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Transcript

The Shape of a New International Climate Agreement

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Todd D Stern:

Thanks so much. I'm very glad to be here at this distinguished venue. I appreciate the invitation.

Today, I want to talk about the promise and challenge of developing an ambitious, durable, new international climate agreement.

We are, of course, well past the time of doubting that our climate is changing, that it is changing rapidly, and that the pace of change is accelerating. We can see that climate impacts are already large, are very likely to increase significantly, and have the potential to be fundamentally disruptive to our world and the world of our children and grandchildren.

We should also be well aware that an international agreement is by no means the whole answer. The most important drivers of climate action are countries acting at home. After all, the essential task before us is to transform the energy base of our economies from high to low carbon. Most of this transformation will take place in the private sector, where energy is produced and consumed, but governments need to set the rules of the road, provide the incentives, remove the barriers, fund the R&D, and spur the investment needed to hasten this transformation.

In the United States, President Obama has put his shoulder to the wheel with his new Climate Action Plan, which builds on aggressive measures from the past few years. Last month, for example, EPA issued draft regulations to control carbon pollution for new power plants, and is hard at work preparing regulations for existing plants. The President has also issued landmark rules to double the miles-per-gallon of our vehicle sector. These two sectors – power and transportation – account for some two-thirds of our national emissions. And the President has also issued strong efficiency standards for building appliances, has doubled our use of wind and solar power, and is pursuing a suite of other actions.

But national action will only rise to the level of ambition we need if it takes place within a strong and effective international system. Effective international climate agreements serve three vital purposes. First, they supply the essential confidence countries need to assure them that if they take ambitious action, their partners and competitors will do the same. Second, they send a potent signal to other important actors – sub-national governments, the private sector, civil society, research institutions, international organizations – that the world's leaders are committed to containing climate change. Third, they prompt countries to take aggressive climate action at home to meet their national pledges.

We have, now, an historic opportunity created by the Durban Platform's new call for a climate agreement 'applicable to all Parties.' Some have said those four words in the Durban negotiating mandate are nothing new in climate diplomacy, but make no mistake, they represented a breakthrough because they mean that we agreed to build a climate regime whose obligations and expectations would apply to everyone. We have had a system, the Kyoto Protocol, where the reverse was true, where real obligations applied only to developed countries, listed in the Framework Convention's Annex 1. The point of 'applicable to all' in the Durban Platform was to say, in effect, that this new agreement would not be Kyoto; that its obligations and expectations would apply to all of us.

What Durban recognized was that Kyoto could not point the way forward in a world where Non-Annex 1 countries (developing countries as listed in 1992) already account for a majority of greenhouse gas emissions and will account for two-thirds of those emissions by 2030.

Our task now is to fashion a new agreement that will be ambitious, effective and durable. And the only way to do that is to make it broadly inclusive, sensitive to the needs and constraints of parties with a wide range of national circumstances and capabilities, and designed to promote increasingly robust action.

Let me talk about certain core elements of such an agreement. First, it will need a supple architecture that integrates flexibility with strength. Some see flexibility as a signal of weakness, but I think just the opposite. We know the agreement must be ambitious; to be ambitious it will have to be inclusive; and to be inclusive it will have to balance the needs and circumstances of a broad range of countries. For such an agreement, a rigid approach is the enemy.

We see flexibility in the new agreement in at least three ways. First, rather than negotiated targets and timetables, we support a structure of nationally determined mitigation commitments, which allow countries to 'self-differentiate' by determining the right kind and level of commitment, consistent with their own circumstances and capabilities. We would complement that structure with ideas meant to promote ambition – a consultative or assessment period between an initial and final commitment in which all Parties as well as civil society and analytic bodies would have an opportunity to review and comment on proposed commitments; 'clarity' requirements (or expectations) so that commitments can be transparently understood by others; and a requirement (or invitation) to countries to include a short explanation of why they believe their proposed commitment is fair and

adequate. This nationally determined structure will only work if countries understand that all have to do their part; that strong action is a favour we do ourselves because we are all profoundly vulnerable to climate change; and that the world will be watching how we measure up.

Second, we need to focus much more on the real power of creating norms and expectations as distinguished from rigid rules. There is certainly a role for rules, standards and obligations in this agreement. But an agreement that is animated by the progressive development of norms and expectations rather than by the hard edge of law, compliance and penalty has a much better chance of working, being effective and building inclusive, real world ambition.

Compare, for example, a very formal system built on tough rules of compliance for failing to meet an internationally binding target versus a less formal system where norms are the crucial motivator – norms built up among countries, international organizations and financial institutions, civil society, the press. While the system of strict rules and compliance might sound good on paper, it would almost certainly depress the ambition of commitments and limit participation by countries. The opposite is true for norms and expectations, which countries will want to meet to enhance their global standing and reputation. We are well on the way to creating such norms, but we are not there yet. We need to think about ways to strengthen norms and infuse them with greater power.

Or think about the role that expectations can play, as distinguished from obligations or requirements. It is clear that there would be no support among Non-Annex 1 countries to create formal sub-categories having different requirements with regard to key issues, such as mitigation, transparency or accounting. At the same time, it is difficult to construct an effective agreement unless countries of very different capabilities – for example, emerging or wealthy Non-Annex 1 economies compared to Least Developed Countries – can be expected to act in different ways. Informal, non-obligatory expectations can play an important role in managing this problem.

Third, we will need to be creative and flexible as we think about the legal character of the agreement. Again, rigidity is a potential roadblock. We all agreed in Durban to develop a new legal agreement, but left open the precise ways in which it would be legal; recall the famous phrase ‘protocol, another legal instrument, or an agreed outcome with legal force.’ Parties are discussing a variety of ideas with regard to which elements of a new agreement would be legally binding and the role that both international and domestic bindingness might play. This discussion is still in its early stages,

and I don't have much to add here. What I would say, though, is to keep our eyes on the prize of creating an ambitious, effective and durable agreement. Insisting that only one way can work, such as an agreement that is internationally legally binding in all respects, could put that prize out of reach.

Now let's move beyond flexibility. The new agreement will also need to come to terms with differentiation, the issue that has bedevilled climate negotiations more than any other in the past 20 years. I believe there is a way through this thicket, but only if all Parties recognize both what is actually essential in their own position and what is genuinely reasonable in the position of the other side.

Nearly all Parties to the Convention share a conviction that climate change is a serious threat that has to be addressed with vigour and commitment. The difficulty lies in deciding who has to do what and the phrase at the heart of this debate is CBDR – common but differentiated responsibilities and respective capabilities.

In one sense, this phrase has come to embody an ideological narrative of fault and blame, but it also serves a more pragmatic purpose. It is seen as the principle that shields developing countries from climate requirements they fear could constrain their capacity to grow, develop and alleviate poverty.

While we don't accept the narrative of blame, we do see the concerns that underlie the developing country attachment to CBDR as entirely legitimate. Countries in the midst of the historic project of developing, industrializing and alleviating poverty cannot fairly be asked to embrace obligations that would jeopardize those hopes.

The nationally determined structure of commitments we have already discussed should satisfy this pragmatic purpose, since countries would make their own decisions about what kind of mitigation commitments were appropriate given their own circumstances and capabilities. Moreover, the idea of relying more on norms and expectations should also ease developing country concerns.

The difficulty comes when we consider the Annex 1 and Non-Annex 1 categories created in 1992 – in particular, whether those original categories should define the operational content of the agreement. Put another way, are we negotiating a new agreement that has a single operational system differentiated across the spectrum of countries or that has two different systems on relevant issues like mitigation, transparency, accounting – one for developed countries, one for developing.

As I have said on various occasions this year, we have no quarrel with preserving the annexes in their current state, provided they do not play an operational role in defining the obligations and expectations of a new agreement. Nor would we oppose operational annexes if they evolved with evolving material circumstances, so that countries rising above designated thresholds would graduate into Annex 1. Some would doubtless find themselves in Annex 1 as soon as the new agreement took effect.

But what is unacceptable in our view is to use fixed, 1992 categories to determine who is expected to do what in a new agreement taking effect nearly 30 years later and intended to define the course of climate diplomacy for decades to come. Such a separation is inimical to ambition. It would also be viewed as deeply unfair by many countries, thus undermining the political cohesion we need to build an effective and durable climate system going forward.

The original division of countries, after all, was based on material circumstances, not some unchanging feature of national culture or geography, and those material circumstances have changed, sometimes dramatically, in the intervening years and will keep changing in the years ahead. In 1992, Non-Annex 1 countries accounted for 45% of global greenhouse gas emissions from energy and industrial uses. Now they account for some 60% of emissions and are likely to account for some 68% by 2030. Four Non-Annex 1 countries are now in the OECD. Korea is ranked 12th on the UN Human Development Index, just behind Canada, and is listed by the IMF as one of its 35 'advanced economies.' Sixty-six Non-Annex 1 countries have a higher per capita GDP than the least wealthy Annex 1 country today. And China's GDP, both aggregate and per capita, has grown tenfold since 1990, while its share of global emissions has increased from 10% to 22%, and its per capita emissions are higher than many countries in Europe.

In short, there is no real substantive defence for asserting that membership in the 1992 annexes should both (a) define obligations and expectations, and (b) be immutable in a rapidly changing world.

Some nonetheless argue that this result is required because the Durban platform says the new agreement is to be 'under the Convention.' Since the annexes were created as part of the Convention, it is alleged that they must never change their composition or their operational character in defining what Parties are supposed to do. But this is specious, since 'under the Convention'

plainly had no such meaning in the Durban Platform negotiations, and if it had, there never would have been a Durban Platform.

Some also argue that the annexes must be fixed and retain their operational character because Annex 1 countries bear historical responsibility for our climate problem and history doesn't change. But this claim makes no sense either. First, it misconceives the facts of historical emissions since, based on the well-known MATCH study, commissioned by the UNFCCC, cumulative emissions from developing countries will surpass those of developed countries by 2020. Second, it ignores the fact that history is changing continually in dynamic ways. China, for example, is already the world's second largest historic emitter. And the world is now emitting as much every decade as all the cumulative emissions that occurred before 1970. Third, it is unwarranted to assign blame to developed countries for emissions before the point at which people realized that those emissions caused harm to the climate system.

So let me sum up on differentiation. Developing country concerns about avoiding climate obligations that could constrain their capacity to develop are entirely legitimate. CBDR is an enduring principle of the Convention and, read properly, should address these developing country concerns. A new agreement must be structured and drafted in a way consistent with those concerns. The annexes can be left alone in their current composition. But they cannot have an operational role of defining obligations and expectations, because doing so is unjustifiable in a rapidly evolving world and would defeat our effort to produce the ambitious, effective and durable agreement that is our mission.

The third broad issue that will profoundly affect our negotiations is financial assistance in its various forms. Here we need a paradigm shift in our thinking, based on a combination of hard realities and enormous opportunity.

To state the obvious, there is no question that we need to provide assistance to many countries that are working to build low-carbon economies and to many countries seeking to build resilience and to adapt to climate impacts. Since 2010, the United States has been providing some \$2.5 billion a year, more than six times greater than we provided before the Obama Administration. And we are continuing our vigorous push within the U.S. government for climate funding.

Now the hard reality: no step change in overall levels of public funding from developed countries is likely to come anytime soon. The fiscal reality of the United States and other developed countries is not going to allow it. This is

not just a matter of the recent financial crisis; it is structural, based on the huge obligations we face from aging populations and other pressing needs for infrastructure, education, health care and the like. We must and will strive to keep increasing our climate finance, but it is important that all of us see the world as it is.

However, there is also enormous opportunity, if we can take advantage of it. Because a genuine step change in funding can occur in the flow of private capital leveraged by public money or public policy. Some leveraged private investment is already flowing into developing countries, but we can do so much more to unlock much larger flows. The well of private capital is deep, but we need hard work by developed and developing governments to tap into it.

Once again, to make real progress, we need to elevate practical problem solving above rhetoric and ideology. Lectures about compensation, reparations and the like will produce nothing but antipathy among developed country policy makers and their publics. But we can succeed on this front if we work together.

Finally, I want to say a few words about what we can accomplish in complementary arenas that are outside the UNFCCC but serve the UNFCCC's climate purpose. For example, the Climate and Clean Air Coalition, which has grown in 18 months from 6 countries to 33 and nearly 40 non-country members, is pursuing multiple promising initiatives to reduce the emissions of short-lived pollutants like methane and black carbon.

We are also making progress through the Forest Carbon Partnership Facility, whose Carbon Fund is pioneering the first ever large scale pay-for-performance systems to reduce emissions from forests in developing countries, while the Readiness Fund is supporting dozens of countries in preparing to combat emissions from deforestation and degradation.

And we have a great opportunity to avoid an estimated 90 gigatons of CO₂ equivalent by 2050 – a huge amount – by using the Montreal Protocol to phase down the production and consumption of HFCs. A few countries object on the ideological ground that action on HFCs should occur only in the UNFCCC, but this is the kind of mentality we need to transcend. Remember that the point of our efforts – always – must be the results we can produce, consistent with everyone's circumstances and capabilities. The Montreal Protocol has proper jurisdiction. It can handle every issue from assistance to differentiation. And it has the expertise and will have the funding to get the job done. We need to seize this opportunity.

Let me sum up. Here are my watchwords:

- First, flexible strength built on nationally determined commitments, relying on rules where needed, and elevating the role of norms and expectations.
- Second, differentiation and CBDR that accomplishes what developing countries need but without undermining ambition or the political cohesion the UNFCCC needs by perpetuating a two-track system.
- Third, financial assistance grounded in the core imperative of public finance but recognizing that our chief opportunity is based on a new paradigm in which public funds and public policy in donor and recipient countries leverage large-scale investment.
- Fourth, complementary initiatives that broaden the overall international climate system in service of the UNFCCC's central objective of avoiding dangerous climate change

Let us finally get this right. I know that we can if we move together – boldly, with determination, and with a shared understanding of how we can meet the awesome challenge we face.