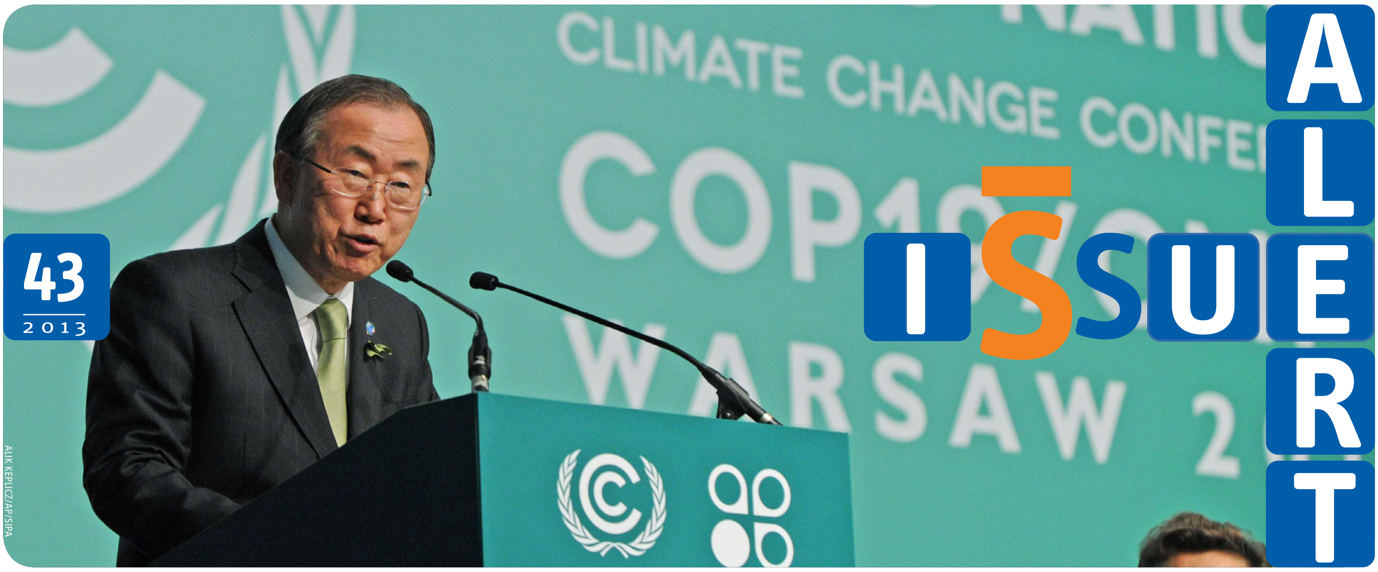

Warsaw to Paris: beyond the climate divide

by Gerald Stang

The November Climate Change Conference in Warsaw resulted in a modest success in moving negotiations forward. Climate negotiations are, of course, about saving the environment. But they are also about economic competitiveness – and about power. While long-term worries about water wars and massive climate migration remain largely the domain of the paranoid and the pessimistic, short-term challenges abound.

The Warsaw conference, the most recent Conference of Parties (COP19) for the United Nations Framework Convention on Climate Change (UNFCCC), was a stepping stone toward COP21 in Paris in 2015, when an agreement on a major long-term international climate deal is envisioned. The conference made progress on several issues, including the creation of a mechanism for addressing losses from climate change and a commitment from developed states to outline how they will increase climate finance until 2020 and how funds will be mobilised to meet the commitment of $100 billion in annual climate financing from 2020 onwards. Rules were also clarified for distributing finance and measuring deforestation for the Reducing Emissions from Deforestation and Degradation (REDD+) programme. Perhaps most importantly, all countries agreed to submit clear 'nationally-determined contributions' by early 2015, with time for a review process before the COP21 in Paris at the end of the year. While use of the term 'contributions' – rather than 'commitments' – has raised eyebrows due to its ambiguity, the fact that all countries agreed to set targets is a milestone achievement in itself.

The use of nationally-determined contributions may be more flexible, less centralised and perhaps more attractive for hesitant participants than was the earlier Kyoto model, but whether this will lead to a fair, comprehensible, achievable and comparable series of national targets, however, remains to be seen. The past EU preference for legally-binding agreements with clear monitoring and compliance mechanisms has been difficult to sell to the 160 other parties.

Shifting power and competitiveness

The 1997 Kyoto Protocol codified a clear divide between the countries that had contributed significantly to the build-up of greenhouse gases in the atmosphere up to that point (developed countries and the former Soviet bloc) and developing countries. Past polluters were lumped into one category (the Annex I states) and adopted clear emission reduction targets while developing countries were assigned no targets.

However, the ongoing boom in the economies and emissions of many developing countries, combined with economic stagnation in the developed world, has led to a serious re-evaluation of this divide, as developing countries now account for 60% of global emissions. Both the developed world and those countries most likely to be affected by climate change (low-lying islands and the least developed countries) have argued that current and future emissions should be the focus of discussions. Many of the fastest growing polluters – including India, China and many oil-producing states – are actually among the countries predicted to be the hardest hit by the impacts of climate change. Reduced emissions in the West will not be enough to save China from future droughts. And although China has greatly improved the energy intensity of its economy, its continued impressive growth has meant that absolute emissions are still skyrocketing.

If there is growing recognition that emissions need to be cut across the board, there is still disagreement over who will pay and how the cuts will be implemented. To date, developed countries have taken the lead in paying the price for most emissions reductions. As part of the Kyoto Protocol, a Clean Development Mechanism (CDM) allowed Annex I countries to compensate for a lack of domestic emission reductions by investing in climate-friendly projects in non-Annex I countries. There is some first-mover advantage in establishing technological leadership on green energy and efficiency improvements but, as the recent dispute over the dumping of cheap Chinese solar panels on the European market shows, the technological advantage does not necessarily last long.

EU actions and challenges

Due to differences in economic strength and energy mixes, not all EU countries are on the same page either in terms of emission reduction targets cuts or on climate-related spending outside the EU. Forging and re-forging consensus within the EU throughout the UNFCCC process may be as important a challenge as crafting a global deal.

The EU has positioned itself as a moral, diplomatic, and technological leader on climate issues. With 20% of the EU budget for 2014-20 dedicated to climate-related projects across all EU policy areas, the EU is backing up its climate talk with resources. This leadership has borne fruit in climate negotiations as ever more countries have begun to prioritise climate issues and to develop emission reduction policies. Despite increased coal consumption over the last three years, the European Environment Agency estimates that the EU will easily meet its declared 2020 target of reducing emissions by 20% from 1990 levels. More ambitious targets could thus be readily envisioned, but further commitments have been withheld in anticipation of the negotiations with (and pledges from) other parts of the world.

On a global level, the limited pool of climate finance should be directed to the most effective projects. Considering the economic challenges that Europe is facing, however, how willing will European taxpayers be to pay for initiatives abroad – either in fellow member states or across the globe – rather than investing in green projects at home? The EU provides significant support to climate policies and green initiatives outside its borders, contributing €7.2 billion over the period 2010-2012. But while European decisions on climate and competitiveness are indeed connected, they are not always complementary. In 2012, 3.4 million Europeans were estimated to work in eco-industries, but the opportunity cost of creating these green jobs is not minimal and the impact of high energy prices on European economies is also unclear. The EU will continue to struggle to determine how to spend money in a manner that protects both its economy and the environment.

From Warsaw to Paris: a bumpy road

Since the signing of the Kyoto Protocol, emissions have soared, climate science has solidified and the emissions map of the world has changed. Whether labelled commitments or contributions, national reduction targets must be significantly improved if the world is to limit the rise in global temperatures to 2 degrees by 2100, The contributions/commitments of 2013 (or 2015) will eventually be seen as a mere starting point on which future cuts must be based. While many countries will likely be trying to develop national contribution plans that minimise economic pain and maximise emissions flexibility, the EU has a more difficult balancing act. In addition to managing demands from all of its member states, the EU is also in a leadership position whereby its willingness to take climate action can set the tone for what its economic partners/competitors are willing to do.

Leading up to Paris 2015, the EU will be engaging in significant climate diplomacy to connect with partner countries. It will be important to pre-emptively understand the domestic economic and environmental factors that drive decision-making for the other negotiating parties – an understanding that was clearly lacking four years ago in Copenhagen.

China will be the biggest challenge and the biggest opportunity, as it is increasingly a model for much of the developing world. The EU is working with China bilaterally and, together with the Americans, may have to help the Chinese develop decarbonisation strategies they can feel comfortable with in terms of economic competitiveness. China is thus both partner and competitor, in climate negotiations as in the economic sphere. Encouraging the world's major emitters to bring their best proposals forward for 2015, and then forging an agreement based on those proposals, will be a major challenge.

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