International Climate Change Policy I: Rio Earth Summit to Paris Agreement

Recorded Session #7

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Reminder re Basic Economics of Climate Change

- **Climate change is a global commons problem**
  - Any jurisdiction taking action – a country, province, or city – incurs the costs of its actions
  - But the benefits (averted climate change) are distributed globally
  - Hence, for virtually any jurisdiction, the direct benefits it reaps from its actions will be *less* than the direct costs it incurs ….
    - despite the fact that the global benefits may be *greater* – possibly much greater – than the global costs
- **This presents a classic free-rider problem, ….**
  - which is why *international*, if not global, cooperation is essential.

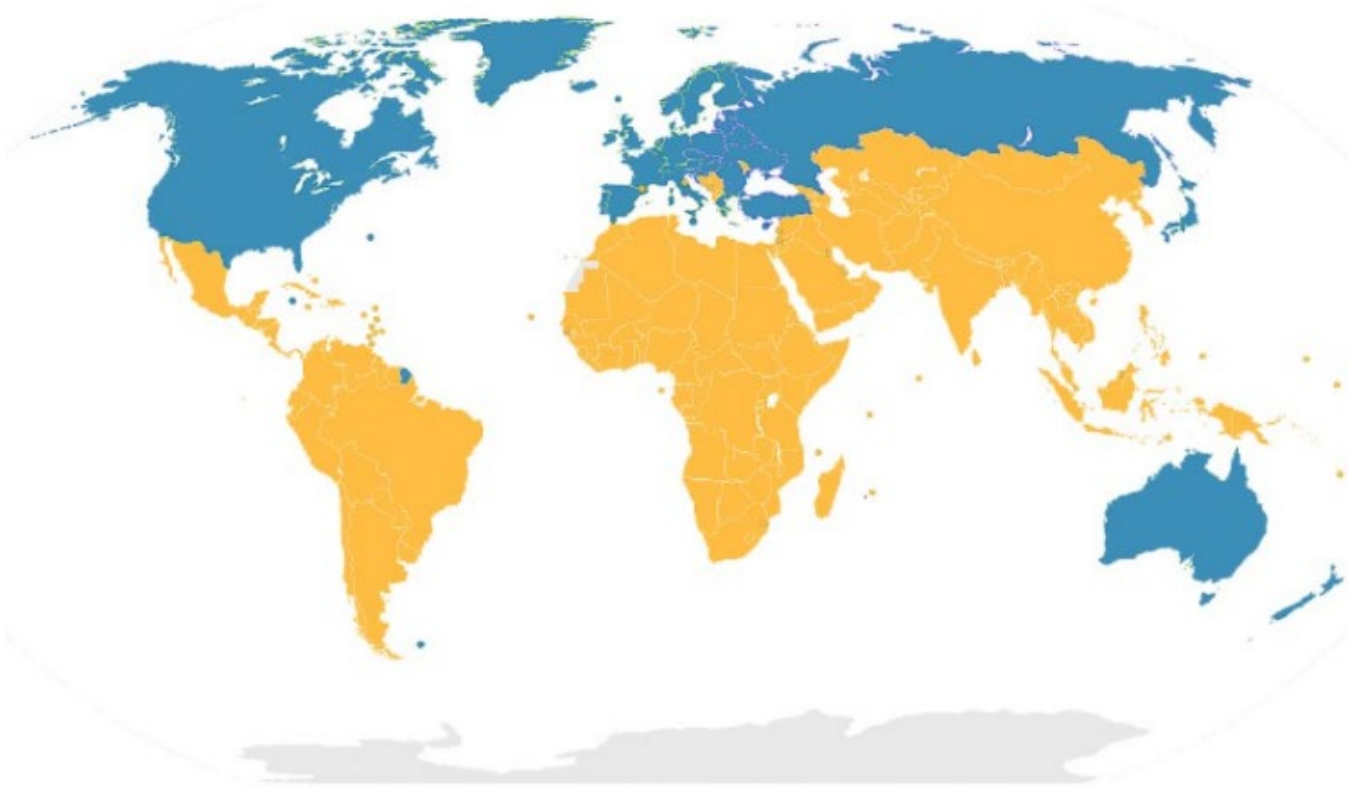
International Climate Negotiations

- **The Rio Earth Summit (1992)**
  - United Nations Convention on Climate Change (UNFCCC) –
    - Requires signatories to "achieve … stabilization of greenhouse gas concentrations in the atmosphere at a level that would *prevent dangerous anthropogenic interference with climate system*."
    - Principle of "*common but differentiated responsibilities and respective capabilities*" (CBDR)
- **First Conference of the Parties (COP-1, Berlin, 1995)**
  - Berlin Mandate: *Annex I (OECD+/-) countries will commit* to targets and timetables for *emission reductions*, but *no commitments* for other countries
- **Kyoto Protocol (COP-3, 1997)**
  - KP *fulfilled* Berlin Mandate with quantitative targets for *Annex I countries only*
- **A Key Challenge**
  - Annex I countries alone could not reduce global emissions
  - Fifty non-Annex I countries had greater per capita income than poorest of Annex I
  - Dichotomous distinction made progress impossible

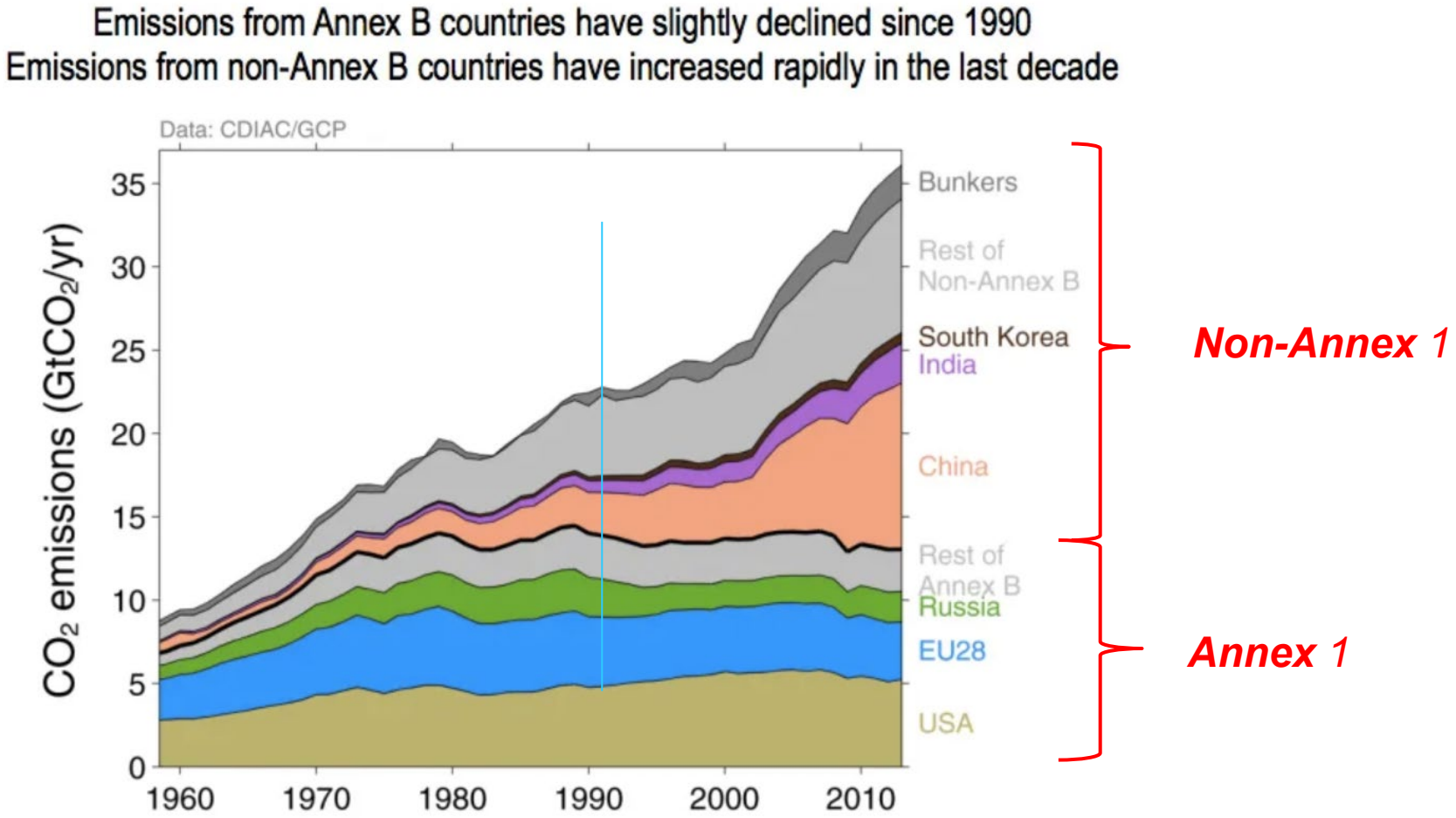
Kyoto Protocol's Annex 1 & Non-Annex 1 Parties

Annex 1 Parties
Include mostly industrialized countries

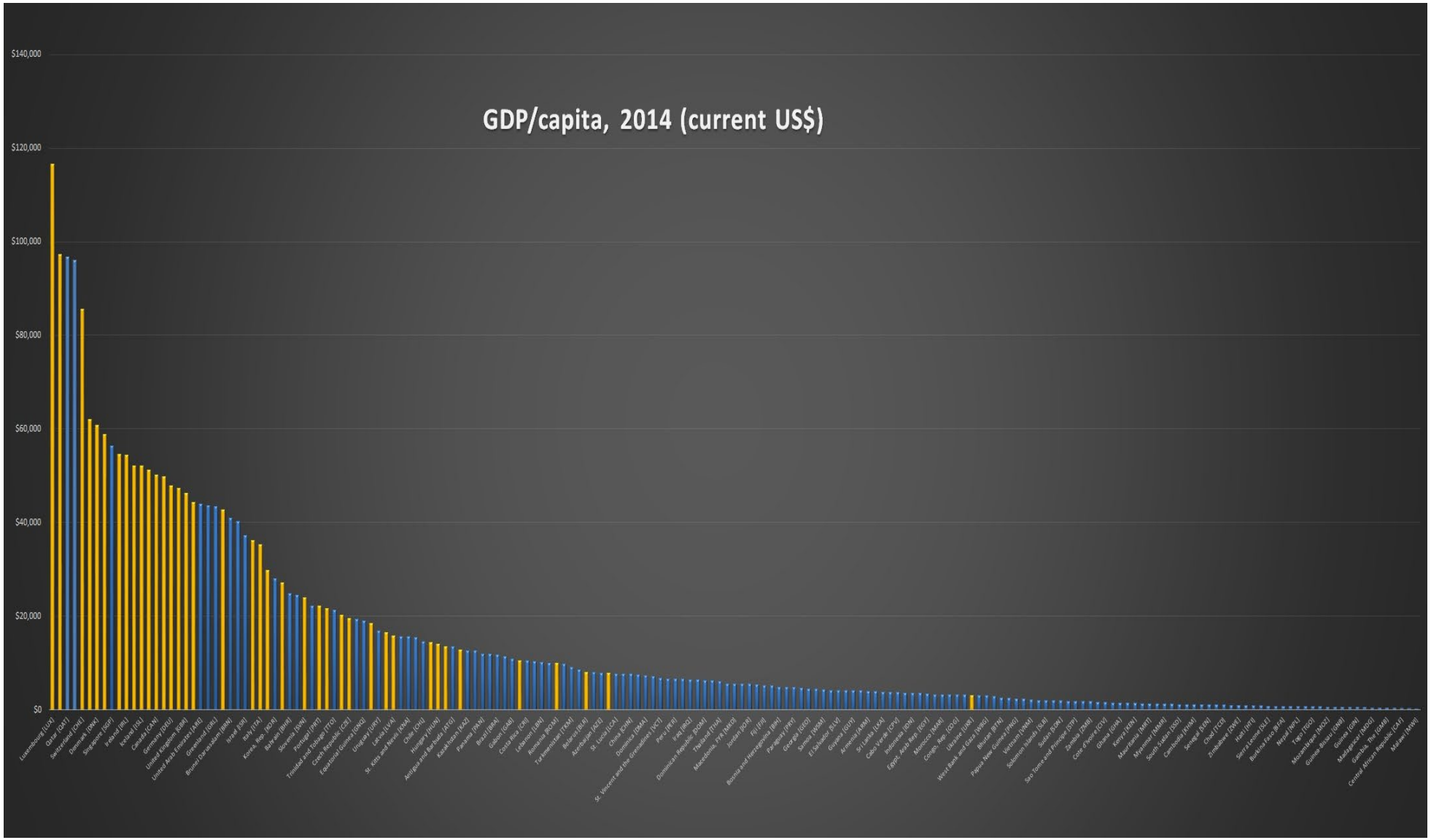
Non-Annex 1 Parties
Include mostly developing countries



Key Challenge: Developing Countries Have Contributed *Much Less to Stock*, But That is Where *Emissions are Growing*



GDP/n for Annex I & Non-Annex I Countries



The Kyoto Protocol (1997): The Targets

- **Came into force after *seven* years in 2005 …**
  - … when 55% of Parties accounting for 55% of emissions had ratified.
- **Short-term targets for industrialized (Annex I) countries only, average 5.2% below 1990 by 2008-2012 (first) commitment period**
  - U.S. 7% decrease (but 35% growth of GDP during 1990s)
  - EU 8% decrease (but German reunification & UK coal privatization)
  - Japan 6% decrease
  - Russia 0%
  - Australia 8% increase
- **Generic Lesson: Ambition should be compared with Business-as-Usual**

Concerns about Kyoto Protocol

- **Even with complete participation and compliance** by all Annex I countries, global emissions would increase

- **Costs much greater than need be**, due to exclusion of most countries, including key emerging economies – China, India, Brazil, Korea, South Africa, Mexico (conservative estimate: costs would be four times cost-effective level)

- **Trading (Article 17)** among Annex I parties (countries) allowed – in principle, a cap-and-trade system, but among nations, not firms (problem: countries not cost-minimizers, & lack information)

- **Short-term targets excessively ambitious for some countries**

  - USA: August 1997, Byrd-Hagel Resolution, 95-0; no ratification

- **Nevertheless, could the *structure* ("architecture") of the Kyoto Protocol be useful?**

Potential International Climate Policy Architectures

- **Centralized architectures**
  - Kyoto Protocol
  - Formulas for Assigning Targets
  - Portfolio of International Agreements

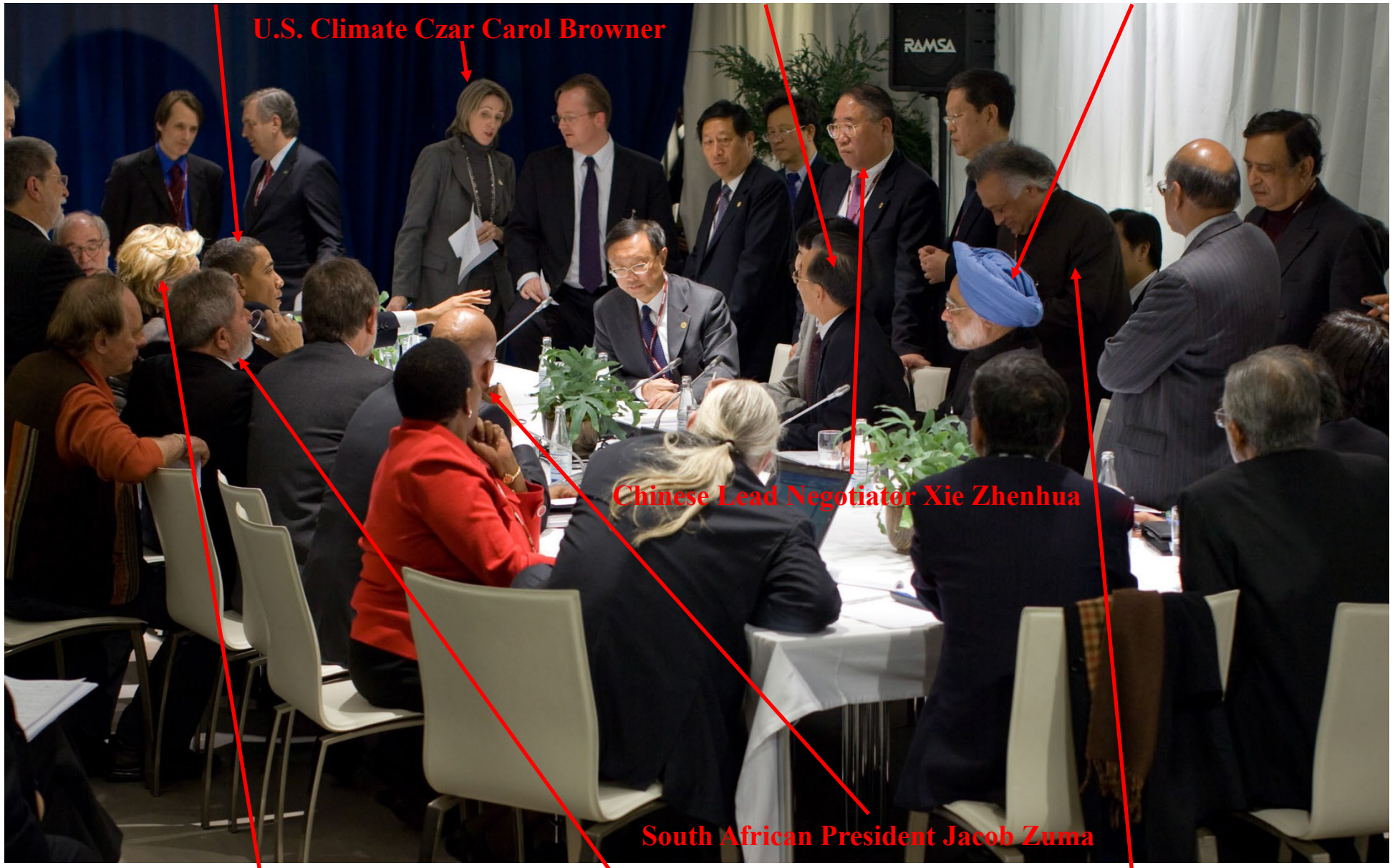
- **Harmonized national policies**
  - Harmonized National Carbon Taxes
  - Trading Regimes
  - Standards

- **Decentralized architectures and coordinated national policies**
  - Linkage of Heterogeneous National Policies
  - Portfolio of Commitments: Pledge & Review

Structure of Paris Agreement

Key departure point for post-Kyoto international regime: Copenhagen, COP-15 (2009)

- **Organizational failure at COP-15**
- **Political grandstanding & lack of consensus**
- **But last-minute, direct negotiations among key national leaders**
  - U.S. President Obama with leaders of China, India, Brazil, and South Africa (two photos)
  - Virtually unprecedented in international negotiations
  - Saved COP-15 from complete collapse
  - Produced a significant political framework, the Copenhagen Accord (led directly to Paris)


U.S. President Barak Obama
Chinese Premier Wen Jiabao
Indian P.M. Manmohan Singh
U.S. Climate Czar Carol Browner
Chinese Lead Negotiator Xie Zhenhua
South African President Jacob Zuma
Brazilian President Lula da Silva
Indian Lead Negotiator Jairam Ramesh
U.S. Secretary of State Hilary Clinton

U.S. Lead Negotiator Todd Stern

A Key Lesson from Copenhagen: The Institutional Path

- **Copenhagen illustrated problems with process under United Nations (Framework Convention on Climate Change – UNFCCC)**
  - Size: 197 countries, when 20 account for about 90% of global emissions
  - UN culture polarizes factions: industrialized vs developing world
  - UNFCCC (default) voting rule: consensus (unanimity?)
    - Lack of consensus behind Copenhagen Accord due to objections of 6 countries *(not* major emitters), with their accusations of "undemocratic" procedures:
      - Bolivia, Cuba, Nicaragua, Sudan, Tuvalu, & Venezuela

Alternative Institutional Venues Going Forward

- **Major Economies Forum – accounts for 90% of global emissions; initiated and led by U.S.**
  - Australia, Brazil, Canada, China, *European Union*, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, South Africa, United Kingdom, and United States
- **G20 – finance ministers; since 1999; have met on climate change**
  - *Argentina*, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, *Saudi Arabia*, South Africa, *Turkey*, United Kingdom, and United States
- **Other multilateral (C30); bilateral, including China-U.S.**
- **UNFCCC – it was too soon for obituaries**
  - Kyoto Protocol would continue until 2020
  - Substantial constituency (in particular, developing countries)
  - International legitimacy (universal membership)

A Key Step on Road to Paris: Cancún, COP-16 (2010)

- **Organizational success, and consensus achieved. Why?**

1. ***Mexican government*** – through careful and methodical planning – was well *prepared*, and was *skillful* in presiding over talks

   - In Copenhagen, Danish Prime Minister Lars Løkke Rasmussen *allowed* objections of five unimportant countries (Bolivia, Cuba, Nicaragua, Sudan, and Venezuela) to *derail* the talks

   - In Cancún, Mexican Minister of Foreign Affairs Patricia Espinosa took note of *same objections*, ruled that "consensus does not mean unanimity," and the Cancun Agreements were *adopted* [after Paris, she succeeded Christiana Figueres as UNFCCC Executive Secretary]

2. **China and U.S.** set a *tone of civility* for conference

3. ***Pressure:*** many countries worried that a failure in Cancún would cause demise of the UN process itself

4. **Individuals matter:** Under *pragmatic* leadership of UNFCCC Executive Secretary Christiana Figueres, *realism eclipsed idealism* in negotiations: incremental steps in right direction *better* than acrimonious debates over unachievable targets

Most Important Step to Paris: Durban, COP-17 (2011)

- **Copenhagen Accord (COP-15, 2009) & Cancun Agreements (COP-16, 2010)**
  - Began to *blur* – while still maintaining – the Annex I/non-Annex I distinction (in a non-binding pledge & review system)
- **Durban Negotiations (COP-17, 2011)**
  - COP-17 extended Kyoto Protocol for a second commitment period (2013-2017/20)
  - ***Durban Platform for Enhanced Action* – mandate to adopt by 2015 a new legal framework to include *all countries* for implementation in 2020**
  - This *broke* with the Berlin Mandate, and set the negotiations on a *new path*
- **This set the stage for negotiations which led to the Paris Agreement (2015).**
  - Along the way, co-leadership of China & USA was critical, because it increased likelihood of *successful outcome* in Paris …

The Paris Agreement (COP21, December 2015)

- **Paris Agreement**
  - A *landmark* climate accord, a dramatic *departure* from previous 20 years
  - Provided a broad *foundation* for meaningful future progress
  - So, new approach *could be* key step toward reducing threat of climate change
  - *But* whether the Paris Agreement is eventually successful environmentally may not be known for *decades* (unless, of course, it fails sooner – politically or in terms of implementation)
- **Fundamental Structure: "Hybrid" international climate policy architecture**
  - Top-down: Centralized oversight, guidance, and coordination
  - Bottom-up: "*Nationally Determined Contributions*" (NDCs, targets and actions) that arise from – or at least are consistent with – national policies and goals

My Pre-Paris Scorecard (November 17, 2015)

1. **Include countries accounting for approximately 90% of global emissions** in the submitted NDCs (compared with 14% in second commitment period of Kyoto Protocol)

2. **Establish credible reporting and transparency** requirements.

3. **Continue setting up system to finance climate adaptation (and mitigation)** — the famous $100 billion commitment. Key question was whether it would include private-sector finance, in addition to public-sector finance (that is, foreign aid).

4. **Agree to return to negotiations periodically, such as every 5 years**, to revisit the ambition and structure of the INDCs.

5. **Put aside unproductive disagreements:**

   - "Loss and Damage" looks to rich countries like unlimited liability for bad *weather* in developing countries; and
   - Insistence by some that NDCs themselves be *binding under international law* (no U.S. ratification)
   - Probably futile to pursue such unproductive elements

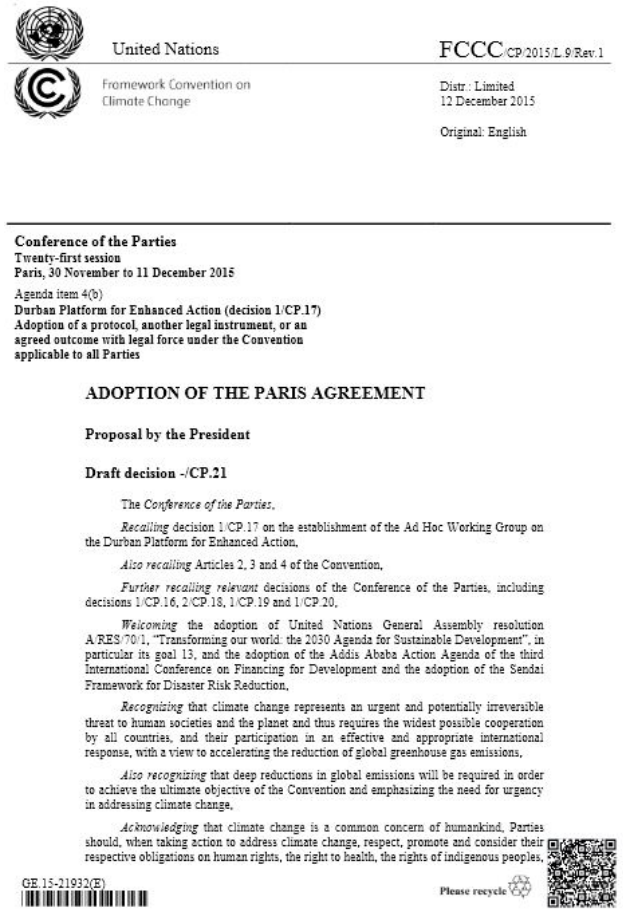
The Paris Agreement

- **12-page Agreement** (plus 19-page Decision)

- **Aspiration: Limit Warming to 2º C** (1.5º C) (Article 2)
  - Not based on science, but endorsed by most scientists
  - Not based on economics
  - Less important than *critical components* of the Agreement

- **Broad Scope of Participation** (Article 3)
  - *Nationally Determined Contributions* (NDCs) represented 187 countries, 96% of global CO_2 emissions (compared with 14% covered by Kyoto Protocol)
  - Revision of (more ambitious) NDCs every 5 years (Article 4)

- **Transparency Requirements** (Articles 4 & 13)
  - National monitoring, reporting, and verification
  - Eventually same standards for developed and developing countries



United Nations
Framework Convention on Climate Change

FCCC/CP/2015/L.9/Rev.1
Distr.: Limited
12 December 2015
Original: English

Conference of the Parties
Twenty-first session
Paris, 30 November to 11 December 2015

Agenda item 4(b)
Durban Platform for Enhanced Action (decision 1/CP.17)
Adoption of a protocol, another legal instrument, or an agreed outcome with legal force under the Convention applicable to all Parties

ADOPTION OF THE PARIS AGREEMENT

Proposal by the President

Draft decision -/CP.21

The Conference of the Parties,

Recalling decision 1/CP.17 on the establishment of the Ad Hoc Working Group on the Durban Platform for Enhanced Action,

Also recalling Articles 2, 3 and 4 of the Convention,

Further recalling relevant decisions of the Conference of the Parties, including decisions 1/CP.16, 2/CP.18, 1/CP.19 and 1/CP.20,

Welcoming the adoption of United Nations General Assembly resolution A/RES/70/1, "Transforming our world: the 2030 Agenda for Sustainable Development", in particular its goal 13, and the adoption of the Addis Ababa Action Agenda of the third International Conference on Financing for Development and the adoption of the Sendai Framework for Disaster Risk Reduction,

Recognizing that climate change represents an urgent and potentially irreversible threat to human societies and the planet and thus requires the widest possible cooperation by all countries, and their participation in an effective and appropriate international response, with a view to accelerating the reduction of global greenhouse gas emissions,

Also recognizing that deep reductions in global emissions will be required in order to achieve the ultimate objective of the Convention and emphasizing the need for urgency in addressing climate change,

Acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples,

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Please recycle

The Paris Agreement (continued)

- **International Policy Linkage** (Article 6)
  - Provision for linkage among heterogeneous policies
  - "Internationally Transferred Mitigation Outcomes" (ITMOs) – no mention of "market"
  - Greatly reduces costs, facilitates possible convergence to single global carbon price
- **Global Finance** (Article 9)
  - Recommitment to $100 billion/year
  - Revisit in 2025, using $100 billion as a floor
  - Numbers not in Agreement, only in accompanying Decision
- **Loss and Damage** (Article 8)
  - Highly contentious issue – essential from perspective of most vulnerable countries
  - But unacceptable for largest emitters. So, Par. 52 of the Decision – Parties agree that this "does *not* involve or provide a basis for any liability or compensation."
- **Legally Binding** (Articles 20 & 21)
  - Agreement comes into force when at least 55 countries accounting for at least 55% of global GHG emissions have approved it
  - Individual NDCs are in a "public registry" separate from the Agreement

Were the Paris Climate Talks a Success?

- **Yes, given my Pre-Paris scorecard:**
  - Broad scope of participation *
  - Transparency requirements *
  - International policy linkage *
  - Global finance *
  - Loss and damage issue *
  - Legal binding issue *
- **Will the Paris Agreement itself be successful?**
  - No one knows
  - Key challenges of implementation remain

International Climate Policy under Trump

- **Trump, May 2016: I will "cancel the Paris Climate Agreement," and "stop all payments of US tax dollars to UN global warming programs."**
- **Consequences of Trump Presidency for International Climate Policy**
  - *Fears* about U.S. Presidential election *led to achievement* of 55% PA threshold (so Paris Agreement came into force on November 4, 2016)
  - U.S. NDC target (26-28% CO_2 reduction below 2005 by 2025) would *not* be met
- **Options for U.S. Administration were:**
  1. *Withdraw from Paris Agreement* (4-year delay)
  2. *Withdraw from UNFCCC* (1-year delay), but signed by Bush 41, ratified by Senate
  3. *Remain in PA*, but seek to *revise* Nationally Determined Contribution, or *give limited attention* to negotiations
- **Decision: withdrawal from Paris Agreement announced on June 1st, 2017**
  - Withdrawal would not be effective until November 4, 2020 (one day after election)
  - In the meantime, the U.S. continued to be a Party to the Paris Agreement

International Climate Policy (continued)

- **Most important *effect* of U.S. position on Paris Agreement in Trump years was its potential impact on *other countries* – China, India, Brazil, etc.**
  - But *China* proved happy to evolve from co-leadership to sole leadership; *India*, etc. did not retrench; however, *Brazil's* President Bolsonaro backed off previous commitments
  - However, comparison is with *unobservable hypothetical* – what if Secretary Clinton had been elected President?

- **Recall one *positive* development (during last days of Trump administration):**
  - Recall: *Montreal Protocol* (1987) regulates chemicals that deplete *stratospheric ozone* – some of these are *also GHGs*, in particular *HFCs*. But HFCs unregulated until 2016.
  - In October 2016, before U.S. election, *Kigali Amendment* to Montreal Protocol adopted by 197 countries …
    - … to phase down HFC production and consumption by 80% + over 30 years.
  - In late December 2020, Congress enacted U.S. compliance with Kigali Amendment with an 85% phasedown over 15 years – buried in COVID relief legislation!

Key Take-Aways

1. UNFCCC negotiated in 1992 at the Rio Earth Summit

2. Kyoto Protocol (1997) -- first agreement calling for specific actions, but structure and content presented challenges for ultimate success

3. Range of architectures available for international climate treaty: centralized architecture, harmonized national policies, coordinated national policies

4. Negotiations in Copenhagen, Cancun, and Durban were critical

5. China-USA co-leadership was critical

6. Paris Agreement features hybrid architecture, which can be key to its eventual success (or failure?)

7. Impact of Trump years on international climate policy much less than had been anticipated