

Beyond the 'Bali Roadmap'

The New International Climate Change Agenda Encompasses Trade

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Christian Egenhofer*

With one-day delay and high drama, more than 180 countries of the international community on 15 December 2007 agreed on a negotiations mandate for the successor to the Kyoto Protocol, which is hoped to be agreed in late 2009 during the negotiations in Copenhagen. Almost all commentators agree that the agreement in Bali has been a major breakthrough, not at least for bringing the US back into the fold. Only the most confirmed optimist could have hoped for this development even six months ago. There is a realistic prospect that the fora outside the UN Framework Convention on Climate Change (UNFCCC), such as the G8+5 process, the Major Economies' Meetings or the Asia Pacific Partnership for Clean Development and Energy, will truly become what their instigators have always claimed them to be, namely complements to the UNFCCC process and not alternatives. That should palpably ease political tensions.

The agenda is set

The 'Bali Roadmap' has created a new body known as the 'Ad Hoc Working Group on Long-term Cooperative Action under the Convention', which is the key process for agreeing a post-2012 order and has identified the key elements for a successful agreement: a long-term target that takes into account national differences and focuses on mitigation, adaptation, technology and financing. This very much defines the agenda for the negotiators until 2009. It should not be forgotten, however, that developing countries ensured that the so-called Ad Hoc Working Group (AWG) on further commitments, which includes the countries that have ratified the Kyoto Protocol remains a separate and largely parallel process, acknowledging the responsibilities of developed countries. This points to very difficult future negotiations between developed and developing countries on the respective commitments. While developing countries highlight the historical responsibilities of developed nations as having used almost all of the available headroom of greenhouse gas emissions, developed countries argue that without commitment of fast-growing developing countries, there is no way to reach stabilisation. Both sides have a point.

Concrete decisions

While the Bali Roadmap spells out the objectives rather than the tools to achieve them, a number of concrete decisions have been taken that should not be forgotten. They include decisions on the governance of the CDM Board, the management of the adaptation fund and

* Christian Egenhofer, CEPS Senior Research Fellow, has been at the Bali UN climate change negotiations. CEPS Commentaries offer concise, policy-oriented insights into topical issues in European affairs. The views expressed are attributable only to the author in a personal capacity and not to any institution with which he is associated.

the extension of the mandate of the Expert Group on Technology Transfer by five more years. One of the big successes has been recognition of the 4th Assessment Report of the Intergovernmental Panel on Climate Change, the world's state of the climate report and the adoption of a pilot work programme for emissions reductions methodologies from deforestation, which is likely to lead the way in tackling deforestation.

The first meeting of finance ministers

The Bali negotiations can also be seen as providing further signs that the international community this time is seriously willing to strike a deal. For the first time, finance ministers met during the climate change negotiations to better understand the scale of the challenge and to explore the potential need for transfers, which undoubtedly will be required in the final hours of the negotiations.

The Informal Trade Ministers Dialogue

Potentially more important has been the first meeting among trade ministers on climate change issues in the so-called 'Informal Trade Ministers Dialogue on Climate Change' (ITMD), initiated by the government of Indonesia. Essentially, it was an exchange of views leading to a number of procedural recommendations, such as urgent and successful conclusion of the Doha Development Agenda negotiations, including the environment mandate, more comprehensive study and better empirical evidence on the linkages and interface between international trade development, more intensive high-level engagement and interaction on the issue of international trade and climate change, encouragement for future hosts of UNFCCC negotiations to hold further dialogues of trade ministers, and to look at the possibility of holding a joint session with finance and development ministers and strengthen and enhance engagement between the WTO and UNFCCC. They concluded that international trade, development and climate change are mutually supportive and that international trade plays an important role to address climate change issues for the future of sustainable development.

This meeting can be seen as a gradual waking up to the trade aspects of climate change. The latest wake-up call has become the discussions mainly in the EU and the US of offsetting border measures to address international competitiveness concerns. It is widely expected that the European Commission's proposal for the revised EU emissions trading scheme will foresee the possibility for such border measures to protect EU industries from 'unfair competition'.

But there are other aspects of the new trade and climate change interface. Some of them reach deep into the global trade system, such as tariffs and non-tariff barriers to trade, investment and technology transfer for climate change mitigation or adaptation technologies including clean coal and biofuels, GHG emissions and product labelling or climate-related and trade-related disputes and domestic legal actions concerning the international aviation and maritime shipping industries such as the inclusion of aviation into the ETS. Others are somewhat detached from the day-to-day WTO business such as programmes that promote exports, foreign direct investments and technology transfers, especially to emerging economies such as export credit agencies or trade impacts of international climate change technology cooperation agreements. Bali has shown that the WTO (Secretariat) takes these issues very seriously and dedicates significant resources to the study of trade implications of climate change. A test case may well become the issue of border measures as might be proposed in the EU ETS directive. CEPS will return to this issue early in 2008.