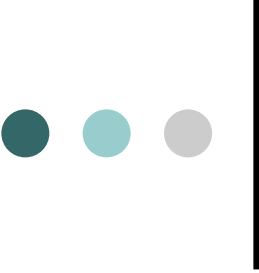
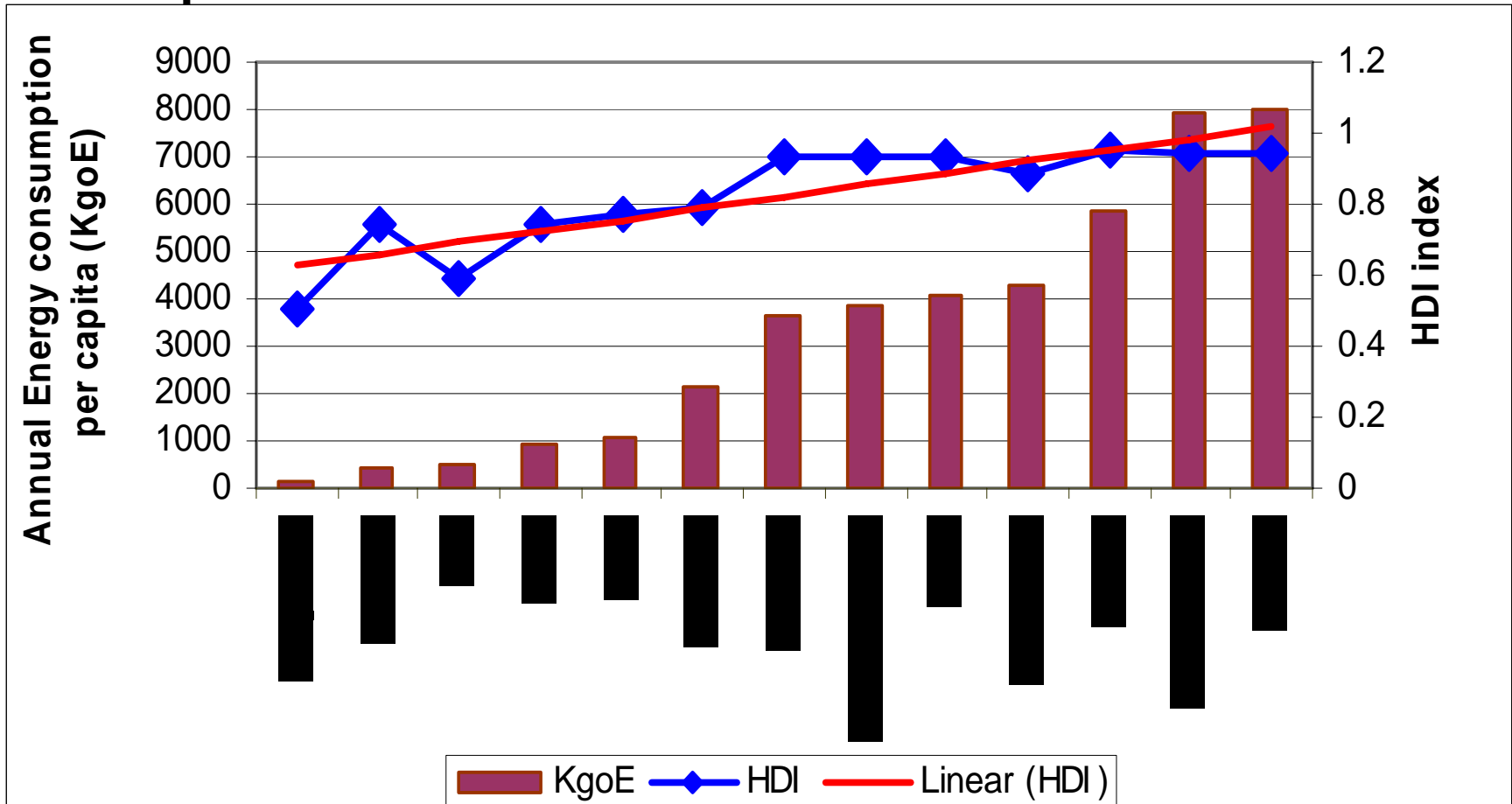


# Key Issues in the International Climate Change Negotiations



Climate change negotiations are essentially economic negotiations about gaining economic advantage or maintaining global economic status quo!

# Energy is Critical For Development & Improving HDI



Source: World Development Indicators Database



# India's imperatives

- Modern energy use is critical for development
- Over 480 million people without access to electricity, > 800 million people living < \$2 per day, > 350 million living on less than \$ 1 a day!
- India needs GDP growth of 8%+ over the next 25 years to lift the bottom 40% of her citizens to an acceptable level of economic & social well being. This is not possible without increased energy use.
- ***We must be able to pursue accelerated social and economic development. Development is also an imperative for us for adaptation (i.e. actions to cope with climate change e.g. in agriculture, health, to tackle sea-level rise, disaster mitigation, risk financing etc.)***



# Global Climate Change Regime:

- **UN Framework Convention on Climate Change, 1992:** “Common but Differentiated Responsibilities”, and developed countries to return to 1990 levels of emissions by 2000
- **Kyoto Protocol, 1997:** Legally binding treaty requiring developed countries to reduce emissions by average of 5.2% from 1990 levels by 2008-2012

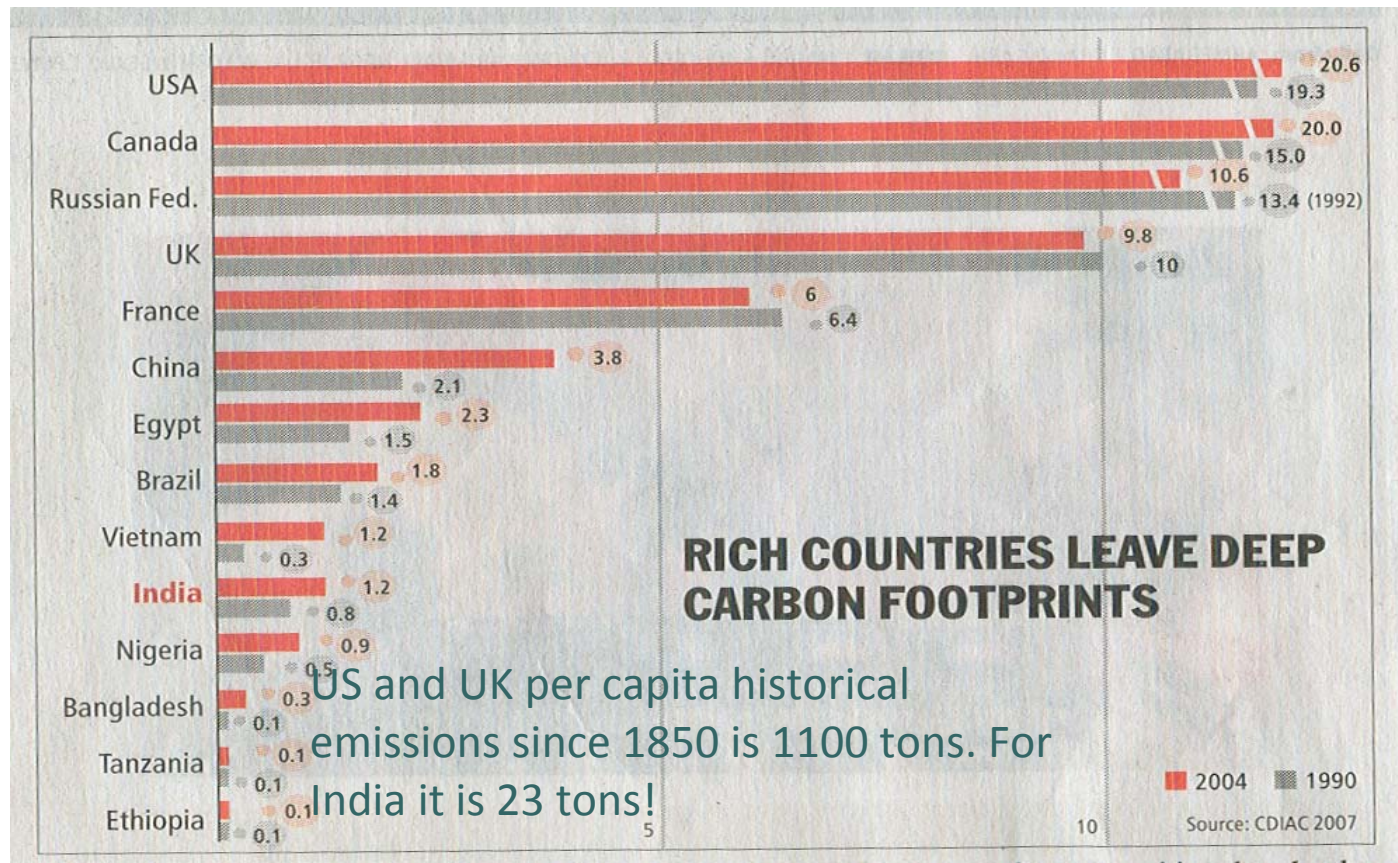
- The principle of **common but differentiated responsibilities and respective capabilities** lies at the heart of the UNFCCC.

The countries in Annex I/non-Annex I of the UNFCCC are based on developed/developing countries differentiation. All Annex I countries have a high per-capita emissions level though the converse does not follow automatically.

The Kyoto Protocol embodies this principle by asking developed countries in Annex I to take GHG reduction commitments.

## Per capita CO2 emissions

- those at the top of the curve want the ones at the bottom to take action to combat climate change!



# Bali Action Plan, December 2007

- Launching of a comprehensive process to enable the full, effective and sustained implementation of the UNFCCC through long-term cooperative action.
- The decision reaffirms the importance of provisions & principles of UNFCCC, including common but differentiated responsibilities and respective capabilities
- Two year negotiations process for an agreed outcome Ongoing negotiations under the Kyoto Protocol for the 2nd Commitment period for developed countries maintained.
- *The occult agenda is to get the US on board and target the BASIC developing countries*



# Bali Action Plan: 4 Building Blocks:

- GHG Mitigation
- GHG Adaptation
- Technology Cooperation
- Financing
- Other Issues:
  - Forestry – reducing deforestation
  - “Shared Global Vision”



# Bali Action Plan: GHG Mitigation

*Though there is no mention in the Bali decision of even discussing binding GHG targets for developing countries, severe political pressures is being brought to bear on large developing countries to take up legally binding GHG targets, if not in a direct manner then indirectly through the guise of sectoral targets, efficiency or intensity norms or standards and norms for equipment.*



## The Mitigation Game: Industrialized countries

- To pass the economic burden of GHG stabilization to others, principally major developing countries; retain competitive advantage in trade, irrespective of Art 4.7 of UNFCCC:  
*“The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.”*
- To gain competitive advantage in the near-term energy sector – IEA estimates US\$ 20 trillion global energy investment till 2030, of which \$ 10 trillion in China, India, Brazil
- To minimize resource transfers to developing countries for adapting to climate change.



# The Mitigation Game: Developing Countries

- To avoid any *uncompensated* GHG constraints, and retaining competitive advantage in trade
- To ensure that any apportionment of GHG emissions rights is based on equity: (India, China: *Equal per-capita with accounting for historical responsibility*)
- To realize their competitive advantage in trade in carbon credits (via the CDM)
- To realize necessary resources for addressing adaptation to climate change



# Issues under Kyoto Protocol

- GHG mitigation targets for ICs post 2012 (Art 3.9 of KP): India + 36 other DCs have proposed aggregate 40% reduction by ICs from 1990 levels by 2020; with individual targets based on historical responsibility.
- No response from ICs; their own individual proposals are unreasonably small



# Kyoto Protocol...

- Market based mechanisms: ICs propose that large developing countries be no longer eligible for hosting CDM projects. Instead they should adopt “sectoral approaches” under BAP by which they have to first achieve a GHG reduction target on their own; and credits can only be generated if the sector as a whole achieves a higher level of GHG reduction.



# Kyoto Protocol...

- Other Issues: LULUCF, “response measures”, new gases
- Present stage: ICs have in unison proposed jettisoning the KP, and instead, having a “single outcome” under the BAP, covering industrialized and developing countries, with “major developing countries” expected to take on similar uncompensated commitments as industrialized countries!
- *There is a clear deadlock, as this is not acceptable to any of the developing countries!*



# Issues in Bali Action Plan

- “Shared Vision”: Several ICs have proposed stabilization of GHG concs at 450 ppm, equiv to global average temperature rise of 2 deg C
- DCs view that any such target must be premised on an agreement on sharing the global carbon space
- Major Economies Forum in July 2009: MEF countries accepted the need to consider the 2 deg C limit *without the linkage*. However, the BAP negotiating text still maintains this linkage.



# BAP: Mitigation by ICs

- IPCC has cited a need for ICs to collectively reduce GHG emissions by 25-40% below 1990 levels by 2020 to enable the 2 deg C limit, and for DCs *as a group* to limit GHG emissions to 15-30% below “business-as-usual”
- BAP requires MRV nationally appropriate mitigation actions or commitments by all ICs, while ensuring comparability of efforts among them, taking into account differences in their national circumstances



# BAP: Mitigation by DCs

- BAP also requires nationally appropriate mitigation actions (NAMAs) by DCs, enabled and supported by Finance, Technology, and Capacity Building, which are subject to MRV



# BAP: Mitigation by ICs and DCs

- ICs have proposed a single BAP outcome involving:
  - GHG mitigation actions by all countries, with Finance, Technology, and Capacity Building for developing countries other than “major developing countries”
  - All actions of DCs, whether or not supported by Finance, Technology, and Capacity Building to be MRV-able, and a legal commitment of the same status as that of ICs commitments
  - Commitments of both may or may not involve country-wide emissions caps
  - *Estimates of mitigations costs by India during 2010-2030 are c. \$ 800 million in higher energy sector investment, and more than \$ 1 trillion in increased energy costs.*



# BAP: Carbon Markets

- Proposals include:
- “NAMA Crediting:”
- “Sectoral Crediting”
- Reformed CDM under BAP once KP is terminated



# BAP: Technology

- Proposals include:
  - Collaborative R&D and sharing of resulting IPRs between institutions in ICs and DCs
  - Regional innovation Centres for R&D and capacity-building in DCs
  - Use of compulsory licensing of IPRs by DCs in respect their climate change actions (*particularly contentious!*)



# BAP: Adaptation

- Proposals include:
- “Mainstreaming Adaptation in development programs” => Diversion of development resources to Adaptation
- Assistance for Adaptation to be confined to LDCs and small island states vs. Assistance for “Vulnerable Regions”
- *Estimate of annual adaptation costs by World Bank: \$ 80-100 billion per year in DCs!*



# BAP: Financing

- Proposals include:
- Assessed contributions by ICs of 0.5-1.0% of their GDP per year (c. \$200-400 billion)
- Normative, but voluntary contributions by all countries, except LDCs
- Various other sources, e.g. auction of part of emissions allowances, Tobin tax, levy on carbon credits, etc.



# BAP: Financing...

- Separate, dedicated institution, with balanced governance structure between ICs and DCs, vs. continued major role for World Bank, MDBs, etc.
- Primarily private sector financing for mitigation: carbon credit purchases (from NAMA crediting or sectoral crediting) for mitigation – issue of “double counting”
- Primarily fiscal funding for Adaptation.



# Prospects for Copenhagen

- Progress on KP second period commitments is unlikely
- 200-page negotiating text under BAP: in about 10 negotiation days till Copenhagen High-Level segment, progress is unlikely
- Probable outcome: A new political declaration seeking to alter the balance of responsibilities and commitments under the UNFCCC by dilution of the common but differentiated responsibility principle, and a new mandate for negotiating a new legal instrument



# How should Indian Industry Respond

- Regardless of Copenhagen outcome, energy efficiency regulation by the Government has been stepped up, under the “National Mission for Energy Efficiency” as part of India’s National Action Plan on Climate Change
- The key measure is the “Perform, achieve, trade” (PAT) mechanism, under which specific plants will be assigned individual energy efficiency targets to be met within given deadlines (with due consultation).
- Exceeding the prescribed target would yield tradeable energy efficiency certificates, which may be traded in a market comprising the regulated entities.



# Industry response...

- A carbon market will (almost certainly) continue. However, it may not be the CDM in its current form. Participation in the PAT would not preclude participation in the global carbon market.
- Industry should preemptively respond to these revenue possibilities; else face penalties under the PAT mechanism



**Thank You for Your Attention!**