



How to Recover from a Likely Climate Disaster in Copenhagen

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Summer 2009. The June Bonn meeting has finished, the August meeting is still to come. The summer break provides for some time to take stock and look ahead: Where are we now, what might happen in Copenhagen, and what would be needed thereafter? Of course, this article needs a disclaimer. An oft-heard phrase notes that “it is hard to make predictions, in particular when they are about the future...” That also holds for the outcome of the climate negotiations. However, some predictions are not as difficult as they might seem – in spite of the fact that few people yet dare to make them in public. One of them is about the outcome of the Copenhagen negotiations. The IPCC recommends a 25 to 40% emission reduction for developed countries and a deviation of 15 to 30% for developing countries – both from a 1990 baseline in 2020 – in order to curb climate change.¹ With the present negotiation positions and emission reduction offers made by developed as well as developing countries, achievement of these targets in December seems impossible. And that holds even more strongly if we take into account the underlying national energy, economic and foreign policy drivers that lead to these positions.

Time to take stock

Let’s summarize: The European Union has offered a 20% emission reduction compared to 1990 by 2020, and 30% if an international agreement is obtained. The United States aim to reduce emissions by 17% from 2005 levels, Japan announced a target of 15% emission reduction from 2009 on, and Russia plans to reduce emissions 10 to 15% below 1990 levels. China and India have presented climate action plans without quantitative emission reduction goals, but with some goals for energy efficiency, renewable energy and for carbon capture and storage policies. Saudi Arabia, as an often neglected but important party, concentrates on seeking financial assistance – for

the feared loss of fossil fuel revenues as a result of a climate pact – as well as on the inclusion of carbon capture and storage in the future regime. Combine these national proposals and you come nowhere near the IPCC recommendations, even if you take into account that these are first bids only.

To be sure, like with any issue, the glass of the climate negotiations can be looked at as either half empty or half full. Positive is that presently there are hardly any countries anymore that do not recognize the potentially harmful effects of climate change. Furthermore, the United States under their new president Barack Obama have gone through a remarkable U-turn with the administration now supporting a pro-active approach towards climate change mitigation and adaptation. And with its recently adapted and expanded emission trading scheme, the European Union is showing how innovative climate policies can be implemented in practice, despite huge initial resistance. Furthermore, it is true that the Chinese quantitative goals for energy efficiency and renewable energies could easily be converted into emission reduction goals, as some suggest.

Parties falling short of what's needed

However, what stands out when making the overall calculation is that of the above mentioned parties, together representing some 62% of present and 74% of future CO₂ emissions,² only the European Union so far meets the IPCC recommendations and currently is in line with its Kyoto Protocol obligations. Other parties fall far short of what is necessary: The U.S. target only amounts to a 4% emission reduction compared to 1990 levels, and the Japanese goal to 8% – just 2% more than the country's present Kyoto target. Neither can the Russian target be called ambitious, given that present emissions are already 34% below 1990 levels due to the Russian economic downfall after the dissolution of the Soviet Union.³ And even the EU achievements are only partly the result of dedicated policies: The European Environmental Agency notes that the economic recession in the New Member States and Eastern Germany after the fall of the Berlin wall as well as the “dash for gas” after market liberalization in the United Kingdom are the main reasons for the emission reductions in the EU thus far.⁴

Underlying interests: Europe, the United States and Japan

Looking at national interests, the status quo of climate negotiation is far from surprising. Given the fact that some three quarters of global CO₂ emissions are related to energy supply and demand, the link between climate policies and energy interests of countries deserves particular attention. Examining the motives behind the negotiation positions of some of the key players, four main energy policy drivers emerge: climate change per se, development, security of supply, and security of demand. Thus far, the EU is the only party which has made climate change the main driver of its official energy policies.⁵ Although environmental concerns of EU citizens will play a role in this formally stated policy priority, other underlying EU interests also point in this direction: Having founded its economic development since the industrial revolution on the exploration of domestic fossil fuels, these are now to a large extent exhausted. Increasing dependency on imported fossil fuels, as well as high hopes for economic spin-offs of renewables and nuclear energy, support ambitious EU climate change goals. Finally, EU external policy interests contribute to this position: since the climate change “policy niche” in recent years was left open by the most important international rule-setter, the United States, ample room was created for the EU to claim international leadership on this issue. In this way, climate change could contribute to EU foreign policy prestige in the international policy arena.

The United States, another key player in the climate negotiations, under Obama has made an important switch regarding climate change policies. The Waxman-Markey bill currently pending in Congress, for the first time aims at a quantitative emission reduction goal as well as at installing an emission trading system similar to that of the EU. However, as the importance given to climate change within the US public still is not very high,⁶ it is perhaps no surprise that the *New Energy for America* plan that Obama launched prior to its election starts with noting the crucial importance of reducing the dependency on oil imports from Venezuela and Saudi Arabia rather than with climate change.⁷ Security of supply still appears to be the key priority of U.S. energy policies, and important U.S. energy policy targets – increasing domestic biofuel and

unconventional gas production – therefore should rather be regarded as a way to stimulate security of supply with a positive climate co-benefit, than the other way around.

Security of supply is also of key importance to Japan which has always been low in domestic fossil fuel reserves. Maximizing energy efficiency and developing nuclear energy are the two main traditional Japanese policy responses to this scarcity. However, nuclear accidents and demographic factors like an ageing society and increasing number of households have made the attainment of the present Japanese emission target under Kyoto unlikely,⁸ and further incremental energy efficiency improvements appear increasingly difficult. Consequently, Japan has published a far less ambitious, but perhaps more realistic, emission reduction target for the Copenhagen negotiations than under Kyoto. In addition, Japan's negotiation strategy aims at cashing in on its already high energy efficiency through the promotion of global sectoral targets, which would leave Japan – scoring high in relation to global benchmarks – in a relatively comfortable position.

China and India

China and India are two other key parties in the climate negotiations, as their future absolute emissions will surpass those of the former number-one emitter, the United States, by far. As two large developing countries and main emerging markets at the same time, energy and climate policies in both countries appear primarily led by the aim to support their prosperous economic development of recent years. Access to energy, poverty eradication and stimulating economic development are explicitly mentioned as key targets in their energy and climate strategies.⁹ Their present emissions, still very low per capita, as well as their low overall emissions in the past, allows them to argue that industrialized countries should take the lead in emission reduction policies. That does not mean that these parties are generally opposed to emission reduction policies. China in particular has formulated ambitious goals in renewable energy and efficiency development, and thus far been very successful towards attaining these goals. The extent to which both parties will engage in further www.facet-online.org

emission reduction, however, will crucially depend on the financial support they will receive from industrialized countries – yet another issue in the Copenhagen negotiations the outcome of which remains completely unclear until today.

Saudia Arabia and Russia

Finally, Saudi Arabia and Russia are two main energy parties that are highly dependent on the export of oil and gas: 90% of the Saudian and 60% of the Russian export revenues stem from oil and gas.¹⁰ Their main energy interest therefore is security of demand for their fossil fuel exports. This has led Saudi Arabia to claim compensation for the potentially adverse effects of a climate agreement, and to strive for inclusion of carbon capture and storage into such an agreement. Russia on the other hand is in the comfortable position that the economic downturn after the dissolution of the Soviet Union has led to an emission reduction of more than 30%. Still, it has not yet made use of the possibilities this offers for reaping the economic benefits by cashing in through joint implementation projects. Rather, it has used the profits made from fossil fuel exports for reestablishing internal order and regaining external political stature.

The importance of the latter two countries for climate negotiations is often neglected. However, their power to obstruct an international climate agreement – not only in the negotiation but even more so in the implementation phase – should not be underestimated. This is for three reasons: First, their prime interest to secure demand for their fossil exports will almost inevitably lead them to look for holes in any climate agreement to be signed without them. As a Copenhagen climate agreement is unlikely to be watertight from the outset, such holes are likely to be found. Second, strategically lowering their oil and gas export prices would most likely undercut any emission reductions from a carbon market to be established by other countries in a climate agreement. Third, in particular Saudi Arabia and other OPEC countries have a growing home market to which oil and gas could be supplied if exports are made less attractive by a climate agreement.

The road out of Copenhagen

Getting back to the underlying motivations for national positions in the climate negotiations: It is implicitly assumed that all parties in the negotiations are motivated by the fear for adverse effects of climate change in the future. However, the brief exposé above shows that in practice, these positions are determined by far more factors, in particular by energy policy considerations. Given these strong links between climate and energy policies, the question is if a limitation of the negotiations to climate change is wise. On the one hand, it can be argued that the issue of climate change alone is already complex enough, and that opening the negotiations to underlying energy interests would result in a “mer a boire:” negotiations that would be too complex to handle. On the other hand, given the meagre results of negotiation thus far which might make a climate (policy) disaster in Copenhagen not unlikely, IPCC recommendations for emission reductions make it clear that more drastic steps will be needed in the future.

One such step could be to fully include the four underlying drivers for national climate change positions identified here into the negotiations. To some extent, this has already been done. Several features have already been included in the present negotiations that take the “development driver” into account: the Clean Development Mechanism, the Adaptation Fund and current discussions about financial contributions of developed countries to action in developing countries are signals that this driver is recognized and dealt with. But is it dealt with in the right way? Whereas countries like China and India state that economic development to them is an overriding priority, the current climate policy mechanisms rate emission reduction projects in developing countries primarily based on their emission reduction potential; their “co-benefits” in terms of development clearly score second. Given the priority order of objectives as stated by developing countries themselves, it would be more consistent to put development first, and then to identify the co-benefits of development projects in terms of emission reduction. It would also fit in this line of thinking to use the United Nations Millenium Development Goals as a basis for emission reduction benefits in the climate negotiations. Putting development prior to emission reduction would in effect

require a multilateral recognition of a set of – already available – development indicators in order to define a minimum level and other levels of development on which emission reduction targets could be based.

Whereas the development driver is already partly incorporated in the negotiations, it would be completely new to extend the negotiations also to the security of supply and security of demand considerations of individual nations. At present, 80% of energy demand consists of fossil fuels. These fuels will most likely play a dominant role in the global energy sector for decades to come. Including these drivers into the climate change negotiations would inevitably imply increased multilateral interference in fossil fuel markets, and in particular increased cooperation between fossil fuel exporting and importing countries.

From national intervention to international cooperation

Until very recently, any such proposal would have been unspeakable, if not unthinkable. However, the present financial crisis has shown that governments are willing to interfere in markets at unprecedented levels if this is considered necessary to prevent a major crisis from expanding beyond control. In fact, closer cooperation between fossil fuel exporters and importers would be a further extension of a trend that is already taking place. Governmental intervention in fossil fuel markets has greatly increased in recent years as many governments have realized that in tighter markets, security of supply cannot be left to the market alone. China is one of the most discussed players in this respect, but certainly not the only one. It is just one step from national intervention to international cooperation – albeit a difficult one. Key to such a cooperative approach to fossil fuel markets would be a shared recognition by fossil fuel importing and exporting countries that in the mid term, fossil fuels are necessary, but in the long run they need to be phased out.

An exchange could consist of a certain degree of security of demand for fossil fuel exporting countries in exchange for a controlled phase-out of fossils in the long term. In practice this would imply a discussion about, or even coordination of, production

quotas and/or price levels similar to those of the present cartel of OPEC countries – but in this case for the short, mid and long-term benefit of both fossil exporters as well as importers. Though far from becoming reality yet, calls for such an increased cooperation between fossil fuel exporting and importing countries have already been made by parties as diverse as World Bank President Zoellick, Russian Prime Minister Putin, and by the participants of the 2008 Jeddah Conference of energy consuming and producing countries which was hosted by the Saudi King Abdullah.¹¹ Further public pressure from these parties therefore could move this – at the outset seemingly farfetched – idea forward.

Alternative emergency route

It is clear that the climate negotiations are already complex. They touch on many interests. Introducing these interests into the negotiations might result in mind-boggling complexity, with negotiators having to play chess on an even larger number of chess boards at the same time. But the present strategy of leaving potentially conflicting energy and other interests of countries out by simply ignoring them, is not likely to lead to the desired goal of ambitious emission reductions either. Copenhagen will show what is possible when only looking at climate change in a narrow perspective. After the conference, parties will have to decide how to close the gap between the results obtained and the recommendations of the IPCC. If a “climate disaster” in Copenhagen will indeed unfold as outlined, integrating underlying national drivers into the negotiations might be the right road out of Denmark.

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ENDNOTES

¹ Gupta, S. et al.: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA; den Elzen and Höhne 2008, “Reductions of greenhouse gas emissions in Annex I and non-Annex I countries for meeting concentration stabilisation targets”, *Climatic Change* (2008) 91:249–274

² International Energy Agency, *World Energy Outlook 2008*, Paris

³ United Nations Framework Convention on Climate Change, FCCC/SBI/2008/12

⁴ EEA Technical Report, *Annual European Community Greenhouse Gas Inventory 1990-2007 and Inventory Report 2009*, 4/2009

⁵ See e.g. European Commission, *An Energy Policy for Europe*, SEC(2007)12, 10 January 2007, where it is stated that “Meeting the EU's commitment to act now on greenhouse gases should be at the centre of the new European Energy Policy” and “should be a strategic objective to guide European energy policy”.

⁶ In a national telephone survey under 1,000 adults conducted in June 2009, forty percent (40%) of U.S. voters say global warming is a very serious problem, but voters are closely divided over whether it is caused by human activity or long-term planetary trends. In recent months, voters have been trending away from the idea that humans are to blame. Source: Rasmussen Reports, June 30, 2009. In contrast, 62% of EU voters in 2008 considered global warming as “among the most serious problems” Eurobarometer 300, September 2008.

⁷ Barack Obama and Joe Biden, *New Energy for America*, 2008

⁸ UNFCCC, Report of the centralized in-depth review of the fourth national communication of Japan, 15 February 2007, FCCC/IDR.4/JPN

⁹ See e.g. National Development and Reform Commission, *China's National Climate Change Programme*, June 2007; and Government of India, *National Action Plan on Climate Change*, June 2008

¹⁰ Energy Information Administration, *Country Analysis Briefs*, <http://www.eia.doe.gov/emeu/cabs/>, retrieved July 2009

¹¹ Robert B. Zoellick, *Modernizing Multilateralism and Markets*, Speech at the Peterson Institute for International Economics, October 6, 2008. The speech included inter alia a phrase that “... There could be a common interest [among major producers and consumers of energy] in managing a [fossil fuel] price range that reconciles interests while transitioning toward lower carbon growth strategies, a broader portfolio of supplies, and greater international security.” *Russia Today*, Davos energy session looks beyond economic crisis to changing energy mix, January 29, 2009. SUSRIS Saudi US relations information service, *Jeddah Energy Meeting Conference Joint Statement*, June 27, 2008.

