MOROĞLU ARSEVEN

Energy Sector update: Carbon Disclosure Project Developments

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Glimpse into the Energy and Climate Future

An associate from Moro?lu Arseven was able to attend a conference regarding the Carbon Disclosure Project held in Istanbul November 18 at the Sakip Sabanci Museum where Fatih Birol, chief economist of the International Energy Agency, gave a glimpse into the energy and climate future.

The unfortunate news is that governments around the world are not paying attention to energy and climate change because of the international financial crisis. In the post-Fukushima age, nuclear developments are uncertain even though nuclear energy does not cause carbon emissions. Finally, the MENA region turmoil raised questions about investments in the region and created even more volatility in the oil market. Amid these problems, a few energy trends are even more disturbing:

- CO_2 emissions reached record highs in 2010
- The energy efficiency of the global economy worsened for the second straight year, even though it should improve as new energy technologies are created
- Spending on oil imports is near record highs, preventing innovations in other important areas

Growth in primary energy demand will increase by 1/3 from 2010 to 2035, with India and China accounting for 50 percent of the growth. Increased consumption in these countries will change the global energy economy. Despite these increases, energy poverty is still widespread with 1.3 billion people living without electricity. mostly in Africa, India, Pakistan, and Bangladesh and 2.7 billion people living without clean cooking facilities. Without energy they are unable to escape the vicious cycle of poverty. If these people had access to energy what would happen in terms of climate change? Incredibly, there would be only a 1.1 percent increase in energy demand by 2030 and a 0.7 percent increase in global CO_2 emissions.

Fossil fuel consumption subsidies have a negative impact on energy efficiency by discouraging responsible use of these energy resources. It also disadvantages investments in renewable energy. Cutting the subsidies would bring economic, energy, and environmental benefits. Without changes, spending on fossil-fuel consumption subsidies will reach $660 billion in 2020, or 0.7 percent of global GDP. Phasing the subsidies out would cut growth in CO_2 emissions by 1.7 Gt.

The three sources of CO_2 emissions are coal, oil and natural gas, which make up 80 percent of the world's energy mix. What most people do not realize is that oil emissions are almost as bad as coal, since more oil is required than coal to create the same amount of energy. In the past 110 years, most CO_2 emissions have come from the U.S. and Europe. However, by 2015 China will have more emissions than the entire EU. In two decades China will also have the highest per person emissions. In order to find a solution and reduce emissions, the U.S. and China must cooperate along with the EU.

Need for Reduced Carbon Emissions

How much time do we have to find new energy solutions? Under current conditions, a 6° Celsius increase in the world's temperature is forecast by 2035. This would have catastrophic consequences for the planet's ecology, sea levels, weather patterns, etc. Leaders have agreed to limit the increase to 2°C, but even this is not possible without further changes. The outlook so far is, once again, negative. The majority of our emissions for the next 25 years are predetermined. Our existing energy sources already take up 80 percent of the quota available before reaching the 2°C increase. If we do not create a binding international agreement to revolutionize clean energy soon the planet will go beyond the maximum 2°C increase by 2017.

Subsidized fossil fuels dominate the current energy market. Energy efficiency, renewables and nuclear power are key tools to address climate change. Economic signals are needed to incite companies into investing in these directions.

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GHG Emissions by Sector (Turkey 2009)[1]

The Carbon Disclosure Project

The CDP is a database measuring greenhouse gas emissions, water use and climate change strategies of the world's largest companies. In 2011 the report contains information on behalf of 551 investors with assets of $71 trillion. Increasingly, companies recognize that the risk of climate change requires reduced carbon emissions, water efficiency and reliance on renewable energy. Companies respond to information requests from the CDP because shareholders are also concerned with this information. Increasingly, more factories, production centers and offices in Turkey and abroad are seeking to meet CDP standards of energy efficiency.

The CDP Turkey report contains information submitted by 20 companies. Since Turkey does not have national emissions targets or measurement standards at this time the reporting rate is expected to increase when and if standards are implemented. Importantly, 80 percent of the respondents perceive regulation as a risk to their business, but 77 percent also see regulation as a way to increase demand and benefit from achievements in energy efficiency. In the future, world leaders will increasingly call on Turkey to reduce emissions as more developed and developing countries recognize the need for global energy efficiency. Turkey is expected to establish a GHG registry system to facilitate emissions trading by 2019.

Many projects have been implemented in Turkey with the help of the international community to enhance Turkey's capacity to adapt to climate change. For example, the mid-size sustainable energy financing facility (MidSEFF) will help reduce Turkey's dependence on fossil fuels by financing private sector investments in mid-size sustainable energy projects. Other funds are available to private investors in the areas of renewable energy, promoting energy efficiency in buildings, and investing in new technologies for energy efficiency.

[1] Turkish Statistical Institute (2009) taken from CDP Report 2011

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