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60

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TOWARDS A NEW CLIMATE REGIME?

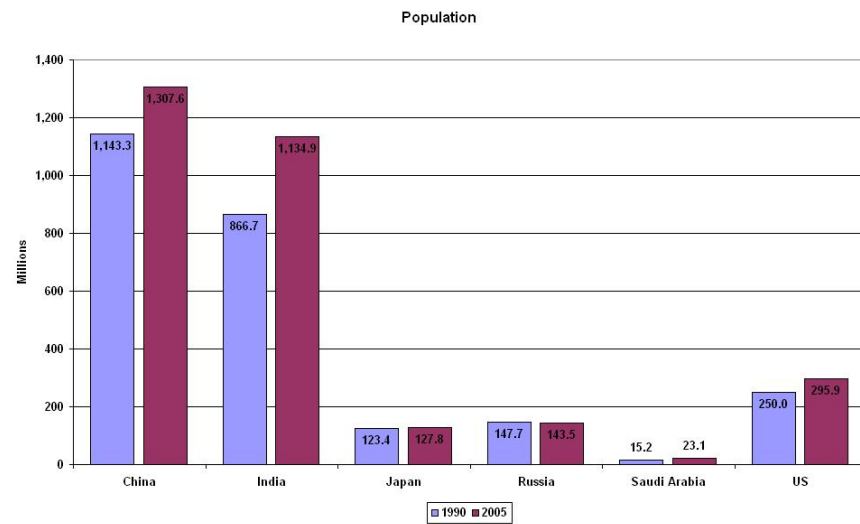
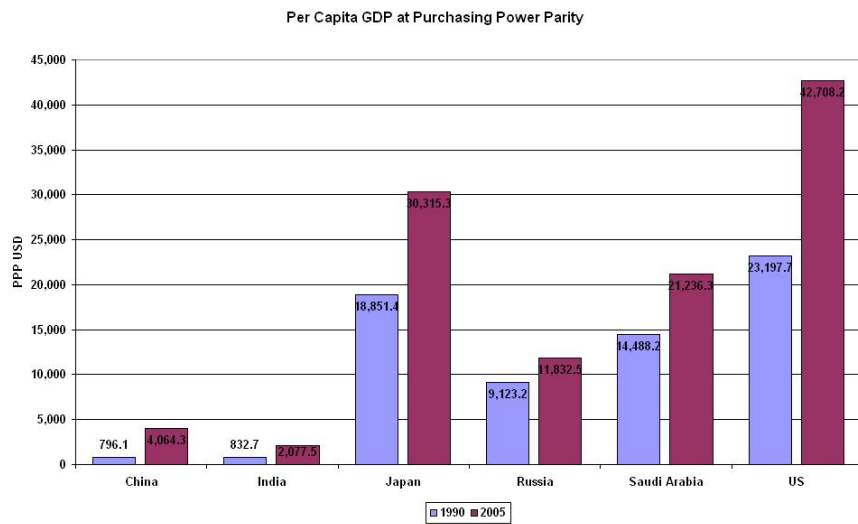
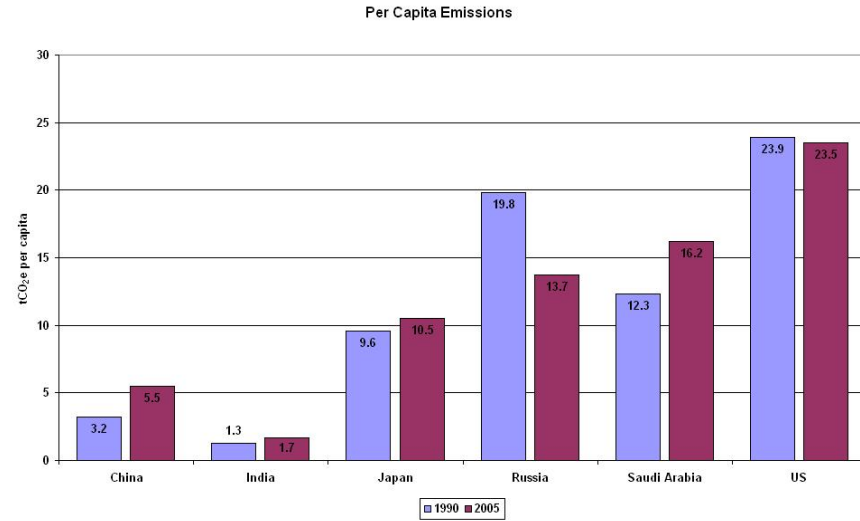
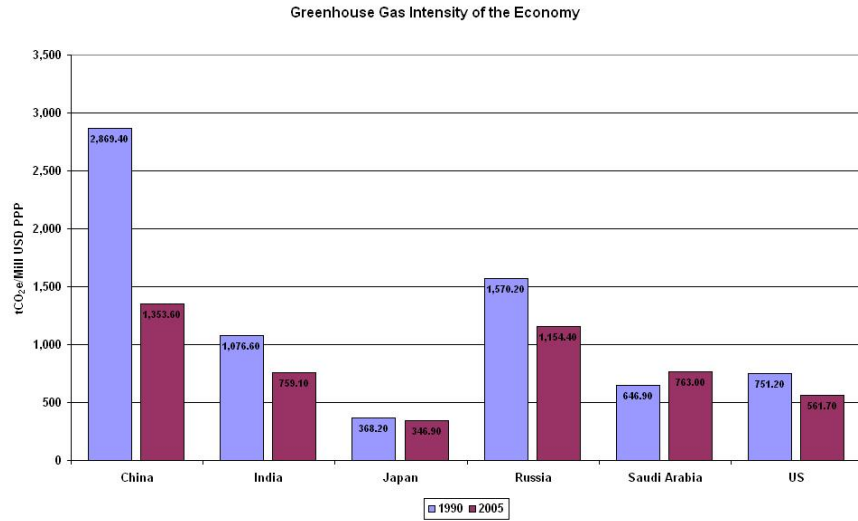
THE KEY PLAYERS GEARING UP FOR COPENHAGEN



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Sources:

World Resource Institute, Climate Analysis Indicators Tool – GHG intensity of economy, and per capita GHG emissions.

International Monetary Fund, World Economic Outlook Database - gross domestic product based on purchasing-power-parity (PPP) per capita, and population

	Japan	Russian Federation	USA
1950-2000 cumulative emissions (Gt CO₂e)¹	42.7	83.9	239.9
Cumulative emissions ranking (world)^{1,2}	5 (5)	4 (3)	1 (1)
Kyoto target 2008-2012 (%)	-6%	0%	-7% (not ratified)
1990 emissions (Gt CO₂e)³	1.26	3.31	6.08
2007 emissions (Gt CO₂e)³	1.37	2.19	7.10
1990-2007 emissions trend (%)³	+8.7%	-33.8%	+16.7%
Latest 2012-2020 pledge (1990 %)	-25% (conditional)	-20% to -25%	-3.8% (provisional)
2007-2020 trend (based on pledge, %)⁴	-31%	+13.5% to +21.1%	-17.3%

Table 1: Main emissions indicators for Annex I major emitters.

	China	India	Saudi Arabia
1950-2005 cumulative emissions (Gt CO₂e)¹	91.1	23.7	5.9
Cumulative emissions ranking (world)^{1,2}	3 (2)	6 (7)	16 (25)
1990 emissions (Gt CO₂e)⁵	3.59	1.10	0.20
2005 emissions (Gt CO₂e)⁵	7.21	1.85	0.37
1990-2005 emissions trend (%)⁵	+100.8%	+68.1%	+85.0%
Projected 2005-2020 emissions trend (%)⁶	77.1%	75.0%	61.6 ⁷

Table 2: Main emissions indicators for non-Annex I major emitters.

Sources:

¹ World Resource Institute, Climate Analysis Indicators Tool, CO₂ from energy 1950-2005.

² Idem. The first figure shows countries' rankings if 27 member states of the EU are unified into a single EU data point. The figure in brackets shows if the EU member states are counted individually.

³ UNFCCC, greenhouse gas time series data – Annex I, greenhouse gases excluding LULUCF.

⁴ The Human Development Index 2007/2008; Joint submission by Australia, Belarus, Canada, Croatia, the European Community and its Member States, Iceland, Japan, Kazakhstan, Liechtenstein, Monaco, New Zealand, Norway, Russian Federation, Switzerland, Ukraine to AWG-LCA and AWG-KP, 9 October 2009.

⁵ World Resource Institute, Climate Analysis Indicators Tool, yearly national greenhouse gas emissions

⁶ World Resource Institute, Climate Analysis Indicators Tool, IEA Projections 2006-2020 Projections.

⁷ This figure represents the projected emissions growth for the entire Middle East. Figures on Saudi Arabia alone are not available.

A Background to the Negotiations

The upcoming 2009 Copenhagen negotiations are taking place under the **United Nations Framework Convention on Climate Change (UNFCCC)**. The Convention, created at the Rio Summit in 1992, and ratified by 192 countries, or Parties, is an overall framework for intergovernmental efforts to deal with the issue of climate change in a coordinated fashion.

Countries are not treated all alike under the Convention. Countries listed in **Annex I** to the UNFCCC¹ are all industrialised and economy-in-transition countries committed to reducing their emissions. **Non-Annex I countries** are mostly developing countries that have ratified or acceded to the UNFCCC but are not bound to undertake mitigation efforts. This division is based on the principle of **common but differentiated responsibilities**, which advances that while states share a common responsibility, common resources and a common concern for the environment, they also have differentiated responsibilities, based on both their historical contribution to change in the climate system and financial capacities.

Negotiations on the shape of the global climate regime take place as a rule on a yearly basis, during **Conferences of Parties (COP)**. The **Kyoto Protocol**, negotiated at COP-3 in 1997 under the UNFCCC and ratified to this day by 189 governments, set for the first time binding commitments for developed countries regarding greenhouse gas emissions and introduced mechanisms through which these targets can be met. Countries' emissions targets are listed as aggregate carbon dioxide equivalent emissions relative to the **1990 base year**.² It should be noted that although the United States of America is a signatory party to the UNFCCC and Kyoto Protocol, it failed to ratify the latter. Thus, while an Annex I country, the US is not bound to reduce its greenhouse gas emissions.

The Protocol currently represents the only legally binding climate change mitigation efforts and, as its first commitment period runs only from 2008-2012, the world community needs to decide on how to continue its efforts to halt global warming in the **post-2012** period. The goals for this period are based on the work of the **Intergovernmental Panel on Climate Change (IPCC)** – the scientific body assisting the UNFCCC. In 2007 the IPCC Fourth Assessment Report (AR4) stipulated that industrialised countries need to achieve emissions cuts of 25-40% by 2020 and by 80-95% by 2050 to have any chance at limiting global temperature rise to 2 degrees Celsius or less.

The **Bali Action Plan (BAP)**, outlined during COP-13 in 2007, set out the four focal areas for long-term cooperation. These are mitigation, adaptation, finance and technology

¹ These are Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, United States of America, and, separately, the European Union.

² This practice is maintained in this paper, as well, unless explicitly mentioned otherwise.

transfer. The BAP also established the two-track **Ad-hoc Working Group** negotiations structure discussing how the Convention is to be implemented in the future. Both working groups are to complete their work at the COP-15 in Copenhagen.

The **Ad-hoc Working Group on further commitments for Annex I Parties under the Kyoto Protocol (AWG-KP)** was established by Parties to the Kyoto Protocol in Montreal in 2005, mandated to discuss future commitments for industrialised countries and agree new targets for Annex I countries beyond 2012. The group also discusses the tools and mechanisms with which the Annex I parties can use to meet their targets. Most notably the US, not having ratified the Protocol, does not participate in this track.

The **Ad-hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA)** was established by the Bali Action Plan outlined in 2007 to seek a shared vision and long-term cooperation in mitigation, adaptation, technology development and transfer, and finance. This group includes all 192 parties to the UNFCCC, allowing the United States to be brought into negotiations. Significantly, the group discusses the pivotal issues of financial support and technology transfer, and policies such as REDD.

The two tracks are parallel rather than divergent negotiations. Whereas industrialised countries are in favour of merging the KP and LCA working groups and create a single agreement, developing countries fear this could lead to themselves being burdened with binding targets. Should the Kyoto Protocol framework be abandoned, a replacement legal structure could take years to negotiate, just as it did in the case of the original Protocol.

This tension reflects the **North/South divide** of the negotiations. Though there is diversity and divergence within these broad camps, the two sides are split over the extent of binding commitments, the level and manner of distribution of financing from the North to the South, and the transfer of technology and intellectual property rights. The South believe that developed countries should take the lead in combating climate change due to their historical emissions and financial positions, whereas the North would like the major developing countries to commit to limiting emissions growth.

A consensus exists that developed nations ought to outline actions for reducing or limiting emissions taking into account both national circumstances and scientific requirements. For developing countries, **Nationally Appropriate Mitigation Actions (NAMAs)** have been proposed, aiming to reduce emissions without hindering development and assisted by technology transfer and financing from Annex I countries. All actions are to subject transparency standards, making them **measurable, reportable and verifiable (MRV)**, including accurate inventories of emissions and technological and financial assistance to developing countries from developed countries.

Finance is the lynchpin of any deal or agreement that would emerge from Copenhagen. The questions of how much financing developed countries will provide developing countries with in assisting mitigation and adaptation efforts and how financing should be linked to mitigation and adaptation efforts are two of the negotiations' greatest stumbling

blocks. The mechanisms for raising and distributing these funds also remain contentious. The matter is further complicated by the ongoing economic slump.

Beyond ordinary emissions stemming from fossil fuel combustion and other such human activities, the influence of **carbon sinks**, i.e. systems that absorb more carbon than they release, such as oceans and vegetation, on the global climate is also important. Thus, countries' **land use, land-use change and forestry (LULUCF)** practices can influence atmospheric carbon levels: afforestation and reforestation result in net absorption and thus create a carbon sink, whereas deforestation creates a carbon source and therefore counts as an increase in emissions.

Annex I countries may under the Kyoto Protocol elect to use various domestic activities affecting this sector to gain credits that contribute towards their emissions reduction target. There are a number of suggested methods of accounting quantifiable emissions reductions from sinks, each of which holding different ramifications, giving rise to varying amounts of forestry credits:

- Bar-to-Zero: Credits are counted only until the carbon flux drops below the baseline, after which the effects of the LULUCF sector are ignored.
- Gross/Net: The total net carbon flux is added to conventional emissions.
- Net/Net: The total difference between the net carbon flux during the commitment period and the base year carbon flux is added to conventional emissions.

LULUCF has come under criticism for providing developed countries with loopholes to achieve their targets in an easier manner. This is why currently the contribution of LULUCF to these targets is limited by a “cap” on the import of credits from LULUCF. Developed countries are by and large calling for this cap to be removed, whereas developing countries want it to remain.

Reducing Emissions from Deforestation and Forest Degradation (REDD) constitutes an altogether separate and new proposal for tackling the problem of deforestation in developing countries. This mechanism would allow countries to earn credits for reduced emissions by conservation efforts. The potential for mitigation action (20% of annual carbon emissions) and the sums of money involved make this an issue of some magnitude for both developing and developed nations. Emerging consensus however acknowledges the complexities of this mechanism, as it requires a number of institutional choices on biodiversity, conservation of natural forests, good governance and social safety nets to be effectively deployed.

This paper analyses the positions of six key players, China, India, Japan, Russia, Saudi Arabia and the United States, preparing for Copenhagen, and seeks to compare these positions by identifying the main clashes between them.

The People's Republic of China

Position:

- **NAMAs:** Developing country NAMAs are to be supported by developed countries by means of finance, technology and capacity building, without the possibility of using NAMA emission reductions as offsets for developed country targets.
- **Pledge:** China has pledged to reduce the carbon intensity of its economy by 2020 by 40-45% of its 2005 level on a voluntary basis. If made part of its next Five Year Plan the target would be mandatory domestically, but not necessarily subject to international review. China is on track to over-comply with a similar target for 2010.
- **Legal structure:** The Kyoto Protocol is to continue *sine die*, into a second commitment period and so forth. The firewall between developed and developing countries is to be maintained, with none of the duties of the former being imposed on the latter. China views developed country support to developing countries along the four pillars of the Bali Action Plan as key component of the agreement to be struck in Copenhagen.
- **Finance:** China pushes for the creation of a new financial mechanism under the authority of the COP with a balanced representation of all Parties, featuring an Adaptation Fund, a Mitigation Fund, a Multilateral Technology Acquisition Fund and a Capacity Building Fund, requesting that developed countries contribute 0.5-1% of their GDP in new and additional funds to these funds.
- **LULUCF:** Together with the rest of the G-77, China is adamant that the ability of developed countries to offset their emissions through LULUCF activities ought to be strongly curtailed through caps.
- **REDD:** While funding for this new mechanism is to come from developed countries, they are not to receive offsets for their emissions from it. Beijing wishes REDD to include afforestation, deforestation avoidance and enhancement of carbon stocks.

Approach:

- As one of the leading G-77 parties, China acts as the champion of the principle of “common but differentiated responsibility”. It therefore strongly believes that the Convention and the Kyoto Protocol ought to constitute the legal basis for future climate regime. Beijing continues to view climate change mitigation as the responsibility of developed countries, although it has come to see the need for doing its “fair share” as well.
- In Beijing's opinion Annex I countries ought not avoid their responsibilities in finance, technology transfers and capacity building to help Non-Annex I countries in their struggle to develop and eradicate poverty, although China may hold this position more out of a desire to maintain G-77 coherence than out of pure self-interest. Nevertheless, the

- China is projected to see its emissions peak only around 2030. While seeing itself as a potential victim of global warming and intensely concerned about the influence of climate change on regime stability, Beijing nevertheless strongly believes that it enjoys the right to continue developing.
- The Chinese Communist Party has been stimulating energy efficiency, boosting the supply of renewable energy and increasing forest coverage as part of its past 5 Year Plans, and is determined to continue pursuing this path. While implementing a series of domestic reforms to improve data availability and the rule of law, China has been very unwilling to internationalize these self-imposed goals in a measurable, reportable and verifiable way.
- In its desire to achieve prestige on the international level, China would be unwilling to be the only country standing in the way of creating a workable post-2012 framework.

Make-or-break issues:

- While being the largest contemporary emitter of greenhouse gases, China will likely reject a treaty that excludes the United States, the largest historical emitter. Moreover, without a more aggressive US target, China sees no reason why to embrace more stringent voluntary national targets than it already has.
- Trying to impose an absolute cap on Chinese emissions is a definite non-starter. Perceiving that its mandate to rule the country will continue for as long as it delivers development to its impoverished regions, the Chinese Communist Party will reject any attempt to limit its ability to create wealth for its citizens. Similar reasoning applies by extension to all developing countries' commitments.
- Developed countries' support to developing countries through finance, technology and capacity building is a *sine qua non* condition to China. Seeing itself as a leader of the G-77, it is going to exert pressure to ensure that these Annex I commitments are subject to MRV standards. Furthermore, without MRV support from developed countries, NAMA outcomes need not be measurable, reportable and verifiable, either.

Quote:

“The principle of common but differentiated responsibilities embodies the consensus of the international community. [...] Adherence to this principle is critical to keeping international cooperation on climate change on the right track. [...] Without common development, particularly the development of developing countries, there cannot be a broad and solid basis in the long run for tackling climate change.” – Hu Jintao, General Secretary of the Communist Party of China (September 23, 2009).

India

Position:

- **NAMAs:** Rather than unilateral actions, India supports NAMAs to be contracts between a developed and a developing country, governed by a register linking the expected climate benefits with the matching support. Unilateral actions by the South are not NAMAs in the Indian interpretation of the Bali Action Plan.
- **Pledge:** India has not yet put forward a numerical pledge.
- **Legal structure:** India has repeatedly indicated that it does not have a firm position on the form of the AWG-LCA outcome before knowing the content. However, India is likely to be in the majority group within the G77 that does not want a legal, ratifiable outcome from the LCA track in Copenhagen. In the Kyoto Protocol track India seeks a ratified second commitment period. This is also the common position of developing countries.
- **Finance:** India expects the scale of mitigation finance to range around “several hundred billion US \$ per year” and in the case of adaptation “at least several tens of billions of US\$ per year”. India has criticized both proposals calling on developing countries to also make contributions, and ones which would rely on AAU auctioning for too heavy reliance on market mechanisms. On governance, approving of the Global Environment Facility as the operating entity of the financial mechanism has been hard for India for almost two decades. India supports establishing a new institutional mechanism fully under the authority of the COP. The new financial mechanism should place equal importance to both adaptation and mitigation activities.
- **LULUCF** should have a strictly limited role in the developed country targets under the post-2012 agreement.
- **REDD:** India has outlined that the measures taken by developing country parties to prevent deforestation involve significant climate benefits as well as direct and opportunity costs. These costs should be met, at least in substantial part, by the global climate change regime, and the compensation payments should not be donor driven in nature. Market mechanism should play a supportive role providing positive incentives.

Approach:

- India expects the North to “take the lead” in climate mitigation, and is asking for over 40% aggregate reduction from developed countries from 1990 levels, with limited and internationally agreed rule on the use of offsets and sinks. India also continuously reminds the international community that the pledges made in 1992 during the Rio Earth Summit on new and additional funding and technology transfer remain unfulfilled.

- Instead of NAMAs, some of the unilateral actions should be converted into nationally accountable mitigation outcomes (NAMO). India has suggested that National Communications should be submitted every second year with policy-relevant nationally verified information on unilateral actions and emissions. These Communications would indicate specific performance targets in industry, energy transport, agriculture, buildings and forestry for 2020 and 2030.
- India is keeping a close eye on China, and does not want to become isolated among major G77 countries. If China reacts to the growing pressure in Copenhagen more moderately, and agrees to an aspirational target and a baseline for emissions, India may very well follow. Environment Minister Jairam Ramesh has stated that he and the PM are concerned about the reputational impacts caused by India's traditional position.
- There has been a vibrant public discussion (Sept-Oct 2009) within India on international climate politics and the role of the India, which indicates that climate change is gaining political weight within domestic politics as well. Many stakeholders, media and opposition parties support maintaining the traditional position, and not compromising in Copenhagen e.g. in order to get the US on board.

Make-or-break issues:

- The North must take the lead with credible commitments that consist largely of domestic policies and measures.
- A firewall between developed and developing country parties must be maintained.
- The bottom line of the Indian position on numbers for a possible "start up package" and the long-term financing remain unknown, but significant contributions are expected from developed countries. The governance and the institutional home of the financial mechanism is probably subject to negotiations and compromise.

Quotes:

"Industrialized, or developed, countries are thus responsible for causing human-induced climate change. If all had the per capita emissions of India, the cc problem would not have arisen." – Chandrasekhar Dasgupta, former Head of Delegation (April 22, 2007).

"If India were to eliminate all its GHG emissions, essentially by going back to the Stone Age, it would hardly matter for the climate change impacts on India, or indeed anywhere else!" – Dr. Prodipto Ghosh, Senior Negotiator (December 20, 2007).

Japan

Position:

- **Pledge:** 25% below 1990 levels by 2020, with a long-term target to reduce emissions by 80% below 1990 by 2050. The new pledge is conditional to similar commitments being made by all large emitting countries, developed and developing.
- **Legal structure:** Japan strives to construct either an amendment to the Kyoto Protocol or, preferably, an entirely new legally binding agreement that would incorporate elements of the old one, while expanding the scope of mitigation activities to all major economies.
- **Finance:** The Japanese government supports a financial entity with three funds under the World Bank – for general mitigation and adaptation, adaptation in the most vulnerable countries and capacity building, respectively. It plans to contribute to this through substantial transparent and predictable financial flows to developing countries that are new and additional to existing ODA funds. It has also proposed a framework for international technology transfers consistent with the existing intellectual property rights regime. The exact level of the financial commitment is still under consideration, and expected prior to Copenhagen.
- **LULUCF:** Of all parties to the Kyoto Protocol Japan has been granted the second highest amount of LULUCF credits it can use to offset its industrial emissions. Nevertheless, as its forests age, Japan will become increasingly reliable on gross-net accounting to minimize the negative impact of the LULUCF sector on its national greenhouse gas inventory.
- **REDD:** Japan is interested in the availability of forestry credits and places only little emphasis on the need to prevent the conversion of natural forests into plantations. While not having tabled any definition of forests, Japan demands that developing countries individually specify a single country-specific definition to be consistently used thereafter.

Approach:

- Japan is adamant that all major emitting economies, i.e. the US, China and India, should participate in the new legally binding framework beyond 2012. Viewing voluntary NAMAs as insufficient, Japan promotes intensity-based targets for the major developing economies to limit their future emissions independent of developed country support. It however does concede that non-Annex I parties need not commit to absolute emissions reductions.
- Tokyo emphasises cross-national comparability of efforts through identical standards for measurement, reporting and verification for both Annex I and non-Annex I countries, and wants to expand the system of mandatory national inventories and communications to all countries.

- Beyond its new pledge, Japan has matched what it expects from other parties with domestic action. Despite the previous government's unenthusiastic approach to climate policies and measures, vast amounts of work are already being poured into establishing a domestic legal framework to enable Japan to make meaningful permanent cuts to its emissions profile, including the creation of a mandatory nation-wide emissions-trading scheme, two separate environmental taxes and feed-in tariffs for all forms of renewable energy.
- Beyond the impressive improvement in its pledge, Japan's position has not changed much following the transition of power. However, since the Hatoyama administration came to power less than three months before the Copenhagen conference, Japan will arrive in Copenhagen with many of the details of its position not fully worked out.
- Japan is keenly interested in establishing new intensity-based mechanisms covering industrial sectors such as power, steel, cement and aluminium, and is likely to provide incentives for developing countries to sign on to such a plan by providing strong financial commitments and workable frameworks for North-South technology transfer.

Make-or-break issues:

- Japan feels betrayed by the US' rejection of the Kyoto Protocol and, given the economic rise of China and India, will refuse to participate in an agreement that does not bind these three countries as well.
- Furthermore, the marginal cost of emission cuts in Japan remains relatively high, and the Hatoyama government has repeatedly and explicitly stated that the new pledge is conditional on other major economies matching it. Therefore, a real danger exists that Tokyo will reduce or withdraw its pledge should the Copenhagen negotiations fail to generate comparable efforts.
- Japan will fight any attempts to tighten either the loose cap on the use of carbon sink credits it currently enjoys, or its ability to draw heavily on flexibility mechanisms.

Quote:

“This is not something Japan will do on its own. The premise is an agreement that includes other countries such as China and India.” – Okada Katsuya, now Minister of Foreign Affairs, then Secretary-General of the Democratic Party of Japan (September 4, 2009).

Russian Federation

Position:

- **Pledge:** 22-25% below 1990 by 2020.
- **Legal structure:** Russia is reluctant to base the Copenhagen agreement on the Kyoto Protocol, and is eager to merge the two negotiation tracks, mostly to ensure the participation of all other major emitters with conflicting interests. However, Russia has suggested carrying over some of the elements of the Kyoto Protocol, such as the 1990 base year, the Kyoto mechanisms and compliance regime.
- **Finance:** Russia is opposed to the principle of historical responsibility and per capita emissions as criteria for financing contributions. Russia wants to see contributions by economies in transition on voluntary basis only. Moscow argues that economies in transition should also be able to receive aid. Furthermore, the level or type of financial commitments required from other parties by Russia and how the financing for developing country action should be governed also remain open questions.
- **LULUCF:** Russia wants its forest sinks to be ‘accounted fully’. As a result, it opposes cautionary measures against windfall crediting through caps and discounts applied to accounted sinks. Russia wants to apply a wide definition of forest ‘management’, which may lead to accounting for significant amounts of non-anthropogenic forest sinks. Russia also promotes the bar-to-zero approach in order to not account for emissions from forest management until the sector switches to a net source of emissions. A projected baseline approach, which would allow factoring in more intense forest management instead of historical baselines, is also supported.

Approach:

- The Russian Federation is yet to issue a clear negotiation mandate to its climate delegation. Climate change is a politically marginal issue in Russia; the climate-sceptical views from the scientific community as well as the widely shared expectation of positive impacts by climate change on the Russian territory add to the lack of political will to tackle the climate change problem.
- The wide unused forest reserves are perceived as an environmental asset *per se* by Moscow; this contradicts some of the suggested accounting approaches and safeguards against windfall crediting. The ‘full recognition’ of the Russian forest sinks is important for Russia, as they are seen to allow other countries to emit more; the Kyoto Protocol is considered to have failed to do so even though the Russian cap established under Article 3.4 on political basis is considered as generous.
- It also remains unclear how Russia would like to deal with the surplus allowances from the first commitment period. Russia was allocated surplus emissions rights for the first

- Maintaining the status of the economies in transition in terms of emissions limitation and financing commitments is important for Russia, not only for domestic reasons, but also because Moscow sees itself as a regional leader in parts of the former Soviet Union.
- Russia has traditionally only become active in the negotiations at the last minute, and then blocked consensus to get its way. Thus, Russia tends to be a tactically strong negotiator. Moscow often seems to consider international climate policy as a forum for foreign policy and demonstrating political muscle.

Make-or-break issues:

- It is important for Russia to secure headroom for growing emissions which are expected to be generated due to future economic growth. Hence, it is unlikely that emission limitations beyond a business-as-usual emission trend would be accepted.
- Russia expects all major emitters, especially the US, to participate in the future climate regime as a condition of its own participation.
- The surplus allowances generated by the Russian emission decline must be recognised, most probably by carrying them over to the future climate regime. According to Moscow, this issue would be best discussed only beyond Copenhagen; this would be problematic should a decision be taken on the directly linked issue of national commitment levels.
- The Russian forests must be accounted for as forest sinks; the recognition by the Kyoto Protocol is seen as inadequate.

Quote:

“Are we ready to support Denmark’s efforts in the post-Kyoto period? We are ready to do this. But there are two conditions: all countries must sign it. And Russia will insist that capacity of its forests for absorbing carbon dioxide must be taken into account.” – Prime Minister Vladimir Putin (November 2, 2009).

The Kingdom of Saudi Arabia

Position:

- **NAMAs:** Saudi Arabia opposes a binding global goal for the shared vision and only accepts an Annex I long-term numerical goal. For developing countries Saudi Arabia wants to see voluntary NAMAs only, without specific commitments, or targets contingent on financial support and technology transfer from developed countries.
- **Pledge:** The Saudi position does not advance any pledges of action.
- **Legal Structure:** Saudi Arabia is adamant that the Convention continue as the main guiding framework and has cautioned against revising the principles of the Convention as well as opposed 'killing Kyoto' or only adopting some parts of it. It strongly opposes differentiation among the non-Annex I group, and does not want changes to the current country groups. It opposes merging the two negotiating tracks (AWG-KP and AWG-LCA) as it would pass the burden towards developing countries.
- **Financing:** Saudi Arabia has called for new and additional finances to be governed by the COP, insisting only developed countries should have financing commitments as requiring also developing countries to provide finance is against the Convention's principles. Saudi Arabia supports the finance proposal of G77 and China, including the emphasis on public finance. Furthermore, access to finance should not include conditionality or barriers. Saudi Arabia has also proposed an integrated support and accreditation mechanism (SAM) under the COP, pairing pledges for financial support from developed countries with mitigation action from developing countries.
- **LULUCF:** Saudi Arabia supports LULUCF for fulfilment of Annex I countries' commitments and considers LULUCF as the sector with the least negative spillover effects on developing countries
- **REDD:** It has likened REDD with carbon capture and storage (CCS), arguing these are comparable as mitigation activities. In general, Saudi Arabia supports the inclusion of all gases, sources and sinks, including LULUCF and REDD. However, these should not harm the host developing countries.

Approach:

- Above everything else, Saudi Arabia seeks to ensure that minimum damage to its oil revenue-dependent economy is caused by policies and measures of other parties, particularly mitigation actions of industrialised states. A vague commitment to emission cuts by the United States and low commitments by other developed countries serve this interest. While Kyoto should not be replaced, the United States' commitments should be brought in with an additional element that is devised in a comparable way, through a COP decision.

- Saudi Arabia wants to avoid any commitments under a new agreement, opposes a binding global goal for the shared vision and only accepts an Annex I long term numerical goal. It insists on maintaining a clear separation between developed and developing country measures according to the principle of “common but differentiated responsibilities”. An ideal agreement would not include a special focus on any developing country group.
- The country relies on a dual strategy, seeking to slow down the negotiating process and lower ambitions, while also seeking technology transfer (clean oil technologies, especially CCS), foreign direct investment, and capacity building for the diversification of its oil revenue-dependent economy. Saudi Arabia can be expected to keep raising the adverse impacts issue in multiple fora due to its conviction that the issue should be treated both under mitigation and adaptation. Calls for financial compensation are expected, but should be understood as part of the country’s negotiating strategy. Essentially, Saudi Arabia is interested in technology transfer (clean oil technologies, especially CCS), foreign direct investment, and capacity building for the diversification of the oil revenue dependent economy.

Make-or-break issues:

- Compared to previous years, Saudi Arabia’s position and strategy remain static and its will to support an ambitious treaty in Copenhagen is contingent on the scale of the negative impacts to its oil revenue: the more efforts to regulate the use of oil, the more Saudi Arabia will oppose it.
- A new agreement should allow Saudi Arabia to work simultaneously towards decarbonising its oil production and diversifying its economy towards non-oil sectors. It is extremely unlikely that Saudi Arabia would remain outside any negotiating outcome under the current circumstances.

Quotes:

“It's a matter of survival for us, also. So we are among the most vulnerable countries, economically” – Mohammed Al-Sabban, Main Negotiator (Bonn 1 meeting, 2009)

“The calls for moving away from fossil fuels as a means of addressing potential climate change do not represent a practical solution to the global warming issue. [...] We believe that a wide variety of existing and future technologies can enable the continuation of fossil fuels to meet societal needs for sustainable development, and do so in a cleaner manner.” – Ali Al-Naimi, Minister of Petroleum and Mineral Resources (November 10, 2008).

The United States of America

Position:

- **Pledge:** The US has tabled a schedule committing it to 3.8% reductions by 2020, 18.5% by 2025, 32.4% by 2030, and 80% by 2050 relative to 1990.³ The target is conditional on major emerging economies agreeing to robust contributions of their own.
- **Legal structure:** Washington is intent on abandoning the structure of the Kyoto Protocol altogether and replacing it with an entirely new agreement that, in addition to Annex I commitments, would differentiate among current Non-Annex I countries according to capacity, capability and responsibility to mitigate climate change. Countries such as China and India, whose emissions are expected to balloon over the mid-term, are to commit to legally binding targets.
- **Finance:** Beyond USD 300 million earmarked for adaptation in 2010, the US has not presented quantifiable financial commitments, nor has it suggested how to finance the post-2012 agreement. Washington supports the continuation of the Global Environmental Facility under the guidance of the Conference of Parties as a financial operating entity due to its strong oversight. All parties except least-developed countries would contribute according to their capabilities, although not necessarily on a mandatory basis.
- **LULUCF:** The LULUCF has been opposed to the use of gross-net LULUCF accounting, and prefers the net-net approach. It is interested in expanding the use of LULUCF to other areas, such as agriculture.
- **REDD:** The US supports the inclusion of the REDD mechanism, and has in negotiations defended its environmental and social safeguards provisions. Under legislation currently debated by Congress, 5% of emission allowances allocated under the future US emissions-trading scheme would be set aside for international forestry projects. Reductions thus funded would not be eligible for use as offsets. Privately-funded projects could receive offsets under strict measurement, reporting and verification criteria specified by the US Environmental Protection Agency.

Approach:

- In spite of progressive action on the local level and of USD 80 billion invested by the Obama administration into clean energy, Congress is yet to finalize legislation on climate and energy. The Senate bill currently being debated, aiming for 7.3% reductions relative to 1990, is not likely to be finalized before March 2010, after which it still needs to be merged with the House bill passed in June 2009 through a separate legislative process.

³ These targets were phrased in the original as, respectively, 17%, 30%, 42% and 83% cuts of greenhouse gas emissions relative to the 2005 level.

- While the White House's attitude towards the climate negotiations has undergone a U-turn since the new administration took office, it has yet to receive a firm mandate to negotiate upon in Copenhagen from Congress. With rejection of the Kyoto Protocol by the Senate in 1997, the need to negotiate an agreement that could gain the support of two-thirds of all Senators remains the single most powerful constraint on the US delegation.
- While seeking out strengthened measurement, reporting and verification standards for emerging economies' mitigation actions, the US has tabled proposals to ensure its own compliance on domestic level.
- Both Congress bills would create a mechanism of domestic border tax adjustments to ameliorate the negative effects on US companies facing competition from economies with less demanding mitigation commitments.
- While projected to be a very active buyer of international carbon offsets, Washington seems little interested in AAUs, which it views as a trade of hot air. Instead it seeks to establish a system of national and regional carbon markets that could be linked bilaterally to its own domestic offset market.

Make-or-break issues:

- Without Chinese participation under demonstrably comparable efforts the US Senate is virtually certain to reject any outcome of the Copenhagen Climate Conference, whatever shape it may take, just as it did 12 years ago.
- Washington is reluctant to hand out any funds whatsoever without a firm link between finance and verifiable action by recipients. It therefore views commitments to mitigation actions by major emerging economies, subject to the same MRV standards as developed countries, as a *sine qua non* condition for a post-2012 agreement.
- The US views unilateral trade action against goods and services from jurisdictions with less demanding climate goals as a right it unequivocally enjoys under WTO law, and will resist any attempts to limit this right.
- Similarly, attempts to design technology transfers in a way running counter to the existing intellectual property rights regime is viewed with extreme hostility and is likely to trigger a walk-out by the US delegation.

Quote:

“By announcing a provisional target, contingent on the support of Congress, the President has defined a path to an international agreement that challenges the developed and developing nations to fulfill their obligations. It lays the groundwork for a broad political consensus at Copenhagen that will strip climate obstructionists here at home of their most persistent charge, that the United States shouldn't act if other countries won't join with us.” – Senator John Kerry (November 26, 2009).

Conclusion

Pledges for the countries covered in this paper are very uneven. In the Annex I group there is a wide variation, starting from the tough Japanese -25% from the 1990 level by 2020 to the Russian business as usual -22% to -25% only leading to the limitation of emissions. The US pledge for 2020 remains weak, however, it is supported by the more ambitious elements towards 2030. The contribution required from Annex I countries according to the IPCC, a 25-40% reduction of emissions of the 1990 level by 2020, explains the non-Annex I reluctance to even discuss commitments, as the Annex I pledges are below this scientifically recommended level.

There are major differences of views when it comes to NAMAs. The non-Annex I group continues to refer to the “common but differentiated responsibilities” and hence resist accepting legally binding targets. China has shown political will by adopting a serious carbon intensity reduction target, however, both India and Saudi Arabia refuse to consider such approach. Non-Annex I insist on developing country action to be supported by Annex I financial contributions, India even advocating a direct matching of Annex I finance and non-Annex I action. Annex I would like the major emerging economies to take part in mitigation activities – the US even expecting legally binding commitments and differentiation of the non-Annex I country group based on capabilities. This is a major clash in the negotiations, and one of the key issues which ought to be solved in Copenhagen. Without a consensus on this matter, it would even be difficult even to continue negotiations beyond Copenhagen.

Another major divide between Annex I and non-Annex I is the legal format of the post-2012 climate agreement. Non-Annex I demand the continuation of the Kyoto Protocol and the principles of the Convention, above all the principle of “common but differentiated responsibilities”, defending their developing country status, to be honoured. They support the LCA negotiation track and oppose the merger of the negotiation tracks. These positions can be explained by the urge of non-Annex I to ensure that the US, the largest Annex I emitter, will participate meaningfully, unlike under the Kyoto Protocol. The Annex I group is less united on legal matters, however, the tone includes the possibility of a new legal instrument to replace the Kyoto Protocol, the US demanding this most radically. It has also been discussed that some elements of the Kyoto Protocol should be carried over under the next legal arrangement. The approaches of Annex I countries reflect the fear that the major emerging economies will not participate in the global mitigation effort. If that happened, the Annex I actions would be ineffective, as they alone cannot solve the climate problem in the future due to the growth of emissions in the developing world, especially China and India. This issue can flame up in Copenhagen, and has potential to lead to the collapse the negotiations.

The issue of finance is another key area to solve, and views between Annex I and non-Annex I differ radically. Non-Annex I countries demand new and additional finance coupled with a new financial structure beyond the current GEF arrangement, which would allow the recipients of financing more say in the governance of the funds. Again, India is the most radical non-Annex I country, suggesting climate beneficial actions to be directly matched with Annex I financial support. Annex I would rather like to see some of the developing country actions domestically financed – the US is even suggesting that also non-Annex I should contribute to the funds

providing support for these actions. The disagreement on financing is one of the most critical issues, if not the single most important one, when building consensus between the country groups.

LULUCF is mostly seen by non-Annex I countries as a flexible element for the Annex I to achieve their commitments, and thus, developing countries are eager to limit utilizing them. REDD on the other hand gathers more support from both sides; non-Annex I is hoping to receive financial contributions through the mechanism while Annex I is after cheap offsets.

It is easy to see, first of all, how far the positions of the main country groups remain at the eve of Copenhagen. This explains why a legally binding agreement is impossible to achieve in December. Secondly, the national interests are revealed when comparing the country positions and outlined in the section on make-or-break issues. Such considerations are much stronger in the climate negotiations than the actual concern for saving the global climate.

	China	India	Japan	Russia	Saudi Arabia	United States
Pledge	Cut carbon intensity of economy by 40-45% 2005-2020	No pledge	25% below 1990 by 2020, conditional	22-25% below 1990 level by 2020 (growth target)	No pledge	3.8% below 1990 by 2020, also further pledges, conditional
NAMA	Supported by finance, technology transfer and capacity building from Annex I	Contracts between Annex I and non-Annex I countries, climate benefits matched with finance	Scope of mitigation activities to all major economies	All major emitters should participate	Voluntary NAMAs only, opposes binding global goal	Major emerging economies to take legally binding mid-term targets
Legal structure	KP to continue, developing country status to be maintained	KP to continue, legal ratifiable outcome from the LCA	Either amend KP or preferable a new legal document	Reluctant to continue KP, wants to carry over elements of KP, merge negotiation tracks	Convention as the main guiding principle, also keep KP and both negotiation tracks	Abandoning KP, new legal document, differentiation of non-Annex I
Financing	New financial mechanism under COP authority	Contributions only from Annex I, not too reliant on market based financing, new institutional financial mechanism under the COP, opposed to GEF	Willing to make significant contributions, proposed three separate funds governed by the WB, intellectual property rights important	No clear position on financial architecture, contributions by economies in transition voluntary	New additional finance governed by the COP, contributions only by Annex I, emphasis on public finance	Governed by GEF under COP guidance, all parties except the least developed countries should contribute
LULUCF	Limits to Annex I caps	Limits to Annex I use for achieving targets	Relies heavily on LULUCF allowance to comply with commitments	Opposed to caps and discounts	Supports LULUCF as means to achieve Annex I targets to turn focus away from fossil fuels	Interested in expanding
REDD	No offsets from REDD to Annex I	Compensations should not be donor driven	Interested for compliance purposes	No specific position on REDD	Supports REDD	Supports REDD