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The changing geopolitical landscape adds to the complexity of the Global sustainability agenda

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Abstract

Russia's invasion of Ukraine and its geopolitical impact have created new challenges that need to be confronted by policymakers in different countries across the world. They include securing the continuity of energy supplies by importing countries, addressing the effects of interruptions to the global food supply chain, and implementing measures to counteract the cost of living crisis and economic slowdown. The challenges are significant and have the potential to undermine the global sustainability agenda. We also see a risk that in order to ensure the continuity of energy supplies, some countries may have no choice but to undertake actions reversing progress towards net zero achieved to date through new investments in 'dirty' fuels.

At the same time, the recent UN IPCC report leaves no reasonable doubt that the climate agenda should not be delayed if the world is to avoid a humanitarian crisis on an unprecedented scale. In the present circumstances, the threats to implementation of the global sustainability agenda cannot easily be neutralised in the short run. At the same time, it remains critical that policymakers across the globe remain committed to the pro-environment agenda. This paper discusses some optimal solutions that can help respond to the new threats that have emerged as a result of the war in Ukraine and are compliant with the environmental agenda. The measures include increasing the role of nuclear power, a focus on initiatives to reduce the use of energy, continued investment in renewable energy technologies, and rethinking taxation of energy producers.

Keywords: UN IPCC, global sustainability agenda, net-zero target, war in Ukraine

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The Changing Geopolitical Landscape Adds to the Complexity of the Global Sustainability Agenda

New global threats could push climate protection down the policymakers' agenda

The invasion of Ukraine by Russia and the subsequent sanctions imposed by the West have created significant new challenges that need to be addressed by policymakers in many different countries across the world. These challenges have the potential to seriously undermine the global sustainability agenda.

An immediate challenge arising from Russia's invasion of Ukraine is securing energy supplies by energy-importing countries dependent on Russian oil and gas. The continuity of energy provision, a core factor in sustaining the economies and industries of energy-importer countries, has been called into question by the inclusion of Russian oil and coal in the sanctions packages, and Russia's retaliatory actions, casting doubt on its continued provision of fossil fuels.

Russia and Ukraine are among the world's largest food exporters, accounting for close to a third of global wheat and barley exports. The war between the two countries has critically hampered supplies, contributing to a substantial rise in many food commodity prices observed in 2022. The extension of the conflict represents a threat to the global food supply system in the medium term. According to the World Bank, the price of food commodities is likely to remain at very high levels until at least 2024. As the main Ukrainian seaports are under Russian occupation and Russia appears to be deliberately blocking food exports from both countries, many developing nations, including 60 of the least developed countries in Africa, face the risk of an interruption of food supplies, which in extreme circumstances could lead to famine.

The Covid-19 pandemic has substantially weakened several sectors of the global economy and led to a strain on public finances in the majority of governments. Following a recovery in 2021, the conflict in Ukraine has triggered a further challenging period for the global economy, raising the prospect of a major slowdown and rising inflation. The main impact of the conflict on the global economy is channelled through the energy, metals, and food commodity markets, where supply constraints have led to a surge in prices. This in turn has generated a cost-of-living crisis, putting pressure on low-income households in particular. In the corporate sector, the economic slowdown combined with a rise in the cost of credit is likely to weaken business investment and could lead to an increase in corporate defaults. The impact of the Russian invasion of Ukraine is even more visible in emerging countries due to substantial capital outflows to safe heavens, putting additional pressure on their currencies and increasing the risk of problems in servicing their debt.

The cost-of-living crisis has already forced governments in various countries to introduce measures aimed at mitigating the impact of energy and food inflation on poorer segments of the population. In May 2022, the G7 Presidency and the World Bank Group created the Global Alliance for Food Security in a bid to prevent the unfolding food shortage crisis.

Despite various actions pursued at international and national level, we see a risk that the measures fail to substantially offset increases in food and energy prices, especially since public indebtedness has been substantially stretched by the COVID-19 pandemic. Consequently, there is also a risk of social unrest.

While far from comprehensive, the above list of serious threats faced by governments worldwide means there is a substantial danger that actions aimed at achieving the climate protection goals set under the Paris Agreement slip down the policymakers' agenda.

Risk of dwindling progress towards net zero

We see a risk that policymakers, in order to assure the security of energy supplies, might have no choice but to undertake actions reversing the progress towards net zero achieved to date. More specifically, countries most exposed to energy shortages might be forced to accept contracts for supplies of dirty fossil fuels, expanding their harmful impact on the environment. Another concern is that, as part of the reduced dependence on Russian oil and gas, fossil fuel producers in other countries might increase investment in the extraction capacity of dirty fuels. Such actions could directly reverse the progress made in emission reductions towards the targets set out in the Paris Agreement. In just one such example, the 'Jackdaw' project, rejected by oil and gas regulators in 2021 on environmental grounds, but approved by the UK government in 2022, is expected to account for 6.5% of total gas output from the UK North Sea from 2025.

We also see a risk that global coordination actions in favour of climate protection and realisation of the Paris Agreement goals could be weakened by growing hostilities between some of the major global powers over the Ukraine conflict, and growing tensions around Taiwan. Achievement of the net zero targets by the world is conditional on the coordinated implementation of pro-climate policies by the US, the EU, China, and other leading world economies. Withdrawal from the coordinated global effort towards achieving net zero by any leading economy would lead to failure in the fight against climate change.

Combining the environmental agenda with the response to new threats

While Russia's invasion of Ukraine has created new threats to the global environmental agenda, the latest UN Intergovernmental Panel on Climate Change (UN IPCC) report warns that the climate has been changing more rapidly than anticipated, and that the effects of interference to the global climate system are more worrying than previously thought. According to the UN IPCC, failure to adopt the strict and far-reaching recommended climate policies in a very timely manner will backfire, resulting in a humanitarian crisis on an unprecedented scale that will lead to massive loss of human lives, famine, and immense material losses as a result of extreme weather conditions, to list but a few of the predicted outcomes. The UN IPCC report leaves no doubt that the window for coordinated global action to stabilise the climate is closing fast, and that any delay will be detrimental to the planet.

In the present circumstances, the threats to implementation of the global sustainability agenda cannot be easily neutralised in the short run. At the same time, it remains critical that policymakers worldwide remain committed to the goals of the Paris Agreement. Consequently, it is of utmost importance to find practical solutions that can address both pressing matters simultaneously: i.e., the effects of the current geopolitical tensions and the requirements of the global sustainability agenda, searching for synergies where achievable. Several courses of action seem appropriate for international organisations, governments, businesses, and societies.

While not without risk, **reinstating the nuclear power agenda** could help to address potential issues, with the continuity of energy supplies in the near to medium term without resorting to a build-up of additional dirty fossil fuel capacity. This would require the return

of several reactors in the EU that need maintenance and safety checks to ensure safe operations. The delayed closure of operations in a few other reactors such that the plants' safe operations are ensured would also help to address energy shortages.

For some time now, the International Energy Agency (IEA) has been advocating an increase in the role of nuclear power in the global energy mix so as to facilitate the transition to net-zero targets. However, some policymakers and non-governmental organisations have opposed this solution. In the face of a major disruption of the global energy market in the aftermath of Russia's invasion of Ukraine, other stakeholders might decide to reconsider their opposition to the nuclear power option. Globally, R&D is making constant progress towards new nuclear reactor technologies that use closed fuel cycles or self-breeding fuel concepts that minimise the production of high-level radioactive waste ('Generation IV reactors'). These reactors have the potential to substantially contribute to the goal of decarbonising the planet and can significantly support the global climate agenda, while remaining operationally safer than previous generations.

The benefits of nuclear power have recently been acknowledged by the EU that sees it as *part of the future energy sources in a number of Member States, and as part of their decarbonisation efforts*.¹ Consequently, the EU has finalised its position on nuclear power in the sustainable finance taxonomy, a guide to governments, businesses, and investors in the area of green investments. The Taxonomy includes climate neutral and renewable investment, although it also allows other economic activities that could, under strict conditions and for a limited time, facilitate the transition towards a sustainable energy system, nuclear power being one of these. The Commission Delegated Regulation of 9.03.2022 provided the legal basis to link nuclear power with sustainability and net-zero targets.

According to various expert forecasts, high energy prices could remain a burden, adversely impacting households and businesses in the medium term. In such an environment, awareness campaigns could help to **reduce the consumption of fossil fuels**.

Periods of energy shortages and rising energy prices send a signal to consumers and businesses that it is judicious to cut down on their use as long as it does not impact on basic needs. Russia's invasion of Ukraine added an ethical reason for reducing energy consumption, based on awareness that use of Russian oil or gas helps to finance the Russian war machine.

One example of an awareness-raising initiative advocating the reduction of energy consumption is the nine-point plan entitled '*Playing My Part: How to save money, reduce reliance on Russian energy, support Ukraine and help the planet*', issued in April 2022 by the EU in collaboration with the IEA. The campaign urges citizens to drive less and to use vehicles more economically, to use public transport, prioritise trains instead of planes, and work from home in order to reduce energy consumption².

¹ Commission Delegated Regulation of 9.03.2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities, C/2022/0631, par. 10.

² 'Playing My Part: How to save money, reduce reliance on Russian energy, support Ukraine and help the planet, EU and IEA, April 2022, <https://www.iea.org/reports/playing-my-part>.

Obviously, this helps to address energy shortages caused by Russia's invasion of Ukraine as well as the climate agenda, but other similar awareness actions are needed worldwide if it is to have a significant impact. These need to be taken at local level to reach a wider public.

Maintaining **incentives for investment in renewable energy** development remains hugely important in terms of the environmental agenda. Before Russia's invasion of Ukraine, the IEA highlighted four key measures that can help us reach the targets recommended by the UN IPCC: (1) a massive additional push for clean electrification; (2) significant boost to clean energy innovation; (3) continued emphasis on energy efficiency; and (4) a strong drive to cut methane emissions from fossil fuel operations³. To account for the drastic changes in the geopolitical landscape following Russia's attack on Ukraine, these measures need to be stepped up even more.

While the problem of energy shortages is unlikely to be resolved in the near future through additional investment in green energy, the present geopolitical tensions, which underscore our dependence on fossil fuels, could be used as a tailwind to reenergise the renewable energy development agenda. Consequently, a growing consensus that dependence on Russian energy should be reduced represents a window of opportunity to advance the transition to green energy. Governments must step up their support for green energy industries and some of such actions have been taken in recent months. One example is easing of a trade dispute by the Biden administration through allowing tariff-free imports of components for US solar installations from some Asian producers. Another significant step taken by the US policymakers has been to invoke the Defense Production Act to boost the US solar panel manufacturing.

Accelerating the green energy agenda could help to dynamize economic growth in many countries during the upcoming slowdown, helping to improve social support for the climate agenda as result. In order to overcome the challenges linked to the availability of public finance that has been weakened by the COVID-19 crisis, funding for investment in the green energy sector could benefit from closer collaboration between the public and private sector and cross-country initiatives.

The high price of energy, underpinned by Russia's invasion of Ukraine and by the subsequent economic sanctions, boosted the profits generated by energy producers. Governments across the globe should carefully consider changes to taxation on energy producers (such as windfall taxes). While these have the potential to bolster government finances, they could also undermine energy producers' investments. In order to maintain the sustainability agenda, governments need to create a **fairer burden-sharing** system through taxation by giving producers the incentive to invest in carbon removal technologies and changing the fuel mix in favour of renewable energy.

As the UN IPCC considers carbon removal as a key part of the climate agenda, involving energy producers in the process would be highly beneficial. Recent research from the Universities of Oxford and Edinburgh proposed a 'carbon takeback obligation' to prevent the fossil fuels industry from contributing to global warming. Since their activities generate

³ The World Energy Outlook 2021, IEA, October 2021, <https://www.iea.org/reports/world-energy-outlook-2021>.

a considerable amount of carbon dioxide, fossil fuel extractors and importers would be required to dispose of a gradually rising percentage of CO² both safely and permanently. According to this proposal, the percentage in question would need to increase to 100% by 2050⁴.

We believe that incentivising investment in carbon removal technologies and solutions as an alternative to the windfall taxes currently being considered in several countries would be highly beneficial to society in the longer term.

Conclusion

Russia's invasion of Ukraine and its geopolitical impact have created new challenges that need to be addressed by policymakers in different nations across the globe. At the same time, the recent UN IPCC report leaves no reasonable doubt that the climate agenda cannot be delayed if the world is to avoid a humanitarian crisis on an unprecedented scale. Even if, in the present circumstances, threats to the implementation of the global sustainability agenda cannot be easily neutralised in the short run, it remains critical that policymakers everywhere remain committed to the pro-environmental agenda. Several solutions are available which allow us to respond to the new threats that have emerged as a result of the war in Ukraine and that correlate with the environmental agenda. The measures include increasing the role of nuclear power, developing initiatives that focus on the reduced use of energy, continued investment in renewable energy technologies, and rethinking the way energy producers are taxed.

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