



Clingendael

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Geopolitics of the sustainability transition – risks and opportunities

In this briefing note we highlight and explore opportunities for analysis that might add value to national, European and international policy developments to enhance the transition towards a climate-friendly and circular economy. We look at risks and opportunities in four areas: planetary security, long-term economic competitiveness, multilateral commitments for sustainability, and potential innovations in the role of governance in the transition process. For each of these issues we mention how the new Clingendael International Sustainability Centre can contribute to addressing them.

Bringing in an international political perspective to sustainability

The geopolitical dimension of ecological degradation and climate change regularly makes it to the top headlines in press. Sufficient access to natural resources, including clean drinking water, flood protection and safeguarding healthy air quality are issues high on the political agenda worldwide. Tackling these problems is urgent, and can more often than not only be done effectively by use of an international approach.

In a time where alternative facts are increasingly used in debates on these problems and how to deal with them, the need for an evidence-based approach is becoming ever more urgent. In the context of the launch of the Clingendael International Sustainability Centre (CISC), the question can be raised whether and how analysis of international and European policy processes on sustainability issues could add value to this evidence base?

That question may sound rather rhetorical. Key players in the process of this international transition, which is a process of paradigm shifts and urgent policy changes, can arguably benefit from independent insight and expertise which links analysis of policy process and political discourse to relevant insights provided by specialists. Indeed in the realm of sustainability most research-based advice is provided by specialists: 'climate advice' comes from energy, weather and water management specialists, 'circular economy' advice from specialists in recycling and waste management, funding and financing advice from impact investors and fiscal specialists. This type of advice can go in-depth, yet also carries the risk of a silo-based approach and is not always well-timed or tuned in with ongoing policy processes. For such advice to be translated into effective policies, a 'translation' is often needed to policy language and a link needs to be established to ongoing political processes at EU and multilateral level. In such a way risks and opportunities can be identified which are politically realistic and policy relevant. And that is precisely the ambition of the CISC.

In the analysis we aim to focus specifically on how private and public stakeholders in the Netherlands could operate more strategically in the international sustainability transition.

Planetary security

It is a no-brainer that more extreme weather (heats, droughts, hurricanes), the melting of Arctic sea ice, growing scarcity of natural resources, sea-level rise and risks of flooded river-deltas are all developments with potentially high impact on politics, peace and conflict. The United Nations, World Economic Forum, NATO, European Union, OSCE and many governments have all acknowledged¹ climate change as a challenge to human security and international security. Risks from climate change are also identified by the private sector, most notably insurance companies, large investors and banks².

An emerging theme in this respect is the potential risk ensuing from the transition itself, particularly in the way that it could affect regions and sectors (e.g., stranded assets).

Nonetheless, there has been limited momentum to formulate policies to address these risks. This is partly because the risks are still underestimated and poorly understood in mainstream defence and foreign policy circles. In the private sector, it is proving difficult as well to identify short- and longer-term risks in business operations, as well as investment opportunities tapping into new geopolitical realities.³

However, awareness of the interconnectedness of geopolitical safety and sustainability issues is growing. Some initiatives are underway to include sustainability issues in military strategy development, such as integration in early warning, conflict prevention and peace-building strategies.⁴ Also, particularly in the Netherlands, the financial sector is increasingly active not only in sustainable finance opportunities but also in identifying risks.⁵ Yet the issue is far from the mainstream. Further research is needed to investigate and clarify pathways between (un)sustainability and (security and economic) risks, to raise awareness and to highlight opportunities for policy changes. These research activities should be multidimensional, connecting insight in sustainability to security, conflict prevention, peace building, business risks and development expertise. Analysing views of different stakeholders, and providing arguments to connect them, may highlight the added value of cooperation to long-term geopolitical security.

Clingendael expertise

At present, Clingendael leads an international consortium of think tanks implementing the Planetary Security Initiative. This project was launched by the Dutch government to help remedy the security risks of climate change – to spread knowledge, to deepen knowledge where necessary, and to develop and promote policies and good practice guidance to help governments, the private sector and international institutions manage climate-security risks. The project centres around an annual high-profile conference, and includes reports, policy briefs, a cutting-edge website and social media presence. In this way, the project reflects the potential of Clingendael to convene relevant groups and to bridge knowledge and policy circles.

1 See for instance: EU Global Strategy: "(...)climate change and energy insecurity endanger our people and territory" and "Climate change is a threat multiplier that catalyses water and food scarcity, pandemics and displacement", and UN Agenda 2030 para 35: 'Sustainable development cannot be realized without peace and security'.

2 See for instance World Economic Forum (WEF)

3 The World Economic Forum referred to World Economic Forum 2017, see a.o. 'a cluster of environment-related risks' <http://reports.weforum.org/global-risks-2017/>

4 Mobjörk M., et al. 2016. Towards a global resilience agenda, The Hague, adelphi, SIPRI and Clingendael institute. https://www.clingendael.nl/sites/default/files/towards_a_global_resilience_agenda.pdf

5 Leenders C., and Bor A. 2016. Finance for one planet, The Hague, Netherlands enterprise agency (RVO). <http://www.rvo.nl/file/finance-one-planet-2016-cop-financial-institutions-and-natural-capitalpdf>

It links traditional Clingendael knowledge on security and conflict policies to the realm of climate change and other environmental challenges.

Security implications of natural resource management and climate change were also addressed in the [Clingendael Strategic Monitor](#), an ongoing project for the Dutch interdepartmental water cluster on water and geopolitics (with the Netherlands Environmental Assessment Agency and Deltares), foreign policy implications of [climate change impacts](#) and a study on [land degradation and conflict risk](#).

Economic competitiveness

The sustainability transition has a crucial driver in the proposition that sustainable products and services will be economically competitive in the long run, and will ultimately oust non-sustainable products and services.⁶ In this context, market regulations should disincentivise cheap and non-sustainable products that deliver only short-term gains. At present, sustainable production may result in higher market prices but in the long run it will definitely contribute to avoiding higher societal costs. The same mechanism is a key issue in the world of financial products. Funding and financing of traditional, non-sustainable investments may, in the short term, deliver high returns, but these assets may become 'stranded' in the long term. Research shows that green investments may perform better in the long run.⁷

In order to set proper prices on the market for products and services, and to calculate returns on investments in the capital market, the transition process must identify and implement adjustments to the price mechanism to incorporate long-term sustainability gains (and losses). Proper adjustments could trigger a fair market competition in which sustainable wins over unsustainable, and in which 'free riders' can no longer make their short-term profits.

Anno 2017, we realise that proper adjustments to market mechanisms will not be initiated by the market alone. Despite the successes of front-runner entrepreneurs and companies like Elon Musk and Triodos Bank, mainstream changes require additional actions of public authorities and politicians. They have a responsibility to guard the general interest including care for the living environment. In some countries – among them The Netherlands – this responsibility is enshrined in the constitution. From this point of view, the transition could be seen as a societal 'enterprise', in which all stakeholders contribute and cooperate to their best ability.

Unfortunately, the political reality of the transition towards a more sustainable society is different. The scientific arguments upon which the urgency of the transition is grounded are openly contested by powerful politicians and opinion leaders in a new realm of fact-free political discourses. Socio-economic inertia, short-term interests of vested players, trade-offs with other objectives and technological uncertainties all undermine firm policy action on sustainability. This causes uncertainty in public and private sector actors about the reliability of existing policies and slows down the transition process. This development is an extra motivation for putting even more effort into convincing key players in the transition of the need for close cooperation and providing them with analyses of the views of different stakeholders, and putting forward arguments and strategic insights into why cooperation between countries delivers, why cooperation between governments and financial sector delivers, and why innovative regulation for businesses delivers.

6 See also: <https://www.clingendael.nl/publication/achieving-green-growth-political-economy-energy-security>

7 See for instance De Nederlandsche bank http://www.dnb.nl/binaries/1603341_Themaonderzoek_Duurzaam%20Beleggen_WEB_tcm46-346418.PDF, Deutsche bank https://www.db.com/cr/en/docs/Sustainable_Investing_2012.pdf and the UNEP inquiry: design of a sustainable financial system. http://unepinquiry.org/wp-content/uploads/2016/09/The_Financial_System_We_Need_From_Momentum_to_Transformation.pdf

Clingendael expertise

Over the past few years, Clingendael has looked into issues as diverse as the EU biofuels policy, transparency rules for extractive industries, emissions trading and renewable energy policies, the politics of green growth and energy security in middle-income countries⁸, [agenda setting](#) with regard to research, and innovation and options for [sustainable transport](#). CISC is prepared to take part in the transition process, by means of Clingendael's convening power, sharp analysis of policy dilemmas, trends and options. We can connect knowledge of policy and political processes at European and international levels with expert knowledge of sector specialists in fields like environment, water, food and finance. Our analysts are well equipped to disentangle a broad spectrum of multidimensional questions with a focus on the positions of different stakeholders and identifying the added value of cooperation. A specific objective is to look for how Dutch and European positions and (economic) interests can be better matched and exploited in an ever-changing international policy context.

Delivering on multilateral commitments for sustainability

There are a broad range of multilateral commitments for sustainability issues within the UN and beyond. Apart from the adoption of the Paris Agreement on Climate Change, perhaps the most central development is the adoption of the UN Agenda 2030 for Sustainable Development. This universal agenda and its 17 Sustainable Development Goals SDGs set targets for both developing and developed countries, and for multi-stakeholder partnerships including governments, businesses, civil society and knowledge institutions. The SDGs are significant ways of measuring progress on sustainability and how it is politically

contested. Perhaps somewhat unexpectedly, the private sector has actively contributed to the development of the SDGs, and considers them to be useful instruments to measure their own performance.

SDG commitments focus on biodiversity, climate change, human rights, dangerous substances and poverty eradication, among other issues. The commitments are crucial bases for worldwide cooperative action to realise long-term targets for sustainability. The European Union also underlined its commitment to the Agenda 2030 by stating that 'sustainability is a European brand'.⁹ However, signatories to the agenda (i.e., nation states) do not always include their commitments in public policies at home or include civil society actors in the implementation of the agenda, due to (political) conflicts between short-term economic profits and long-term sustainability gains. Nation states sometimes even act as free riders, taking advantage of the results of multilateral action but not contributing themselves. The same free-rider effect can be seen in the position of non-state actors, especially when they operate at multinational level. A third aspect undermining the (UN-) commitments are the signs of diminishing public support. Present developments in which such undermining voices gain influence (and loudness) force policy makers to address existing commitments more explicitly and more transparently, and make this a rising issue on their to-do list.

Addressing (and changing) the behaviour of both state and non-state actors regarding multilateral commitments for action is complex due to the multilateral context itself – and the fact that a complex network of stakeholders is involved (nature conservancy, businesses, financial sector, social justice, etc). Simply reiterating the reasoning for the conventions and adjusting/re-publishing the scientific knowledge behind them is not effective. Again, we see

8 See also the green growth publications: <https://www.clingendael.nl/publication/achieving-green-growth-political-economy-energy-security>

9 'sustainability is a European brand' (European Commission, Communication on next steps for a sustainable European future', p. 16)

here a role for multidimensional research by independent think tanks in identifying and communicating the importance and urgency of multi-stakeholder commitments and cooperation in underpinning action to build pressure on free riders and in raising public awareness of the importance and background of existing commitments.

Clingendael expertise

CISC considers combining expertise on international and multilateral relations on the one hand, and on sustainability issues on the other as crucial. CISC contributes to knowledge on international climate negotiations¹⁰, the [geopolitics of energy transitions](#), and the Sustainable Development Goals by means of policy briefs, expert sessions and a policy appraisal framework. CISC will also launch a communication platform for international sustainability policy development.

The role of governance in the transition process

Looking at the three research areas highlighted above, one of the main challenges for researchers is to help identify what is happening in the governance of the transition process internationally, in terms of new trends in knowledge and of opportunities for innovative policy developments, bridging the ambitions of governments and private sector initiatives in innovative public-private partnerships.

A special challenge for CISC is to link the results of this research and analysis to Dutch positions and potential strongholds. In this context we identify (and participate in) ongoing research on the potential for governance innovation in two related areas:

¹⁰ See for instance: <https://www.clingendael.nl/publication/eu-and-progressive-alliance-negotiating-durban-saving-climate> and Van Schaik, L. and S. Schunz (2012), Explaining EU Activism and Impact in Global Climate Politics: Is the Union a Norm- or Interest-driven Actor? *Journal of Common Market Studies*, 50(1): 169-186.

- *The potential of innovation in the role of governments*
Transitions are often complex processes. The road ahead surely is full of uncertainties. The network of stakeholders consists of a large number of countervailing powers, which are in strong competition with each other. Each actor is trying to influence policy development according to its interests. During the last decades, governments' role in policy development has mainly been to facilitate the making of compromises, guaranteeing that all (or at least the most powerful) competitors have a fair share of the proverbial pie. As a consequence, policy changes are usually implemented at a relatively low pace on the one hand, combined with strong societal pressure on governments to take urgent and decisive action on the other. Increasingly, this pressure comes from the private sector, which seeks stable and firm long-term determination and instruments to justify (new) investments into more sustainable ways of producing.

We identify – as a reaction to this trend – research activity on shifting the style of governance in the transition process from reactive to proactive on the basis of 'management by strategic foresight' instead of 'management by crisis'.

We advocate that governments take a more guiding role by:

- setting out a strategic, comprehensive long-term vision regarding the transition process;
- connecting long-term thinking with short-term action;
- taking an active role in the transition process, focusing on building networks of market actors, based upon cooperation and trust;
- re-prioritising existing regulations to synchronise them with the required speed and urgency of the transition process.

- *The potential of innovative policy instruments*
In addition to the proposition that transition processes could be improved by the dedicated innovative guidance of network-based 'governance', researchers

argue that the process could also take advantage of the application of innovative regulatory instruments fit to support the long-term oriented, proactive role of governance. Sector-based, top-down, command-and-control regulation in this respect no longer seems suitable for a modern, globalised network society. The shift of governance focus towards long-term policy consistency could improve policy effectiveness by applying 'smart' policy instruments. These aim to unleash the potential of cross-sectoral network cooperation from the bottom-up, by providing space and/or opportunity to experiment with and secure regulatory leeway for promising, new, transition-enhancing initiatives such as voluntary cooperation and partnerships, including start-ups. An example of this development is the Netherlands' Green Deals, an experimental policy concept now also being discussed at European level.

Clingendael expertise

CISC activities contributing to improvements and innovation in regulations and the role of governments are already underway in the environmental policy area at national and European levels. CISC contributes to Ministry of Infrastructure and the Environment activities aimed at developing innovative approaches to EU policies for [green and 'smart' mobility](#) and to multi-stakeholder involvement in the transition towards a climate-friendly and circular economy.

Finally

Most of all, CISC wants to offer a new and integrated view on the geopolitics of sustainability and thereby contribute to making the international transition towards a sustainable global future a reality.

In this spirit, we are also modest because we realise that we are dealing with a tremendous challenge in which international, European, national and local levels of government must connect and collaborate better with businesses and civil society.

We look forward to cooperating with you in the future.

About Clingendael International Sustainability Centre (CISC)

CISC is a new group within Clingendael's Research Department. It aims to connect existing Clingendael expertise on international and European (policy) discussions and processes explicitly to the realm of sustainability. In particular, CISC activities will focus on the responsibility and role of the public sector in the transition towards a climate-friendly and circular economy. Risks and opportunities for the private sector, financial institutions and civil society in the transition will be identified, analysed and clarified. CISC plans to contribute by organising a platform of expertise, by publishing policy-targeted analysis and by creating a platform for discussion and knowledge exchange.

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About the team members

CISC is headed by [Louise van Schaik](#) who works at Clingendael for over 10 years and has a long-standing track record in the fields covered by CISC. Other team members are [Ernst Kuneman](#), [Ries Kamphof](#), [Paul Hofhuis](#), [Stephan Slingerland](#) and [Bas ter Haar](#). In projects CISC closely liaise with other colleagues from Clingendael Research (e.g. [Marcel Baartman](#)), the Clingendael Academy (e.g. [Anneke Rooth](#)) and many partner organisations from the Netherlands and abroad.

For more information, please contact us through cisc@clingendael.nl