

## The Respekt Institute / British Embassy Seminar Series

### ‘Europe’s Global Dimension’

#### Background paper: Europe’s leading role on global climate change, competitiveness and the transition to a low carbon economy<sup>1</sup>

##### Key questions:

*How we will manage the transition to a low carbon economy and an ambitious global accord on a post-Kyoto regime? What will be the impact of the global financial crisis?*

*Do the EU’s climate policies threaten European competitiveness or on the other hand promote it? According to whose criteria to assess this?*

The global problem of climate change is gaining in urgency. Scientific findings are showing ever more clearly that human activity has a significant share in causing climate change. Scientists have set a temperature increase of two degrees Celsius above pre-industrial levels as the critical limit for global warming. If this limit is exceeded, it is highly likely to cause extensive climate-related catastrophic impacts (environmental, health-related, economic and social).

The EU and the international community are now faced by an important task: to gather the political courage to implement ambitious policies for protecting the climate. In its extent and impact, the Kyoto Protocol was just a warm-up for a truly effective global treaty. All areas of human activity are associated with greenhouse gas emissions; if mankind wants to stop the growth of greenhouse gas emissions, this will require a fundamental transformation of the world economy, in particular the energy and transport sectors.

##### The international situation

Since the collapse of negotiations on binding greenhouse gas emissions reductions at the Nairobi conference in 2006, several events have given greater hope for progress in negotiations on a new global emissions reduction accord. An important milestone in the international debate on the acute need to address climate change was the release of the Fourth Assessment Report of the Intergovernmental Panel for Climate Change (IPCC) from 2007, whose conclusions were alarming. Then there was Sir Nicholas Stern’s report for the

<sup>1</sup> This paper was prepared by the Respekt Institute (Prague) as a background material to support expert debate in the framework of a series of seminars and events to consider global issues affecting the European Union held in partnership with the British Embassy in Prague. This paper does not represent UK Government policy.

British Government, which showed the economic benefits of reducing emissions and the catastrophic economic losses which would result from a failure to act. The conflict between climate protection and economic development was thus overcome.

The December 2007 conference of the parties to the UNFCCC in Bali produced a roadmap for the adoption of a global post-Kyoto accord at the Copenhagen conference in December 2009. Although no specific binding objectives were set, the goal is clear. If we want to avoid catastrophic climate impacts, in the next 10 to 15 years the world will have to halt the increase in greenhouse gas emissions, followed by a rapid reduction in emissions to 50 % of 1990 levels by the year 2050. The developed countries should reduce their emissions in 2020 by 25 to 40 % over 1990, concludes the "Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto protocol" from the Bali conference.

These objectives are based on the scenario created by the Intergovernmental Panel for Climate Change (IPCC), which assumes that global temperatures will increase by 2 to 2.4 degrees Celsius above pre-industrial levels. Linking international political negotiations to the IPCC conclusions gives the process trustworthiness and scientific relevance.

At the Bali conference, even the United States, China and India expressed their commitment to cooperating on reaching a global post-Kyoto accord. Bali thus started a promising series of negotiations, which however are still in the early stages, with a successful conclusion depending on many factors. At their meeting in Japan in July of this year, the G8 countries undertook to a 50 % reduction in emissions by the year 2050. Although no baseline year was established, this act sent a positive signal for future negotiations.

However, climate protection requires that all countries - developing and developed - be engaged in the process. For this reason, the question of fairness is at the centre of global negotiations. If any accord is to be passed, it will have to respect the principles of shared but differentiated responsibility. In particular Europe and the United States should adopt highly ambitious plans for reducing their domestic emissions, thus offering the world a practical example that a healthy economy can coexist with climate protection policies.

There is much to indicate that a new accord will be achieved only if the developed countries provide less developed countries far greater and more forthcoming technological and financial support. Important components of the new global accord will be provisions on technology transfer and financial mechanisms for financial adaptations. No matter what form the accord takes, it must be acceptable and must establish equal conditions for the least developed countries, emerging economies, developed countries and especially threatened countries, in particular island states. (A fair objective would be, for instance, balancing per capital emissions across all countries by the year 2050.)

If a significant part of the world reduced its consumption of fossil fuels (and thus emissions), the resulting reduction in demand and lower prices would lead to greater purchases and consumption in countries which have resigned on climate protection. We thus cannot do without a global accord; there is much at stake. For this reason, the EU must have the courage to risk making significant reductions.

## **The EU's obligations**

At the meeting of heads of state and heads of government in the spring of 2007, the EU undertook to reduce greenhouse gas emissions by 20 % from 1990 levels by the year 2020 (or 30 %, if a post-Kyoto accord is concluded). Similar binding objectives were adopted for the share of renewable energy sources. Together with these binding objectives, the EU has taken the role of leader in global endeavours at reducing the impacts of climate change.

The adoption of ambitious binding measures also requires a large dose of courage. The EU has taken a careful and tactical approach, tying its binding objectives to the success of an accord at the UN. The adoption of ambitious binding objectives is accompanied by fears that the European economy may lose its competitive abilities and that carbon-heavy manufacturing will move outside the EU (carbon leakage).

Current negotiations on a climate and energy package for meeting these objectives are about more than debating European competitiveness and balancing environmental and economic measures at home, but are also a debate on the EU's responsibility towards the world community, in particular the developing world. (The EU emits around twice as many emissions per capita than China and seven times as much as India.) Climate change is closely related to issues of food security, access to drinking water, and the loss of biodiversity. Climate change policies should thus be closely related to development aid. Is the EU prepared to accept this approach? The climate and energy package is not set up for a possible 30 % reduction of emissions in the EU. This potential 10 % extra will thus apparently have to be covered by the purchase of emissions credits within international mechanisms, but there are doubts regarding their fairness.

The EU should begin now to actively work on plans for introducing green technologies onto the markets in developing countries and emerging economies. Cooperation in the field of development, as the EU undertook to do with China and India, is thus a good start for these attempts.

The world community expects the EU to take up an active leading role. Europe is destined to take on this role in part because it will host the next two conferences of the parties to the UNFCCC - Poznan in 2008 and Copenhagen in 2009.

## **Negotiations with the USA**

The United States has expressed its willingness to participate in a new post-Kyoto accord, which was seen as one of the main successes of the Bali conference. There are many indications, however, that the United States will not want to enter into an accord based on the principle of shared, but differentiated, responsibility, and protecting the competitiveness of the American economy will be a strong criterion during negotiations.

## **The Czech presidency**

During its EU presidency, the Czech Republic will oversee the transition period between the Poznan and Copenhagen conferences. During its presidency, it will have to communicate to the world community a convincing and above all joint standpoint as regards how to address the issue of climate change.

## **Specific issues**

The following questions arise in relation to the climate and energy package:

**Biofuels:** Do liquid fuels for transport deserve such a massive system of support when it has been proven that greenhouse gas reductions can be achieved more effectively in other ways (e.g. promotion of combined production of energy and heat from biomass).

**CCS:** The massive commercial development of carbon capture and storage technology will not be technologically possible before 2025 - 2030. It is thus certain that this technology will not contribute to halting the growth of emissions in the next 10 – 15 years. Is it worth investing public resources or international financial mechanisms for fighting climate change into such an “end of pipe” technology?

**Energy efficiency:** As compared to policies and binding obligations in the area of renewable energy and emissions reductions, EU policy is lagging behind in the field of increasing energy efficiency. There exists, meanwhile, a broad consensus that energy savings and energy efficiency are a main tool in the fight against climate change and for ensuring the EU's energy security.

**Nuclear energy:** Nuclear energy enjoys significant financial and institutional support in the EU (EURATOM, Nuclear Forum); there now are appearing the first initiatives for a similar approach to renewable energy sources (the establishment of the European or International Community for Renewable Energy and the Forum for Renewable Energy).

**ETS:** questions related to the purchase of external credits as part of domestic obligations and the speed of shifting to an auction-based distribution of permits for the individual sectors (fears of shifting manufacture outside the EU.)

**Transport:** Lack of success in reversing the growth trend in transport-related emissions and the growing volume of individual automobile and air transport.

**Enforceability of obligations:** Obligations to reduce emissions should be enforceable within the EU, in particular as relates to ETS (a limited number of permits will be auctioned off); the overall observance of national obligations should be enforceable through suits for violating the obligations and EU law. A different situation will exist within the system established by the accord within the UNFCCC, where binding obligations are declaratory in nature and thus legally unenforceable.

## Potential debate questions:

Do the global financial crisis and tremors on financial markets threaten the ambitious global accord on a post-Kyoto regime? What to do in order to prevent this from happening?

Do the EU's climate policies threaten European competitiveness or on the other hand promote it? According to whose criteria to assess this?

*The growing prices of oil and natural gas may slow down the economy and technological development in general, or they may provide an impulse - especially for green technologies. What can be done so that developments follow this second path?*

Must attempts at reducing emissions lead to a Renaissance of nuclear energy? What are the barriers to promoting energy efficiency and energy savings?

Should two versions of the climate and energy package be prepared (20 % and 30 %)? Doesn't it otherwise lose in trustworthiness for international negotiations?

Does the possibility of purchasing external credits (up to 10 %) threaten the effectiveness of emissions reductions in the EU?

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Achieving and implementing a global post-Kyoto accord will require the cooperation and support of all social partners. How to convince companies, business and industrial unions, governments, towns, local government, and the general public to support such efforts?

For the EU, there are two paths when it comes to energy policy – either we will rely on supply (satisfying demand) and will invest into developing nuclear and coal with CCS, or we will focus on consumption and put our efforts into conservation, increased energy efficiency and renewables. What are the barriers to a “golden middle road”? Are there even any?

Will the developing countries, China and India be willing to join an ambitious post-Kyoto accord if the EU is barely meeting its Kyoto pledges?