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

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Documents are available at www.fni.no/post2012.html
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


• Tokyo and Beijing workshops (Jan. 18-21, 2005), Washington, and Ottawa (May-June 2005, planned)
## Four Scenarios (2003-2004)

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

Kyoto Protocol: Cap & Trade Regime

Another Cap & Trade Regime

Ultimate Regime: Consists of Cap & Trade, Technology, and Development

Technology and Development Cooperation

“Cap First” Strategy

Mutually Reinforce, Or Conflict?

2008-2012

2013?--

2030?--

“Empower First” strategy
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

<table>
<thead>
<tr>
<th>Stages</th>
<th>GHG/cap, 2000 (t-CO$_2$e)</th>
<th>Cumulative emissions, 1990-2000 (Gt-CO$_2$e)</th>
<th>GDP/cap, 2000 ('000 US$)</th>
<th>Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annex II</td>
<td>15.9</td>
<td>134.9</td>
<td>27.5</td>
<td>Binding (strict) absolute reduction targets, domestic reduction, high direct payments to non-Annex I</td>
</tr>
<tr>
<td>Annex I, but not Annex II</td>
<td>10.0</td>
<td>95.4</td>
<td>7.0</td>
<td>Absolute limitation or reduction targets, domestic reduction,* qualitative commitments, some financial transfers from Annex II</td>
</tr>
<tr>
<td>NICs</td>
<td>12.0</td>
<td>92.3</td>
<td>10.4</td>
<td>Binding absolute reduction targets, domestic reduction, low / no payments to non-Annex I</td>
</tr>
<tr>
<td>RIDCs</td>
<td>4.3</td>
<td>27.4</td>
<td>5.0</td>
<td>Absolute limitation targets (conditional to funding),* qualitative commitments, direct payments from Annex II</td>
</tr>
<tr>
<td>IgDCs</td>
<td>2.1</td>
<td>10.1</td>
<td>2.6</td>
<td>No quantified commitments, qualitative commitments, direct payments from Annex II</td>
</tr>
<tr>
<td>LDCs</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
<td>No quantified commitments, qualitative commitments, direct payments from Annex II</td>
</tr>
</tbody>
</table>
How to develop climate technologies and deploy in developing countries?

Tech Costs cut by R&D and mass production

No-regret options

Affordable options

Energy Efficiency

No-policy
Reframe the issue and policy framework

<table>
<thead>
<tr>
<th>Framing of the Issue</th>
<th>Kyoto Protocol</th>
<th>Future Framework</th>
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<tbody>
<tr>
<td>Framing of the Issue</td>
<td>Capping total amount of emissions</td>
<td>Drastic change of energy system</td>
</tr>
<tr>
<td>Policy Framework</td>
<td>Allocating allowances</td>
<td>R&amp;D and diffusion of technology</td>
</tr>
<tr>
<td>Consequence</td>
<td>Battle over allowances. Distrust, inefficiency.</td>
<td>International cooperation for mutual interests</td>
</tr>
</tbody>
</table>
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