

The annual climate change conference (COP14/CMP4)<sup>1</sup> will take place in Poznań, 1–12 December 2008. This Policy Brief aims at providing a brief assessment of where we are on the road from Bali to Copenhagen,<sup>2</sup> thinking ahead of Poznań in relation to the current negotiating environment and exploring the possible nature of an agreed outcome to be reached in Copenhagen at the end of 2009.

## 1. Where are we now? The road from Bali to Copenhagen

The United Nations climate change conference (COP13/CMP3) was held in Bali in December 2007. The Kyoto Protocol sets out only the first commitment period (2008–12) and requires the Parties to the Protocol to start negotiations for subsequent periods in 2005, so that no gap arises between commitment periods. The Bali conference delivered a mandate for launching a two-year negotiation process, with a clear deadline for the agreed outcome on cooperation beyond 2012 to be reached in Copenhagen in December 2009. This mandate is supported by an agreed roadmap.

There are different views about the nature of the Bali roadmap. An early reflection was that the Bali conference did not really produce a roadmap but a sketch of a route over unmapped territory and negotiators would have to create the necessary roads and milestones. The challenge was how to turn the Bali sketch into a veritable roadmap (Macey, 2007). Another view recognises that there is indeed a roadmap. Yet the map does not show a highway, but a bumpy road full of pitfalls and devious terrain,

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<sup>1</sup> COP14/CMP4 refers to the Fourteenth Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC)/Fourth Session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

<sup>2</sup> For a briefing about COP14 in Poznań, see Fujiwara (2008).

## On the way to Copenhagen via Poznań Preliminary thinking about a post-2012 climate deal

**Noriko Fujiwara**

with some of the routes possibly turning out to be cul-de-sacs (Watanabe et al., 2008). Worse still it may look like a path, even “a rough and narrow goat track” leading along a cliff edge (Christoff, 2008), if not “ending up in the sea” (IISD, 2007).

On paper, even though there is no clear definition, the Bali roadmap refers to a set of decisions. The centrepiece of the roadmap is the Bali Action Plan. In addition to delivering the negotiating mandate, the Action Plan tasked a new ad-hoc working group<sup>3</sup> to draw a shared vision for long-term cooperative action with four building blocks or pillars: mitigation, adaptation, technology and financing. The shared vision and the four building blocks are likely to shape the structure of the overall 2012 architecture.

## 2. Thinking ahead of Poznań and the negotiating environment

Poznań is halfway on the road from Bali to Copenhagen and marks a turning point at which negotiators change their gears from the analytical or discussion mode to that of full negotiations. In preparation for the EU position at the COP14/CMP4 in Poznań, the EU Environment Council notes that developing countries as a group, in particular the

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<sup>3</sup> More specifically, the group is the Ad-hoc Working Group on Long-term Cooperative Action under the Convention.

**Noriko Fujiwara is a Research Fellow at CEPS.**

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most advanced among them, would have to reduce their emissions by 15-30% below business as usual in order to be consistent with the EU objective of staying within the threshold of two degrees. The Environment Council also acknowledges the growing diversity among developing countries and calls for stronger actions in proportion to their capacities. Developing countries that are economically more advanced should make adequate contributions according to their responsibilities and capabilities. The nature and level of ambition of measurable, reportable and verifiable nationally-appropriate mitigation actions by developing countries will differ among countries and sectors (Council of the European Union, 2008).

Developing countries are more diverse now than they were when the Kyoto Protocol was designed. Among developing countries, each group of countries has its own priority. For Africa, the mitigation challenge would be “avoiding emissions” rather than “emission reductions” (van Schalkwyk, 2008). Their immediate concern is adaptation to the impacts of climate change, which is shared by other least-developed countries (LDCs) and small island developing states. Another priority for Africa, poverty reduction, should go hand in hand with avoided deforestation and consequently halting desertification. For energy-scarce countries at any stage of development, a priority would be to reduce dependency on imported fossil fuels through energy efficiency improvements, and for those with non-fossil fuel resource endowments to introduce low-carbon technology either on its own or with support from advanced economies. Even OPEC countries may gradually realise the merit of reducing dependence on oil production and diversifying the structure of their economies. Lastly, for emerging economies, the main task would be to decouple energy consumption from GDP growth, and leapfrog an economy based on fossil fuels on the way to a low-carbon economy with the aid of advanced clean technology and support for capacity-building. Some countries are already taking concrete steps towards mitigation and are capable of strengthening their actions. Thus it is important to determine how to reward emerging economies’ *early actions* that are taking place without mandatory targets.<sup>4</sup> In the future, there will be a possibility for so-called ‘south-south cooperation’, replicating in developing countries the successful models of energy efficiency improvements in emerging economies.

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<sup>4</sup> For example, Winkler et al. (2008) examine the ways to operationalise sustainable development policies and measures (SD-PAMs).

As the financial crisis deepens and the global economy shows signs of slowing down, costs to the economy are likely to play a larger role in a political debate. It is widely assumed that the pains of the financial crisis and its early effects on the real economy have been felt among the US and other developed, transition or emerging economies alike. Success in international coordination of economic and financial policies could help ease the tension between developed economies and emerging ones.

It is important to recall here that the Kyoto Protocol was negotiated in a challenging environment just like now. In 1997, the Asian financial market was thrown into turmoil, starting in Thailand in July and rapidly spreading to the rest of South-East and East Asia, which was felt as far as Brazil and Russia (Wing, 2007). Nevertheless, Parties gathered in Japan to close a deal about quantified emission reduction commitments and flexible mechanisms, which resulted in the Kyoto Protocol. It is beyond the scope of this Policy Brief to compare the cause, scale or impacts of the current financial crisis with those of the Asian financial crisis 11 years ago. This is just a reminder that one would not expect the best possible environment for negotiations and that actually the Protocol itself was born out of the financial storm then blowing around Asia and the world. Hence, the so-called ‘cost containment’ aspect is already built into the flexible mechanisms, such as Joint Implementation and the Clean Development Mechanism established under the Kyoto Protocol.

### 3. What will a Copenhagen deal look like?

Since annual UN climate conferences have been notorious for striking a last-minute deal among ministers well stretched into the early morning of the final day, it is nearly impossible to foresee what will likely come out of the Copenhagen conference. Nonetheless, a few points are becoming increasingly clear as discussion progresses.

First, the Copenhagen deal would result in not only an agreed outcome about further commitments but also a comprehensive agreement on the post-2012 architecture. The new architecture will likely be based on multiple layers of institutions, rule books (e.g. the Marrakech Accords) and procedures that have evolved over more than a decade. The UNFCCC has laid the foundation for the Kyoto Protocol and any successive agreements on climate change. The structure of the Kyoto Protocol will remain legally valid regardless of the expiry of the first commitment period or uncertainty about the subsequent commitment periods. If the Kyoto Protocol continues to form part of the new architecture, however, it may need substantial

change to its format as well as its components. The overall structure of the Kyoto Protocol rests on the delicate balance of several components – such as commitments, flexible mechanisms and the transfer of finance and technology – which are altogether designed to facilitate the participation of countries. Therefore, if the nature and types of further commitments change significantly, these changes will affect not only other components but also the whole architecture of the Protocol. Indeed, the new architecture will require an even more careful balance of components than before owing to subjects that were excluded from the Protocol at the time of the agreement or that have since moved to the top of the agenda, such as the coverage of aviation and maritime transport adaptation, and avoided deforestation. Added to these subjects are outstanding commitments for Annex I Parties that have shown slow progress: finance and technology. Each subject is directly linked to the others, especially in terms of the cost implications, which would foster interlinking the issues for negotiations but undermine the effectiveness of the new architecture in guiding implementation by increasing complexity.

Second, given the time constraints, based on the model of the Marrakech Accords detailing the Kyoto Protocol, the Copenhagen deal would address the post-2012 architecture with some principles for the key components including further commitments, leaving the possibility to elaborate the details of the individual components at a later stage. For example, the Copenhagen deal could concentrate on setting the level of a cap on a range of GHG emissions for at least the major emitters, thus encompassing developed, transition and emerging economies as well as OPEC countries with some differentiation based on smaller groups rather than individual parties. If the time is too short, Parties might agree on the principle of having caps on emissions from certain countries, and later decide on the level of the caps. Parties should then agree on the kinds of instruments to be used, some of which are available for a specific group, to comply with the commitments. For example, step 1 could include cap-setting with principles for flexible mechanisms, technology and finance. The next round of negotiations could focus on the allocation of assigned amounts among individual Parties within each group. Parties should agree on the designs of the instruments. For instance, step 2 could cover allocation, with outlines of flexible mechanisms and those concerning funds for technology, adaptation, reducing emissions from deforestation and forest degradation, and capacity-building. Each group of developing countries (e.g. the G77 and China, the Alliance of Small Island States and LDCs) not only sets its own priority but also its preference for the

kinds of actions and method for crediting such actions in the form of tradable units. Such a step-by-step approach would enable Parties to stress the joint leadership in Copenhagen and together send a strong signal to the market, business and citizens for a leap in the transition towards a low-carbon economy.

Third, the Copenhagen deal would build the post-2012 architecture on a more decentralised and flexible structure than its predecessor. It would entail less rigidity in the overall architecture, reflecting a shift in the economic capabilities of parties; increasing mobility among groups of countries on the ladder of making stronger commitments; and enlarging a portfolio of instruments to meet commitments, including innovative tools or tradable units to enable a variety of actions contributing to GHG emission reductions to be counted. For each of the above elements governance would be the key. Specific questions about the governance of and institutional arrangements for individual mechanisms should be addressed at a later stage.

To summarise, if successful, the Copenhagen deal could result in an agreement on the post-2012 architecture that is more decentralised and flexible, with some principles on the main components including further commitments.

#### 4. Concluding remarks

Since the Kyoto Protocol was designed, developing countries have shown more diversity in their profiles, which would increase the complexity in the structure of the negotiations. A pragmatic Copenhagen deal would concentrate on the shape of the overall post-2012 architecture with some principles guiding crucial components. This architecture would be based on a more decentralised and flexible structure. A pragmatic step-by-step approach could help to drive the negotiation process slowly but steadily.

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