

Durban: Deferring tough decisions on climate

Global Markets Institute

Narrow agreement reached at global climate talks in Durban

An agreement to discuss an agreement

With the expiration of the Kyoto Protocol looming in 2012, negotiations at the UN climate conference in Durban were dominated by discussions on a new binding treaty. Some parties, notably the EU, agreed to a limited extension of the Kyoto Protocol. The most widely publicized accomplishment was the Durban Platform: essentially an agreement to discuss a future global agreement. It keeps the possibility (but no real commitment) for a binding treaty alive. These developments were in line with our expectations outlined in “Next Stop: Durban—Moving Beyond the Kyoto Protocol.”

Incremental progress made on implementing Cancun Agreements

Notable, albeit incremental, progress was made on executing elements of the 2010 Cancun Agreements. Durban established a basic governance structure for the Green Climate Fund, which is meant to provide developing countries with long-term financing reaching \$100 billion per year by 2020. However, key aspects are still unresolved, most significantly the specific sources of the funds. Delegates also agreed on details for the new Technology Mechanism and on parameters to improve transparency in monitoring mitigation actions.

Developing nations are vital for any future agreement

The real achievement was the engagement of advanced developing countries (referred to as the “BASIC” countries). These nations are already major energy users and greenhouse gas emitters. China is the world’s largest emitter, surpassing the United States and the EU. India is ranked fourth. Future developments in energy efficiency, mitigation and global cooperation will increasingly involve the advanced developing economies.

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Narrow agreement reached at Durban climate conference

In the aftermath of the UN's Framework Convention on Climate Change (UNFCCC) meeting in Durban, press reporting has focused on the weak agreements to extend the Kyoto Protocol and to discuss a new global binding protocol. These agreements left on the table the possibility of a future binding treaty. We do not expect to see significant progress on a binding global treaty in the coming years. In our view, the more significant advance was in further agreement on the implementation of (1) the Green Climate Fund, (2) technology transfer, and (3) mechanisms on transparency and reporting. This outcome was in line with our expectations, outlined in our survey report on climate change policy, "Next Stop: Durban—Moving Beyond the Kyoto Protocol" (November 29).

The Kyoto Protocol is formally extended, but contains no new obligations

The Kyoto Protocol signatories agreed to an extension of the Protocol to begin in 2013. However, this is all they agreed to. The exact expiration date (either 2017 or 2020) will be decided at next year's meeting in Qatar. More importantly, the agreement leaves decisions on new mitigation targets for a later time ("for consideration" in Qatar). It is likely that the new mitigation targets will be at or below the same level as the already established voluntary targets, thus adding no new climate impact. In addition, Canada announced after the conclusion of the conference that it would pull out of Kyoto completely, while Japan and Russia stated they would not undertake new commitments. Thus, the Protocol will at most only bind European countries, Australia and New Zealand.

Still it provides some certainty for the carbon credit market

However, this extension does provide certainty for Protocol mechanisms like the Clean Development Mechanism (CDM), which is the basis for carbon credit trading. It will also allow for more time to resolve the operational details of the CDM as a stand-alone mechanism after the final expiration of Kyoto in either 2017 or 2020.

Durban Platform: A nod towards a global binding treaty

In exchange for the extension of Kyoto, the EU succeeded in engaging developing countries, and the United States, in discussing negotiations around a new global binding treaty. For this purpose, the conference established the Ad Hoc Working Group on the Durban Platform for Enhanced Action. The eventual outcome from this Platform, however, is quite vague. The stated purpose of the Working Group is "to launch a process to develop a protocol, another legal instrument or a legal outcome under the Convention applicable to all Parties." While some in the press have interpreted this to mean the formation of a new binding treaty, the document language does not indicate it. A more accurate description of this decision would be an agreement to discuss a future global agreement. This is an accomplishment in itself for the EU, for it recognizes that the Kyoto Protocol division between developed and developing countries is no longer appropriate, as we discuss further below. The Working Group has until 2015 to arrive at some agreement for implementation after 2020.

Incremental progress on implementing the Cancun Agreements

Basic governance structure for \$100 billion Green Climate Fund established

More practical progress was made on executing elements of the 2010 Cancun Agreements. A basic governance structure was established for the Green Climate Fund which aspires to provide long-term financing reaching \$100 billion per year by 2020 for mitigation and adaptation projects in developing countries. Delegates agreed upon a governing body to distribute and manage the funds. Key aspects remain unclear, including the source of the funds (e.g. which countries will participate and how much they will give) and the extent of involvement by the private sector. However, the administrative infrastructure will likely be in place before the funding arrives.

Technology and transparency also moved forward

In addition, Durban decided on details for a new Technology Mechanism, with the intent that the Climate Technology Center established during the talks in Cancun will become operational in 2012. This Center is intended to promote technology development and

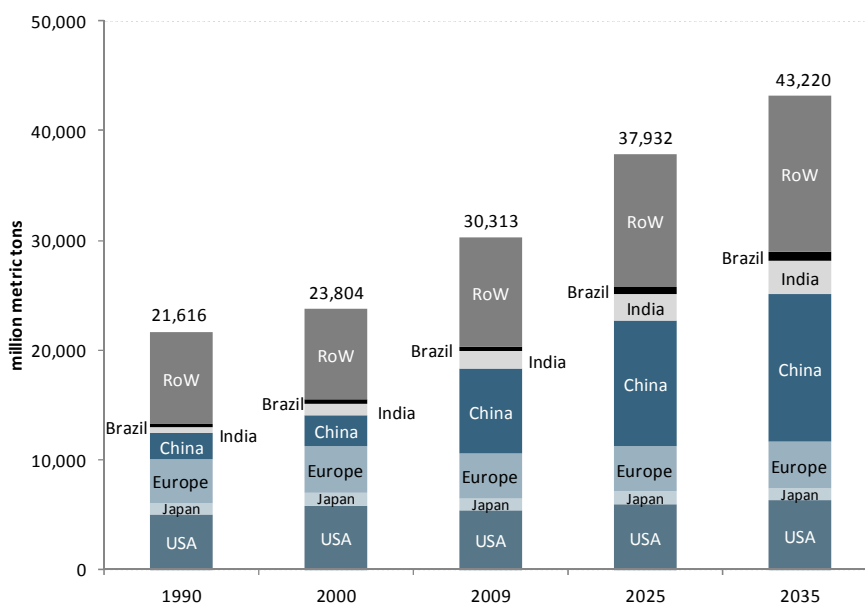
transfer to support mitigation and adaptation action in developing countries. It envisions bringing together scientists and experts from different countries to collaborate on developing technological solutions. Countries also agreed to parameters to enhance transparency and verification of country-level emission reduction actions, improving transparency in national reporting. A process of international review will be established to examine a country’s announced climate efforts. However, it is not yet clear which findings would be reported publicly or made binding on countries.

Developing countries are both driving emissions and shaping negotiations

Developing economies are already major GHG emitters...

The historical divide between developed and developing countries in climate discussions has been erased by changing economic reality. Developing nations have few obligations under the Kyoto Protocol originally reached in 1997. Driven by strong economic growth, developing economies are now responsible for an increasing share of global greenhouse gas (GHG) emissions. For example, China accounted for 25% of the world’s CO₂ emissions in 2009, up from just 10% in 1990. Similarly, over the past two decades, CO₂ emissions from India have more than doubled. Continued strong economic growth and rising energy usage in these countries spell increasing future GHG emissions for the world. See Exhibit 1.

Exhibit 1: Global GHG emissions continue to grow
Changing composition of major emitters



Source: US Department of Energy, Energy Information Administration (EIA).

...and they are beginning to shape global climate negotiations

As a result of their rising emissions, developing countries will continue to play increasingly significant roles in global negotiations. This was evident at the 2009 UN meeting in Copenhagen, where a handful of developing countries (Brazil, South Africa, India and China—dubbed the “BASIC” nations), along with the United States, played a key role in forming the flexible blueprint for the Copenhagen Accord. The Accord included a voluntary pledge system for emission reductions, deforestation targets and adaptation targets. Similarly, in Durban, China and India were influential forces in the drafting process of the Durban Platform.

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