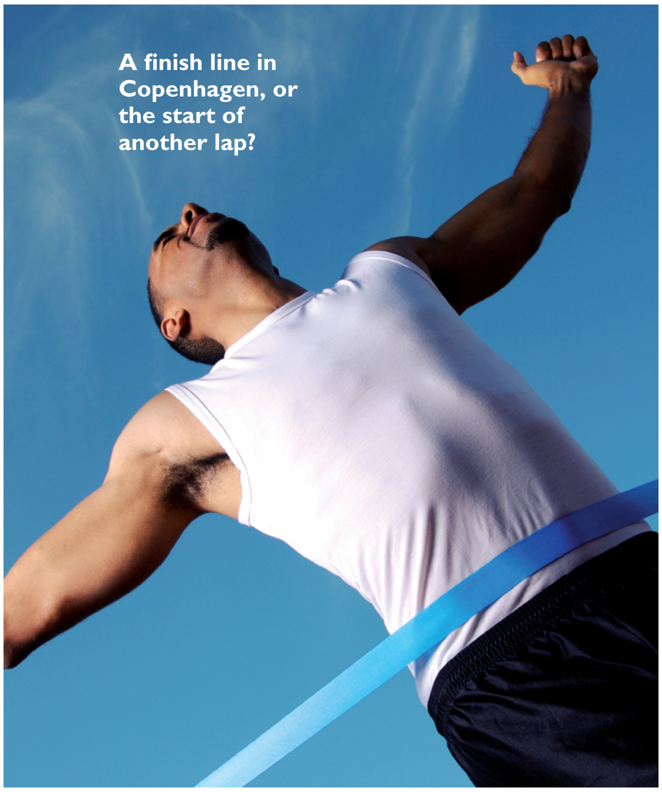
A finish line in Copenhagen, or the start of another lap?

From a marathon to a sprint

Negotiators face a gruelling seven months as they approach what they hope will be a finish line in Copenhagen in December. **Tilman Santarius** considers the obstacles they must overcome

The marathon of international climate negotiations from Bali at the end of 2007 to Copenhagen at the end of this year continues. Yet the finish line still seems a long way off. Just recently, at the end of March and start of April, countries again gathered to continue negotiations on a post-2012 global climate change regime. In many aspects of the negotiations, however, even agreement on the basics is missing. The marathon soon has to become a sprint if negotiators want to agree on a final deal in Copenhagen.

Certainly, there have been better times for major movements in international climate policy. The financial and economic crisis has pushed climate issues down the agenda. In December last year, during negotiations on the EU's climate and energy package, Italy's prime minister Silvio Berlusconi even suggested that it was "absurd to talk about emissions cuts in this crisis moment. It is as if someone suffering from pneumonia were to think of going to the hairdresser." Fortunately, ministers and politicians throughout the world have emphasised that climate protection and economic stabilisation can be treated as mutually supportive goals. Nevertheless, in the shadow of the current economic recession, the political environment makes it harder for negotiators to work towards a comprehensive and far-reaching climate deal.

On the other hand, negotiations have gained momentum lately – boosted by Barack Obama's election. At the negotiations in Bonn in April, his special envoy Todd Stern reiterated Obama's ambition to see a deal in Copenhagen. However, the new US administration still has to figure out the kind of targets and policies it envisions for Copenhagen, and thus has not put any concrete proposals on the table.

In contrast, the EU has set out two proposals on what a Copenhagen deal might look like: the 'Copenhagen Communication' by the EU's executive body, the Commission, in January 2009, and guidelines from the Council of Environmental Ministers, representing the member states, in March 2009. Meanwhile, a whole raft of proposals has been forthcoming from developing countries and other industrialised nations.

In fact, the developing countries showed leadership during most of the negotiations last year and were eagerly awaiting constructive signals from the EU. South Africa, China, Mexico and South Korea, in particular, have drafted ambitious national climate policies. And several of the most progressive proposals in the negotiations, such as on technology development and transfer, and on finance mechanisms, were submitted by individual developing countries or the G77 and China grouping.

Despite this new momentum, however, the negotiations are still far from conclusion on most of the crucial building blocks. Discussions on how much countries have to reduce their greenhouse gas emissions naturally lie at the heart of the climate negotiations. The industrialised countries still hesitate to discuss their own concrete quantitative emissions reduction obligations. Developing countries have suggested that an aggregate target for the industrialised world might be agreed first, before moving on to individual country targets.

They have highlighted the Intergovernmental Panel on Climate Change's Fourth Assessment Report and call for an aggregate reduction of "at least" 25–40% below 1990 levels by 2020. However, the countries of the so-called 'Umbrella Group' – including Japan, Canada and Australia – continue to hide behind the US, and have not yet offered any commitment for a post-2012 agreement. Meanwhile, both Australia and Japan[1] have surprised observers with proposals for domestic mitigation goals that fall far short of what science suggests is needed to avoid dangerous interference with the climate system. Tough negotiations in the coming months can be expected on the comparability of efforts between industrialised countries – ie, between the reduction goal of 30% by the EU on the one hand, and much weaker targets by the Umbrella Group countries on the other.

Meanwhile, industrialised countries will likely make their reduction efforts dependent on the level of mitigation actions by developing countries, particularly China, India, Brazil and others. During last year's negotiations, an intensive debate evolved around possible contributions from developing countries. Negotiators considered the idea of establishing a registry of "nationally appropriate mitigation actions" in developing countries. The EU suggested defining an aggregate emissions reduction goal for developing countries in terms of a quantified deviation from business as usual. In addition, in its Copenhagen Communication, the European Commission proposed that developing countries should develop low-carbon development plans that would identify mitigation actions and be made subject to review by an international facilitation mechanism.

However, developing countries have been hesitant to discuss mitigation actions of their own until the US comes up with an ambitious and credible emissions reduction goal. Even more importantly, developing countries are tying any agreement on mitigation actions to concrete offers of technological and financial support. This is where

1 Australia has proposed a target of 5–15% below 2000 levels by 2020, while Japan has proposed several options that range from 4% above to 25% below 1990 levels by 2020.

negotiators are caught in a vicious circle: without clear leadership on targets and the provision of substantial support by developed countries, developing countries are not going to contribute; but without significant mitigation actions by the advanced developing countries, real ambition on the side of the US and other industrialised countries is unlikely.

Little wonder then, that negotiations about finance and financial mechanisms have moved centre stage. For too long, demands of developing countries for financial transfers, as mandated by both the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, have been largely ignored. Now the issue is of utmost importance, as it serves as a key to unlock the willingness of the South to engage in mitigation actions, and in turn the willingness of the North to take on ambitious mitigation commitments.

A report by the UNFCCC Secretariat indicates that, by 2030, about $130 billion will be needed annually for mitigation, as well as several tens of billions for adaptation in developing countries alone; the European Commission in its Copenhagen Communication expects that $175 billion will be necessary for climate-friendly investments by 2020 – more than half of it in the developing world. Yet in the actual negotiations, parties are locked in mutual suspicion: the South wants to see substantial offers of finance before announcing any mitigation actions, the North first wants to know how the money will be spent.

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Not surprisingly, there are intense discussions about the source of new finance. Already in 2008, several parties had tabled innovative proposals. Most notably, Norway proposes auctioning 2% of permits from the emission budgets of industrialised countries ('Assigned Amount Units'), or taxing the issuance of allowances. Mexico has suggested a 'multilateral climate change fund' to which all parties, including developing countries, would contribute on the basis of certain criteria.

For a number of countries, in particular China, agreement on mechanisms and tools for the transfer of technologies is as important as finance. Therefore, "technology development and transfer", too, has become a key building block in the negotiations. The G77 and China have submitted the most far-reaching proposal so far, which includes the establishment of a new subsidiary body on technology transfer, a multilateral climate change fund and a global technology action plan.

The EU instead favours a bottom-up approach: developing countries should identify technology needs and outline national technology road maps first, and then ask for technological and financial support from the international community. Overall, parties are a long way from common ideas on the matter. Nevertheless, the business community should be prepared for some major conclusions at Copenhagen, which might unleash an unprecedented scale of investment in research, demonstration and diffusion of climate-friendly technologies.

Adaptation turned out to be the hottest topic at the Poznań talks at the end of last year. During the final hours of negotiations, ministers agreed on the full operationalisation of the Adaptation Fund, designed to channel investment to adaptation projects in least-developed countries. However, at the same time, the issue of adaptation brought about considerable frustration among developing countries: industrialised countries did not agree to extend the financial means of the Adaptation Fund, currently funded by a levy on carbon credits issued via the Clean Development Mechanism (CDM). How to raise the large amounts of finance required to support vulnerable communities remains an important challenge in this year's negotiations.

Naturally, the CDM occupies a prominent place on the negotiating agenda. The Poznan conference asked the CDM Executive Board to enhance the objectivity of approaches to demonstrate that projects are 'additional' to business as usual, including through standardised methods to calculate financial parameters, quantitative approaches to the demonstration of barriers and better definition of common practice. Furthermore, parties agreed that the board should speed up its procedures, better scrutinise the project validators and enhance objectivity in the determination of project emissions baselines.

The EU, in particular, had suggested more far-reaching governance reforms, such as shifting the selection and payment of the validators from the project participants to the UNFCCC Secretariat, or shifting the day-to-day operation of the CDM from the Executive Board to the Secretariat. Yet these suggestions were resisted by developing countries.

On the future of the flexible mechanisms, negotiations are still under way. Last year's discussions yielded a long list of options on reforming the mechanisms after 2012. These range from including carbon capture and storage and nuclear power in the CDM, via crediting reductions at the industry-sector level, to discounting the exchange ratio of CDM certificates (CERs) into industrialised country emission certificates (AAUs). In its Copenhagen Communication, the Commission proposed sectoral emissions trading, which in the long run might even lead to a phase out of the CDM altogether. At this point, no conclusions on the future development of flexible mechanisms are possible, leaving project developers in an uneasy situation.

So what kind of outcome can we expect for this marathon?

Further negotiations this year promise to remain exciting, to say the least. As the timing of negotiations up to Copenhagen is extraordinarily tight, and the agenda is becoming ever more complex, additional intersessional consultations are already planned: besides confirmed meetings in Bonn (June) and Bangkok (September), two more meetings might emerge in August and November before ministers meet in Copenhagen in December. In addition, President Obama has announced plans to meet with 20–30 countries during the summer to further fuel the UNFCCC process from the outside, by way of a 'Major Economies Forum', following on from a similar initiative launched by his predecessor.

The lack of real progress puts tremendous pressure on these upcoming meetings. What is more, parties have not yet figured out the kind of legal outcome to be aimed for in Copenhagen. Will negotiations result in an amendment or a follow-up to the Kyoto Protocol? Will they deliver a new legal instrument, such as a 'Copenhagen Protocol'? Or will they merely take the form of less manifest decisions by the Copenhagen conference of the parties to the UNFCCC?

There is a growing risk that Copenhagen might only deliver a basic framework text, with more time needed to negotiate a new accord that is ready for ratification. This would mean that pressure on national governments to implement stringent emissions reductions programmes would be delayed as well. For the finishing line of the international climate deal is just the starting line for its national implementation. Keeping a rise in global temperature below the dangerous threshold of 2°C would then become more and more difficult.

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