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# FRAMING FUTURE COMMITMENTS

A PILOT STUDY ON THE EVOLUTION OF THE  
UNFCCC GREENHOUSE GAS MITIGATION REGIME

## Executive Summary

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with contributions from

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Many studies have been or are about to be published on options for structuring national emission commitments after the first Kyoto period,<sup>1</sup> providing a large ‘toolbox’ for use if and as the world moves towards negotiations on future commitments.<sup>2</sup> The widespread assumption is that negotiations will rapidly extend to include quantified commitments for most, if not all, developing countries in the second period; indeed this is being more actively pursued by the Kyoto Annex I Parties as a way of ‘getting the US back on board’. However, progress is highly implausible until the US first re-enters the global negotiations. The impasse at COP8 in Delhi and the long history of attempts to discuss developing-country commitments before it illustrate the need to explore the political process, and what lies beneath it, before ideas on the merits of different designs can find application in negotiations. This study considers these more fundamental questions.

*Principles.* Three kinds of arguments underlie the pressure to extend future commitments to more – including most developing – countries: the *environmental* argument that the problem cannot be solved without this; the *economic* argument that it would be inefficient to curtail emissions without this; and the *moral* argument that it would be unfair to expect industrialized countries to bear burdens that other countries do not, and to attract competitive disadvantages.

While all three arguments appear to have some plausibility, none is absolute. The atmosphere cannot be stabilized without widespread coverage, ultimately including all significant emissions. However, the recent decline of Chinese emissions<sup>3</sup> and other factors imply a reduced environmental urgency with regard to including major developing countries in immediate post-2012 commitments. Efficiency concerns can be at least partially addressed through instruments such as the CDM, which support abatement in developing countries without imposing costs on them. Other routes can address genuine competitiveness concerns.

Certain basic principles indicate what might be both morally fair and politically realistic. The most relevant indices include per capita income (ability to pay) and per capita emissions (current contribution to the problem). Independent and joint indices of these measures illustrate the basis for the existing agreed ‘common but differentiated responsibilities’ between industrialized and developing countries, while also illustrating the imperfect nature of the bloc division for some countries. The highest per capita emitters (the US, Canada and Australia) are also projected to have the biggest absolute increases in per capita emissions from now to 2020 according to International Energy Agency (IEA) projections. These countries bear the strongest responsibility to lead action and it is neither morally defensible nor politically realistic to expect most developing countries to act before these countries have committed to and started to deliver real reductions. However, expectations for commitments could reasonably increase as countries approach world average responsibility and capability levels.

*Realities in industrialized countries.* Annex I countries face different problems. The situation in the United States has been described in Module Two of the Strategic Kyoto-Marrakech Assessment.<sup>4</sup> Canada, despite having ratified Kyoto, shares many of these

problems, though moderated by a more internationalist outlook. The situation is exacerbated by Canada's intense trade relationship with the US, making Canadian industry deeply concerned about the competitiveness impacts of abatement policies.

Australia shares a similar economic basis, but its much weaker target and more diverse trade dependence have led debate there (including in industry) to focus increasingly on the risks of being shut out of the Kyoto system. The Australian government's position reflects political solidarity with the US rather than intrinsic national interests and may be unstable.

The EU is in a far easier position, and has now *de facto* acquired leadership responsibility for the global regime, but its contribution varies widely between the three different leadership 'modes'. The EU has increased its *structural* leadership effort (resources). The success to date of the EU trading scheme offers a strong measure of *directional* leadership (leading by doing). But the ponderous internal complexities and ambiguities of the EU as an international actor cripple its ability to exert *instrumental* leadership. Its persistent inability to understand and negotiate effectively or efficiently with other Parties appears to be another geopolitical reality with which the regime will have to contend.

Japan finds itself under similar pressures from industry to those of its former Umbrella Group colleagues, with the particular features noted above, and it initially sought to link ratification with developing-country engagement. A recent draft Interim Report by a Japanese government agency accordingly places considerable emphasis on the need to ensure equity in sharing the burden on greenhouse gas mitigation.<sup>5</sup> While the issue remains very important, Japan may take a more holistic view, considering how adaptation and technology transfer could help countries to move forward.

The Economies in Transition (EITs) are a diverse set of countries that have shared the difficult and often traumatic transitions from centrally planned towards market economies. The ten EITs that are set to join the EU in 2004 will focus on European emissions trading, and their international stance is likely to be increasingly aligned with the current EU in support of the Kyoto process. However, Russia and Ukraine dominate the economic and emission allowances 'weight' of the EITs. The ongoing delay in Russia points to internal complexities and reflects a complex set of issues<sup>6</sup> and the final decision on Kyoto is likely to be a top-level decision based on geopolitical calculations, but for the longer term Russia perceives the issue primarily in terms of potential economic gains and deals between major powers – attitudes which unavoidably make for tension with developing countries.

*Realities in developing countries.* Given their economic and political limitations, developing countries have traditionally sought 'strength in numbers' through the Group of 77 (G77) and China coalition that now comprises 134 countries. The growth of membership from its initial 77 testifies to the attraction for its members of this grand coalition, but also amplifies its potential frailty as interests become ever more complex and diverse.

Distinct groups within the G77 comprise the Alliance of Small Island States (AOSIS), the Organization of Petroleum Exporting Countries (OPEC), the Least Developed Countries (LDCs), and some countries of the Environmental Integrity Group (EIG) which consists of countries at the margin of rich country groups. In terms of 'clout' within the G77, a

simple index of economic and demographic weight (biased towards the former) suggests that China and OPEC could be expected to have the greatest influence within the coalition, followed by Brazil, and then India, AOSIS and the LDC groups.

The EIG has clarified the likely preconditions for further action by advanced developing countries (ADCs), which include participation by *all* Annex I countries, and demonstrable progress towards their emission reduction commitments.<sup>7</sup> Repeated statements by the biggest developing countries (China, India, Brazil, Indonesia) reaffirm their well-known common stance towards future commitments.

In addition to their far lower per capita emissions and wealth, most developing countries have much less negotiating capacity than their Northern counterparts. Their numerical attendance at COP meetings roughly correlates with their wealth, and many developing countries have at least some enduring delegates, but their relatively small delegation size, as well as their institutional location (often from meteorological ministries) put many of them at a significant disadvantage.

There are also some anomalies in participation. Brazil has a disproportionately large delegation, but with a very high fraction of NGOs and academics. Two OPEC members, Nigeria and Indonesia, are notable for their unexpectedly large delegations. The Saudi Arabian delegation, which tends to lead OPEC in the negotiations, is exceptional for its dominance by a single ministry (Petroleum and Mineral Resources). The interests of OPEC countries in general are much more diverse.<sup>8</sup>

NGO participation is notably skewed between North and South: 82% of NGOs accredited with the UNFCCC Secretariat are from Annex I countries (about half from the EU), and only 2% are from LDCs. Distributional studies testify to the complexity of capacity-building, possibly because of the relatively short-term engagement of such projects.<sup>9</sup>

Despite their diverse perspectives, there are common themes among developing-country concerns. There is fear and distrust about the agenda of ‘new commitments’ and a refusal at present even to open the door to anything that might lead in this direction. In contrast, ministerial statements from developing countries persistently refer to the key concern about climate impacts and call on industrialized countries, seen as responsible, for assistance with adaptation and impact management. Implicitly if not explicitly, there is a sense that industrialized countries should in some way be liable to help developing countries in coping with current and accumulating unavoided climatic impacts.

However, acknowledging this in industrialized countries is a taboo akin to its twin Southern taboo of developing country commitments. Resentment about pressure on developing-country commitments – and the fear about future impacts – is vastly amplified by the non-participation of the US. The absence of the world’s biggest emitter and richest country currently precludes any constructive discussion with developing countries about future commitments.

*Ways forward.* To move forward, the issue of addressing climate change needs to be approached in its entirety – issues related to vulnerability, impact burdens, development, trade, adaptation and mitigation will all have to be the subject of discussions.

By far the most important prerequisite to continue the multilateral climate change effort is to re-engage Annex I non-Parties in the Kyoto process, and specifically the US. Entry

into force of the Kyoto Protocol is the surest way to address US claims that the whole framework is unworkable. It would also reinforce the signal – particularly to the US business sector – that the issue of greenhouse gas (GHG) reductions is here to stay and the rest of the world will undertake this under the framework of Kyoto. Adjustments to the Kyoto instruments could be considered to address some specific US concerns, for example by allowing for emission allowance price caps.

To expand participation to new countries, the compromises for Turkey<sup>10</sup> and Kazakhstan<sup>11</sup> may help set precedents for integrating other advanced developing countries into second period commitments. ADCs will be as much in need of a special Annex I status as Turkey, and as has previously been granted to the EITs.

There are ways to deepen the engagement of countries other than taking on emission reduction commitments. Options to address DC emissions without imposing economic costs on them include market-driven ‘technology spill-over,’ subsidized ‘technology transfer,’ and the CDM. The CDM could be extended to include sectoral programmes, and/or a ‘minimum demand quota’ as part of industrialized country commitments. In short, there are various ways and means to address developing-country emissions in the near term without quantified commitments – and the concomitant costs – from them.

To be successful in the long term, these issues will have to be considered in parallel with the issue of sharing the burden of unavoided climate impacts which forms the priority for developing countries. The Indian proposal for an ‘Adaptation Protocol’ bears consideration, but in the short term – concurrent with the upcoming second commitment period negotiations – less ambitious measures, such as a reform of international natural disaster relief financing, may be more promising.

*Procedural progress* The current stand-off in the climate negotiations reflects not just substantive differences, but a general Southern distrust of the North combined with a lack of negotiating and analytic capacity that would enable the Southern delegates to meet their Northern colleagues on a level playing field: if one is unable to evaluate a proposal and does not trust its proponent, the natural response is rejection. Industrialized-country parties will benefit – along with everyone else – if they help to close the North–South ‘negotiating capacity gap’. Capacity-building in a wider context may similarly have beneficial effects – for example, enhancing the capacity to absorb (and generate) cleaner technologies.

Priorities for capacity-building include the LDCs (which as a group are likely to be most directly vulnerable and comprise major populations), and the ADCs (which will be instrumental in the negotiations on second period commitments). For other developing countries, the key capacity-building task is to help the emergence of more effective – in the positive sense – negotiating coalitions, including the provision and growth of analytic capacity.

## Executive Summary Endnotes

<sup>1</sup> Recent and Current Emission Allocation Studies (selection):

- IEA/AIE (2002), *Beyond Kyoto: Energy Dynamics and Climate Stabilisation*, Paris: OECD/IEA.
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- EcoFys (forthcoming 2003), *Evolution of commitments under the UNFCCC: Involving newly industrialized economies and developing countries*, Report for the German Federal Environmental Agency.
- M.G.J. den Elzen, M.M. Berk, P. Lucas, B. Eickhout, D.P. van Vuuren (forthcoming 2003), *Exploring Climate Regimes for Differentiation of Commitments to Achieve the EU Climate Target*, RIVM Report 728001023/2003, Bilthoven: RIVM

<sup>2</sup> These include proposals for distribution of straightforward national emission caps (e.g. contraction-and-convergence, 'Trypique' proposals for sector-based convergence, and various evolution proposals), and wider variations including the use of national intensity targets, sectoral caps, or proposals focusing on specific policies and measures.

<sup>3</sup> As well as arguments recently advanced by economists suggesting that developing-country emissions may be lower than previously projected in scenarios compiled by the International Panel on Climate Change (IPCC).

<sup>4</sup> Tom Brewer, *US Engagement on Climate Change Issues: Determinants and Prospects*, June 2003 <http://www.icept.ic.ac.uk/a5-1.html>.

<sup>5</sup> 'An important task is to ensure equity in each country's commitment. This is because a system which imposes unevenly heavy burden to some countries will not be persuasive enough to the people of such countries bearing economic and daily burden.' [pp.54f. in METI (2003), *Perspectives and Actions to Construct a Future Sustainable Framework on Climate Change*, <http://www.meti.go.jp/english/information/data/cPubCom CliChae.html>]

<sup>6</sup> Russia's geopolitical status, its ambiguous attitude to the UN, a sense of having been cheated by the US withdrawal and consequent scepticism about the ultimate benefits, as well as some continuing uncertainty about the science and how severe a threat climate change really poses to a large, cold country like Russia)

<sup>7</sup> Others include recognition for action already taken by developing countries, flexible approaches and timeframes, and technology transfers in all sectors through the CDM in the first period.

<sup>8</sup> For example, North African OPEC countries have expressed considerable concern about climate change impacts, Iran is rich in gas but not oil, and Indonesia and Venezuela are also diverse in their interests. The fact that conventional oil reserves are fully used in almost all scenarios, irrespective of climate policies, also suggests scope for engaging OPEC countries more positively at least in principle (M.Grubb, 'Who's Afraid of Atmospheric Stabilisation?', *Energy Policy*, September 2001).

<sup>9</sup> Undertaken using the MARKAL energy model and disseminated under an IEA-led 'Outreach' programme. Of 21 non-Annex I MARKAL projects, only two (Taiwan and South Korea) remain 'active'.

<sup>10</sup> Removal from Annex II, but retention in Annex I with the proviso that Turkey is to be recognized as being 'in a situation different from that of other Parties included in Annex I to the Convention'.

<sup>11</sup> Annex I for Kyoto Protocol purposes only, with a target to be negotiated in the future.