



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE



Grantham Research Institute on
Climate Change and
the Environment



CLIMATE
POLICY
INITIATIVE

Innovation and Investment:

Drivers of Low-carbon Economic Growth for a New Climate Economy

COP20 Side Event, Lima Peru

Event Summary provided by CPI

On 8th December, at a side event at the COP 20 conference in Lima, Peru, Climate Policy Initiative (CPI) and the London School of Economics' Grantham Research Institute, in partnership with the Global Commission on the Economy and Climate, shared analysis which supports that countries can meet their economic growth and climate goals simultaneously. The analysis contributed to the "Better Growth, Better Climate" report from the New Climate Economy, a project of the Global Commission on the Economy and Climate.

Speakers and Panelists

- Felipe Calderón, former President of Mexico and Chair, The Global Commission on the Economy and Climate
- Nicholas Stern, Chair, Grantham Research Institute, LSE
- Thomas Heller, Executive Director, Climate Policy Initiative
- Dimitri Zenghelis, Climate Policy Co-head, Grantham Research Institute, LSE
- Jos Delbeke, Director General for Climate Action, European Commission
- Paul Polman, Chief Executive Officer, Unilever
- Dr. P.C. Maithani, Director, Indian Ministry of New and Renewable Energy
- Moderator: Dr. Barbara Buchner, Senior Director, Climate Policy Initiative

Key takeaways:

- Economic growth and action on climate change can be achieved together. There are major opportunities to create better growth and reduce the risk of dangerous climate change in three key sectors of the global economy – cities, land use and energy. By improving efficiency, investing in infrastructure, and stimulating innovation across these sectors and the wider economy, governments and businesses can deliver strong growth with lower emissions.
- Innovation in low-carbon and climate resilient technologies will be fundamental, and the right policies and economic incentives can trigger innovation. These include a strong and predictable carbon price, reducing the cost of capital for low-carbon technology, reducing

barriers for trade and new business models, and increasing investment in research and development of new technologies.

- Carbon emissions have been driven by low fuel prices and fast economic growth. However, slow economic growth is not the solution. Rather, we need both private and public investment to improve the efficiency and lower the intensity of our food and energy production.
- The EU demonstrates that achieving economic growth simultaneously with emissions reductions is possible. Over the last 20 years, the EU economy has grown by 44 percent, and emissions have decreased by 20 percent. Key to this was setting targets, a strong carbon market, and investment in innovation.
- In India, both policy and demand matter; it's important to pursue a low-carbon path but also to meet rising energy demand. The costs are not only in building the system but also in the infrastructure for that system. However, there are ways to reduce these costs including by reducing the cost of debt, which adds up to 30% to the cost of renewable energy in India.
- Private investment and action from private businesses can play a large role, and many businesses are getting involved. More than 80 percent of large companies have emissions reductions targets. 50 of the top 200 companies already have an internal carbon price, and many financial institutions are calling for a price on carbon. Companies that have sustainable strategies in their business plans have better operating performances, and more businesses understand that the cost of not acting is becoming bigger than the cost of acting.
- Consistent and credible government policy signals are essential for businesses and investors to create jobs, growth and innovation. By establishing strong targets and a level playing field, we can unlock investment and innovation in a low-carbon economy.

Key quotes:

- "We have come to the conclusion that it is possible have both economic growth and tackle climate change at the same time. But in order to do that, we need to take bold and quick decisions seriously." – Felipe Calderón
- "The cost of action is lower than cost of inaction." – Felipe Calderón
- "This revolution is about correcting key market failures." - Lord Nicholas Stern
- "Burning fossil fuels is killing people now. Emitting greenhouse gasses kills people down the track." - Lord Nicholas Stern
- "Policy works. It's clear that renewable energy and energy efficiency have reduced emissions." - Thomas Heller
- "Low-growth is not the answer. It's about investment to change the way we produce." – Thomas Heller
- "The cost of going green is psychological. If you persuade enough people the cost will go down." – Dimitri Zhengelís
- "Innovation will determine our ability to get more out of resources we have. In a complex system, it is easier to drive change than to predict it." – Dimitri Zhengelís
- "It is possible to have continued economic growth and reduce emissions." – Jos Delbeke
- "Targets do matter and should be set on a long term perspective for policy makers and investors. Europe is going low carbon, more renewables, and energy efficiency. Target setting is very important." - Jos Delbeke

- "It's not only renewable energy, but the infrastructure that must be created for it" – Dr. P.C. Maithani
- "In India, policy matters and demand matters." – Dr. P.C. Maithani
- "We have the opportunity to lift many people out of poverty. Don't you want to be part of that?" - Paul Polman
- "If we don't tackle climate change, we won't have economic growth. Businesses are taking action and can reduce emissions by 100%." - Paul Polman