



Road to Copenhagen 2009

The European Union and Climate Change Action
Background Brief 1

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EU AND GLOBAL CLIMATE CHANGE ACTION

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EU AND GLOBAL CLIMATE CHANGE ACTION

ON THE WAY TO COPENHAGEN

Abstract

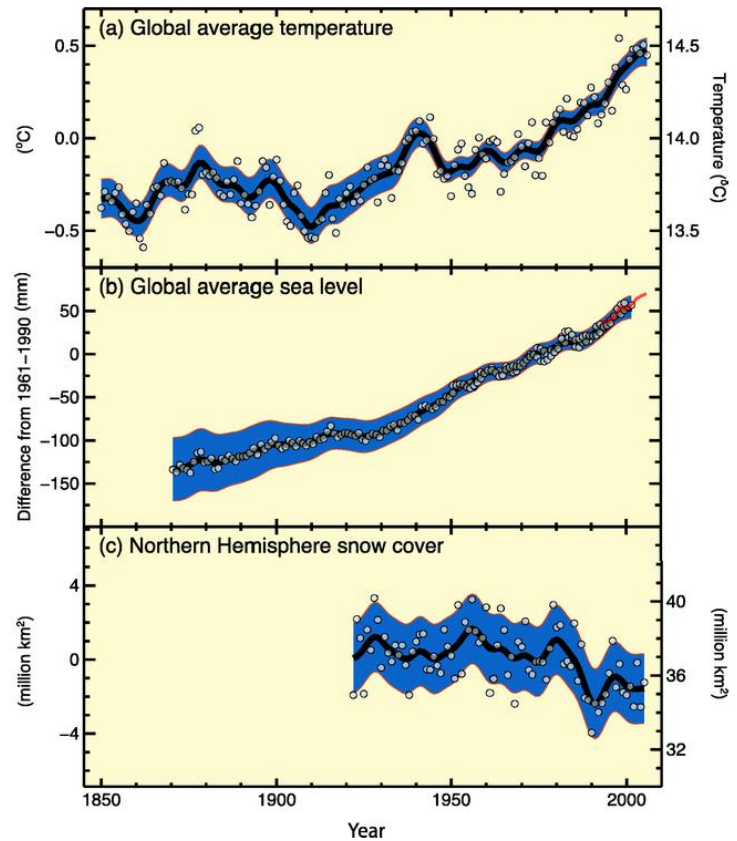
The European Union has been a leader in global climate change policy making since the 1990s. It was the main force in the international arena pushing for the most stringent measures to mitigate climate change during the preparation of the United Nations Framework Convention on Climate Change and the Kyoto Protocol. Internally, it has committed to a set of far-reaching climate and energy targets and has been putting in place concrete measures to achieve them. For current negotiation for the post-2012 international climate change agreement, the EU again plays an important role in designing the international deal. This background brief aims to give an overview of EU climate change policy in the view of global climate change effort, as well as the position of EU for the new climate change agreement.

Introduction

2009 is a crucial year in the international effort to address climate change. A series of the United Nations Framework Convention on Climate Change (UNFCCC) meetings are taking place throughout the year, designed to culminate in an ambitious and effective international response to climate change for the period after 2012. The intention is to come to a new agreement to replace the Kyoto Protocol at the United Nations Climate Change Conference (COP15) in Copenhagen, 7-18 December 2009.

Climate change has been touted as one of the greatest environmental, social and economic threats of the present generation. The warming of the climate system is unequivocal, says the Intergovernmental Panel on Climate Change (IPCC), a scientific advisory body created by the United Nations. The world has warmed by an average of 0.76°C since pre-industrial times and the temperature rise is accelerating, according to the 2007 Fourth Assessment Report (AR4) from IPCC. Observations show increases in global average air and ocean temperatures, widespread melting of snow and ice, and rising global mean sea level (see Figure 1). Europe has warmed more than the global average, especially in the Mediterranean, the north-east and mountain areas. It is very likely that most of the warming can be attributed to the emissions of greenhouse gases by human activities. Without action to limit future emissions, the global average temperature is likely to increase further by 1.8 to 4°C this century and in the worst case scenario by as much as 6.4°C, the AR4 projects.¹

Figure 1. Observed changes in global average surface temperature, global average sea level and northern hemispheric snow cover for March-April



Source: IPCC, 2007. Climate Change 2007: Synthesis report Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, UK, p.31

The European Union (EU) has been a leader in global climate change policy making since 1990s. It has consistently been the force in international climate change policymaking, pushing for the most stringent measures to mitigate climate change. Internally, it has committed to a set of far-reaching climate and energy targets and has been putting in place concrete measures to achieve them. The EU's agreed overall objective, since 1996, is to limit global warming to less than 2°C above the pre-industrial level – equivalent to around 1.2°C above today's temperature. This is widely seen as the threshold beyond which climate change will become dangerous to the global environment.²

This paper aims to give an overview of both EU climate change policy in the view of global climate change effort, and the negotiating position of the EU in working towards a post-Kyoto climate change agreement.

The EU's Interest and Leadership on Climate Change Issues

What explains the EU's interest and leadership on climate change issues? Why is the EU prepared to embark and commit on a costly programme to combat climate change?

First, it is the widespread belief in Europe that the threat from climate change is serious. The Intergovernmental Panel on Climate Change's (IPCC's) Reports, the European Environment Agency (EEA) and other regional and national analyses have provided extensive evidence of the impact of climate change on Europe and other parts of the world. These scientific analyses together with widespread lobbying by environmental groups have led to a growing consensus on the threats of climate change and hence the need to take action to address the threats and risks associated with it. Hence there is a strong public support behind the EU's climate change activism.

To illustrate this, in a public opinion survey by the German Marshall Fund published in 2009, 84% of Europeans surveyed state that they are concerned with climate change, with 65% of Americans saying the same. However, when asked if they would be willing to sacrifice economic growth to combat climate change, 69% of Europeans agree while only 43% of Americans are willing to make this sacrifice. Substantial majorities in Europe believe climate change can only be addressed effectively at the international level (81%), while only a slim majority in the US (54%) thinks that it takes a global effort.³

However, one open question is whether European citizens will stay as supportive of action on climate change, as they are currently, if some of the costs will be passed on to them through increases in electricity prices and other expenses. A July 2009 Eurobarometer survey indicates that climate change is still a prime concern, but less so now than before the crisis: 50% of Europeans said they still view climate change as a major challenge for the world at this juncture. That figure stood at 62% one year ago. European perception of the seriousness of climate change has also declined. For example, one year ago, 3 in 4 Europeans (75%) viewed climate change as a "very serious" problem. Today, only 67% consider this to be the case.⁴

Second, there is a strong perceived linkage between climate change, sustainable development and energy security. The linkage to energy security issues, given the high dependency of many EU member states on external energy supply, meant that the entire agenda of climate change and energy security took on a much more integrated approach within the Union together with a clear external dimension. According to the European Commission, the involvement of the EU in these sensitive issues should be deepened and made more concrete. Despite the liberalisation of European energy markets, the clearest indications of this new stance reside in the recent Lisbon Treaty, where the long-awaited

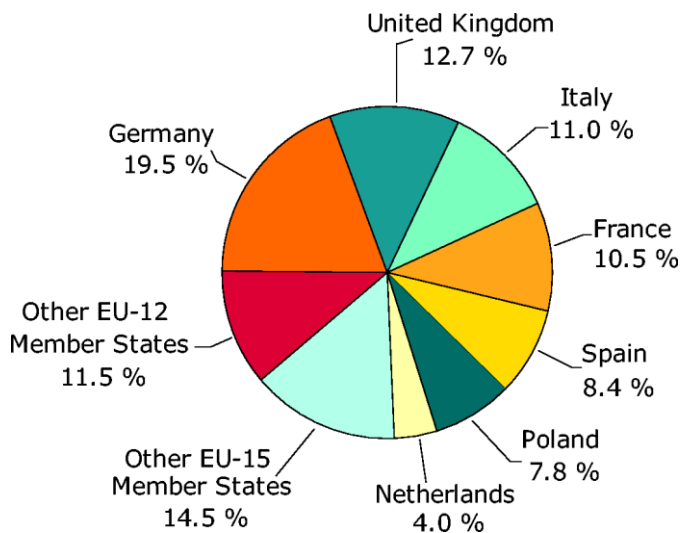
recognition of EU competence to act in the field of energy is expressed. The Treaty also underlines the strong correlation between energy issues and climate change, thereby boosting the role that the EU will be called to play with regard to these challenges.

Third, the EU prefers to manage risks through institutionalisation and burden-sharing. Once risks from climate change were identified, and climate change became high on the political agenda of various EU member states, the EU set about in its unique way of managing these risks through its multilevel governance structure. Climate change has become more than an environmental problem; it is increasingly perceived as a security issue, socio-economic issue and equity issue, etc. The importance in discourse on promoting and protecting the general welfare of the EU citizens in the face of a relatively climate-concerned population provides a push for a stronger role of the EU in taking the lead in combating climate change.

Fourth, the EU has a strong belief of itself as a normative power and desire to demonstrate global leadership. Closely related to the evolution of the EU from the European Economic Community (EEC) is the increasing belief that EU should function as a "normative" or "ethical power" and demonstrate global leadership on issues that impact on human security. No longer just an economic community concerned only about the economic interests of its members, the EU has come to serve the "normative concerns" of EU member states. The conviction is gaining ground that the EU is not a conventional great power in waiting, but, as Ian Manners has suggested, a "normative power" that acts primarily through ideas and values, and not military or economic force.⁵ The notion of the EU as a qualitatively different, normative power can be also applied to the EU's role in international environmental politics.

Fifth, the EU has accepted the principle of common but differentiated responsibilities and acted on the belief that since developed countries are primarily responsible for the majority of the post-industrial revolution emissions and therefore the accumulation of GHG in the atmosphere, it should take the lead in combating climate change. The EU and its member states have demonstrated willingness in recent years to take on a greater share of the burdens associated with global environmental problems. The stated EU policy is to reduce EU-wide greenhouse gas emissions and to assist developing countries through aid and technical know-how to promote sustainable development. This is especially evident in their rhetoric and diplomatic maneuvering regarding climate change, although it would be wrong to say that they have always embraced the notion or that they have done as much as many argue they ought to.

Figure 2. Share of 2006 greenhouse gas emissions in the EU-27, by main emitting country



Source: EEA, 2008. Annual European Community greenhouse gas inventory 1990-2006. <http://www.eea.europa.eu>

Global Climate Change Effort: the UNFCCC and the Kyoto Protocol

The current round of international efforts to address the prospect of global warming started in the early 1990s. In 1992, 165 countries joined an international treaty- the United Nations Framework Convention on Climate Change (UNFCCC)- to begin to consider what can be done to reduce global warming and to cope with inevitable impacts. The ultimate objective of the UNFCCC was “the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”.⁶ The UNFCCC urged industrialised countries to begin the process of global greenhouse gas reduction by reducing their own greenhouse gas emissions and providing financial resources to developing countries to cover the marginal costs of measures they might implement. Of the 154 states that ratified the UNFCCC, the OECD member-states and a number of other countries also undertook to work out a national plan of action for the purpose of achieving this objective.

However, many questioned the effectiveness of UNFCCC’s plan of action because the plan only contains recommendations encouraging countries to stabilize greenhouse gas (GHG) emissions but has no legally binding framework. The UNFCCC’s recommendations have gone largely unheeded and emissions were not substantially reduced. The participating governments were unwilling to make firm, legal commitments to begin reducing emissions of GHG in line with the targets and schedules indicated in the UNFCCC.

Given the slow progress since 1992, the Kyoto Conference in 1997 represented a turning-point in the negotiation process. By adding the Kyoto Protocol to the UNFCCC,⁷

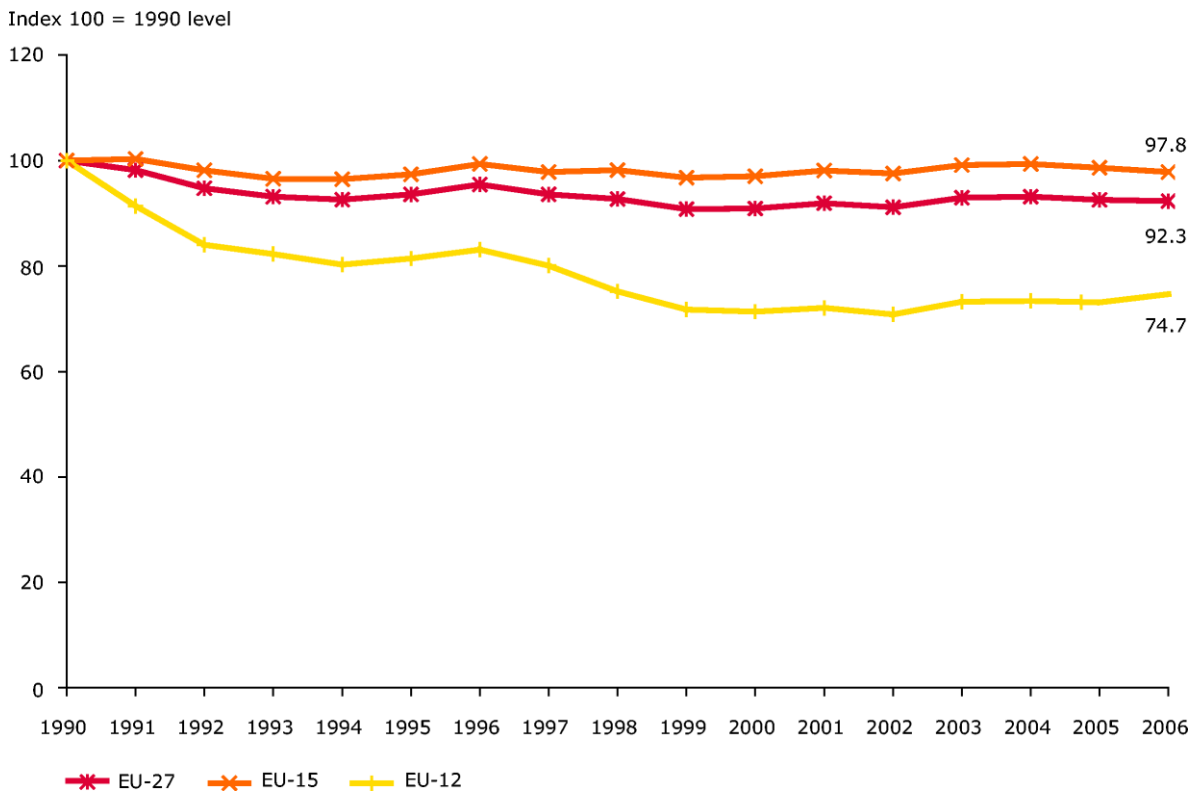
thirty-eight industrialised countries for the first time accepted binding reductions of greenhouse gas emissions by 5.2% between 2008 and 2012.⁸ Kyoto has been quite controversial mainly because the US, currently the second largest emitter of the world, has not ratified the protocol, and developing nations like China, India and Brazil, which have rapidly developing economies, have no targets under the protocol.

In achieving the targets, countries are given flexibility in how they make and measure their emissions reductions. The Kyoto Protocol does not give specific guidance on how to make a cut in their emissions; parties are free to choose their internal policies to do so. In addition, “an international “emissions trading” regime is established allowing industrialised countries to buy and sell emissions credits amongst themselves. They will also be able to acquire “emission reduction units” by financing certain kinds of projects in other developed countries through a mechanism known as Joint Implementation. In addition, a “Clean Development Mechanism” for promoting sustainable development enables industrialized countries to finance emissions-reduction projects in developing countries and receive credit for doing so.”⁹

For the EU, the 15 pre-2004 EU Member States (EU-15) have a joint emission reduction target of 8 % below 1990 levels by 2008–2012. Through an internal EU agreement, some EU Member States are allowed increases in emissions, while others should decrease emissions. Most EU-12 Member States (that joined the EU since 1 May 2004) have reduction targets of 6 to 8 % from their base years (mostly 1990).¹⁰

How much the EU has achieved so far? Estimates published on 31 August 2009 by the European EEA show that EU15 emissions decreased by 1.3% compared with 2007 and stand 6.2% below their base-year levels (1990 in most cases). EU27 emissions in 2008 are estimated to have declined by 1.5% to 10.7% below the 1990 level.¹¹

Figure 3. Greenhouse gas emission trends for EU-27, EU-15 and EU-12, 1990-2006



Source: EEA, 2008. Annual European Community greenhouse gas inventory 1990-2006 and inventory report 2008, Submission to the UNFCCC Secretariat, EEA Technical report No 6/2008, European Environment Agency, Copenhagen. <http://www.eea.europa.eu>

It should be noted that, “recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol places a heavier burden on developed nations under the principle of ‘common but differentiated responsibilities’.”¹²

However, Kyoto is only a first step and its targets expire in 2012. International negotiations are now taking place under the UNFCCC with the goal of reaching a global agreement governing action to address climate change after 2012. Discussions to prepare the new agreement were launched at the end of 2007 in Bali, Indonesia, forming the core of an agreed ‘roadmap’ that sets the agenda for the negotiations.

EU Climate Change Policy in Response to Kyoto Obligation

Mitigation Policy

The EU's initial objective to prevent global warming from reaching dangerous levels of more than 2°C warming above the pre-industrial temperature, or around 1.2°C above today's was firmly established by the EU Governments in 1996 during preparations for the Kyoto negotiations and

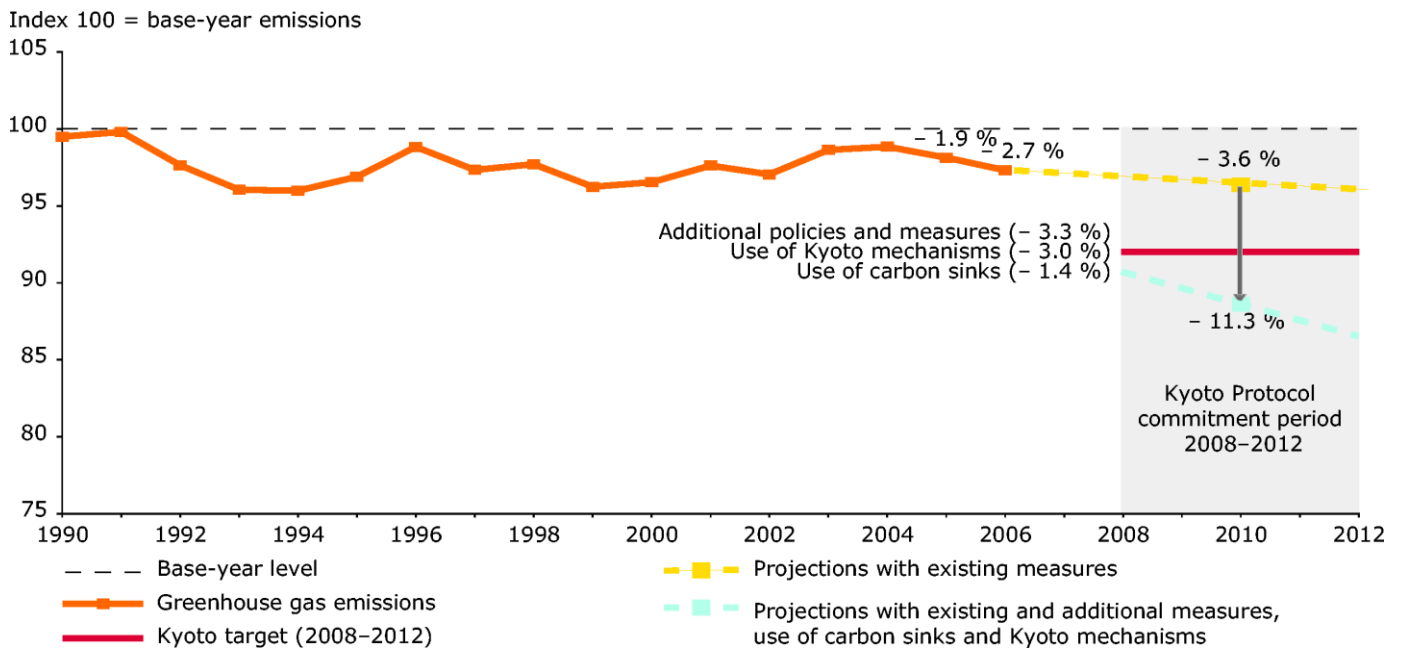
reaffirmed since then by the Environment Council in 2003, and the European Council in 2005 and 2007. The formal policy package was published in 2007 in the Communication "Limiting Global Climate Change to 2° Celsius: The way ahead for 2020 and beyond". This Communication set out an agenda for action and formed the first important part of a comprehensive package of measures to establish climate change policy for the EU. However, there were earlier attempts to frame climate change policy at the EU level before the 2007 comprehensive policy package was adopted

European Climate Change Programme I and II

Many European countries have adopted national programmes aimed at reducing emissions according to their commitment under the Kyoto Protocol. Since the early 1990s, a variety of climate-related initiatives has been implemented at EU and national levels. However, a more robust set of policies and measures was also first adopted at the EU level through the European Climate Change Programme (ECCP) in 2000. The ECCP is a stakeholder structure under which the Commission debates with industries and NGOs and prepares new cost-effective measures to fight climate change. The ECCP identified and implemented around 30 measures to reduce emissions within the EU.

A cornerstone of the ECCP is the EU's Emissions Trading Scheme (ETS). EU governments have set limits on how much CO₂ some 10,500 power plants and energy-intensive factories are allowed to emit each year, accounting for

Figure 4. Past and projected EU-15 greenhouse gas emissions compared with Kyoto target for 2008-2012



Source: EEA, 2008, based on EU-15 Member States greenhouse gas inventories and projections. <http://www.eea.europa.eu>

almost half of the EU's total CO₂ emissions. Industries covered by the scheme include power generation, iron and steel, glass, cement, pottery and bricks, representing around 40% of the EU's total CO₂ emissions. "The ETS gives a financial incentive to reduce emissions by establishing a market-based trading system. Plants that emit less CO₂ than their limits can sell their unused emission quotas to other companies that have emissions higher than their allowances. Companies that exceed their emission limits and do not cover them with emission rights bought from others have to pay hefty penalties. The ETS makes sure that emissions are cut where it is cheapest, and lowers the overall costs of reducing emissions."¹³

Other ECCP measures include improving the fuel efficiency of cars and the energy efficiency of buildings, increasing the use of renewable energy sources, such as wind, sun, tidal power, biomass and geothermal power and reducing methane emissions from landfills.

"A second phase of the ECCP, the ECCP II, was launched in October 2005. The focus is on strengthening the EU ETS by tackling emissions from aviation and road transport, developing carbon capture and storage technology and funding measures to adapt to climate change. Proposals to include airlines in the EU ETS and reduce CO₂ emissions from new cars have now been agreed."¹⁴

The EU Climate and Energy Package 2008

European leaders further adopted a climate and energy package in 2008,¹⁵ with a series of proposals for concrete actions and a set of ambitious targets to reduce emissions

within the Union. According to the package, the EU is now committed to cutting overall greenhouse gas emissions to at least 20% below 1990 levels by 2020, a commitment that will rise to 30% if other industrialised countries agree to do the same. To achieve this level of reduction, other targets have been set: to boost energy efficiency by 20% by 2020, to increase the share of renewable energy in energy consumption to an average of 20% by 2020 across the EU, and to derive 10% of transport fuels from sustainably-produced biofuels by 2020. "The package also seeks to promote the development and safe use of carbon capture and storage, a suite of technologies that allows the carbon dioxide emitted by industrial processes to be captured and stored, for example, underground (and ocean sinks perhaps) where it cannot contribute to global warming."¹⁶

The package also further strengthens the ETS to cover all major industrial emitters and introduces more auctioning. In sectors not covered by the ETS – such as buildings, transport, agriculture and waste – emissions are to be reduced by 10% below 2005 levels by 2020. Other measures boost carbon capture and storage technologies, and cut CO₂ from cars by introducing tighter fuel quality standards.

The EU and International Cooperation to Limit GHG Emissions

The EU, responsible for approximately 14% of global greenhouse gas emissions, cannot win the battle against climate change on its own. Therefore the EU is also working internationally to help partner countries tackle climate change. "EU governments have also set aside more than €2.7 billion for investments in emission-saving projects carried out under Kyoto Protocol rules in third countries, mostly developing nations via Clean Development Mechanism (CDM) projects, and also with other developed countries with Kyoto emission targets (Joint

Implementation (JI) projects). These projects have the benefit not only of generating emission credits that help the EU member states reach their emission targets by 2012 in a cost-effective way, but also of transferring advanced technologies to the host countries and supporting them in moving towards sustainable development. The EU Emissions Trading Scheme also allows participating companies to use CDM and JI credits to supplement their emission allowances. Currently, more than 2,400 CDM projects are in preparation.”¹⁷

In addition in 2005, the EU agreed to a number of climate change partnerships, notably with China and India. “They include cooperation on practical solutions to promote energy efficiency and renewable energy. In the context of the partnership with China, the Commission and the UK are funding the first phase of work on a near-zero emission coal plant in China, using carbon capture and storage technology.”¹⁸

EU Adaptation Policy

For several years, the EU's climate policy has been focused on measures both to reduce greenhouse gas emissions, and to convince international partners to sign the Kyoto Protocol. “Increasingly, however, extreme weather phenomena such as heat waves, floods and forest fires have drawn attention to the need to define strategies and measures to adapt to the effects of global warming that are already occurring.”¹⁹ Even if policies and efforts to reduce emissions are effective, some climate change is inevitable. “The EU therefore is also developing strategies and actions to adapt to the impacts of climate change in Europe and beyond, since the least developed countries are among the most vulnerable, having the least financial and technical capacity to adapt.”²⁰

The Commission adopted a Green Paper *Adapting to climate change in Europe – options for EU action in 2007* and a White Paper on *Adapting to climate change in 2009*, proposing several options for action to deal with the effects of climate change. It has also organised several stakeholder debates to get inputs from industry, NGOs, think tanks, scientists and civil society groups.

“The green paper looks at the impacts of climate change in several European regions and attempt to define possible adaptation actions which need a European dimension, while recognising that cooperation with member states and regions will be essential.”²¹

Both papers also emphasize the role of member states, regions and local authorities by citing a need for “multilevel governance” as the “severity of the impacts will vary from region to region, depending on physical vulnerability, the degree of socio-economic development, natural and human adaptive capacity, health services and disaster surveillance mechanisms”.²²

“The Commission defines four priority options for a flexible, four-pronged approach on adaptation: 1) Early action to develop adaptation strategies in areas where current knowledge is sufficient; 2) integrating global adaptation needs into the EU's external relations policy and building a new alliance with partners around the world; 3) filling knowledge gaps on adaptation through EU-level research and exchange of information; and; 4) setting up a European advisory group on adaptation to climate change to analyse coordinated strategies and actions.”²³

The Commission expects the costs of adaptation measures “to vary from inexpensive measures, such as awareness-raising and using drought-resistant crops, to expensive measures, such as building new dykes and power stations because of the possibility of failing hydropower stations. Because of the lack of resources and uncertainty in the predictions of how climate change will play out, the Commission assumes that market forces alone are unlikely to lead to efficient adaptation.”²⁴ Further policy intervention in Europe can be expected on the adaptation front in the future.

EU AND THE NEW CLIMATE CHANGE AGREEMENT

POST 2012 AGREEMENT AND NEGOTIATION

As mentioned earlier in this report, international negotiations are under way to draft a global agreement governing action against climate change in the period after 2012, when key provisions of the Kyoto Protocol will expire. The *2007 Bali Road Map* that sets the agenda for the negotiations concentrates on four central pillars of future negotiation, which define four different goals and possible actions required for each to come about. These are mitigation, adaptation, innovation and technology transfer, and finance and investment.

“Widening the scope of the Negotiation to include as many countries as possible, and especially high emitters, is seen as a critical need for any post-Kyoto agreement. At the request of the USA and as a prerequisite for their involvement, inclusion of developing countries (and China in particular as an emitter of carbon roughly on the same scale, year by year, as USA) was also deemed to be necessary to moving forward in any significant way on the path defined by the road map.”²⁵

In 2009, three rounds of negotiations took place in Bonn (March-April, June and August). The fourth session took place from 28 September to 9 October in Bangkok. The last session before Copenhagen was held in November in Barcelona from 2 to 7 November. And in December 2009 in Copenhagen, the 192 Parties to the UNFCCC - 191 countries plus the European Commission – will convene in trying to reach an agreement on global action to combat climate change covering the period after 2012.

According to Yvo de Boer, executive secretary of the UNFCCC, the four essential questions needed to be answered in order to achieve an international agreement in Copenhagen are:

- ✿ “How much are industrialised countries willing to reduce their emissions of greenhouse gases?
- ✿ How much are major developing countries such as China and India willing to do to limit the growth of their emissions?
- ✿ How is the help needed by developing countries to engage in reducing their emissions and adapting to the impacts of climate change going to be financed?
- ✿ How is that money going to be managed?”²⁶

In short, the current main sticking point of the current negotiation is that of "burden-sharing". While they offer no firm commitment of their own, the developing countries insist that industrialised nations agree to far more

ambitious reduction targets of around 40% and help the developing world to reduce its emissions citing the principle of common but differentiated responsibility principle. They believe that developed countries should, due to their historical pollution, control of technological resources, and relative wealth, take on a greater share of the burdens associated with global environmental changes.

One can look at China as a prime example of developing world's stance. The fact is now that “the Chinese economy has recently overtaken the United States as the world largest emitter. Yet the U.S. America has historically emitted far more emissions than China. And on a per capita basis, China's emissions are much lower. The developing countries also argue that it is inevitable for them to use more energy and create carbon emissions as they have a moral right to develop their economies and lift people out of poverty. That would imply the use of more energy, inevitably creating carbon emissions. There is also the issue of developed countries outsourcing emissions to developing nations such as China, considering the huge quantities of carbon-intensive manufacturing taking place in China on behalf of buyers in the US.”²⁷ As a result, developing nations are currently not likely to commit to any specific target in the new agreement.

However, seen from the EU's position, it is also untenable that emerging economies should be allowed to develop using the same carbon-intensive path to growth as the West in the past. Emissions cannot be reduced to the extent required without the central contribution of the developing world. “The current climate change may be created by the developed West, but responsibility to prevent further change in the future also lies with the current developing world. Therefore, the developed world expects at least the big emerging economies such as India, Brazil and China to commit to certain mandatory emission targets or measures of action in the new agreement.”²⁸

As a result of this disagreement, some observers has suggested that the fairest way to determine the emission cut level is by measuring countries' wealth (emissions per unit of GDP), historic responsibility as well as number of population (per capita emissions). The current negotiating text already has a provision encouraging developed countries to consider these factors in determining their level of commitments. However, regardless of all these, it seems certain that the developed countries in general would not commit to anything more than a 20% emission cut under the current situation.

Other than the rich and poor nations divide, between

developed countries themselves, there are also some points of serious discussion. For one example, it was reported from UN climate change talks in Bangkok that the US would like to propose an entirely different system from Kyoto, demanding emission reduction targets for all countries. On this issue, some news agencies reported that the EU preferred to retain the basic elements of the Kyoto Protocol which put more burdens on developed countries, while some others claimed that EU actually sided with the US at introducing a new system. The final position of the EU on this issue will be critical in determining the outcome in Copenhagen.

As nations entered into the final round of negotiations in Barcelona (3-7 November) before the meeting in Copenhagen in December, it appears that a deal may not be struck at the Copenhagen meeting for a post-Kyoto, legally binding international agreement.

Position and proposals of the EU for the new Agreement

The EU started to develop its position for the post-2012 climate regime in 2005. However, the official position for the negotiation for the new agreement did not come clear until January 2009, when the European Commission proposed a comprehensive vision for the new climate change agreement in its communication *Towards a comprehensive climate change agreement in Copenhagen*.²⁹ This was endorsed by both the EU's environment ministers in March 2009 and EU leaders at their European Council summit later the same month. This paper has also served to stimulate international debate on the current negotiation. The Communication, presenting the EU's views on the negotiations, can be summarized into the following points:

The EU proposes that "*developed countries* should continue to take the lead in international efforts to fight climate change. The EU has already proposed that developed countries should commit to cutting their GHG emissions, as a group, to an average of 30% below 1990 levels by 2020 under the Copenhagen agreement."³⁰ The EU currently has its pledge to cut emissions by 20% from 1990 levels by 2020, and has said it would increase the target to 30% if other rich countries follow suit. The Communication also sets out criteria that should be taken into account when setting national reduction targets to ensure comparable contributions by each developed country to this overall effort. This commitment was reiterated at the EU summit on 29 and 30 October 2009. The leaders endorsed the long-term target of reducing the collective developed country emissions by 80-95% below 1990 levels by 2050 as part of global emission reductions of at least 50%.³¹ But the agreement is entirely conditional on action by other developed countries.

In the EU's view, as expressed in the Communication, "*developing countries* as a group should limit growth in

their GHG emissions to 15-30% below business as usual levels by 2020. To enable them to do so, developing countries, except the least developed, should commit to putting forward national low carbon development strategies, covering action in all key emitting sectors, by the end of 2011. These plans will provide the basis for discussion at international level of the adequacy of the proposed actions and of external financial support for them where needed."³²

The EU also believes that emissions from *international aviation and shipping*, which are not covered by the Kyoto Protocol, should be included in the overall targets of the new agreement.

On *adaptation*, the EU proposes that the Copenhagen agreement should also provide a framework to help countries adapt to inevitable climate change. "All developed and developing countries should be required to develop comprehensive national adaptation strategies. Financial and technological support should be provided to the most vulnerable developing countries."³³

The EU is also of the position that the world needs a major boost to *research, development and demonstration* (RD&D) of low-carbon and adaptation technologies in all climate-related sectors. In the Communication, the EU proposes that global energy-related R&D should be at least doubled by 2012 and quadrupled by 2020.

The Communication further encourages the creation of a *Global Carbon Market*. "The EU should seek to build, by 2015, a robust OECD-wide carbon market through the linking of the EU emissions trading system with comparable domestic cap-and-trade systems in the US, Australia and other developed countries. As a first step the Commission aims to set up an EU-US working group to share experience on designing domestic emissions trading systems. The EU also believes that, over time, developing countries should also implement domestic trading systems so the OECD-wide market could be expanded to all major emitting countries by 2020."³⁴

Reform of the UN offsets mechanism is suggested in the Communication. "*Kyoto's Clean Development Mechanism* should be reformed, while for advanced developing countries and highly competitive economic sectors it should be phased out and replaced by a crediting mechanism covering whole sectors."³⁵

The EU Proposal on Climate Change Finance

One of the areas that EU has been most active during the negotiation is the financing system for the new climate regime. EU recognises that the financing issue is central to prospects for reaching an ambitious agreement in Copenhagen. In its communication *'Stepping up international climate finance: A European blueprint for the Copenhagen deal'*, adopted on 10 September 2009,³⁶ the EU presents a blueprint for scaling up international finance to help developing countries combat climate change. To reduce global emissions, the EU estimated that net additional investment worldwide will need to rise to around €175 billion (250 US\$) per year by 2020, more than half of this in developing countries. The public contribution of each developed country should be fair and comparable and should be negotiated as part of the deal. This commitment was reiterated at the EU summit on 29 and 30 October 2009. The leaders endorsed the long-term target of reducing the collective developed country emissions by 80-95% below 1990 levels by 2050 as part of global emission reductions of at least 50%.³⁷ But the agreement is entirely conditional on action by other developed countries.

The Climate Finance Communication also identifies options for creating innovative additional international *financing sources*. It suggests that "this finance will need to come from a combination of three main sources: domestic finance (public and private) in developing countries, the international carbon market and international public finance. The more ambitious the overall agreement will be in terms of mitigation, the more it will require financial support from industrialised countries to the developing world. At the same time, more ambitious and widespread cap and trade systems will also generate increased flows of private sector resources for mitigating emissions in developing countries."³⁸

"Governance of the future international financial architecture should be decentralised and bottom-up. It must also be transparent, allow for effective monitoring, and should respect agreed standards for aid effectiveness. A new High-level Forum on International Climate Finance should monitor and regularly review gaps and imbalances in financing mitigation and adaptation actions."³⁹ The plan suggests that all countries, except Least Developed Countries, should prepare *low-carbon growth plans* by 2011, including credible mid-term and long-term objectives and prepare annual greenhouse gas inventories. The EU also plans to present its own low-carbon growth plan for the period to 2050 by 2011. "For the period after 2012, the Commission would make a proposal for a single, global EU offer, including whether to fund this from the EU budget or to establish a separate Climate Fund, or a combination of the two. Direct contributions from individual Member States could also form an important source of funding as part of the overall EU effort."⁴⁰

At the Bangkok round of negotiations (held from 28 September to 9 October 2009), countries considered a plan to earmark approximately €67 billion or US\$100 billion a year for the next decade to curb greenhouse gases around the world, while the EU proposes an annual contribution of between €2bn and €15bn to this fund by 2020. Parties to the negotiation are now also considering fast-start financing which will be needed for adaptation, mitigation, research and capacity building in *developing countries* in the range of €5 to 7 billion per year between 2010–2012, assuming a successful agreement in Copenhagen. On this front, the EU is offering to make an immediate contribution of at least € 500 million to 2.1 billion per year, starting in 2010.

For the EU, the issue of climate change finance has two dimensions – one external and one internal. The external dimension involves positions on the estimate made by the European Commission of the cost of addressing global climate change and what the EU is willing to contribute globally.

At the EU summit on 29 and 30 October, the heads of state and government agreed to the Commission's estimate that the total costs of mitigation and adaptation in developing countries could amount to around €100 billion a year by 2020. The leaders have also agreed that almost half, or 22–50 billion, of that sum should come from international public funding (see Figure 5), but how much the EU would contribute will depend on "comparable commitments" from other countries. Moreover, the leaders agreed that €5 to 7 billion per year will have to be made available as fast-start funding for the adaptation needs in the developing countries between 2010 and 2012, before the entry into force of the new climate treaty. But the EU's share will only be determined after Copenhagen, the conclusions state.⁴¹ The environment commissioner Stavros Dimas said that a "good" figure would amount to around €1.5 billion a year.⁴²

Figure 5. Estimated international annual public finance requirements over the period 2010-2020, in € billion

	2010-2012 (fast start)	2013	2020
Mitigation	1	3-7	10-20
<i>Energy and industry</i>			3-6
<i>Agriculture and Reducing Emissions from Deforestation and Forest Degradation (REDD)</i>			7-14
Adaptation	2-3	3	10-24
Capacity building	1-2	2	1-3
Technology research, development and demonstration	1	1	1-3
Total	5 – 7	9 - 13	22 – 50

Source: European Commission (2009), *Stepping up international climate finance: A European blueprint for the Copenhagen deal, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions Brussels, Belgium. EU Commission, p.10*

The internal dimension involves the distribution of the global commitment among the EU's Member States. The division is over what criteria to use for sharing the financial burden, the wealth of a nation (GNI) or how much it pollutes. Nine Central and East European member states favour calculating the sums on how wealthy a country is, thus placing a lesser burden on them. Western states favour basing the sums on the emissions produced by each country. Yet another reason why the western European states want "an EU-agreed schema based on emissions rather than a country's wealth is that if internally a schema is based on a country's wealth, the EU will then have to accept similar arguments at the global level from developing countries, undermining their position and that of the US that even developing countries must contribute to the global climate fund."⁴³ The leaders were not able to reach a compromise, therefore it was agreed to set up a working group to take account of each country's financing capabilities. In another concession to eastern European states, contribution to fast-track projects will only be on a voluntary basis.

There was also disagreement over what to do with pollution credits achieved by differences in emissions compared to commitments made under the current Kyoto Protocol-Assigned Amount Units (AAUs). Known informally as "hot air," new member states hold around 2 billion of them.⁴⁴ The eastern European states want to keep these unused AAUs bankable and carry over to the deal that replaces Kyoto. The western states for their part argue that the

unused AAUs exist in such quantities that to release them into the market would collapse the price of carbon and feel that the unused AAUs should just expire when any post-Kyoto regime enters into force. It has been reported that the EU Presidency "won eastern Europe's support for the overall deal in return for postponing any bold action on AAUs."⁴⁵ The final statement says the issue "must be addressed, in a non-discriminatory manner treating European and non-European countries equally, and so that the handling of the AAU surplus does not affect the environmental integrity of a Copenhagen agreement."⁴⁶

Conclusion

The European Union has long been at the forefront of international efforts to combat climate change and has played a key role in the development of the two major treaties addressing the issue, the 1992 United Nations Framework Convention on Climate Change and its Kyoto Protocol of 1997. In the Kyoto Protocol, the EU proposed the deepest emission cuts and accepted the highest reduction target among the major industrialized countries of 8%. On the domestic front, the Union has been debating and implementing climate change policy for over ten years to meet the challenge of global warming. The EU has also been implementing a range of instruments, including the EU emissions trading system, energy efficiency improvement, renewable energy development agreed under the European Climate Change Programme and its Climate and Energy Package. The set of policies initiated by EU, if carried out, will improve the EU's basis for working towards the long-term GHG emission reductions required by international agreement.

Overall, it seems likely that the EU will remain a progressive force in international climate policy for some time to come. However, whether the EU's long term goal of limiting global warming to less than 2°C can be successful will depend not only on its own actions but also on other actors such as the US and major developing countries. The conditions for the EU to address the challenges of climate change effectively remain uncertain without the commitment from the US and support from other major developing economies such as China and India.

Endnotes

¹ Core Writing Team, Pachauri, R.K., Reisinger, A. (eds.) Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. IPCC, Geneva, Switzerland, 104 pp. Available online: http://www.ipcc.ch/publications_and_data/publications_ipcc_fourth_assessment_report_synthesis_report.htm

² The complexity and uncertainty of the climate issue, especially the relationship between causes and effects, are of such magnitude that the concrete manifestations of climate problems cannot be directly observed by either decision makers or by the general public. Consequently, the acceptance of costly policy measures by which to manage climate change requires great confidence in the reliability of scientific models. The idea of this two-degree limit Celsius has a scientific history stretching back to the 1980s. But the meaning of that number, many observers say, is rather ambiguous. And though it's supported strongly by IPCC data, it still involves some subjective analysis. As it has been noted by IPCC chairman Rajendra Pachauri: "[T]his whole issue of 2 degrees versus 1 degree or 1.5 degree is something based on a value judgment that essentially relates to what is dangerous, what is a threshold that would define danger in terms of making it almost impossible for some people on this planet not being able to live in those locations. So it's difficult to say if it should be 2 degrees or 1.5 or 1, but this is an issue that needs a great deal of discussion or debate. There's an ethical discussion which should not be ignored at all, and it really hasn't been brought out in the [climate convention] debates." [Block, B. Interview with IPCC Chair Rajendra Pachauri. January 16, 2009. Available online: <http://www.worldwatch.org/node/5992>]

³ The German Marshall Fund of the United States. Transatlantic Trends 2009: Key Findings. pp.21-23 Available online: http://www.gmfus.org/trends/2009/docs/2009_English_Key.pdf

⁴ Eurobarometer. Europeans' Attitudes Towards Climate Change. Special Eurobarometer 313, July 2009. Available online: http://ec.europa.eu/public_opinion/archives/ebs/ebs_313_en.pdf

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⁶ Article 2, United Nations Framework Convention on Climate Change. United Nations, 1992. Available online: <http://unfccc.int/resource/docs/convkp/conveng.pdf>

⁷ The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005. 188 Parties plus the EU have ratified the Protocol to date.

⁸ Most individual nations have to undertake reductions (for example, Japan -6%, the US -7%). Some industrialized countries, however, were authorized to increase their emission of greenhouse gases (for example, Australia +8%, Iceland +10%, Norway +1%)

⁹ European Commission. "Climate change: The Kyoto Protocol." Available online: <http://ec.europa.eu/environment/climat/kyoto.htm>

¹⁰ The EU position had initially been that all industrialized countries should reduce their greenhouse gas emissions by 15 and not 5%. The EU had also required that all industrialized countries reduce their emissions to the same degree. Eventually, it was able to attain less than half of what it requested; 7% reductions for the US and 6% reductions for Japan balanced by 8% reductions for itself. See: Sjöstedt, G. (1998) "The EU Negotiates Climate Change: External Performance and Internal Structural Change." *Cooperation and Conflict*, Vol.33(3), pp.227-256

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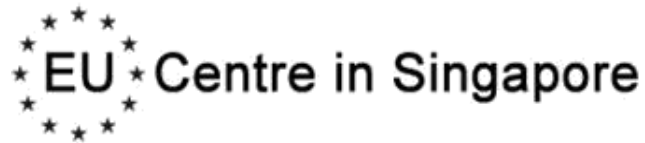
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Appendix: From Bali to Copenhagen – the long road towards a Post-Kyoto Climate agreement

3-15 December 2007	Bali (Indonesia) UNFCCC climate conference (COP 13). 187 countries agreed to begin a two-year process of negotiations on the post-Kyoto climate framework. The Bali Road Map includes the Bali Action Plan, which charts the course for a new negotiation process, with the aim of completing it by 2009.
1-12 December 2008	Poznań (Poland) UNFCCC climate conference (COP 14). Midway point of negotiations; delegates agreed that discussions must enter “full negotiating mode”. A work programme comprising 5 negotiation sessions in 2009 was agreed upon. They also reached an agreement on the principles of financing for the Adaptation Fund to help the poorer countries cope with the effects of climate change.
11-12 December 2008	EU Summit. Agreement on the final version of energy and climate change package that was first proposed in January 2008. The package sets the following targets for 2020: <ul style="list-style-type: none"> • Cutting GHG by at least 20% of 1990 levels; • Increasing use of renewable to 20% to total energy production; • Cutting energy consumption by 20% by improving energy efficiency.
28 January 2009	European Commission presents proposal for global agreement to replace Kyoto Protocol. The proposal contains the following key points: <ul style="list-style-type: none"> • Rapidly developing countries such as China and India should limit the growth of their emissions to 15-30% below business as usual. • Developed countries should agree to overall emissions cut target to be set taking into account the criteria of GDP per capita; emissions per unit of GDP; emissions trends between 1990 and 2005; and population trends over the period 1990-2005. • Set targets for addressing emissions from international aviation, maritime transport and fluorinated gases. • Work on a comprehensive framework to address and finance adaptation. • Facilitate the creation of an OECD-wide carbon market by 2015.
28 March-8 April 2009	First of five planned UN climate negotiation sessions before COP15 took place in Bonn (Germany). Discussions centred on what legal form an agreed outcome might take. The negotiations in 2009 are focused on reaching an agreement on the commitments and structure of a climate regime for after 2012 when the Kyoto protocol expires.

Appendix: From Bali to Copenhagen – the long road towards a Post-Kyoto Climate agreement

1-12 June 2009	Second UN climate negotiation session in Bonn (Germany). The main objective of this meeting is to develop a negotiating text leading to an agreement to be adopted at the Copenhagen summit. The negotiations put on the table include the nature of commitments to be undertaken by developed countries; the nationally appropriate mitigation actions to be taken by developing countries; market mechanisms to help mitigation efforts; framework including funding arrangements for adaptation by developing countries; and issues on technology transfer and capacity building.
8-10 July 2009	G8 summit in L'Aquila (Italy). For the first time, G8 countries recognise that the rise in average global temperature should be limited to 2°C. The G8 leaders pledged to support a global target to cut emissions by 50% by 2050. But the base year for calculating emission reductions was left unclear.
10-14 August 2009	Third round of negotiations, Bonn (Germany). The negotiating text grew from 53 pages to over 200 over pages since the 2 nd round of negotiations. Issues to be negotiated remained essentially the same, with countries reiterating their positions. During this round of negotiation, the developed countries stressed the need to streamline and consolidate the text by finding areas of convergence. However, developing countries preferred to continue with general discussions of the issues reflected in the text.
21-25 September 2009	UN Climate Summit in New York (US). The aim of this summit was to “mobilize the political will” needed to reach an agreement at the talks in Copenhagen.
28 September-9 October 2009	Fourth round of the UN climate negotiations, Bangkok (Thailand). Progress was made in the text relating to issues on adaptation, technology transfer and capacity building. However significant differences remained in the area of mid-term emission targets and on financing for developing countries to cope with climate change.
29-30 October	EU summit. Agreement on the Commission’s estimate that the total costs of mitigation and adaptation in developing countries could amount to around €100bn a year by 2020. €22–50bn of that sum should come from international public funding. The EU’s contribution will depend on "comparable commitments" from other countries. €5-€7bn per year will have to be made available as fast-start funding between 2010 and 2012 before the entry into force of the new climate treaty.
2-6 November 2009	Fifth round of the UN climate negotiations in Barcelona (Spain). Pressure is being put on the US to make a firm commitment to emission reduction targets. African countries have also threatened to suspend further talks until developed countries have agreed on clear emission reduction targets.
7-18 December 2009	Copenhagen climate conference (COP 15) – It is unlikely that a comprehensive deal could be reached. The hope is to put in place an essential architecture which members can agree to, and for the details to be filled in after Copenhagen.



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