



THE STOCKHOLM TREATY LAB PRIZE

Using International Law to Promote Green Investment

Fulfilling the promise of the Sustainable Development Goals and the Paris Agreement will require trillions of dollars of investments across the globe – investments in renewable energy, energy efficiency, sustainable land use, and climate-resilient infrastructures. In today’s globalized economic system, many of these investments are likely to be cross-border in nature.

If the global climate-change goals are to be attained, a significant increase in “green” foreign direct investment (FDI) must materialize. Yet no international legal instrument exists that incentivizes and protects Green FDI. We perceive this as a “policy gap” between the objectives of the international climate change agreements and the outcomes they envision. To unlock the full potential of the SDGs and the Paris Agreement, and generate the necessary increase in Green FDI, that gap needs to be bridged.

Through an innovation prize, the partners behind the Stockholm Treaty Lab Prize jointly seek to address this policy gap. We know from experience that flows of FDI traditionally increase as a result of stable, predictable and transparent legal frameworks, and we believe that this principle applies also to Green FDI. Therefore, the prize will be awarded to the contestant that drafts a model international treaty that – if implemented – has the greatest potential to increase the flow of Green FDI and encourage investments in climate change adaptation and mitigation.

This is the Stockholm Treaty Lab Prize.

INTRODUCTION

Over the past decade, the world has witnessed unsurpassed political commitment, technological innovation and economic trends to combat climate change.¹ The Stockholm Treaty Lab Prize rests on the principle that these trends can join forces in a policy-oriented international treaty that encourages and protects cross-border investments in climate change adaptation and mitigation. Such a treaty, if implemented, would create a predictable, transparent, stable and enforceable investment policy regime within which Green FDI could flow safely and freely. By encouraging investors to fund low-carbon projects, support technological innovation, and otherwise invest in a sustainable future, we believe that this treaty would put the climate change objectives into action.

- [Watch a short video introducing the initiative here](#)

THE NEED FOR GREEN INVESTMENTS

In 2015, the world community adopted the Paris Agreement and the Sustainable Development Goals. These ambitious agendas for curbing global warming and ensuring a sustainable future will require investments amounting to trillions of dollars across the globe. Renewable energy plants must replace carbon-heavy ones; energy-efficient transportation will be needed to carry an increasingly mobile world population; sustainable agriculture and forest restoration must substitute unsustainable land use and deforestation; and climate-resilient infrastructures must be built where global warming and rising sea levels already put communities at risk. Investments are needed to support the innovation of new technologies and to bring already existing technologies to scale. Much of the technology necessary for a climate-change revolution already exists – affordable solar energy, energy-efficient vehicles, and carbon capture and storage.² To deploy these technologies at a meaningful scale, however, requires enormous investments across the globe.



THE ROLE OF THE PRIVATE SECTOR

The Paris Agreement recognizes the importance of private-sector actors in the global effort to curb climate change. Article 6(4) of the Agreement urges signatories “[t]o incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities”. The text adopting the Agreement similarly “[w]elcomes the efforts of all non-Party stakeholders to address and respond to climate change, including those of . . . the private sector.” Private-sector actors are key to achieving true progress – not only in terms of investments, but also innovation.

Businesses are already investing in clean technology and adopting energy-efficiency measures; they do this because it makes good business sense and to demonstrate leadership on broader corporate sustainability and climate commitments.³ IBM reports that its energy conservation actions created savings of USD 477 million.⁴ General Motors has established a global renewable energy commitment across its manufacturing facilities in over 30 countries, including a goal to double the share of energy generated from solar power.⁵ And a range of financial institutions have committed hundreds of billions of dollars in finance to support low carbon and climate-resilient investments in all parts of the world.⁶

These private-sector measures and commitments to climate-change adaptation and mitigation are a definite reason for optimism. But such initiatives must multiply exponentially if the Sustainable Development Goals and the ambitious objectives agreed upon in Paris are to be met.



THE LACK OF POLICY INCENTIVIZING AND PROTECTING GREEN INVESTMENTS

During the negotiations of the Paris Agreement, international business interests voiced support for strong climate goals, and confirmed their willingness to contribute to climate change mitigation and adaptation.⁷ A recurring theme, however, was the misalignment between green investment needs and the current investment policy frameworks.

For Green FDI to flow, government investment policies must be predictable, stable and transparent. Accountability must be safeguarded by enforcement mechanisms.⁸ Today, uncertainty regarding government policy is often cited as one of the key factors behind the decreasing investment in renewables in many OECD countries. According to a recent survey by the Multilateral Investment Agency Guarantee, 41% of respondents identified that they had either withdrawn or cancelled planned green investments in the previous year due to adverse regulatory changes.⁹ In other words, many investors simply refrain from investing in the absence of a stable and predictable policy framework protecting their investments.

Despite the global consensus recognizing the staggering need for investments in climate change adaptation and mitigation, investment policy was not on the agenda in Paris. No international legal instrument exists that incentivizes Green FDI and protects cross-border green investments. As long as this remains true, the flow of Green FDI is unlikely to rise to the levels necessary to achieve the goals agreed upon in Paris. This “policy gap” – between the objectives of the international climate change agreements and the outcomes they envision – must be bridged if we are to realize the full potential of the Sustainable Development Goals and the Paris Agreement. This is the goal of the Stockholm Treaty Lab Prize.



STOCKHOLM TREATY LAB



THE OBJECTIVE OF THE STOCKHOLM TREATY LAB PRIZE

The partners behind the Stockholm Treaty Lab Prize seek to address the investment policy gap, and achieve an increase in the flow of Green FDI worldwide, through an innovation prize. We are launching a contest for the drafting of a new model international treaty. The grand prize will be awarded to the contestant whose model treaty, if implemented, has the greatest potential to increase the flow of Green FDI on the regional and international levels. The model treaty envisioned will fall under the umbrella of international economic law. Its intention is to complement the United Nations Framework Convention on Climate Change and other agreements under its auspices, including the Paris Agreement.

Inspiration for the model treaty may be drawn from the existing system of International Investment Agreements (IIAs). The IIA regime comprises more than 3,000 bilateral treaties that protect foreign investments by ensuring market liberalization and fair treatment for investors. The success of the IIAs has depended to a significant extent on their enforceability; likewise, we envision that an efficient enforcement mechanism will be an important feature of the model treaty for green investment.

The competition will require bold, innovative and smart treaty-drafting. Prize contestants will most likely be interdisciplinary teams of experts representing the perspectives of different stakeholders. Drafting this model treaty will be challenging, but we believe it can be done.

Welcome to the Stockholm Treaty Lab.



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