Energy Transitions Commission

Insights Briefing

Credible Contributions:

Bolder Plans for Higher Climate Ambition in the Next Round of NDCs

Key Messages from the ETC's Insights Briefing, Credible Contributions: Bolder Plans for Higher Climate Ambition in the Next Round of NDCs

Governments can and must raise ambition in the next round of Nationally Determined Contributions – the so-called "NDCs 3.0" due at COP30 in Brazil - if we are to limit the impact of climate change.

Success in the low-carbon transition to date has been driven by industry's response to ambitious government targets - accelerating deployment and driving down costs. Industry recognises the opportunity in the next round of NDCs and calls on governments to prioritise delivering high-ambition NDCs which will provide certainty, unlock investment and accelerate technology deployment.

In turn industry can help government be confident that progress towards a net-zero economy is both technically and economically possible – the technology is in place, commitments are being made, and the focus must now be on deployment.

Targets in current NDCs ("NDCs 2.0"), if fully implemented, are only expected to deliver ~6 $GtCO_2e$ of mitigation per year by 2030. If government were to reflect the rapid technological progress already being made, existing national government policy, existing commitments from industry and the ambitious commitments governments made at COP28, in their NDCs 3.0, overall ambition levels could be almost three times higher – delivering 17 $GtCO_2e$ of mitigation per year in 2035 and putting the world on a 2°C trajectory.

- The core technologies of the energy transition have already reached tipping points, beyond which fossil fuels as an alternative isn't viable. Wind and solar are meeting over 90% of global power demand growth. Electric vehicles now make up 18% of global passenger vehicle sales and as much as 20% and 40% of sales in Europe and China respectively.
- Beyond this, the technologies needed to decarbonize all sectors of the economy - including heavy industry and long distance transport - are reaching commercial readiness. Policy support is growing and industry sectors are making ambitious commitments to decarbonise. For example, companies representing ~35% of global steel production, and airlines responsible for 80% of global traffic are committed to carbon neutrality by 2050.
- Progress in the energy transition is accelerating, underpinned by increasingly strong national policies. In the US, EU and China policy provides significant support to a range of low-carbon technologies (and their manufacturing), accelerating deployment. Additionally, the EU emissions trading system and the forthcoming 'carbon border adjustment' is pushing industrials within and outside the EU to deploy the technologies required to reduce emissions.
- COP28 saw nearly 200 countries make ambitious commitments to triple renewable energy capacity and double energy efficiency improvements by 2030, and to transition away from fossil fuels in the energy system. Countries and companies also committed to reduce agricultural emissions, and to deliver short-term reductions in methane emissions.

This technological progress, and the recent national and industry commitments must be reflected in NDCs 3.0. More ambitious NDCs, and stronger links between targets and supporting policies at the national level, provide a clear direction of travel to industry and reduces market uncertainty. This drives a reinforcing loop between government and industry which has been a key success story of the transition today (e.g. in deployment and cost reductions in wind, solar, batteries) and can further accelerate the deployment of clean energy technologies.

Existing commitments and embedded progress provide headroom for major strengthening of NDCs, but going beyond 2°C to align NDCs to a 1.5°C pathway will require further action still. Faster progress will be required in halting deforestation, phasing out coal from the power system and accelerating project delivery in hard to abate industry and transport.

Ambition alone will not translate into progress - NDCs must help turn ambition into action, and policymakers should feel confident in their ability to set and deliver on more ambitious targets.

- Clearer and more detailed NDCs can reinforce their role as roadmaps for implementation, and accelerate climate action.
- Ideally, all NDCs would contain clear (i.e. absolute or equivalent), comprehensive (i.e. covering all sectors and GHGs) and granular targets (i.e. by sector and by GHG) for emissions reductions, reflecting the strategic thinking which underpins overall NDC targets.
- NDCs 3.0s must act as clear investable plans, in emerging markets in particular, and make explicit the investment, and where needed the international climate finance required, to deliver stated targets.

Critical priorities will differ by country:

- Countries with clearly defined ambition but lacking on implementation (around 30% of global emissions) should focus on making clear how NDC targets will be met, in particular the contribution of current policies and how they will deliver further progress (e.g., United States, European Union, Brazil).
- Countries with unclearly defined ambition and lacking on implementation (~66% of emissions) should reflect the rapid technological progress and commitments made in their new target, and lay out how these more ambitious targets will be met (e.g., China, India).
- Countries with clearly defined ambition and delivery, but whose targets are mostly conditional (~4% of emissions), should make clear what they require to deliver these conditional targets and ensure they have the governance in place to deliver ambitious targets (e.g., Ethiopia, the Gambia).

This report should provide evidence to all countries that a step change in ambition is possible for NDCs 3.0, and that backing NDCs with detailed transition plans can unlock the investment and industry action required to achieve these aims.