept paper has drawn significantly from the experience of the Government of Chile in designing its NDC-compatible long-term energy policy "Energy 2050"<sup>3</sup> and its recent 2018-2022 Energy Route<sup>4</sup>.

In the case of Chile, the design of the long-term energy policy coincided with the process of defining the country's Intended Nationally Contribution (INDC). This provided a strong backing for introducing climate change as one of the topics to consider in the design of the policy.

The long-term energy policy in Chile was designed through a process involving three levels of participation:



The policy making process lasted approximately a year and a half and included several stages:

- Initial discussions through thematic roundtables, where more than 3,500 people from all the regions of the country participated;
- Construction of the long-term sectoral vision and a policy roadmap, performed by the Advisory Committee;
- Elaboration of the energy policy, performed by the Energy Ministry;
- A public consultation process on the draft policy document, conducted through an online platform, and five in-person regional workshops;
- The dissemination and implementation of the policy.

From the outset, a process for yearly monitoring of the Energy 2050 implementation was established and has so far been successfully performed for two consecutive years since the policy came into force. The process is led by the Ministry of Energy with the participation of several actors from the Ministry and other public institutions that are in charge of initiatives that contribute to the implementation of the energy policy. This includes Ministries of Transport and Telecommunications, Mining, Households, Social Development, and the Environment, among others. The yearly monitoring reports have been made publicly available through the Energy 2050 online platform. The overall policy is due to be updated periodically every five years through a participatory process and in line with the Environmental Strategic Assessment process. Specifically, the update of Energy 2050 is due in 2020.

The Chilean long-term energy policy, developed through an exceptionally inclusive policy making process, has provided a strong mandate for mainstreaming the climate change goals of the country's NDC commitment into the energy sector planning<sup>5</sup>. Currently in its third year of implementation, the long-term policy has set a new status quo, firmly placing the climate agenda on the table for broader policy development. This is best exemplified by the recent development of the short-term energy policy – 2018-2022 Energy Route – by the new Administration. While based on a four-year outlook, the 2018-2022 Energy Route pays a close attention to climate change and other energy related measures, deepening commitments outlined in the long-term energy policy Energy 2050. Building on the experience of the broad-based participatory policy making process, the design of 2018-2022 Energy Route used a similar inclusive approach, involving different stakeholders throughout the country.

<sup>3</sup> More information at: <http://www.energia2050.cl/es/>.

<sup>4</sup> More information from: <https://www.cne.cl/wp-content/uploads/2018/05/rutaenergetica2018-2022.pdf>.

<sup>5</sup> International Energy Agency 2018. Energy Policies Beyond IEA Countries: Chile 2018 Review.

## Key stakeholders / potential collaboration partners

- The public sector (ministries and other public agencies, at a national and sub-national/state/county level). In the case of energy, consider the participation of public institutions from sectors affected by energy decisions that can provide information regarding the needs and barriers (such as regulatory, economic, etc.). They should be involved at early stages of the discussion and at strategic level. The challenge is to maintain the focus on the energy sector (since broad representation could easily divert the discussion to other sectoral matters), to ‘translate’ technical or more specific sector matters and to find a balance between the needs of each sector.
- Civil society organisations and NGOs should be engaged at early stages of designing the policy. The aim is to maintain the focus and the discussion on sectoral matters as well as finding an agreement with other sectors.
- Private sector. When it comes to mitigation action, the private sector can often challenge the proposed action plans but also can play an active role supporting the design and implementation of a policy, i.e. by providing key information of the sector and engaging others to participate.
- Academia and sectoral experts can provide key information and help designing screening models to analyse different scenarios that will help the decision making. The challenge is to translate the scientific or sectoral specific facts into effective policies.
- Financial institutions play a crucial role in the implementation of the climate policies, since they are expected to contribute a large part of the investment required to meet the climate goals. Ideally, they should be consulted during the design process. However, given the complexity of the issues discussed, the negotiations could be allowed to continue into the implementation phase so as not to block the process. The challenge is to translate the climate sectoral goals and stakeholder needs into financing lines attractive for different stakeholders, including households, small and medium size companies and large companies.

## Conclusion / next steps

The development of a long-term climate-compatible energy sector plan can deliver wide-ranging benefits to support NDC implementation. It can mobilise the broader society behind climate action, providing a strong mandate for the government to maintain a coherent climate-compatible approach in its short-term policy planning and laying the ground work for increased climate ambition over time. To close the ambition raising policy formulation cycle, the key next step is to move beyond the field of energy. Other sectors should take over the baton, building on the momentum created to develop their own long-term NDC-compatible strategies through participatory policy making. The forthcoming NDC review process can act as a new window of opportunity in taking the approach to other sectors. The goal is to support the emergence of new “champion” sectors – next to or even in parallel to the early pioneers. With a bar set high, where several sectors compete, the planet wins.

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