SOUTH CENTRE

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Copenhagen: Key Issues Facing Developing Countries

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The prospects for a "global deal" on climate change in Copenhagen in December have been vanishing rapidly. At the APEC Summit in Singapore in mid-November, the political leaders came to the conclusion that a legally binding agreement in Copenhagen was not possible to achieve, given the many issues outstanding that cannot be resolved in time. A "political declaration" is now to be aimed at instead. What this implies is that the Copenhagen conference of the UN Framework Convention on Climate Change (scheduled for 7-18 December) may adopt some principles that had probably been agreed to before, and perhaps some agreed language on the parameters on which to continue the discussions, for another six or twelve months.

There should however not be any presumption or complacency that Copenhagen will not make any significant decisions. If a full agreement cannot be obtained, it can be expected that some Parties, especially the developed countries, will try to obtain a kind of "framework agreement" in which their key positions are reflected and which will form the basis and parameters of further negotiations in 2010. This could be in the style of the "July Package" in the World Trade Organisation. In July 2004, although the completion of the Doha Work Programme was not possible, the WTO parties agreed to a framework agreement that set the principles, parameters and formulae that became the basis for much of the negotiations that followed in the next five years.

The framework sets and thus locks in the structure and parameters and even the method to calculate the final figures. It is thus the most important aspect of a final agreement. Copenhagen could thus turn out to be a vital decision-making meeting after all. It may not "seal the deal" (the slogan of the UN Secretary General) but it may formulate the structure and basis of a deal, with detailed figures to be filled in later. And thus the developing countries have to be extremely vigilant and be prepared to fight difficult and complex battles all the way to the last day.

There are many vital and complex issues that lie at the heart of the impasse in the climate talks that make a Copenhagen detailed deal a vanishing prospect. These differences, mainly along North-South lines but also among developed countries, became more evident in the last two sessions of the climate talks, in Bangkok in October and in Barcelona in November. The talks are taking place in two tracks, one under the working group on long-term cooperative action (LCA), which is the follow-up to the Bali Action Plan aimed at the "full, effective and sustained implementation of the Convention", and the other under the working group on further actions under the Kyoto Protocol (KP), in which developed countries are to fix new commitments to reduce their emissions after the 2012 expiry of the first commitment period.

While many countries' political leaders have made solemn pledges to do their best on climate change, for example at a UN summit meeting in September, the reality is that these are very complex negotiations not only on environmental issues but deep-seated economic issues

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involving the distribution of environmental and economic resources worldwide. To reach a fair and equitable deal has become elusive.

In recent months, there have been intense pressures to get "advanced developing countries" like China, India, Brazil and others to commit to reduce greenhouse gas emissions, perhaps as a preparation to shift the blame to them if Copenhagen fails to reach a deal. But there is not even an agreed definition of "advanced developing countries" or even "major emitters". What is true is that India has a large population, but that does not make it an advanced country or a major emitter. In per capita terms (which is the essential way for measurement), it lies low in income or in carbon emissions. Moreover, the promised financial and technology transfers to help developing countries to shift to a sustainable development path are still nowhere in sight. The amount of funds being talked about is far too little, given the enormity of the task.

There are several areas of contention that are far from resolution. These issues will pre-occupy the negotiations in Copenhagen and beyond.

1. Architecture of the global climate regime

First and foremost is the architecture of the global climate regime. At present there is the UNFCCC and there is its Kyoto Protocol. Developed countries who are KP members (all except the United States) have made internationally legally binding commitments under the KP's first commitment period to cut their emissions by an aggregate of 5.2% by 2012 as compared to the 1990 level, and each country has its own target to meet. Negotiations under the KP working group have been going on since 2005 for the aggregate emission cut and the individual countries' cuts, for the second commitment period starting in 2013. An outcome on this is scheduled in December at the Copenhagen conference, so that there is enough time for the smooth carry-over from the first to the second commitment period. Contrary to misinformation in the media and elsewhere, the KP does not expire in 2012.

Since the US is not a KP member, and unlikely to join, a method was devised in paragraph 1b(i) of the the Bali Action Plan (adopted in December 2007 in Bali) for developed countries that are not KP members to make "comparable efforts" to those in the KP. The developing countries do not have to make binding emission-reduction commitments under the KP, but the Bali Action Plan in paragraph 1b(ii) obliges them to take nationally-appropriate mitigation actions enabled and supported by finance and technology from developed countries, which together are to be measurable, reportable and verifiable (MRV). There is thus a clear distinction (based on the equity and the common but differentiated responsibility principles) between the legal commitments of developed countries and the actions of developing countries, backed by finance and technology, and this distinction in the two sub-paragraphs is one of the most important of the understandings reached in Bali.

It was the understanding in Bali that these three pieces would form the basis of mitigation negotiations, with a result in Copenhagen of a deal on the second commitment period in the KP under the KP working group, and a deal on the US commitment under para 1b(i) in the LCA working group and an outcome on developing counties' actions together with finance and technology under para 1b (ii) of the LCA group.

However, what was signaled in Bangkok in early October was confirmed in Barcelona in November, that almost all the developed countries have decided to abandon the Protocol. They apparently want to join the United States, and establish a new agreement, which is likely to be a climb down from the internationally legally binding regime that is Kyoto, to a collection of national efforts and a peer review by Convention parties of the national performances, in the new agreement. This low-grade framework is widely termed "pledge and review". It can be predicted that this will be the basis of the proposed "new agreement" because the US has made clear it will not sign on to an internationally binding agreement to cut emissions -- unless China, India and other "advanced developing countries" also sign on to such an internationally binding agreement. This is highly unlikely as these developing countries are under no obligation to do so under the Convention and moreover there is no clear or agreed criteria on why certain developing countries should be "selected" to join in.

Although in retrospect this abandonment of the KP was on the cards (it was implied in the proposals of several developed countries earlier this year), it still came as a shock to the developing countries when they realized that the last developed-country member standing on the KP ship, the European Union, had also decided to jump to a "single new agreement" which they want to negotiate under the LCA working group. The G77 and China made clear in Bangkok and Barcelona that they would not accept this climb-down of developed countries from an internationally binding regime to a loose national pledge and review system. They called on the developed countries which are members of the KP to complete the negotiations for a second period, while a comparable US commitment could be agreed to under the Convention. China described the attempted move by developed countries from the KP to a new loose agreement as an attempt at a "great escape" from their responsibilities, and said that the two trains to Copenhagen are about to be derailed as one train on the KP track was about to crash and its debris would scatter on the LCA track and would threaten that train to also be turned upside down. Other developing countries and groupings made similar statements.

2. Low level of ambition in emissions reductions

The second issue is the very low level of ambition of developed countries in emissions reduction. A fundamental foundation of an environmentally ambitious and an equitable global climate deal is that developed countries cut their emissions deeply. The greater the cut, the more will be the atmospheric space left for developing countries. Developing countries have asked that developed countries cut their emissions collectively by at least 40% by 2020 (compared to the 1990 level). The IPCC fourth assessment report has also been interpreted to conclude that developed countries need to cut their emissions by at least 25 to 40 per cent by 2020.

Unfortunately the announcements made by individual developed countries, when added up, only amount to an overall cut of 16 to 23 per cent (excluding the US), according to the UNFCCC secretariat data distributed in Barcelona. And the aggregate is only 11 to 18 per cent if the US is included, according to an estimate of the alliance of small island states. The developing countries are aghast at such low levels of commitments. Even then these national announcements and pledges are over-stated because a significant part of the reductions will not be done domestically by the developed countries, as they plan to have developing countries undertake some of the emissions reductions for them through "offsets"; and moreover the figures are linked to conditions (including that other developed countries make comparable efforts and in some cases that some developing countries also commit to take mitigation actions that are deemed satisfactory).

At the Barcelona session, the developing countries, led by the Africa Group, insisted that the developed countries in the KP make serious attempts to commit to a credible set of "numbers" on the aggregate cut and the individual country cuts. They proposed that discussions on other issues (such as the possible expansion of ways to "offset" the emissions, or of new market mechanisms) in the KP group be suspended to give more time to the discussion on numbers. The developing countries were making the point that all other issues would be secondary or irrelevant if the developed countries do not commit to figures on emission reductions that are serious. At one point in the Bangkok session, the chair of the KP group remarked that if the low numbers are not improved, "we will be the laughing stock of the world" at the end of the Copenhagen conference.

3. Shifting the burden on developing countries

The third issue is the continued attempt by developed countries to shift the burden of responsibility to developing countries, and in violation of the principles and provisions of the Convention and the Bali Action Plan, which

have clearly demarcated the "common but differentiated responsibilities" principle. At Bangkok and Barcelona, intense pressure was piled on the developing countries to take on more obligations on mitigation that are beyond what was agreed and mandated in the Convention and the Bali Action Plan, which make a clear distinction between the binding mitigation commitments of developed countries to reduce emissions, and the mitigation actions of developing countries, supported and enabled by finance and technology, and in the context of sustainable development. The United States led the charge, stressing its point that the "common responsibilities" have to be worked out, and not just the "differentiated responsibilities." It even insisted on a special group or special sessions on these "common actions", thus attempting to blur the carefully devised firewall between the Bali Action Plan's para 1b(i) on developed countries' mitigation commitments and para 1b(ii) on developing countries' actions. A "non-paper 28" on these common actions was prepared by the Chair of the LCA group, and it has been mainly rejected by the G77 and China.

The attempt to shift responsibilities included proposals to get developing countries to adhere to new and broad reporting and verification procedures similar to developed countries and beyond what the Bali Action Plan mandates. In addition, there were proposals to get some "advanced developing countries" to adhere to emission reduction targets, to get developing countries in general to commit to have "deviation from business as usual by 15 to 30 percent" in their emissions levels, both of which were not agreed to in Bali nor are they in the Convention's provisions, and to introduce a "graduation process" by which some developing countries (those with a significant emission profile and have had changed economic conditions) have to take on more mitigation obligations. The developed countries are also pressing developing countries to contribute to the international funding of the developing countries' climate actions, which is against the Convention provision that it is the developed countries which are to fund the agreed full costs incurred by developing countries to prepare their national reports and to fund the agreed

full incremental costs of their climate actions.

4. Means of implementation not forthcoming

The fourth issue is that the adequate means to enable developing countries to take actions are still not forthcoming. The three enabling factors are financial resources, technology development and transfer and capacity building. The developing countries repeatedly stressed what to them is the heart of the UNFCCC's compact, that the extent to which developing countries meet their obligations to take climate change actions depends on the extent to which the developed countries meet their commitments to developing countries on providing finance and technology, a key principle enshrined in Article 4.7 of the Convention.

In the current negotiations on finance and technology, there are two categories of issues -- structural or architectural issues, and policy and other issues. On the issues of structure, the G77 and China in August 2008 submitted proposals that a new financial architecture as well as a new technology mechanism be established inside the Convention, under the authority of the Conference of Parties. It also wants a new structure for adaptation. The developed countries have been reluctant to accede to the G77-China proposals, and came up with their own much weaker ideas on how finance and technology can be strengthened. They argued that existing financial institutions (especially the Global Environment Facility and the World Bank) should be used, and not a new fund inside the Convention, that the G77 proposed. They were also against the G77's proposal for a new executive body on technology which can take decisions on technology-related policy and oversee actions to transfer technology, arguing that an existing or new advisory group is sufficient.

At Bangkok and Barcelona, there was some progress in the talks on finance structure, with some developed countries seeming to bend towards a financial mechanism to be overseen by the Conference of Parties, through they still insist on the funds to be channeled through existing institutions. On the technology decision-making structure, there is yet to be acceptance by developed countries. At Copenhagen, the G77 and China can be expected to insist that their proposals to set up new structures – meant after all to make the implementation of commitments made under the Convention more effective – be adopted, at least in principle. If there can be no headway on even the simple question of strengthening the Convention through new structures, then there is little hope of progress in other areas.

On other issues linked to finance, two important questions are the adequacy of the quantum of funds, and the sources of funding (especially on whether funds should be from the public sector or the private sector, especially carbon trading). In September, the United Nations Department on Economics and Social Affairs published a detailed report estimating that US$500bil-US$600bil is required annually by developing countries for mitigation and adaptation, and that most of the funding should come from the public sector, in a Marshall Plan type of programme aimed at helping developing countries deal with climate change. The economist Nicholas Stern (who authored the Economics of Climate Change for the British government) estimated that the annual cost of global climate action is about 2% of world GNP (around US$1,000bil today or US$2,000bil in 2050). He advocated US$130bil per annum of public funding from developed countries for use by developing countries ($15bil for forest conservation, $40bil for R&D and $75bil for adaptation), and also estimated another US$50-100bil flow to developing countries for mitigation, through carbon trading.

On adaptation alone, the UN Climate Convention secretariat estimated the global annual costs at US$40-170bil. But the actual adaptation costs are three to three times higher in the sectors covered by the report, according to a recent study by the International Institute for Environment and Development and the Grantham Institute of Imperial College London. And if sectors left out of the secretariat report are included, the cost would be higher still. For example, the cost of protecting eco-systems could cost US$350bil.

Another study by scientists in China estimated the cost of reducing China's emissions as US$438bil per year within 20 years.

The G77 and China had originally proposed that developed countries provide at least 0.5% to 1% of their GNP (which is around US$200-400bil a year) to fund developing countries' climate actions. This range was proposed in 2008, before the latest data were available. Some developing countries and their groupings have now adjusted the figures upwards, with the African Group for example putting forward the figure of 5% of GNP at Bangkok.

Against this background, the European Union's recent announcement on finance has been very disappointing. It estimated that developing countries would need 100bil euro a year by 2020 for climate mitigation and adaptation actions. But it added that the governments of developed countries should fund only 20-40 per cent of that, while the carbon market will come up with 40% and the developing countries will self-finance 20-40%. It proposed that international public financing for developing countries' climate activities would be 22-50 bil euros in 2020, of which Europe would fund 2-15 billion. And in the near term, 2010-2012, there would be only 5-7bil a year, with Europe contributing 0.5-2.1bil.

These figures are extremely low, especially since they cover the whole range of activities -- mitigation (reduction of emissions), adaptation (coping with the effects of cli-

mate change), capacity building (the dev-elo-pment of institutions) and technology development. The proposed amounts pale in comparison with the estimates made by many organisations of what is needed by developing countries to fight climate change. Besides being so inadequate in quantum, the European proposal also comes with many conditions and assumptions. These include that some developing countries should also contribute to the international funding, that they must agree to cap their emissions and take part in carbon trading within a certain year, that much of the funding will go through existing channels such as bilateral aid and the World Bank. The EU expects developing countries to get most of their funding from their own domestic resources, or from the carbon market. But an international carbon market is yet to exist and can be expected to face many glitches. For example, how can a developing country plan a reform of its energy or transport sector seriously when the funds it will rely on have to come from the carbon market and there is no way of telling what the price of carbon will be in two years' time or even six months from now.

On technology transfer, one major issue is the treatment of intellectual property rights. Developing countries generally view IPRs as a barrier to the transfer of climate-related technologies from developed countries, and to the development of their own endogenous technologies. The G77 and China has proposed that these technologies be exempted in developing countries from patents, and that "technology pools" be established to facilitate transfers of technology to developing countries royalty-free. India, Bolivia and other countries also put forward proposals on IPRs and technology transfer at the Barcelona session. The developing countries' proposals imply calling for a review of the international regimes, including the WTO's TRIPS agreement. However, the developed countries are against any relaxation of the present international rules on IPRs. This is not surprising because most patents linked to new climate-related technologies such as renewable energy are owned by companies of developed countries.

5. Behind the "Shared Vision": Unfair distribution of responsibilities in emissions reductions

The fifth issue is the North-South distribution of responsibilities in a "long term goal for emissions reductions." The Bali Action Plan mandates that a "shared vision" for long term cooperative action be established, that includes such a long-term goal. The discussions on shared vision have been contentious. Developed countries are proposing a 50% global Greenhouse Gas emissions cut by 2050 from 1990 levels (from 38 billion in 1990 to 19.3 billion tonnes in 2050). The G8 in its summit this year announced it is willing to take a 80% cut, and this has been repeated by the US in Bangkok and Barcelona. The figures of a 50% global cut and a 80% developed-countries' cut by 2050 are contained in drafts (known as "non-papers) of the "shared vision" issue coming out of Barcelona. Indeed, if there is one outcome in a "political declaration" that the developed countries want from Copenhagen, it is the 50% figure, if possible backed up by the 80% figure.

Behind the figures however are very significant implications for developing countries and the future distribution of world emission rights and of world income. A 50% global cut implies global GHG emissions dropping from 38 billion tonnes (of carbon dioxide equivalent) in 1990 to 19.3 billion tonnes in 2050. A 80% cut for developed countries implies a drop from 18.3 billion to 3.6 billion tonnes. This proposal implies by simple deduction that the developing countries would have to do the rest – that is, accept a 20% cut from 20 billion to 15.7 billion tonnes. As the population of developing countries is expected to double during that period (according to the latest UN estimates), they will end up with a 60% cut per capita. The cuts will be actually even much deeper between 2009 and 2050, because many developing countries have increased their emissions significantly between 1990 and the present. As for the developed countries, their population size is projected to be stable between 1990 and 2050, and thus their per capita reduction will be the same as their overall reduction at 80%.

It is unfair to ask developing countries to undertake a per capita emission cut just slightly below (or even the same as, depending on the base year used) the cut that developed countries are prepared to make.

If developed countries were to make a 100% cut between 1990 and 2050, developing countries would still be required to make a 52% cut per capita. Developed countries would need to reduce their emissions by 213% by 2050, for developing countries to maintain their current per capita emission level. Developed countries would, in other words, need to cut emissions to 0% and create sinks to absorb greenhouse gases equivalent to another 113% of their 1990 emissions.

To both developed and developing countries, this may seem impossible. For developing countries it may seem impossible to achieve economic development while maintaining (instead of increasing) their current, low per-capita level of emissions. For developed countries it may seem impossible to go beyond a 100% emission cut. But it may need two impossibles to make a possible deal.

In order not to exceed the danger level, the world has around 600 billion tonnes of emission of carbon (equivalent to around 2,200 billion tonnes of carbon dioxide) to budget between 1800 and 2050. The developed countries have already emitted 240 billion tonnes of carbon between 1800 and 2008. This is far above their "fair share" of 81 billion tonnes in that period (if their

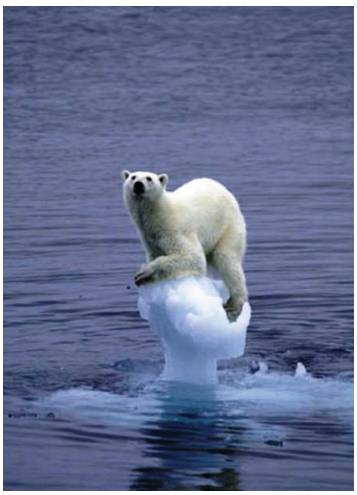
emissions had been at the same ratio as their share of world population). From 1800 to 2008, developed countries have a carbon debt of 159 billion tonnes of carbon (or 583 billion tonnes of carbon dioxide). And, given the scenario of a 50% global cut and an 85% developed country cut by 2050, they will emit another 85 billion tonnes of carbon between 2009 and 2050. Thus, their total emission would be 325 billion tonnes of carbon from 1800 to 2050. Since their fair share is 125 billion tonnes for this period, they have a "carbon debt" of 200 billion tonnes of carbon.

In a fair climate deal, the historical debt would have to be met, at least through sufficient transfers of finance and technology, that would enable developing countries to take their own actions to counter the effects of climate change and to switch to climate-friendly technologies, while maintaining their ability to have adequate economic and social growth and development. Of course, a fair deal also requires developed countries to cut their emissions deeply. The greater the cut, the more will be the atmospheric space left for developing countries. The Copenhagen conference, if it is to be considered a success, will have to go some way at least in pointing to the direction of these solutions, even if it cannot come up with the final solutions.

Thus, some developing countries do not want to agree to a "shared vision" with a goal of reducing global emissions by a certain percentage by a certain year, at least unless and until all the other parts of the equation are discussed transparently and thoroughly, with all the implications set out, and with the adequate finance and technology guaranteed for developing countries to be able to play their part.

6. Trade Protectionism in the name of Climate

Finally, there is the emerging issue of trade protectionism in the name of climate change. The shadow of this issue has loomed over the climate negotiations, especially after the US House of Representatives approved the Waxman-Markey bill at the end of June 2009, which contains a section requiring the US President to impose border tax adjustment measures on energy-intensive goods imported from developing countries that are deemed not to be taking on the comparable mitigation actions as the US. Such a measure will increase the prices of the imported products. Some European countries may be preparing similar measures. The French President, Nicolas Sarkozy, on Sept 10 said he "will not accept a system that imports products from countries that don't respect the rules in France. I will fight for a carbon tax at the borders of Europe. Referring to the US Congress bill, he said: "I don't see why the US can do it and Europe cannot."



The developing countries are the targets and they will be the losers if these threats are carried out. Compared to the developed countries, they have less funds and technology to make their production systems less polluting. The developed countries which are mainly responsible for the climate crisis should be assisting developing countries, instead of passing the burden of adjustment onto them.

At the UNFCCC session in Bonn in August, India and other developing countries protested against the trade measures as being against many principles and provisions of the Convention. India proposed that the Copenhagen text include a paragraph stating that "developed country Parties shall not resort to any form of unilateral measures including countervailing border measures, against goods and services imported from developing countries on grounds of protection and stabilisation of climate. Such unilateral measures would violate the principles and provisions of the Convention". It goes on to cite many such provisions. The developing countries are likely to demand that such a text be included in the Copenhagen outcome. Some developed countries, particularly the US, can however be expected to argue against it.

Conclusion

The above are some of the major issues where there are wide differences, mainly between developed and developing countries. Even if it is too late for Copenhagen to produce a lengthy and legally binding document, and only a "political declaration" is now expected, these issues will still form the basis for the negotiations on this "political declaration." After all, a political declaration, especially if it is also in the form of a Decision in the Conference of Parties, also has a legal status and effect, and locks in the framework and parameters of the future negotiations. Copenhagen will thus not be a "picnic". The emerging view that "nothing will happen in Copenhagen" should not lull the developing countries into complacency, for something surely will happen in Copenhagen. The question is what.

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