

Scenarios for a Post-2012 Framework: Possible ways to engage developing countries

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Project Overview

- Researchers from very different perspectives explored possible ways forward after 2012– to set the scene for negotiators and stakeholders.
- Four alternative regime scenarios were described (2003-2004).
- Elaborated key issues common to the four scenarios (2004-2005).

Dialogs with stakeholders

- Workshops held worldwide in 2003-04: Beijing, Buenos Aires, Bonn, Brussels, Hamburg, Milan, Ottawa, Oslo, Tokyo, Washington.
- Tokyo and Beijing workshops (Jan. 18-21, 2005), Washington, and Ottawa (May-June 2005, planned)

Four Scenarios (2003-2004)

Name	Key Feature	Leader
Graduation and Deepening	Kyoto-style binding cap	Axel Michaelowa, Germany
Converging Markets	Evolution of markets	Kristian Tangen, Norway
Orchestra of Treaties	Multiple issue specific treaties	Taishi Sugiyama, Japan
Human Development	North-South Equity	Pan Jiahua, China

Three Key Issues (2004-2005)

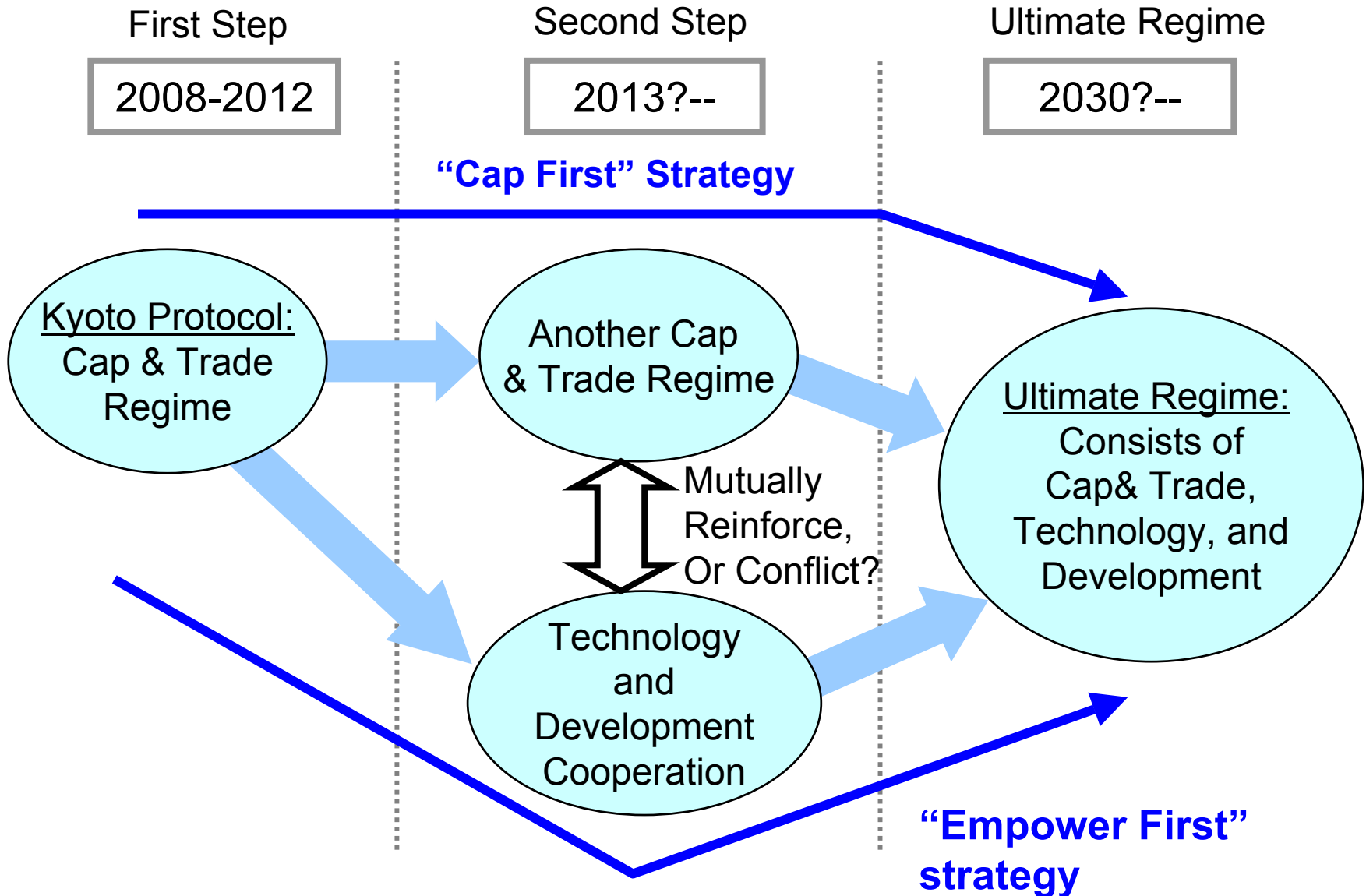
Participants agreed that eventual climate regime will have to include:

1. Cap & trade system
2. Technology development and deployment
3. Development assistance

Results

- Four scenarios are fleshed out in self-consistent manner – definition, mode of emergence, and environmental effectiveness.
- Strong differences remain among individual members of the team.
- Points of agreement may indicate possible ways forward for negotiations.

Where should the next step be?



A future for cap and trade? Potential modifications to Kyoto approach

- Procedure for allowing credits/allowances from non-party trading schemes used for compliance
 - Allow linking to the USA, non-party
- Simple and transparent model for targets
 - Reductions from baselines
- Sector targets for developing countries
- New eligibility criteria for CDM host countries
 - Only developing countries with commitments can host

What would be needed?

- Leadership
 - Lead by uniting, not dividing the world
- Coalition of like-minded countries
 - With existing trading systems
 - Present mandate or plan for future
 - Hint at future allocation (volumes, sectors, process)
- Explore potential of using other arenas
 - G8 and G20: high volumes, limited parties
- Word towards broad engagement
 - Include major emitters—developing and developed
 - Find complementary agendas (e.g., energy security)

First steps

- Coalition could show leadership by stating it is unilaterally willing to take on weak target
 - e.g., 5% from baseline
 - Increase target when other countries announce targets
 - Creates "race to the top"
- Could lead to draft mandate for new protocol under the UNFCCC

Alternative types of commitments?

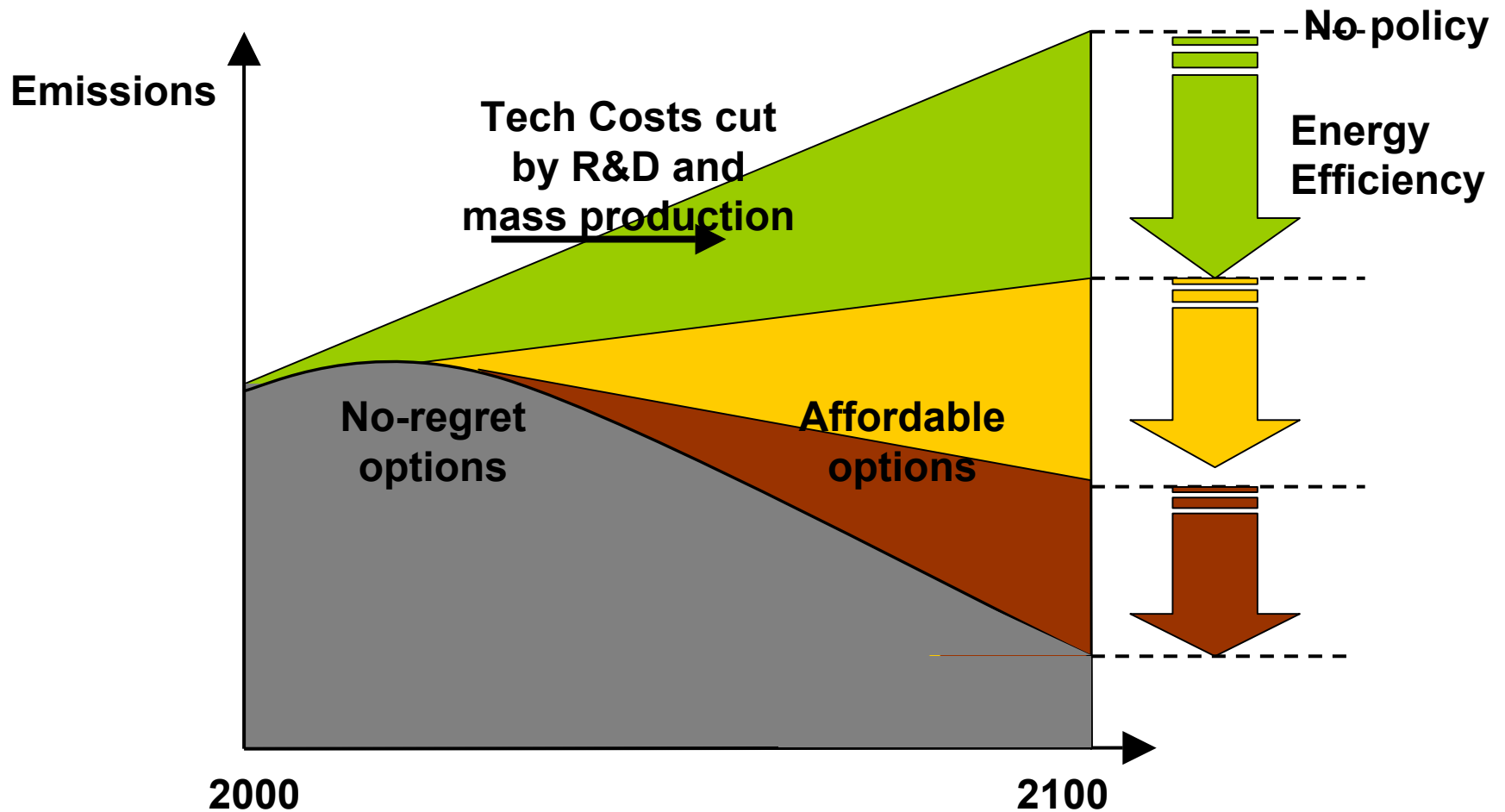
An equity-based approach

- Targets based on levels of development
- Types of commitments based on responsibility, potential, and capability for mitigation
- Voluntary, conditional, and mandatory commitments
- Developing country commitments linked to resource transfers
- Developed countries lead
- Incentives to participate, e.g., generous allowances for trading, or progressive tax on emissions

Examples of indicators & targets

	GHG/cap, 2000	Cumulative emissions, 1990-2000	GDP/cap, 2000	
Stages	(t-CO ₂ e)	(Gt-CO ₂ e)	('000 US\$)	Commitments
Annex II	15.9	134.9	27.5	Binding (strict) absolute reduction targets, domestic reduction, high direct payments to non-Annex I
Annex I, but not Annex II	10.0	95.4	7.0	Absolute limitation or reduction targets, domestic reduction,* qualitative commitments some financial transfers from Annex II
NICs	12.0	92.3	10.4	Binding absolute reduction targets, domestic reduction, low / no payments to non-Annex I
RIDCs	4.3	27.4	5.0	Absolute limitation targets (conditional to funding),* qualitative commitments , direct payments from Annex II
IgDCs	2.1	10.1	2.6	No quantified commitments, qualitative commitments, direct payments from Annex II
LDCs	1.5	1.4	1.2	No quantified commitments, qualitative commitments, direct payments from Annex II

How to develop climate technologies and deploy in developing countries?



Reframe the issue and policy framework

	Kyoto Protocol	Future Framework
Framing of the Issue	Capping total amount of emissions	Drastic change of energy system
Policy Framework	Allocating allowances	R&D and diffusion of technology
Consequence	Battle over allowances. Distrust, inefficiency.	International cooperation for mutual interests

Possible coalitions for climate technologies to create niche markets

Wind

- Wind rich countries
- JREC etc



Carbon Capture

- Fossil fuel rich countries
- CSLF etc



Energy Efficiency

- Countries with fragile access to energy
- APEC etc



Regions promote technologies compatible with their context

Example of possible energy-efficiency agreement

East Asian countries (Japan, China, Korea, etc.),

Recognizing that there are common interests (energy security, regional security, economic efficiency, large appliance market),

Agree to:

- 1) implement efficiency standards for appliances and automobiles, enforce and revise them,
- 2) promote governmental procurement, and
- 3) create a fund to assist building and running regulatory institutions.

Observations

1. Regional technology activities (renewable, capture, conservation) would flank KP approach and UNFCCC, not replace it.
2. Care should be taken for negotiations on binding cap regime not to be destructive to regional cooperation.
3. Global effects are expected from regional technology niche markets through institutional interplay. Danger of fragmentation could be remedied by global climate technology agreement.

How to link with development assistance? The view from IISD

- The FCCC appears to oblige Annex 2 Parties to finance the global response to climate change.
- The actual trends, particularly in ODA and for LDCs, is actually in the opposite direction.
- Climate change seen as a competitor for a shrinking ODA pot.
- Result: acrimonious negotiating dynamics.

Turning around the negotiating dynamic

- Integrate climate change considerations in the development priorities of countries. Co-benefits:
 - Energy security/independence
 - Sustainable agriculture and forestry
 - Clean air
- Leveraging the IFC, IDA, ECA
- Be realistic about where the real money is: FDI
- Improve the CDM
 - make CDM projects with significant sustainable development component competitive in market
- Bring together financial, development and climate change communities.

The view from HWWA

- Expect a lot of failures under the CDM
- Expect a lot of squandering if free resource flows are part of the post-2012 climate policy regime
- Involve more development policy practitioners in design and implementation of climate policies in developing countries
 - Mainstreaming of climate policy into development agencies
- But avoid diversion of development assistance into climate policy, otherwise we get a backlash from recipients
 - CDM ODA use discussion is a bad precedent
- Get the incentives right
 - Always some host country contribution

Publications

- Briefing paper for COP9 and COP10 side events
- Full description of scenarios as **special edition of *International Environmental Agreements*, early 2005**, Springer
- Final report March 2005
- Documents available at www.fni.no/post2012.html