Cleaning Up

LEADERSHIP IN AN AGE OF CLIMATE CHANGE

Cleaning Up
Episode 35
Kate Hampton

Michael Liebreich:
Cleaning Up is brought to you by the Liebreich Foundation and the Gilardini Foundation. Hello, my name is Michael Liebreich, and this is Cleaning Up. My guest today is Kate Hampton. She's the chief executive of the Children's Investment Fund Foundation. Please welcome Kate to Cleaning Up. So Kate, thank you very much for joining us on Cleaning Up.

Kate Hampton:
It's nice to be here. Thanks, Michael.

ML:
Let's get started if we can, by sharing with the audience, what is it exactly that you do? So what is the Children's Investment Fund Foundation? And what are you sort of working on at the moment?

KH:
So, the Children's Investment Fund Foundation is a philanthropic foundation, which was set up by the investor, Chris Hohn, many years ago, over a decade ago. And basically, it's a UK charity. It's a bit like the Wellcome Trust or something like that, a philanthropic foundation. And we're the world's largest foundation focused on children. And so we're a bit like I would say private equity for the nonprofit sector. So we fund nongovernmental organizations, we help them scale, we invest in particular strategies in particular areas. So we fund girls education, sexual reproductive health and rights, malnutrition, neglected tropical diseases, and of course, climate change and clean air. And so that's what we do. And yeah, there are lots of foundations around the world that are also responsible for supporting work on climate.

ML:
So you started by running the climate change piece, but you are now chief executive as of a few years,

KH:
Five years ago, I think four, maybe five years something like that.

ML:
Give us an idea of what… how big the team is. And how much do you do, how big is your activity?

KH:

So, The Children's Investment Fund Foundation has an endowment that's about $6 billion. And we spend a certain share of it every year. So last year, we spent about $380 million. And that's money going out the door to our grantees. This year, we'll probably spend more than that. And we're hoping to commit about $600 million in terms of new commitments to projects around the world. We've got offices in London, Beijing, Addis, Nairobi and Delhi, we have about 150 staff. And at any given time, our grant portfolio is sort of one and a half billion dollars. So those are active programs under management. And they range from kind of small campaigning NGOs all the way through to work very, very close to government. And everything in between. So we fund a range of strategies on a range of issues in a range of geographies…

ML:
Giving away I think you said 360 million, was it pounds or dollars?

KH:
$380 million last year, and we're hoping $600 million this year.

ML:
Apologies, these big numbers, you know. 10 million here, 10 million there. Pretty soon it adds up to real money, but that must make you very popular.

KH:
Well, I mean, like, obviously, when you're giving away large amounts of money, there are lots of people who want to talk to you about the best way to spend it, of course, but we see every grant as an investment. So we're looking for a social or environmental return. So we're very, very keen to measure the impact of what we do, we have third party evaluations on everything we do. We're quite a data rich organization. And we're really keen on building institutions. And that's all the kinds of work that's required in terms of good governance, building out management teams, improving back office functions, as well as the campaigning work and the service delivery work and technical assistance work that the grantees do.

ML:
And what proportion of your activities then are climate related. Because you went through a number of different areas. They're all linked, of course, but what is specifically climate change?

KH:
Current spend is about 40% climate change and clean air. Yeah, so a significant amount. And it's great and grown. I started about a decade ago, to provide the first climate grant from CIFF. So we've gone from kind of zero to close to between 150 million,we might be closer to 200 million this year, over the course of the decade.

ML:
Give us an idea of what some examples just make it really concrete. What sorts of things then in the climate space? What do you… Pull out a few examples for us?

KH:
Well, we fund a range of organizations that you've probably heard of, you know, CDP, European Climate Foundation, Client Earth, Energy Foundation China. We fund, you know, a lot of the think tank area around climate change, we've set up new institutions like the Clean Air Fund. So our job is essentially, I describe it as a wholesale grantor. And then we work with NGOs, which are capable of distributing that in terms of retail granting, so you've got organizations like European Climate Foundation or Energy Foundation China, who then regrant to lots of local organizations, more retail organizations, smaller grants. And so yeah, I mean, we fund pretty much everywhere except the United States, actually.

ML:
And what's great with that list is that there's already people, in fact, you've got Laurence Tubiana, from European Climate Foundation, who's going to be on the show in a few weeks, and also James Thornton from Client Earth.

KH:
Oh, they're both amazing. They're both amazing people. Yeah. And, you know, this job is just an absolute joy for working with people like that. And if we can, you know, strengthen their ability to do good in the world, that's what makes me happy.

ML:
And that's what we're all about here. Cleaning Up is all about just me sort of finding these amazing… I already know so many of them… Funny, amazing people and then having a chat with them during lockdown originally, here we are. So now you and I first met and you were at Climate Change Capital, I think. I don't think I knew you during your Sherpa years when you were working in, and for, and with government.

KH:
Yeah, so Climate Change Capital, it was a really fun experience. So I was essentially running the kind of internal think tank at Climate Change Capital, supporting policymakers in signaling to the private sector, and then advising our funds, particularly our carbon fund on policy driven markets and where they were going. So, New Carbon Finance, then became part of BNEF. We worked really, really closely with them in the early days. And in fact, one of the things we did is we used their model, and I was working with an amazing guy called Tony Weiss at the time.

And we were the only people that predicted that the carbon price would go to zero, when all of the other banks and everyone says it was going to be you know, 50 euros a tonne, or whatever it was.

ML:
That was phase one, wasn't it? That was EU ETS phase one. Well, that was right. Yeah, I was actually one of the... New Carbon Finance in the end just became the carbon sort of practice within New Energy Finance. So I brought in Guy Turner, and his associate, which was a guy called Milo Sjardin. Milo is actually still at Bloomberg is still very, very senior, he works directly with the CEO. And they have this fantastic model, which we packaged up and sold as a service,

KH:
It was the best model, by far.

ML:
We were very proud because it did predict the crash of phase one. And actually later it predicted the crash in phase two, which is sort of the making of that service, because obviously, you know, in that game predicting correctly sort of matters, right?

KH:
Completely. And we did a lot of chatting with them about how and why and what this would happen. Coming from an NGO background, I knew that businesses always inflated, how difficult it was going to be. And combined with that and an understanding of the over allocation and how the market would react and how utilities would behave, you know, all of that together, we all figured out that the price is going to go to zero. And no one believed us at the time.

ML:
So it was very satisfying to forecast working with, you know, as you were then our client, that's very satisfying to forecast the crash, but it was very painful, because then, of course, ultimately, that sort of cost climate Climate Change Capital, it's, you know, its viability, didn't it?

ML:
Well, I think the financial crisis was really problematic for a lot of the early entrants. And, you know, there were lots of difficulties around the early stages of the carbon market, obviously, the over allocation was a major issue, the lack of auctioning. And I think, also, you know, the price discovery that was done in CDM showed that there was an abundance of abatement opportunities. So there was lots of supply and not enough demand. And it was kind of really early days of discovering how climate finance would work. So, you know, I was brought in as a kind of a policy expert, because I've been working with Friends of the Earth lobbying on the

integrity of the new emissions trading scheme. And I was put together with a bunch of bankers who didn't know the Kyoto Protocol from Adam and needed to all explain to them and we sort of figured out how this might work. And it was really interesting because I do believe that climate change is fundamentally an investment question. But we need to bring together those that understand policy processes and environmental outcomes with those that can actually deploy capital at scale and Climate Change Capital was one of those very early experiments in bringing those two communities together. And now they're sort of colliding around ESG and transition.

ML:
Let's back up a little bit because I tell you all the viewers and audience for this YouTube channel and podcast, we've got some real sort of wonks, people that you and I know well, and they'll find all the mistakes and all the errors we made. But we've also got a lot of people who are maybe not that expert. And you've already… we've used words like EU ETS and CDM, and so on. So let's back up and actually say, okay, so the EU ETS is the European carbon market, which started operating in was it 2005? I think, yeah. And then there was this, and that was a sort of carbon cap and trade, right? There were allowances given out, there were actually too many given out. You call it the over allocation.

KH:
Yes,overallocation because industry always says it's going to so hard to do environmental compliance.

ML:
They demanded lots of offsets. They were given free, and then there's an order. We've got all these offsets, and now they're not worth that much. What about CDM? Explain to our audience, what was CDM?

KH:
CDM was the Clean Development Mechanism. So the idea was under the Kyoto Protocol, countries that had absolute emissions reductions targets would be able to buy credits, generated by projects from emissions reductions in developing countries that didn't have quantified emission reduction targets. For example, in the early days of the cotton market, there was lots of running around after gas called HSC 23, which was a byproduct of producing another chemical.. And I spent a lot of time working on Montreal Protocol pieces, so we could talk about that as well. But there are also lots of projects in renewables and other things. But of course, everyone underestimated the potential. So you had a bunch of project developers zooming around the world trying to find emissions reductions, there was a lot of them. And

because the EU ETS was over allocated, and really CDM got its value from the EU ETS, because nobody else was really working very hard.

ML:
You could find, let's say, a garbage dump somewhere in the Philippines or Brazil. You get credits which you could sell into the EU ETS. And then of course, you discover that there's a lot of other people doing the same huge scale. And so the value just collapsed, right?

KH:
Yeah, that's right. And actually, I mean, the good thing about Climate Change Capital is, you know, because it was set up with a climate mission, we were concerned about the environmental integrity of the market. And we were actually instrumental in lobbying both for tougher emissions reductions targets on the EU side, but also getting the EU to rule out some of these projects and have essentially a dynamic approach. That once there was significant price recovery and price discovery, sorry, and that technologies were being deployed to move on to the next thing in the abatement curve. So Climate Change Capital. And I was very dissatisfied with how the international Emissions Trading Association was kind of very focused on the trading bit, not very focused on the cap bit. So I got a bunch of financial institutions and project developers to split off from AITA and set up a new trade association called INSIS. And going into phase two, we were lobbying for tougher reductions in the European side, and also restrictions on how much CDM and what kinds of asset classes could be used.

ML:
Now, this is all very relevant, because of course, you know, COP 26, is coming up in Glasgow. And you know, one of the things we're all very focused on is these net zero pledges that now cover something like 78% of the global GDP, if you include the 26 pledges, sorry 2016 pledges by China and Brazil and a few, but it's 78%. It's very substantial. And a lot of the action will be around turning those into nationally determined contributions of robust plans. But there is still this negotiation around famous Article 6, that's the Article 6 of the Paris Agreement, which is all about trading offsets or trading credits between countries sounds a lot like CDM. Is that right?

KH:
No, it does. And we need to not reinvent the wheel because there's so much learning that was done and so much institution building that was done and I think also time has moved on. Like we don't really have much room for offsets anymore. We really need to be focusing on absolute reductions now. And the real problem at the moment that I see is that you know, even though it's really welcome that everyone's moving to net zero, what we're missing is the real near term action that puts us on that trajectory and in many instances, using offsets just won't do that. So I think there's a real problem amongst countries and companies about focusing on near term

absolute reductions. And yes, I mean, if there are some hard to beat emissions, where you can generate some carbon finance to do some difficult things, that would be great. But that's, you know, that's the icing on the cake. The actual cake is absolute emissions reductions in the near term.

ML:
Okay, so it is absolute emissions reductions, right. That's the main game in town now. That's what was very different from that period that you and I have been talking about when you were a climate change capital. It was kind of cap and trade was fine, right? Because we were trying to limit emissions. We weren't trying to eliminate them, we were trying to limit them, because we thought, well, there's a carbon budget, and it goes out for decades. And, of course, now there's no carbon budget anymore. So the focus has now completely changed. But we are still going to need offsets, because not all emissions can be eliminated, or can they be?

KH:
Well, I mean, I think it's a question of prioritisation. Right? So if I was trying to do a transition plan for a company right now, I would be focused on, you know, what are the opportunities, scope, one scope two scope, three operational emissions versus the ones in our supply chain, or the ones that are generated by our customers? Where are the best opportunities for large scale emissions reductions? And what kind of investments do we need to make? Some will be R&D in new materials, and some of them will be partnerships across value chains with other companies or working with governments to introduce appropriate regulations, those must be the absolute priorities, there may be a value for a very small amount of offsets, which can support high quality projects around the world. But I don't think we want to over egg it. And, you know, one of the things I'm working on it at CIFF with my team at the moment is trying to create a high ambition coalition that will put guard rails around the offsets market, because we're very concerned that it's just going to be a horrible free for all and completely undermine net zero.

ML:
Well, let's just unpack what we mean by an offset, because there is an offset when you plant a tree, and it captures something, you know, the tree is there and it's got some carbon in it. That's one sort of offset, but the tree might be chopped down later. There's another sort of offset, which is, let's say, for example, enhanced weathering or making some road surface out of carbon that's captured, and that's probably there forever. But there's also offsets, which are avoided emissions, which have been rather controversial.

KH:

Yes, indeed, they have. Before I move on to onto your provocative question, Michael, in terms of first principles, I think there's a lot of work that needs to be done about how we segment the market between kind of biological carbon, fossil carbon, and there needs to be some hard science on how much room is there for offsetting at all. And that offsetting has to be permanent, it has to be discounted, and it has to be focused on leveraging carbon finance into projects that actually need it. And so I think that needs to be contained, but it has value, carbon finance can have some value, but we need to not blow it up out of all proportion. And we certainly don't want all companies left off the hook by buying lots of offsets. In terms of this issue of avoided emissions. You know, I think you're referring to, you know, Mark Carney’s misstep last week. I think it's very unfortunate that he said what he did. I think it's also important to put in context that Mark Carney’s interventions from the tragedy of the Horizon leak, and with Prudential authorities are being really, really important. So, you know, I think it's probably unlikely that he would have joined Brookfield unless he knew they were going to come up with a commitment. I just hope that arrives soon. And that rather than making this about individuals, I think what it shines a light on is the importance of having transparent and consistent principles and benchmarks for every single sector, including the financial sector. And what we don't want is a whole lot of greenwashing this year, and there is a real risk in the run up to COP 26, that this gets very confusing, and that the public and young people and the environmental movement, just stand back and go hang on a sec, you know, these aren't real solutions. What are we actually doing here? So, for me, it's really important that anyone who's working in this space is really, really clear about what has integrity, what doesn't have integrity, and that we call out things that we don't think are helping us move to radical reductions in the near term.

ML:
I’m just going to give a bit of context for the listeners and viewers because what Mark Carney said that Brookfield, which owns an enormous renewable energy portfolio, has done really Sterling work building renewables and that it was net zero despite owning oil, gas and coal, because the renewables offset, and of course, it doesn't kind of work that way. It was an extraordinary statement. And Mr. Berry, unfortunately said, I agree entirely with what you've just said, you know, the amount of sort of good, hard work, raising awareness, you know, forcing people to think about climate disclosure, and so on, that Mark Carney has done is quite is without peer, frankly. And yet, he makes an extraordinary misstep, saying that just because you build renewables, you can also own some coal and some oil and some gas, which is, of course, not true, because what we really need to do is actually eliminate, you know, to get to net zero, you have to do only the renewables and not the other stuff. But it's not. There's also Nature Conservancy just a few weeks before, that also got called out on these kinds of avoided emissions, because it was promoting the offsets in forests, as though those forests would

otherwise have been chopped down, whenever we were saying, but they wouldn't have.... they were already protected. So it's very small. It's a very fraught space, isn't it?

KH:
It absolutely is. And this is why first of all, it should be contained in its overall content. And second, there needs to be really strong guardrails around it.. on the buy side, and on the sell side. So we need to make sure that companies entering this market are, have near term transition plans, that they're squeezing all the reductions they can out of their own supply chains, that there's clear segmentation between buyer and fossil. And the number one thing is to get out of fossil fuels, like let's not obfuscate, let's not forget, number one is to get out of fossil fuels. And I just worry about the position of the oil industry. And you know, I don't think they're good faith actors in this, I think not only are they messing around with offsets, I think they're also, you know, trying to expand the space for gas using hydrogen as a routine and other things. And I think we need to be really, really live to that. Not naive about it. But what I don't want to do is throw the baby out with the bathwater. So some carbon finance, if it's high integrity, can be useful. And the business case is integrity, right, you're not going to get high value assets. If there's no integrity, it's just not going to work.

ML:
Now, the last time that you and I spoke, we were talking about a piece of work on the supply of high quality offsets, because, you know, I had sort of done my back of envelope calculation and said that there's all these oil companies and airlines, by the way, and everybody else say we do what we can, but then we're going to buy offsets, and it'll be fine. And I was thinking, well, there just isn't, you know, how many trees can you plant on this planet? How many mangroves can you restore? I just don't think there's enough. So I called Guy Turner and said, Look, can we calculate this, and we ended up on your doorstep saying, look, this is actually quite complicated. We want to do a proper job. And we came to you and said, Would you support Guy and his team to calculate how many offsets there might be, and in fact, that piece of work is nearly nearing conclusion, I can actually leak some of the results to it if you want.

KH:
I mean, this is a prime example of what philanthropy does, right? So we're seeing a lot of stuff come out of industry and out of McKinsey and other places that we don't think really is focused on environmental integrity. And we want those that have the learnings of the carbon market from you know, a couple of decades of really hard work, and talking to scientists and the environmental community and also, let's face it, there are lots of people who live in these forests and other places, you know, we need to make sure that there's a multi stakeholder multi issue approach to this and inter sectoral approach. And so this is precisely the sort of thing that philanthropy can do. We can convene, we can get experts together, and try and problem solve,

this is going to be a deeply fraught and controversial area of work. But we can't just leave it to industry to grade their own homework, we need lots of other actors involved to make sure they actually drive to the solutions. So do you want to tell us what some of your results are? Michael?

ML:
Well, yes. So what we found was this festival, there's a lot of offsets currently being bought for very, very low prices, they're very low quality offsets, they're so called hot out, you know, there's the old old hot air. They may be for, you know, $1 less than $1 $3 $5. If you look at the number of organisations pledging that zero, and how hard it's going to be for them to achieve that, particularly some of the oil companies and so on, then what Guy's team has calculated is that the offset price quite quickly has to go up to somewhere around $30, which was, as I suspected, and it's I'm less critical of offsets because if you look at, you know, where I started, that piece of work was actually through conversations with colleagues and friends working in Africa on restoring land that had been heavily degraded, and what my thought was, well, if these people need to buy more offsets and are prepared to pay good money, you know, $30 would be good money per ton, then maybe that money could be, you know, syphoned towards or directed towards projects in Africa, you know, Great Green Wall or national projects that could regrow forests capture carbon in agriculture, etc. So, so instead of those projects, getting sort of $3, or $1, or $5 per tonne, if they can get $30, and actually make a good living, and really restore the environment there, that's sort of felt like a good win for me. And I think that's what we're seeing that the sheer number of offsets that are going to be required, should drive a high voluntary offset carbon price, and therefore funds for these projects. And so in a way, when you say, oh, but we don't like offsets, because they're not real. And they're all this and all that we're not with you. But you know, when a lot of activists say, Oh, no, we shouldn't be doing any offsets. I'm thinking Well, okay, but how do you want to fund those projects, then?

KH:
Yeah, so I think this is where there is a value in carbon finance. And we should be using carbon finance to do the really difficult stuff that has huge social and environmental benefits. And that shouldn't be on the cheap, that should be high-quality investments. But let's also not forget that those sit in an enabling environment, right, there has to be a social licence to those projects, there has to be, you know, land tenure, there has to be a whole bunch of other things which are sorted out. And it's not just about carbon, you know, we've got the biodiversity caught this year. And, you know, social issues are really crucially important, just transition issues with COVID, ravaging through low income countries. From an economic standpoint, there are a lot of people going hungry. So we need to make sure that we're doing high quality projects, essentially, that deliver livelihood benefits, nutrition benefits, ecosystem service benefits, as well as common benefits, those aren't going to be cheap projects.

ML:
Some of that carbon finance crucially, has to flow into women in those developers.

KH:
Absolutely. I think that's right. I mean, if you look at the Great Green Wall, for example, a lot of men who have left the Sahel either through migration or because they're involved in armed conflict, and it is actually mainly the women that are involved in the ecology that's driving the Great Green Wall. So we do need to make sure that women have access to these kinds of financial flows. But it's not just carbon finance, it's also other forms of finance, bilateral, multilateral finance, it doesn't usually go to the kinds of projects that benefit women and communities directly. And that that needs to be a change.

ML:
And talking of the COVID recovery, maybe not so much in the Sahel. But you know, even in a country like the UK, it's very easy to say we must have a just recovery, or bounce back better. And I've written about how energy efficiency needs to be at the heart of COVID recovery. But of course, energy efficiency is mainly a bunch of guys running around doing retrofits, installing insulation or or installing heat pumps or whatever it is. And it's blind to the gender issue, which is quite a concern, right?

KH:
I mean, it doesn't have to be guys, right. And this is part of the problem of gender norms in society. So I look at a country like India, for example, let women's labour force participation is going down and not up. And actually, you know, these kinds of jobs will be the jobs of the future. And actually, helping a generation of young women stay in school get trained in these really important jobs, would be hugely beneficial. It would be a massive boost to the economy. And when you give women the opportunity to be economically independent and finish their education, it breaks the intergenerational cycle of poverty, their kids will be better educated and better fed and also go to school. The investment in women has huge multiplier effects, sadly, way more than investing in men, and partly because of the predominant gender norms. So I think we need to link green recovery and agenda recovery around the world. I think that would be hugely transformative.

ML:
Do you try to do that in your programmes? Because you talked about you've got programmes around goals, education, goals, health, sexual health, you've also got the programmes around climate. Have you tried to sort of find the overlap? The Venn diagram?

KH:
Yeah, so we're starting to do that in the sphere of land use. So trying to bring together nutrition, gender, livelihoods, and climate and biodiversity together in a series of strategies and investments that are coming up. So that's where we're starting this work. We're also on a sort of a macro level. So you know, Obviously, the COVID crisis has been really desperate for low income countries, a lot of low income countries haven't had access to capital markets since the COVID crisis, there's been massive capital flight. Fortunately, the G20 on Friday has signalled that they're willing to do an allocation of special drawing rights, what we need is to make sure that this new liquidity, some of its directed to low income countries, but it needs to be directed to human capital and natural capital, rather than they all going into kind of traditional shovel ready projects, we need the new wave of effort that brings women and green into the recovery. So, I'm hoping that you know that the G20 will see sense and see, you know, the fast labour intensive multiplies associated with a green and genzebe recovery.

ML:
One question on how you operate on a question like that, do you sort of say we're interested in x and then you wait for people to come to you? Or do you say, I think this is important, and I'll go out and create the sort of the thing that you're then going to support? Do you want people watching this listening to come to you with ideas at the Venn diagram of environment agenda? That's really the question.

KH:
Well, absolutely. I mean, as you know, we all sit in these very rich ecosystems and communities. And, you know, the real joy for me is meeting activists and intellectuals and political champions who come up with really great ideas about how to make the world better. And the lovely thing about philanthropy is it is the world's most flexible capital. We can do public interest litigation, we can find people with placards, we can do really geeky modelling and benchmarking. We can do the whole range, I call it from street to geek. So anyone that has good ideas in the areas that we work in, we want, we want to hear from you.

ML:
Fabulous, fabulous. I will put your email address in the show notes. I want to just jump if I could to another area that you've got experience and that you've got, I don't know whether you've got current programmes, and that is China, you talked about when you were at Capitol running around finding, you know, factories that were emitting HFCs, HFC 25, whatever it was, and of course, there was a lot, we don't need to go into the fact that some of those factories were just starting up in order to get those back climate finance. But China's really the issue I want to talk

about. Yeah, now got president Xi, who has committed to 2060 net-zero. Could you ever have imagined a move like that, in your early days working on climate?

KH:
Well, look, I mean, I've been working in China for a long time now. And you know, it is a very technocratic decision-making environment. So, you know, there is a lot of good research and good evidence which is listened to by policymakers. I think that Xi Jinping, his commitment to net zero by 2016, peaking before 2030 actually relaunched climate diplomacy, because, you know, there was, you know, this time last year, we were all scratching our heads about where the momentum for COP 26 was going to come from. Right. And actually, China has been followed by a number of other countries committing to net zero, it's really given momentum. I think the real challenge now is the near term, right, like everybody's kind of aligning around net zero. And Chinese got some really difficult issues, you know, millions of people are unemployed. Traditionally, they've come out of difficult economic periods by building a lot of high carbon intensive infrastructure. That's how they relaunched their economy, and they can't do a dirty recovery, they have to do a green one. And you've got lots of countervailing signals. So you've got these really, really robust ambitions on the Belt and Road. Last year renewables overtook coal for the first time. But at the same time, you know, you've got, you've got continued construction of coal plants, and then you've got the government coming in and challenging those decisions. So we're in a sort of quite a volatile period. And I think all eyes will be on the 45-year plan, which is coming out in in a couple of months, that's going to be the real test.

ML:
I was going to ask you, whether you have any sort of sense of whether the grand statements by President Xi will be translated into five-year plans and out into the provinces?

KH:
I think we're already seeing that shifting. I mean, I think that the robust response to what's been happening on energy from the Ministry of Environment is an example of where the government is stepping in to make its views clear, but I wouldn't underestimate the complexity in a country of that size. And, and just the fact that the system is geared up to do high carbon infrastructure. So, you know, I think, you know, I think it's going to be bumpy. But I mean, look at the US, the US hasn't even got its NDC out. And the UK has an amazing commitment. That's, that's aligned with net zero but our near-term deployment on policies is falling far short. Everyone is struggling in the near term. So I'm hoping that China will bring out a net zero, consistent, 45 year plan. But you know, there's several kinds of layers to the onion, there's the net zero commitment, the NDC, then there's the policy commitment. And then there's actual delivery

against the policy, you've got to get all those layers working. And we're, we're still quite a long way from that in most geographies, including in China.

ML:
But do you worry at all that the announcement of net zero 2060 was actually sort of geopolitical mischief making, that it was intended to sort of, you know, to appeal very much to Europeans, particularly to the left of the Europe, in Europe, and to distract attention from some very significant human rights violations that are going on currently in China?

KH:
Look, I, you know, it's hard to speculate about the motivations behind these kinds of things. I'm very pragmatic when it comes to China, we're not going to solve global environmental issues without China playing a fulsome role, we're not even going to deal with the issues around debt restructuring and low income countries coming out of the recovery without Chinese engagement. So, yes, you know, it's not always a rosy picture, but we have to keep engaging on these issues of global public goods, we have to, and I think, actually, if you look at the polling in Europe, the European public's want some kind of equidistance, between the US and the EU, because the US hasn't been a reliable partner on climate either. So you know, it's a complex picture geopolitically, I don't think it's cut and dry, in terms of where this will pan out. But what I do know is that the US, the EU and China have a huge responsibility to drive this agenda, and they need to do a hell of a lot more on near term ambition.

ML:
So let's talk about COP 26, then, because that's coming up in Glasgow at the end of the year, I very much hope that it's a physical real cop. The cop, of course, is the Conference of the Parties of the United Nations Framework Convention on Climate Change, but is a new to all of this, it's a big jamboree normally gets 30,000 people, the negotiators, there's a few 1000 of those, right? But then there's all side events, and that's the bulk of what goes on. And hopefully we'll be able to travel again and people will be able to come to the UK. Are you working on programmes? Or what are your aspirations for COP 26? You're a friend of COP 26.

KH:
My question is, who is not a friend of ours? Can you not be beaten? Yeah, I mean, I'm an official friend of COP 26. But I think we should all be unofficial friends, I've got 36, right, we all want to six months,

ML:
I'm very much an unofficial friend of cops. But I'm very, very upset that I'm not an official friend. And we have James Cameron, one of the founders of climate change capital, we've talked

about the house. Yeah, the bank that you were part of his head of policy. James is a friend of COP 26. But I'm not. So I'm just being friendly. Maybe I can say that. I'm, you're a friend, but I'm friendly. What are you working on?

KH:
So I think, you know, in terms of COP 26, it's pretty clear what the mitigation outcome needs to be. We saw that report that came out about the countries which are falling short, it's very clear who isn't, you know, doing the heavy lifting, it's clear that the vulnerable countries and the EU are moving forward. But there are a number of countries in the G 20 that haven't increased the ambition of their NDCs, they've got to do that. Coal is a really important issue. We've got to get coal financing stopped. Export finance has to stop and countries need to move away from coal as fast as possible and other fossil fuels. So there's some really obvious things that need to happen. I think I think the big question for me is on finance, and what kind of settlement will there be in terms of international collaboration on green recovery? Because you know, the world is in a dire situation. low income countries and vulnerable countries are kind of fed up with all the broken promises, and there needs to be a real effort of trust building. So I think I'm Alok Sharma, and Dominic Raab are hosting a conference, Climate and Development ministerial next month, I think that's going to be really important. I think the US with Earth Day event is going to be really important in rebuilding this kind of confidence that there will be a good international deal. But I think you know, the finance issues are going to loom large and and you know, then can we get on a credible pathway for net zero? That's going to be that's going to be really key.

ML:
Let me ask you, because I'm an advisor to the UK Board of Trade, the UK Board of Trade used to sort of oversee trade relations and then when we joined the EU was no longer needed and was disbanded, but it's now being reconstituted. I've been appointed as an advisor, along with sort of, you know, a number of ministers and a number of outsiders, including, of course, Tony Abbott, what advice would you have for the Board of Trade? And for me as an advisor? Yes, let me very specifically for that COP 26 discussion of raising the ambitions? What role, you know, do we need to do? We need the whole thematic around trade, or what should the objectives be of the UK? In the global trade environment? You know, we've got net zero is great, but at some point, don't you but up against sort of free riders and all those things.

KH:
You know, for sure, free riding is obviously, obviously a huge problem. I think that the number one job in trade is looking at supply chains, right. So and this is part of corporate transition planning. So we really need to incentivize around the world companies to develop really robust transition plans in the near term that cut through their whole supply chains. And I think

governments need to regulate that I think they should make it mandatory that that companies come up with transition plans and support this wholesale Climate Initiative. So I think the most important thing is greening supply chains. That's number one. I think, obviously, in terms of trade, facilitating the trade of clean technologies is also really crucial piece. And there's a lot more that can be done in terms of standardisation for electric charging infrastructure, and all those kinds of things that would just make it easier to scale all of this. But then, to your point specifically about free riders. There is a whole conversation about border tax adjustments. I think

ML:
I was just fishing for the right….

KH:
I wasn't going to let you take me there first, because there are other important things too, I think on border tax adjustments. I mean, first of all, you need a high carbon price to make that necessary, right. And at the moment, carbon prices around the world tend to be pretty low. And there's only a very narrow set of industries where this really, really matters where there are significant competitiveness impacts, actually. So I think there is a role for border tax adjustments, I think, more important, this stage is emphasis on getting more countries to introduce robust carbon pricing at a level that's actually meaningful, because in many countries, it's floating around $5 a time even though there's more countries adopting carbon pricing. So I think we need to, again, it's all about prioritising, and I think over time, a carbon border tax adjustment club, that deals with free riders, I think will be necessary. But I also think at this stage in the negotiations, it's really important to focus on the near-term ambition and introducing the policy instruments, leading with border tax adjustments. I don't think that's necessarily going to result in better climate diplomacy. But I think over time, it's going to be something that we need as carbon prices are higher, and I think it will get some of the hardest of hard to beat industries that are affected on competitiveness grounds to think about the embedded carbon price.

ML:
One question. Whether it's a COP 26, or whether it's in the next few years, there'll be enormous progress on these things, particularly the new administration in the US. One question I do have is, how do you manage then within the COP process or not? How do you manage the countries that are really being expected to sort of leave it in the ground? You know, I'm thinking of the Saudi Arabia, the Bahrainians, the Nigerians, the Angolas, Venezuela, Russia? I mean, at some point, isn't there a revolt where they just say, we see the direction of travel, which is to render our, you know, most important national commodity valueless? And we're going to try and block it.

KH:
Look, I mean, I think that's already happening to some extent. I mean, we know, for example, that Saudi Aramco has been a negative influence on the negotiations for a long time, as have, you know, Western oil companies, frankly. So I think anyone with a vested interest in fossil fuels has been obfuscating the science and trying to slow things down for a really long time, and they need to be held accountable for that. But in terms of, you know, countries that have, you know, an important fossil asset base, I think it's time to move on, you know, the future is human capital and natural capital. It's not fossil fuels. And so I think investing in alternative sources of prosperity is where we need to get to rather than extractive industries [that] aren't very positive for the economy, which countries other than Norway have done very well in terms of improving the prosperity of the whole population rather than a very, very small group of people.

ML:
If you look at you know... Did you look at what there is in Riyadh, how much of that would have been there without the oil industry?

KH:
Yeah, no, of course, that's true. But I mean, look how much sunlight you've got, Michael, it's not as if they couldn't be sold as if they didn't want to. Right. Solar is now super cheap, and they have a real advantage. I mean, if you look at countries, which are now doing kind of renewable based manufacturing, why not try and be a leader in that, why not invest what you've learnt from fossil fuels into that new future? I didn't have much sympathy for the oil industry.

ML:
But I guess there's a difference with... Saudi Arabia, which has got, you know, a big sovereign wealth fund that can try to do a transition of sorts, which it is trying with Neom and so on. And then you look at a country like Angola, or, you know, you've got an Ecuador that has oil resources and it also has desperately poor people, and you want to sell go and do nature based solutions, or go and do whatever. And I just, I guess, there's no easy answer, don't get me wrong. I'm not sort of fishing for an easy answer that you're not coming up with. But I wonder, in a sense more practically, as you know, you used to be a policy wonk, you're not anymore. But you know, in the distant past, what would you suggest? How do you manage that? What can you do? Can you offer, you know, can you reach out in some way to those poorer oil or fossil dependent countries?

KH:

It’s a really important question. And, you know, I've been looking at the work of organisations like UNECA, the Economic Commission for Africa. And I think they've come up with a really interesting report on green recovery. And where, I think because the biggest problem for a lot of countries at the moment is youth unemployment, right. It's where are the jobs going to come from? And labour intensity is absolutely crucial. So there's a huge premium on labour intensity. And in fact, you know, oil isn't that labour intensive. And the resources aren't well distributed unless you have really robust governance. But we've seen in lots of cases like the Chad-Cameroon pipeline, and other things, that taxes that were promised have never been delivered, and so on, and so forth. So I really think we should be listening to these emergent voices, like UNECA, that are saying, actually, we'd like a green recovery. If you look at Pakistan, and its recent moratorium, or you look at Bangladesh, and its new prosperity plan, in fact, the V20, finance ministers have been coming out with green recovery plans, in addition to the requests for investment in resilience and loss and damage. So I think because the economics have shifted, and because there's a real issue around youth unemployment, and young people really want clean energy jobs, not fossil jobs. I think it's a very different story from you back in the day, when we were talking about the impact of response measures and whether the oil producing countries should be compensated? I think the politics have shifted.

ML:
Very good, very good. Now, what we'll do, and you mentioned a report by UNECA, the Economic Commission on Africa, what we'll do is we'll put a link into the show notes. I'm not familiar with it, but I'm looking forward to reading it. With that we are actually incredibly out of time, we've used our allocation, I think it's 50 minutes. And so we're going to have to draw to a close there. But I'd love to thank you for the time you spent and it's so much provocation and so many different sort of parts of that discussion that need to be followed up. So thank you very much for joining us. And hopefully, you will be able to continue the debate in person sometime within the next six months or so.

KH:
I very much look forward to that. And yeah, for COP 26 to be in person, we're going to need a bit more vaccine equity around the world. So, hopefully we can do that.

ML:
Well, hopefully when we're done with in UK, we can start helping the EU which seems to be in dire need of help

KH:
You and I are about to start a Brexit conversation. As we've done many times.

ML:
Oh dear, is that the time. It's time to finish, Kate.

KH:
Saved by the bell.

ML:
Thanks so much. Thank you. Take care.

ML:
So that was Kate Hampton, Chief Executive of the children's investment fund Foundation, one of the biggest philanthropic institutions supporting climate action. My guest next week is Jim Skea. He's a professor of sustainable energy at the Imperial College Centre for environmental policy. And he's also co-chair of working group three of the IPCC. Please join me for a conversation next week with Jim Skea on Cleaning Up.