

Development issues crucial for post-2012 climate regime

by **Martin Khor**

The United Nations General Assembly thematic dialogue on climate change (31 July-2 August 2007) and the “Vienna climate talks” (27-31 August 2007) under the umbrella of the UN Framework Convention on Climate Change (UNFCCC) have made gradual headway in clarifying the issues that will be crucial at the Bali meetings this December which will hopefully launch negotiations and a roadmap for global action to combat climate change, especially in the post-2012 period.

At Vienna, participants held a dialogue on the “building blocks” required for such global action, and especially for a framework or regime to guide activities after the expiry in 2012 of the first Kyoto Protocol set of commitments. They also held initial discussions on the range of commitments for developed countries to reduce their greenhouse gas emissions by 2020.

Key among the present Kyoto commitments is the agreement of most developed countries to reduce their greenhouse gas emissions by 5.2% collectively by 2012 as compared to 1990 levels. However, a few developed countries, notably the United States and Australia, have not signed up to the Kyoto commitments.

At this significant moment in the conceptualisation of a climate regime that is equitable and fair, it is important to put forward perspectives that promote the environment and development interests of the developing countries.

From this viewpoint, there are at least four important building blocks towards a post-2012 UNFCCC climate regime – science and targets; relations between developed and developing countries; the need to link development and environment; and policy coherence.

I: SCIENCE AND TARGETS

First, on science and targets. Developments in the science of climate change have progressed recently so that there is broad consensus that the climate problem is real and serious, and that developing countries will be most affected.

There is a need to set targets for global action, such as to limit temperature rise to 2 degrees Centigrade (in fact, well below that), and to prevent greenhouse gas concentration from exceeding 450 parts per million (ppm) of carbon dioxide equivalent. Even at these levels, there will be great damage. At levels

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higher than these, scientists inform us, the damage will be catastrophic.

However, the establishment of such science-based targets has to be linked to agreement on “burden-sharing” principles, particularly as between North and South.

II: NORTH-SOUTH RELATIONS

Second, therefore, is the crucial building block of fair North-South relations in a climate agreement. The UNFCCC and Kyoto principles of equity, historical responsibility, and common but differentiated responsibilities have to be reaffirmed and, more importantly, operationalised in concrete terms and measures to be worked out.

Indeed, these principles must be infused into all aspects of the negotiations and reflected in the agreements to be made.

The implications for developing countries of proposals on global targets should be more explicitly discussed. For example, the European Union has made a proposal for a global emission cut of 50% by 2050 (compared to 1990 levels) and a cut of 60-80% for developed countries.

It is good that the EU has started the ball rolling by putting forward these proposals and figures. Of course, it is only a start and the EU and other developed-country parties must be expected to improve on their proposed commitments.

However, there are also implications for developing countries in such figures, which have thus to be considered seriously. If we assume, for simplicity, that developed and developing countries account 50:50 for total emissions, then a global 50% cut with a 70% developed-country cut implies a 30% emission cut for developing countries. If developing countries’ population doubles in that period (from 1990 to 2050), then the implication is a 65% cut collectively in their emissions per capita.

This is a very deep cut, and whether developing countries should or can take on such cuts should be openly debated. It is insufficient to leave these as implicit targets, as a residue of global and developed countries’ targets.

The above is of course only one aspect, though an important one, in the operationalisation of the principles of equity, common but differentiated responsibilities, etc.

III: INTEGRATING DEVELOPMENT CONCERNS WITH CLIMATE ISSUES

Third, there needs to be more work on the building block of integrating development with environment. Addressing climate change as an environmental crisis requires simultaneously a development solution. The development challenges are enormous, far more than has been generally acknowledged as yet.

As has been effectively argued, if climate change is not addressed, its effects would themselves devastate development prospects. Thus, adequately addressing climate change through mitigation and adaptation is crucial, and is more cost-effective than adopting a “business as usual” attitude.

At the same time, we should also not underestimate the tremendous efforts required to switch to new development pathways that match the new emission-stabilisation pathways required to curb the growth of greenhouse gas emissions.

For example, the Vienna meeting heard presentations that the economic costs of addressing climate change would be only 0.12% of world Gross National Product (GNP) per year, up to 2050.

If this is so, then operationalising this would still be an enormous challenge. It may imply, for instance, that if developed countries are growing at 2.12% a year, they would have to make do with 2%, and if developing countries are growing at 6.12%, they would have to make do with 6%.

(Of course, if developed countries were to agree to reduce their growth rates more than this, developing countries will have more space to grow.)

This may be a relatively small price to pay to address climate change and still enable relatively good growth. But it would be a tremendous challenge indeed for developing countries to be able to grow economically at 6% a year and also be able simultaneously to reduce their per capita emissions by 65% by 2050.

Perhaps it can be done. However, many in-depth studies must be conducted to show how this tremendous transformation can be undertaken, or it would remain at this stage only a vision.

On the issue of finance, there should not be an impression that the sums are small and that the private sector will take care of most of the costs.

The UNFCCC Secretariat paper on investments needed to address climate change (presented at Vienna) has done a good job of stimulating discussions on a complex issue. It has given estimates of an extra investment and financial flow of US\$200-210 billion required in 2030 for mitigation and “tens of billions of dollars” for adaptation.

The enormous costs of mitigation and adaptation should be realistically spelt out, and national studies (such as the one presented by India on the immense costs of emission-reducing reforms in industry) and examples of costs of addressing real-life climate-related events would be illustrative.

For example, in the newspaper *USA Today* (dated 29 August 2007) it was reported that the 2005 Hurricane Katrina caused US\$150 billion damage and the costs of reconstruction include US\$116 billion allocated by the US Congress as well as many more billions of dollars to be met by private financing including insurance.

The 2004 tsunami would also have cost many billions of dollars in rehabilitation and reconstruction.

Mitigation and adaptation measures would help prevent or reduce such high costs of disaster-related reconstruction. The high costs of damage and reconstruction also have to be addressed.

At the least, there is a need for a large publicly financed and operated fund to address adaptation. Private finance can only be a supplement, especially since it is difficult for poorer countries to access these funds and on affordable terms. A fund to address costs of damage may also need to be looked into, especially since climate-related damage is already taking place.

On technology transfer, the challenge is also enormous. A key question is the treatment of

intellectual property rights (IPRs) over climate-friendly technologies. IPRs confer monopoly rights, and can curb affordable access through higher prices (that usually include monopoly profits) as well as be a barrier to the introduction or upgrading of technology by private industry or public-sector agencies in developing countries.

The lower the cost and the greater the ability of developing countries' enterprises to make use of or to make existing or new climate-friendly technologies, the faster would be the developing countries' ability to switch to more climate-friendly technologies and to the new emission-stabilisation pathways as well as new development pathways.

If there is insistence on the “full protection of intellectual property” in relation to climate-friendly technology, it would be a barrier to technology transfer. The example of how Indian companies were hindered from introducing a new chemical that is not harmful to the ozone layer as a substitute to chlorofluorocarbons (CFCs), because of patents on that chemical, is illustrative.

Thus, a post-2012 regime has to deal with this thorny issue of IPRs and developing countries' access to technology (existing and new technologies, for mitigation, adaptation and reconstruction).

On new development pathways, there should be more discussion and work done. Stabilisation pathways (aimed at greater energy efficiency and emission reduction) are an important component.

However, there are other key components if developing countries are to explore new ways of looking at economic and social development strategies that meet the requirements of emission-stabilisation pathways.

The pathway of moving from primary production and commodity-based sectors to commodity processing and first-stage manufacturing and services to more mature industrialisation and services, the pathways of addressing sustainable development in agriculture, industry, commercial and social services, the pathways of trade policy, investment policy, financial policy, technology policy and social policy, all have to be thought through. These are massive challenges.

IV: NEED FOR POLICY COHERENCE

Fourth, there should be policy coherence at national and international levels. If climate change is indeed the most pressing challenge of our times, then policies made in other areas and in other fora have to be looked at through the fresh lens of addressing climate change, and made consistent with the aims and measures that we are trying to implement in combating climate change.

For example, at the World Trade Organisation (WTO), there are proposals to consider as a non-tariff barrier (which should be removed) the imposition of higher taxes on cars with a higher engine capacity, or the lack of government action to facilitate financing of consumers' purchase of motor-cars.

Also at the WTO, some developed countries are also pushing developing countries to drastically reduce their tariffs on food products, so that the developed countries' highly subsidised farm products can penetrate the poorer countries' markets. At the same time, developed countries are insisting that the developing countries' markets for industrial products also be opened up very significantly.

Developing countries that take measures, consistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights

(TRIPS), to provide cheaper generic medicines for their population are being condemned or punished by the major developed countries like the US or the EU, as the recent case of Thailand and its compulsory licences on three types of medicines shows.

If some of the proposals at the WTO were to be adopted, they would make it far more difficult for developing countries to switch to an emission-stabilisation pathway and a sustainable development pathway.

Similarly, reviews should be made of the provisions of bilateral and regional free trade agreements, and of loan and aid conditionalities facing countries dependent on the international financial institutions and on aid donors.

These are some of the issues that at present could be stumbling blocks that have to be transformed into building blocks towards new goals, frameworks and structures in the cooperative efforts to combat climate change.

Martin Khor is Director of the Third World Network. This paper is partly based on his presentation on behalf of the Third World Network at the UNFCCC meeting in Vienna on 27-31 August.