



PEW CENTER
on
Global CLIMATE
CHANGE

Outlook for a Post-2012 Climate Agreement

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www.pewclimate.org

Founded May 1998, **independent, non-profit, non-partisan** organization dedicated to advancing practical and effective solutions and policies to address climate change

- Produces **research** on policy, economics, science & impacts, and solutions
- Works with **policymakers** at state, federal, and international levels
- Conducts **education** and outreach
- Engages the **business** community through the Business Environmental Leadership Council (BELC) – 45 companies
- Founding **member** of United States Climate Action Partnership

- State of play in the U.S.
- U.S. international engagement
 - Vision of post 2012 agreement
- Issues for Copenhagen
- 'Interim agreement '

House passed the American Clean Energy and Security Act of 2009 (ACES Act), H.R. 2454, on June 26 by a vote of 219 to 212 – Summaries <http://www.pewclimate.org/acesa>

GHG Cap-and-Trade (Title III):

- Cap: 17% below 2005 levels by 2020; 83% below by 2050
 - Annual commitments to 2050
- Coverage: 85% of U.S. GHG emissions
- Offsets: Capped at 2 billion domestic & international
- Cost containment: Strategic reserve of 2.5 billion allowances available if allowances prices rise above trigger price. Unlimited banking and borrowing
- Agriculture, excluded from cap (included through domestic offsets, set-aside and bioenergy)

International Provisions:

- “Supplemental” reductions: 5% of allowances set aside for reducing deforestation (decreasing to 3% from 2026 to 2030 and 2% in 2031) to achieve additional 10% emission reductions in 2020
- Support to developing countries
 - 1% for international adaptation, increasing to 4% in 2027
 - 1% for clean technology, increasing to 4% in 2027
- International offsets: up to 1.5 billion tons/yr
 - Favors sector-based crediting with baselines set below BAU
 - Reduced deforestation: favors national baselines leading to zero net deforestation in 20 years
- Linkage: Recognizes allowances from other systems with absolute targets and equivalent compliance, offset treatment, etc.
- Border measure

Committees

- Environment and Public Works (Boxer)
- Foreign Relations (Kerry)
- Finance (Baucus)
- Energy and Natural Resources (Bingaman)
- Agriculture, Nutrition and Forestry (Harkin)
- Commerce, Science and Transportation (Rockefeller)

Bills/components likely to resemble earlier versions of House bill

- Target: 17-20% below 2005 levels
- Means of allowances, market oversight, offsets, nuclear, border tax

Essential ingredients for enactment of law:

- Balancing of environmental and economic objectives (Waxman committee)
- Bipartisan leadership in Senate
- President Obama personally making the case to the public and to Congress

60 of 100 votes needed for domestic law

- 36 Democrats (likely yes)
- 24 Democrats (?)
- 10 Republicans (?)
- 30 Republicans (likely no)

» 67 votes needed for a treaty

Outlook

- Bills/components out of committees 28 September (Reid)
- Full Senate vote (possibly 2009 or 2010)
- House-Senate Conference (possibly 2010)
- President's signature (possibly 2010)

» depends on progress of healthcare

President Obama is making energy/climate a priority:

- Calls on Congress to pass GHG cap-and-trade with 1990 levels by 2020, 80% below 1990 by 2050
- Appointed a White House lead on energy/climate and special envoy for international climate negotiations
- Forged agreement with automakers and California on vehicle standards for greenhouse gas (GHG) emissions and fuel economy
- Supported billions in stimulus law for renewable and low-carbon energy infrastructure and R&D
- Had EPA propose rule requiring GHG reporting, to go final for 2010 reporting
- Allowed EPA to recognize that GHG emissions can endanger public health and welfare

Most importantly Obama argues that investment in clean energy technology will help the U.S. grow out of economic crisis – and that GHG cap-and-trade is essential for driving that investment

Re-engagement in international climate talks

- **UN Framework Convention on Climate Change**
 - Submitted 'implementing' agreement
- **Major Economies Forum: 2°C**, global emissions peaking as soon as possible, developing countries undertake actions represent meaning deviation from BAU, work together to identify 2050 global goal, partnership on technology, finance drawing on existing institutions (Leaders statement)
 - G8: QELROs for developed countries to reduce emissions by 80% by 2050, and work with nations for a 50% global goal by 2050 - no developing country sign on to emission reduction goals
- **U.S.-China dialogue: MOU to Enhance Cooperation on Climate Change, Energy and the Environment: *Ten Year Cooperation Framework on Energy and Environment* and *Climate Change Policy Dialogue and Cooperation*:**
 - Importantly calls for the successful international negotiations on climate change
 - Hold regular ministerial and officials consultations

Final outcome - 'Implementing agreement'

- Strong, binding agreement, commitments from all major economies
- Protocol in nature: BAP framework, Parties efforts contained in appendices
 - Structure of common, then differentiated actions
- Shared vision: consistent with level of ambition needed to meet objective of Convention, recognizing evolving science, econ devel/emissions trends
 - Emphasis on the long-term goal
- Mitigation: NAMAs (QELROs for developed, quantifiable sufficient action for developing), low carbon development strategies to 2050
- Differentiation: Parties with greater responsibility/capability, graduation
- Finance: Decentralized with coordination, use of existing institutions
 - New and existing multilateral and bilateral avenues + private sector
(Some support shown for Mexico proposal)
- Use of trading and offsets
 - Linking of domestic systems
- Also MRV, Adaptation, Technology, REDD sections

“Comparability” of developed country efforts

Nature of developing countries’ “nationally appropriate mitigation actions”

Level of ambition

Means and level of support for developing countries (mitigation and adaptation)

“Measurement, reporting and verification” of mitigation efforts and support

Legal form of an agreement

Compliance

Absolute economy-wide emissions reduction targets

- Emissions trading systems and complementary policies established or emerging in most developed countries

Parties likely to consider factors including mitigation costs, past efforts and population trends, but targets will be set by negotiation, not formula

- EU: committed to 20% below 1990 levels in 2020
- President Obama: return emissions to 1990 levels in 2020
 - Both are roughly 15% below 2005 level, other developed countries fall in a similar range relative to 2005
- Japan: 15% below 2005 – 100% domestic efforts
 - MAC 3 times (\$150-\$185) that of U.S./E.U.
- Australia: 5-15%, 25% below 2000 = 50% reduction per capita
- New Zealand: 10-20% below 1990, costs and per capita
- Russia: 10-15% below 1990
- Canada: 20% below 2006

Many large developing countries have adopted or are developing national climate strategies with a mix of energy, land use, or other policies contributing to greenhouse gas reductions

- China – goals to reduce energy intensity 20% by 2010, 50% by 2020; 20% renewables by 2020; fuel standards; \$88 billion (15%) green stimulus package to reduce emissions by end of 2010;
- India – goals to increase renewable energy to 10% by 2012 – National Solar Mission 20GWH by 2020, 100GWH by 2030, 200GW by 2050 (context- the world currently generates 14 GW solar power); increase area under forest and tree cover from 23% to 33%
- Brazil – Goal to reduce electricity consumption 10% by 2030; subsidies and other incentives for renewables; reducing annual deforestation 72% by 2017, with international support
- Mexico – Voluntarily reduce emissions by 50million tonnes by 2012. Offer to cut growth of GHG emissions on negotiating table at Copenhagen, unilaterally and with support
- Korea – Goal to increase renewable energy to 11% by 2020, and non-fossil energy by building 12 nuclear plants by 2022; green stimulus package \$87.56 billion or 2% annual GDP over 5 years; planning to introduce trial voluntary emissions trading at local level; will announce 2020 emissions target later this year - 4% reduction (2005), 2005 levels, 8% increase (2005) costing estimate of 0.3-0.5% of GDP
- South Africa - GHG emissions to peak by 2020-2025, plateau for up to 10 years, and decline at least 30-40% below current levels; renewable target 15% by 2020; mandatory measures in place within three years

Central challenge: How to incorporate NAMAs and actions into the international framework

Level of effort – Deviation from BAU?

Scope – How much of economy covered? Key sectors?

Differentiated – If not explicit, how is it achieved?

Process – How are specific actions/support determined?

Unilateral and/or supported actions? Registry? Matching?

Crediting – Qualify as offsets?

Legal character – Are they “commitments”?

Developed – ‘commitments’ by all major economies

Developing – ‘policy commitments’ bound to action, not necessarily outcome

Developed

- Possible aggregate emission reduction range of 15-21% below 1990 by 2020 based on KP parties' currently proposed domestic emission reduction commitments
 - excludes the U.S.
- IPCC range 25-40%
- AOSIS and LDCs calling for 45%

Developing

- Substantial deviation from business as usual (?)
 - 15-30%

Other indicators

- Long-term global goal of 50% below 1990 by 2050, developed countries goal 80% (85%) below 1990 by 2050, 2 degrees (1.5 degrees), 450ppm (350ppm), peaking and decline as soon as possible

Market-based support (mitigation)

Reform project-based Clean Development Mechanism

Allow “sectoral” or “policy-based” crediting?

Offsets

Public finance (mitigation and adaptation)

Level/predictability

Potential sources: Funding commitments, pledges or assessed contributions (funds raised nationally), set-asides, auction of international allowances, carbon levies, levy on emissions trading, non-government donors, debt swap, non-compliance penalties

Institutional base: UNFCCC, World Bank, GEF, other?

Multi-window mechanism or decentralized?

Governance: Developing countries want greater say than under traditional donor-recipient model

Conditionality: What is required to secure or retain support?

Credible verification system is key to establishing confidence in respective efforts and overall regime

Developed country targets

Existing reporting/review systems are largely adequate

Developing country actions

What is verified – action, results or both?

Done nationally per international guidelines?

Subject to review? By whom?

Consequences if actions are not verified?

Developing country support

Simplest if funds flow through centralized mechanism

Direct access, donor controlled or combination?

For bilateral assistance, need to define “climate-related,” “new and additional”

Options

New protocol

Amendment to Kyoto and/or UNFCCC

“Decision” by Conference of the Parties

Combination of the above

Issues

Require ratification?

How binding?

Options

- Existing KP mechanisms
- New compliance procedures
- No compliance
- Combination of the above

Issues

- Applied equally to all?
- Likelihood of country sign on?

Unilateral measures

Article 3.5 of Convention: *"Parties should cooperate to promote a supportive and open international economic system... Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade."*

Full, final, ratifiable agreement

Ideal but unlikely, in part because of likely pace of domestic U.S. legislation and UNFCCC progress

No agreement; extend the deadline

Keeps pressure on, but could be perceived as a "failure"

Interim agreement

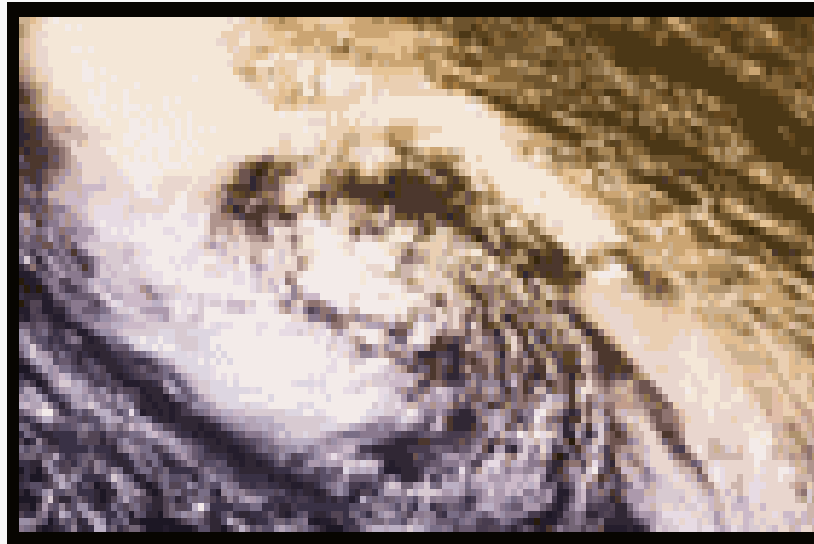
Keeps pressure on; shows tangible progress; creates positive dynamic toward final agreement

Key elements of an interim agreement

- Establishes basic architecture of post-2012 framework
 - Types of action/commitments for developed and developing
 - Mechanisms of support for developing countries
 - Basic terms of MRV
- Sets range (or floor) for developed country targets
- Indicates level of support for mitigation and adaptation in developing countries
- Initiates process to determine specific developing country actions
- Provides upfront support for adaptation and NAMA preparation

Settles basic legal and design issues; represents an “offer” by developed countries; sets stage for negotiating a full, final, ratifiable agreement

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Kate Cecys is an International Fellow at the Pew Center on Global Climate Change. Her work at the Pew Center includes tracking climate-related policy development internationally, researching international policy issues, and facilitating dialogue with governments and stakeholders. Before joining the Pew Center, Ms. Cecys held several positions with the Australian Government Department of Climate Change, representing Australia in United Nations Framework Convention on Climate Change negotiations on scientific, inventory and forestry issues. She was seconded to the Indonesian government in preparation for their hosting of COP 13 in Bali.

Ms. Cecys holds a Masters of Environmental Law and a Bachelor of Science with Honors from The University of Sydney, Australia.