



# The Asialink Essays

OCTOBER 2009  
NUMBER 8

Published by Asialink, Sidney Myer Asia Centre  
The University of Melbourne Parkville 3010 Australia

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## Don't wait for Copenhagen

### IMPLICATIONS OF THE INTERNATIONAL CLIMATE CHANGE IMPASSE FOR AUSTRALIA AND APEC\*

**Stephen Howes**

With the high media profile still being given to the small number of climate change skeptics, it is easy to lose sight of the fact that the science of climate change is becoming more rather than less settled. In the second assessment report of the International Panel on Climate Change (IPCC), back in 1995, the scientists of the world concluded only that the “balance of evidence” supported a link between human action and global warming. This was the slender basis on which the Kyoto Protocol was negotiated. In the IPCC’s third assessment report of 2001, the scientists were more confident saying that it was “likely” that there was a link: and they attached a probability assessment to this statement: 60 to 90 per cent. The fourth IPCC assessment report of 2007 increased this probability to “very likely”: greater than 90 per cent.

\*This essay draws on two longer articles I have written: ‘Can China Rescue the Global Climate Change Negotiations?’ Chapter 18 of *China’s New Place in a World in Crisis*, Garnaut, R., Song, L. and Thye Woo, W. (eds), 2009, ANU E Press; and ‘Finding a way forward: three critical issues for a post-Kyoto global agreement on climate change,’ *Indian Growth and Development Journal*, 2009, 2(1): 75–95.

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Projections of temperature increase for the century are also being revised upward. For too long, emission forecasts have ignored Asia's rapid coal-based economic growth, and underestimated emissions growth. The Australian Garnaut Climate Change Review, on which I worked, took better account of Asia's growth, and predicted, in the absence of climate change mitigation, a likely temperature increase for the century of 5.1 degrees Celsius, above the IPCC fourth assessment report likely range of 2.5 to 4.3 degrees on account of faster projected emissions growth.

Temperature increases are also now seen as more damaging. We have a better, though still far from good, understanding of the sort of global tipping points which even a moderate temperature increase might breach, with devastating consequences. Attention is particularly focused on the possibility of massive methane and carbon release from the melting of the Arctic permafrost, which could lead to runaway warming. There is also increasing recognition of Asia's vulnerability to the melting of the Himalayan-Tibetan glacial system, with a recent UN report suggesting that, due to a combination of global climate change and regional air pollution, most of this huge water storage system will be gone by mid-century.<sup>1</sup>

1. UNEP (2008) Atmospheric Brown Clouds: regional assessment report with focus on Asia.

In sum, climate change is increasingly seen as a direct economic and strategic threat to the continued prosperity of rich countries, and to the development prospects of poorer ones.

With the warning bells ringing more loudly, more countries are taking action to reduce emissions. Countries of the Asia-Pacific region, once laggards behind Europe, are now catching up. Australia has adopted a renewable energy target of 20 per cent by 2020, and is on the verge, it seems, of introducing an emissions trading scheme. The United States is debating the introduction of an emissions trading scheme: some of its states have already adopted one. China has renewable energy and energy efficiency targets and policies, and has announced it will adopt a carbon intensity reduction target. India has just announced a range of policy measures. Indonesia has stated that it will reduce emissions by 26–41 per cent below business as usual, depending on the degree of international support it gets. Korea has set out a range of emission targets for 2020. I'm not suggesting for a minute that countries are doing enough, but they are certainly doing more.

And yet, though the science is becoming both more certain and more dire, and though countries are increasingly active domestically on the climate change front, a new international agreement on climate change seems far away. At this late stage, the best one can hope for the United Nations Climate Change Conference in Copenhagen in December is that it will result in progress on one piece of the climate change negotiations puzzle, say an in principle agreement on the architecture of a new agreement, or on some specific component such as adaptation or deforestation. But even that is far from guaranteed.

There are some encouraging signs of compromise and convergence. But the G20 met in Pittsburgh in September without any agreement on climate change financing, despite trying. Media reports from the October Bangkok negotiations indicate that negotiators from China and South Africa walked out of a negotiating session to signal their disagreement with the directions of talks.

Why is it that we were able to conclude agreements in the 1990s – the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 and the Kyoto Protocol in 1997 which implements the Framework Convention – when the science was more tentative, and when there was little if any domestic action, but that now, when there is so much more global concern and action, we find an international agreement so elusive? In this essay, I will try to explain why the paradox exists, and how it might be resolved. I consider implications both for individual countries, in particular Australia, and for the regional grouping, APEC: the APEC leaders meeting in Singapore in November will give a final opportunity for discussions among political leaders prior to the December Copenhagen conference.

It is so difficult to reach an agreement this time around essentially because the first time we tried, we failed. The extent and speed of international cooperation on climate change in the 1990s does indeed look remarkable from today's vantage point. Under the 1992 UNFCCC, the world agreed to stabilise the concentration of greenhouse gases and the developed countries agreed to lead the world in tackling climate change not indefinitely but, and I quote from the Convention, as a 'first step' towards a global approach.

Some 40 developed countries came together and agreed to bind themselves to emission targets under the Kyoto Protocol in 1997. The Protocol has been much criticised, but, whatever its deficiencies, it represented a degree of global consensus on the way forward which eludes us today. Unfortunately, that consensus was smashed in the same year that the Protocol was finalised when the US Senate through its 1997 95-0 *Byrd-Hegel* resolution signaled its preemptive rejection of the Protocol. Australia followed America's lead to become the second country to sign the Protocol but then refuse to ratify it. Other rich countries ratified the Protocol, but, discouraged by the US pull-out, overall have made a less than convincing effort to achieve their targets. Outside of Europe, emissions have risen not fallen.

Kyoto was the world's Plan A for dealing with climate change. It didn't work. The world is now engaged in the search for a Plan B. It is never easy to build on failure. And it gets worse.

The main distinguishing feature between the new Plan B and the old Plan A is that Plan B asks more of poor countries. The division of the world into rich and poor (officially, developed and developing) economies – with the transition economies of the former Soviet Union essentially being grouped with the rich countries – has been fundamental to the international climate change architecture. This 'two world' approach might seem artificial and outdated, but it can't be wished away. Under what I call Plan B, poor countries are not asked to submit to binding, economy-wide targets since this, it is judged, would be treating them in the same way as rich countries which in turn would violate the core UNFCCC principle of 'common but differentiated' responsibilities. However, unlike under Kyoto, the better-off and larger among the poor countries such as China and Brazil are being asked to commit to and

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implement policies and measures to reduce emissions below what they would have otherwise been. This is the hybrid compromise that has been on the table since the Bali Conference of 2007.

Asking poor countries to do more makes sense. The United States has shown that it will not be part of a treaty which only binds rich countries. And poor country emissions are now too big, and growing too fast to ignore.

But asking poor countries to do more also smacks of bad faith. The rich countries agreed to go first, then failed to do so, and are now asking more from the poor countries. Not surprisingly therefore, the negotiations over how the burden of mitigation will be shared are difficult and acrimonious, with each side accusing the other of not doing enough.

How will this impasse be broken? The shape of a likely deal is actually pretty clear to see. China is key to any solution. China has recently announced that it will adopt a carbon intensity reduction target. The next steps for China are to put a number to this target, and to indicate its willingness to include it as part of an international agreement. The target itself would be non-binding. China would be binding itself to a set of policies which, it would be expected, would lead to the target outcome. The same goes for recent policy announcements by India and Indonesia. If countries such as these were prepared to agree to an international framework which gave their domestic policies international visibility, and if developed countries agreed to be more generous in terms of financing and/or more ambitious in terms of targets, we could have the makings of a global deal.

So, there is a way out, but the path forward is both uncharted and uncertain. Eventually, the force of the scientific warnings, the weight of domestic action, and the pressure on leaders to reach an

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agreement will force a compromise. But when? It may take another year or two before any deal is sealed. And, even then, there is no guarantee.

What are the implications for individual countries? Many in Australia argue that we should 'wait for Copenhagen' before legislating an emissions trading scheme. Indeed, this is the position of the opposition party, which has the numbers to block this legislation in the upper house.

Such an approach, though apparently grounded in hard-nosed realism, is in fact naïve. We already know what will happen at Copenhagen: not very much. So to wait for Copenhagen is in fact to put domestic climate change policy on hold indefinitely, until an agreement is reached. This would be a mistake, for two reasons.

First, a treaty on climate change is not a magic bullet. We are yet to discover a treaty structure which would eliminate the 'prisoner's dilemma' in the climate change problem. Even if an agreement is reached, it would not remove the incentives for countries to free-ride. There can be no guarantees of full participation or compliance: Kyoto should have taught us at least that, if nothing else. Discouraging free-riding by countries will only happen if there is domestic as well as international pressure on governments to act. And domestic pressure will manifest itself in unilateral action.

Second, although we should not wait for an international agreement, we do still need one. There will be more mitigation with an international agreement than without. Countries with a concern about climate change should not act as passive bystanders, but rather should act to increase the prospects of an agreement emerging. The stronger the prior domestic action, the more likely and the more ambitious any subsequent international agreement will be.

The success of the international agreement to control ozone depleting substances is a case in point. Treaty negotiations began only after the US had banned the use of CFCs in aerosols, decisive unilateral action which then gave it a strong interest in and influence over an international agreement.

Rich countries in particular need to improve their negotiating position by demonstrating that do in fact take climate change seriously. They need collectively to address what Jairam Ramesh, India's minister for the environment, and a driver behind India's new and more proactive position, has called a crisis of credibility. Establishing credibility is not only a matter of putting forward targets for the post-Kyoto period but also signaling, through the creation of domestic mechanisms, that this time we are serious about meeting them.

Developed countries as a group put an upper bound on global ambition, and Australia is an influential developed country. Since the EU negotiates as one, we are the fifth largest rich-economy emitter (after the US, EU, Japan and Canada). While we are on track to meet our Kyoto target, in our case it is the target itself that robs us of our credibility. It is no secret that Australia negotiated at Kyoto a target that not only, in a treaty designed to reduce emissions, actually allowed our emissions to increase but also required very little effort to meet.

The fundamental decision facing all countries in relation to climate change is whether they will be part of a coalition of the willing on the issue. Being part of such a coalition implies both acting unilaterally and supporting an international agreement. Undertaking to do more if there is an agreement is a sensible strategy (and the EU and Australia have both tabled unconditional and conditional

emission reduction targets), but making an international agreement a prerequisite for domestic action is not.

What are the implications for APEC, which meets in November in Singapore, and which will present a final opportunity for political discussions prior to the Copenhagen conference? APEC's 2007 climate change declaration was heralded at the time by Australia's then Prime Minister John Howard as the most important announcement of the APEC conference he was hosting. Yet this declaration has had little impact. In part this was because it was unambitious. The main 'aspirational target' announced was a reduction in energy intensity by 25 per cent by 2030 from 2005 levels. The modeling that we did for the Garnaut Review projected that energy intensity would fall over this period by more than this worldwide, even without any special policies to combat climate change. So the target might have been aspirational, but the aspiration didn't amount to much.

The climate change world today is very different to that of 2007, with the US in particular having now dealt itself back into the game. Climate change has become an important agenda item for many of the world's major international fora: the United Nations itself, the G20, the G8, the G5, the G8+5, and of course the Major Economies Fora. It is critical that climate change be discussed at the political level, since otherwise negotiators will continue to spin in circles. Yet it is not immediately clear what role APEC can play beyond providing a venue for informal and bilateral discussions. The 25 per cent energy intensity target is now an embarrassment, probably best forgotten. It is unlikely that countries will negotiate through APEC. Any official declaration in November would probably simply repeat sentiments already stated at other international meetings.

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That said, the main message of this essay is that we put all our eggs in the international agreement basket at our peril. Both in November and longer term, APEC should focus not on pre-negotiating a multilateral agreement but on encouraging domestic action. The model should be the role APEC has played in promoting unilateral trade liberalisation – its open regionalism policy. APEC should be in the business of encouraging countries not to wait for an international agreement, but to compete with each other to reduce emissions and develop new technologies. APEC should be in the business of peer review and the sharing of best practice for both policies and technologies, and for both mitigation and adaptation. It is through contributing to an expansion and deepening of domestic action that APEC could be most effective in relation to both an international agreement and, more broadly, and more importantly, an effective global response to climate change.

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