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**Article — Published Version**

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Intereconomics

*Suggested Citation:* Michaelowa, Axel (2005) : Leaving the Kyoto Oasis: the climate caravan moves on, Intereconomics, ISSN 0020-5346, Springer, Heidelberg, Vol. 40, Iss. 1, pp. 2-3

This Version is available at:

<https://hdl.handle.net/10419/41871>

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# Leaving the Kyoto Oasis – the Climate Caravan Moves On

In December 2004, the international climate policy community met in Buenos Aires for the annual Conference of the Parties (COP 10). The forthcoming entry into force of the Kyoto Protocol and the 10<sup>th</sup> anniversary of the entry into force of the UN Framework Convention on Climate Change (UNFCCC) were celebrated but quickly gave room to charged negotiations on the future of the international climate policy regime after 2012. Despite negative media reports, in that respect COP 10 was a success. It agreed on the first step of this negotiation process: a seminar in May 2005 to discuss different proposals on post-2012 climate policy very informally.

New results from climate research presented at the COP set an alarming tone. The UK's Hadley Centre has now raised the expected temperature increase from the doubling of the greenhouse gas concentration in the atmosphere from 2.5°C to 3.5°C. The uncertainty range has narrowed from 1.4 - 5.8°C to 2.4 - 5.4°C. In the same vein, a paper by the Potsdam Institute for Climate Impact Research sees a 50% risk that the stabilisation of greenhouse gas concentrations at 450 parts per million (ppm) CO<sub>2</sub> equivalent will lead to a warming of more than 2°C compared to pre-industrial levels. Hitherto, most experts had thought that stabilisation at 550 parts per million would be sufficient. As we have already reached a temperature increase of 0.8°C since the late 19<sup>th</sup> century – a new climate impact study of the Arctic has shown that sea ice in summer has already declined by 20% – and a CO<sub>2</sub> concentration of 380 ppm with an annual increase of 3 ppm, the window of opportunity for mitigation is shrinking considerably. A study in the journal *Nature* attributed the scorching heat of the 2003 summer with a probability of 90% to anthropogenic climate change and forecast that such summers would be “normal” around 2050. The increased willingness of natural science to attribute extreme events to anthropogenic climate change may drastically improve the chances of those suffering from impacts of the events to sue greenhouse gas emitters; the first lawsuits of this type have already been started in the USA. If asbestos and smoking litigation are taken as a blueprint, legal cases may advance climate policy substantially within the next 15 years.

The urgency to act spelled out by scientists unfortunately dissipated in the heated negotiation rooms in Buenos Aires. The EU spent a lot on gorgeous presentation material and fair booths but remained astonishingly low-key regarding substance. At one point, the Italian Minister of the Environment even started to question the principle of legally binding targets! In Japan, an open fight has begun between the Ministry of the Economy, Trade and Industry and the Ministry of the Environment on post-2012 policies. The former only wants a very loose regime without short-term targets and a watering-down of the environmental integrity of the Kyoto mechanisms and thus de facto takes the US position. The latter is unable to make concrete counter-proposals despite writing lengthy reports. Positive surprises were Australia, which showed a clear willingness to negotiate seriously, and Russia, that endorsed the 2°C target. As usual, the USA and OPEC did their best to slow the negotiation process but did not dare to stop it completely. It remains unclear whether negotiations on post-2012 climate policies are to be conducted under the umbrella of the Kyoto Protocol, effectively excluding countries that have not ratified it, or under the wide umbrella of the UNFCCC. But even in the former case, the shadow of the USA looms large – and it shows no willingness to seriously embark on negotiations of a Kyoto-style regime with more stringent emission targets. It was joined by India, which stated that it does not want negotiations over new commitments. India, which had been a progressive force in the pre-Kyoto process, is increasingly becoming a negative player. Another bucket of cold water was poured on the process by China, which stated that the (few) measures described in its national climate change report would be the final word for the next two decades. No developing country showed any willingness to discuss binding targets. Only a few new ideas on

the post-2012 climate policy regime were discussed but a compilation of existing proposals shows that with around 30 options, negotiators have enough stuff to choose from.

Real action is happening in the Clean Development Mechanism where the Spanish government has now pledged a budget of more than €200 million, pushing total EU government CDM funds over the magical threshold of one billion euro. The registration of the first project gave a clear push while the revision of several proposals by the CDM Executive Board (EB) sounded a cautious note about the speed of getting the CDM market to a substantial size. The COP agreed on rules for small-scale forestry projects; however, experts doubt that the rules can really be implemented and achieve sufficient cost reductions to make the small-scale projects viable. The development of land use benchmarks for the definition of forestry baselines is an almost insurmountable challenge.

Rearguard action is taking place concerning the determination of CDM project additionality. Like Tibetan monks, business lobbyists continuously repeated the mantra that it should not be checked whether projects would happen anyway. They convinced the government of India to fight against the strong additionality test defined by the EB. One reason may be that many of the projects approved by the Indian CDM authority are just business-as-usual. Under this pressure, the COP decided that the test is not mandatory. Some people even fear that the Marrakech Accords could be reopened on the additionality issue at the next COP. Hopefully continued NGO pressure, stringent additionality checks by the independent validators and revision of critical cases by the EB will avoid the swamping of the CDM with business-as-usual projects. However, the budget squeeze of the EB, that currently predicts a shortfall of more than €3 million for 2005 may make it difficult to check all critical cases properly.

One important issue also referred to the next COP is how to treat projects that reduce emissions of HFC-23, a potent greenhouse gas released from new production facilities of the refrigerant HCFC-22. A coalition of the chemical industry in the industrialised countries, that does not want its developing country competitors to get new revenues, NGOs that fear a crowding out of renewable energy projects and politicians thinking that support for HCFC-22 production jeopardises the ozone regime wants to prevent the crediting of such projects. This is a serious blow to the CDM market as HFC-23 reduction from new facilities has a multi-million tonne reduction potential that has now been put on ice for at least a year. In any case, environmental NGOs seem to be willing to put an end to their "truce" with the CDM and start open campaigns against it.

On the adaptation issue, a five-year work programme was agreed on, which means that the Global Environmental Facility can start funding concrete activities. However, OPEC's insistence on linking adaptation to climate change and compensation for fossil fuel export losses prevented an – urgently needed – agreement on the operationalising of the Special Climate Change Fund. Developing countries are becoming increasingly wary of OPEC hijacking the G77 and thus a breakaway from OPEC becomes more and more likely. Moreover, the industrialised countries were annoyed about the strident demands by Least Developed Countries to get national adaptation plans fully funded without having to report about the use of the funds; they threatened to cut funding. It still remains unclear how adaptation measures are actually defined. As sad as the recent tsunami disaster is, it might allow mainstream adaptation to sea-level rise in the reconstruction plans around the Indian Ocean. The decision of the Sri Lankan government to define a coastal buffer zone where no building may occur would be a useful starting-point.

To sum up: the climate caravan is moving out of the lush pastures of the Kyoto oasis and starting its uncertain trek through hostile terrain. The drivers with the fattest camels are thinking of abandoning the attempt and moving back to their starting-point. Let us hope that EU leadership suffices to find a new watering ground before any storm breaks.

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