



Bridges Copenhagen Update

Issue 1

UNFCCC COP 15, Copenhagen 2009

7 December

COPENHAGEN CURTAIN RAISER: THE PERFECT STORM

The eye of the world is focused upon Copenhagen, Denmark where under cold, gray skies convenes a massive flurry of 14 to 18 thousand people, 192 negotiating countries, dozens of heads of state, hundreds of concurrent meetings, and countless discussions on any and every existing climate change issue.

Two years ago, the same countries now gathered in Copenhagen met in Bali, Indonesia and hammered out the Bali Action Plan (BAP) – a simple roadmap to carry through on previous agreements made under the United Nations Framework Convention on Climate Change (UNFCCC) still in dire need of stronger international cooperation. The most significant product of the Convention had been its Kyoto Protocol in 2005. Yet the Protocol reflected old scientific data and lacked both political ambition and the participation of the world's largest emitter of greenhouse gases – the US – who abandoned the initiative while most other developed countries ratified the agreement. The scientific and economic analysis since has sent a strong message to decision makers: business as usual could provoke the perfect storm for catastrophic climate change. Instead, a transformation of all countries to low carbon development is the only viable alternative. Yet this option requires a global decision to enable all countries to participate fully and effectively.

While inclement conditions impeded the process. Cumbersome negotiations over the past two years addressed each paragraph of the Bali Action Plan. And thus evolved an entangled draft negotiation text where every idea was incorporated but one could not see the carbon-capturing forest for the trees. As the clock counted down towards Copenhagen, the text evolved and political leaders put increasing weight behind the impending deal. And thus the storm brewed.

A ray of hope through stormy prospects

Since Danish Prime Minister Lars Løkke Rasmussen lowered expectations by announcing his view that Copenhagen would not deliver the legally binding agreement anticipated, many – especially among small and vulnerable states – have been uncertain about what Copenhagen could deliver. Yet since this low point, many countries have come forward with strong messages of support for a robust political agreement with legal elements that would help advance global action. Notably, China, India, and Brazil have tabled their offers on mitigation, showing clear intention from the major

economies in the developing world to contribute their part to the package.

Getting the US on board has proven difficult, despite US President Barak Obama's outspoken support for global climate action. The US has initiated legislation aimed at getting the country moving at the national level and support the international outcome. However, as much as the Waxman-Markey and Boxer-Kerry bills demonstrated the US's intention to address climate change more seriously at home, it has also exposed some of the darker side of US domestic political economy. Interest groups insist that potential losses would harm US global competitiveness. Moreover, they have pushed for protection through border measures to level the playing field for US companies required to take on extra costs for the climate's sake. The further insistence that the legislation would not survive without these measures has only shaken the delicate balancing act underway in the negotiations and has heightened tensions in high-level discussions aimed at seeking consensus.

This latter issue underscores a second major issue within the new deal: how to involve developing countries while continuing to support their sustainable development objectives. The gap between how developed and developing countries see the path to major up-scaling of mitigation and financing to address climate change is wide. The agreed principle of "common but differentiated responsibilities" has been a cornerstone of the bridge meant to span the distance between these two worlds, but the search for consensus on what these responsibilities are, or how they will be carried out, has not brought the two sides together yet.

Developed countries want developing countries – and especially the largest economies among them – to assume emission reduction targets that are enforced through "monitoring, reporting, and verification." Developing countries insist that developed countries assume greater cuts in emissions consistent with their historical contribution to the problem, and they insist on effective delivery of agreed financing and technology support for their adaptation and mitigation.

Trade and climate change: What to look for in Copenhagen

Trade and climate issues intersect where questions of economic growth, diversification, and security are in the balance. Several issues related to international trade

remain a part of the Copenhagen discussions. And some may become a part of the expected “political agreement,” while others may end up in existing or new negotiating processes for future agreement.

Trade Issues to Watch for in Copenhagen

Competitiveness

- *Border carbon measures – LCA: Shared vision and response measures*
- *Agriculture and Bunker Fuels for maritime and aviation transport – LCA: Sectoral approaches*

Technology Drivers and Barriers

- *Intellectual Property Discussions – LCA: Technology Development and Transfer*
- *Enabling factors for development and diffusion – LCA: Financing*

Development & Economic Diversification

- *for Vulnerable Countries – LCA Adaptation and Financing*
- *for Developing Countries – LCA Response Measures*

Various concerns related to competitiveness arise in the context of new or existing national policies and measures (taken or envisioned), intended to stimulate low carbon opportunities or dissuade high-carbon practices. On a related front is the potential use of subsidies, as countries strive to support sectors such as agriculture, transportation, energy, and building to adapt and survive in a low-carbon world. The impact of climate policies to export markets is of particular concern to many countries in this forum, not only in relation to oil exporters but also energy or carbon intensive products such as steel, aluminium, and cement. And a final set relates to international standard setting in sectors where the playing field for developed and developing countries remains out of balance.

Other trade considerations emerge around the question of whether transferring low-carbon and energy efficient technologies will be a driver or a barrier to addressing climate change. National industries and sectors will need to innovate, access, and implement a host of new technologies to reduce their greenhouse gas emissions and adapt to the changing climate. But technology development, deployment and diffusion will not come cheaply, nor is access readily available to all countries.

Upscaling global mitigation and financing will be a predominant focus in Copenhagen; in fact, these two fundamentally interrelated issues hold the make or break offers of the political deal. According to the World Bank’s 2009 World Development Report published this month, between US\$ 140 billion and US\$175 billion will be needed annually to help developing countries implement the mitigation measures needed to prevent the world from warming more than 2°C, while investments necessary to assist developing countries in meeting the costs of

equipping their countries for climate impacts average between US\$30 to \$100 billion, above and beyond the current development assistance of US\$100 billion. What is certain is that the more mitigation is achieved early on, the lower the costs of adaptation will be later.

What to expect from Copenhagen

Negotiations will take place concurrently under two tracks – the Convention and the Protocol. Each stream of work will either conclude in a decision or continue under further negotiation. The most novel outcome will be the ‘political agreement’ delivered by over 100 Heads of State in attendance. This decision may contain solutions for climate change or, simply, a lot of hot air. On the most ambitious end, it could include: definitive new targets for all developed countries; quantified and verified mitigation actions from some or all developing countries; set levels and timing for financing to support developing country adaptation and mitigation; a clear commitment on technology assistance; new institutions to assist with delivery of financing and technology transfer; and a mandate for a new legal agreement within 6 months to a year. Alternatively, the agreement could either fall through or simply restate some reformulation of the BAP, whereby negotiations would continue.

Countries may decide to continue the outstanding discussions by mandating a new process for continued negotiations on the above mentioned topics. They could also parcel each topic out into existing negotiation processes under the Convention, where technology, financing, offset mechanisms, and adaptation have been under negotiation for years – notably, with minimal outcomes.

What the two weeks ahead truly need – more than thundering protest and torrential commentaries – is a perfect storm of political will, technical understanding, and a spirit of cooperation to pave the way forward for global action.

ICTSD will report on the developments in the negotiations in our mid-COP stock taking on 14 December and at the conclusion of talks. Recent in-depth coverage of trade and climate change issues from the Bridges Copenhagen Updates are at <http://ictsd.org/climate-change/copenhagen-updates/english/>.