



E3G

Towards a new global climate deal

An analysis of the agreements and politics
of the Bali negotiations

Jennifer L Morgan

January 2008

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E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development.

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E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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Introduction

The Bali Conference on Climate Change in December 2007 was the end point of a year full of major climate change events, and expectations were subsequently high.

Progress had been made in a range of international forums during 2007 including the publication of the IPCC's Fourth Assessment Report, the G8 focus on climate change under the German presidency, and the meeting of heads of state convened by the UN Secretary General. The political context of the conference was also shaped by the success of Al Gore's Oscar-winning film 'An Inconvenient Truth' and the shared award of the Nobel Peace Prize to Gore and the IPCC. The Nobel award ceremony in Oslo took place as the second week of the Bali conference was getting underway.

Over 10,000 people travelled to Bali to participate, protest or report on progress. Most wanted to see whether politicians from around the world could bring their various interests together and take a step forward, or a jump, towards climate protection.

In the end, the Bali conference produced something for everyone. As usual, side events abounded, but so did the presence of very high level individuals. The new Australian Prime Minister Rudd attended to announce Australia's ratification of the Kyoto Protocol. Al Gore gave a speech placing the blame on the Bush Administrations' shoulders if success was not achieved. And the UN Secretary General Ban Ki-moon reminded countries in the final hours that they simply could not fail. Indeed, the Secretary General's presence and crucial role in Bali underscores the unique importance of climate change as a global issue.

With a mixture of lots of sweat, and at times even more theatre, the Bali outcome does bring us forward – as far forward as it could with the current US Administration still sitting at the table.

It does not, however, provide the crucial guidance on what level of warming must be avoided and thus what emissions reductions are required. The attempt to get some of that shell filled with substance, i.e. the 2050 and 2020 goals and targets, in the end failed mostly due to the opposition of the Bush Administration to more ambitious targets and timetables for industrialized countries for 2020.

However, tremendous international pressure made the public aware of the true positions of their governments and, in the end, moved both Canada and Australia to support deeper target ranges (25 to 40% below 1990 by 2020) on the last day of Bali.

The final size of the step towards addressing climate change will be determined by how the Bali roadmap is filled in at the Copenhagen conference in December 2009. What Bali provides is a shell, an outline, of all of the pieces that must be present in order for an ambitious response to be agreed upon in the coming two years. This outline is now cemented in a set of legal decisions by the Conference of the Parties of both the UN Framework on Climate Change (UNFCCC) and the Kyoto Protocol. This move from informal “dialogue”, to formal negotiations is significant.

The Substance

Before Bali, E3G outlined what the global climate community should be able to credibly explain to the global public. We suggested that the main message out of Bali should be that a comprehensive negotiation has been launched on the post-2012 regime that would result by the end of 2009 in:

- > substantially greater emissions reductions globally consistent with achieving a 2°C target;
- > an expanded and improved carbon market;
- > new mechanisms to substantially increase the use of best practice low carbon technologies in developing countries;
- > greater support, financially and technologically, for adaptation;
- > a holding space for the United States, where the current Administration can do no harm, and optimally begin negotiating serious mitigation, which a new President can strengthen and move into targets and timetables when s/he comes into office.

One must analyze the full set of Bali decisions in order to assess whether these benchmarks have been met or not.¹ The challenge at hand was how to organise a negotiation on five key areas: emissions reduction and/or limitation for all countries (mitigation), reducing emissions from deforestation, adaptation, technology and finance.

This analysis now turns to the key elements of the negotiations and assesses to what extent the original objectives were met.

Long-term goal

In the end, countries were unable to agree on a long-term global goal to avoid dangerous interference with the climate system.

The initial proposal by the co-chairs to the UNFCCC group negotiating the future of the Dialogue for Long-term Cooperative Action included three timeframes, ensuring a peak and reduce of global emissions in the next 10 to 15 years, a global goal of at least halving global emissions by 2050 and a reference to the lowest range of the IPCC's latest report to guide developed country emissions reduction (25 to 40% below 1990 by 2020).

Many countries were prepared to accept this package, but especially the Bush Administration, joined often by Canada, Australia and Japan, were opposed. While consensus could not be found in Bali, momentum and further support was built around this package with support being voiced in the end by almost all countries. Japan's G8 Presidency provides it with an opportunity to support the 2020 goal, thus moving us closer to conclusion.

The Bali Roadmap includes a negotiation over the long-term goal in its mandate thus placing this issue (often moved to other forums such as the G8 or the Major Economies Meeting), back front and centre in the UNFCCC negotiations. The negotiation will take place as part of the UNFCCC Bali Roadmap negotiations and be focused on achieving the objective of the UNFCCC: "...stabilization of

¹ The key decisions include the "Bali Action Plan", the "Conclusions adopted by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its resumed fourth session", the "Scope and content of the second review of the Kyoto Protocol pursuant to Article 9" the two subsidiary body technology transfer decisions and the adaptation fund decision. See http://unfccc.int/meetings/cop_13/items/.

greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”

Mitigation

Countries were able to agree on a negotiating process around mitigation which will take place partially under the Kyoto Protocol and partially under the UNFCCC. Both should result in 2009 in new commitments and actions by both developed and developing countries to reduce/limit emissions.

Developed Countries

In the case of developed countries, one should start with the Article 3.9 negotiations for Parties under the Kyoto Protocol which have been underway since the Montreal Conference two years ago. Here it was possible to get some substance, some guidance on the level of the next set of targets for Kyoto industrialized countries.²

The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG on Article 3.9) decision notes the full set of dates and targets that was not possible to include under the Bali Action Plan. This includes the need to peak and reduce global emissions in 10 to 15 years; the need to reduce global emissions well below half of levels in 2000 by the middle of the century; and the recognition that the lowest IPCC scenario would require Annex I Parties as a group to reduce emissions in a range of 25 to 40% below 1990 by 2020. The noting of this single scenario should provide guidance for the second commitment period targets for Kyoto Parties.

The process to agree targets for each industrialized Kyoto country for the Protocol's second commitment period is also now very clear, set out by the workplan of the AWG in great detail. Through a series of submissions, workshops, inputs from external experts, roundtables and extra negotiating sessions, countries will negotiate a new set of targets for the second commitment period to be delivered for adoption to the Copenhagen COP in 2009.

² The USA, the main opposition to the 2020 ranges, is not a Party to the Kyoto Protocol.

This workplan with a deadline should provide some certainty and inevitability for the business community that the Protocol, and its carbon markets, will not expire in 2012, but rather continue beyond.

USA participation

A major challenge in Bali arose when it came time to discuss what the non-Kyoto industrialized countries would be negotiating for their mitigation for the next two years. While that group includes Kazakhstan, Belarus and Lichtenstein, all eyes were on the USA, with high expectations for its participation. Countries were not prepared to launch a new round of negotiations without a clear and ambitious negotiating process for the USA itself.

As negotiations will be concluded in 2009, one year after the Bush Administration leaves office, it was vital to leave a space for a new Administration to engage in the global negotiations. The Bali Action Plan provides that space. Although it would have been preferable to have clearer language on the type of commitment and the scale of the reduction, it does provide some guidance.

The mitigation text for the USA calls for its commitments to be measurable, reportable and verifiable and to be comparable with other developed country negotiations. The text also specifically notes quantified emission limitation and reduction objectives, the same type of commitments that the AWG is negotiating for other developed countries. The Bush Administration is expected to participate fully in these negotiations on its own mitigation efforts.

Developing Countries

The next major challenge in Bali was to define the negotiating process for mitigation for developing countries.

Up to this point in time developing countries, along with the USA, had been part of the Dialogue on Long-term Cooperative Action on climate change under the UNFCCC. With that Dialogue coming to an end, and with growing emissions from developing countries, it was very clear that these negotiations must also be more serious and more ambitious than before.

In the end, countries agreed to negotiate enhanced national mitigation actions that are measurable, reportable and verifiable. In short, the next two years will focus on negotiating new actions and approaches for developing countries to bend their emissions curves.

These could include many of the ideas discussed informally over the last few years such as sectoral approaches, national energy intensity goals, sustainable development policies and measures and others. Those actions are linked with support in the fields of technology, financing and capacity building, which should also be measurable, reportable and verifiable.

While formal conditionality is not the case, it is quite clear that the level of ambition of developing country mitigation will go hand-in-hand with the level of support from industrialised countries.

Emissions from deforestation

The Bali Action Plan also includes a separate, but linked, negotiation on reducing emissions from deforestation and forest degradation in developing countries. For the first time deforestation will get the attention it requires.

A separate subsidiary body decision³ outlines much of the work plan on this issue, with work on methodological issues now in place that should identify the range of policy approaches and positive incentives. There is also room for demonstration activities and a focus on increasing resources.

In fact, Norway made a major announcement in Bali, committing \$500 million/year over the next five years to fund deforestation reduction efforts, independent of any reduction commitments by North or South or any link to the carbon market.

Additional approaches and aviation

There are also additional sections in the mitigation text on “cooperative sectoral approaches and sector-specific actions”, use of markets, response measures and leveraging actions by multilateral bodies, public and private sector and civil society. Countries must make a special effort to ensure that aviation is not forgotten, as it is not explicitly noted in the text. All the areas needed to negotiate robust mitigation for the period beyond 2012 are now present.

³ “Reducing emissions from deforestation in developing countries: approaches to stimulate action”.

Adaptation, Technology and Finance

The next three areas of negotiation were crucial in order to build the trust of developing countries to launch their mitigation negotiations.

Adaptation

In the area of adaptation, the Kyoto Protocol's Adaptation Fund was finally made operational so that it can begin distributing funds generated from the levy on the Clean Development Mechanism.

Under the UNFCCC, the Bali Action Plan decided that there should be enhanced action in the areas of risk management and risk sharing, disaster reduction strategies, and international cooperation to support the urgent implementation of adaptation actions.

Across the board, the decision also outlines the fact that the means of implementation must be decided. In other words, although the Bali decision does not specifically identify the level of financial, know-how and technological support for adaptation, it puts the issue front and centre for the next two years of negotiations.

Technology

Technology transfer and cooperation is a top priority of developing countries and has now received much greater focus than in the past.

Beyond having decisions in both of the subsidiary bodies on current implementation and a work plan to determine new actions from 2008 to 2012⁴, the Bali Action Plan includes a large platform for enhanced action on technology development and transfer for both mitigation and adaptation. The decision speaks to "scaling up" the development and transfer of technology to developing country parties and includes consideration of all possible elements of that scaling up, including the provision of financial and other incentives.

Unlike the past when technology transfer received little attention, this next round of negotiations will have to produce a much more robust set of commitments and actions around technology, both on the developing country side for creating the conditions at home for such transfer, and especially from

⁴ "Development and transfer of technologies under the Subsidiary Body for Scientific" and "Technological Advice and Development and transfer of technologies under the Subsidiary Body for Implementation".

developed countries. If global emissions are to peak and decline in the next 10 to 15 years, technology transfer needs to become serious.

The Subsidiary Body decisions are also quite comprehensive, with the Subsidiary Body on Implementation now considering technology transfer in addition to the SBSTA. The Experts Group on Technology Transfer (EGTT) has been reconstituted and has a very full work programme including assessing the gaps and barriers to technology transfer, developing a set of performance indicators to monitor and evaluate the effectiveness of the technology transfer framework and bringing forth a strategy paper on how to move forward.

In addition, the Global Environment Facility has been requested to “elaborate a strategic programme to scale up the level of investment for technology transfer to help developing countries address their needs for environmentally sound technologies...” While one can get lost in the details, it is very important to note the much greater focus on this area of work, one that will require new, innovative and ambitious ideas in the coming year.

Finance

The final element of negotiation in the Bali Action Plan is that of finance: “enhanced action on provision of financial resources and investment to support mitigation and adaptation actions.”

Tied closely with the three other elements, this negotiation will focus on creating innovative means of funding adaptation, positive incentives for action, provision of new and additional resources and mobilization of public and private sector funding. It is all here, from carbon markets to investment banks. One of the most challenging areas, finance and investment will require inputs from a range of new actors to the UNFCCC process.

The negotiations will be organized in two different ad hoc working groups. The existing Ad Hoc Working Group on Article 3.9 of the Kyoto Protocol will continue and conclude its work in 2009. A second group has been created, the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, which will also conclude its work in 2009. This body shall meet as often as necessary, initially four meetings in 2008 with its first session taking place in March/April 2008. Chairs for the two years have already been

identified and confirmed.⁵ The full work programme will be decided at the first session.

It is also important to note that COP14 in Poznan will “take stock of the progress made”. This stock-taking provides an opportunity to assess progress thus far under the two track process after the identity of the next President of the United States is known.

Not to be forgotten is the next review of the Kyoto Protocol, now outlined in the Article 9 decision.⁶ A range of issues will be reviewed, with a strong focus on the “scope, effectiveness and functioning of the flexibility mechanisms”, as well as the annexes of the Kyoto Protocol. This notes the importance of evaluating and improving the carbon market in the post-2012 agreement and taking a look at whether two annexes, one with developed countries and one with everyone else, still makes sense. The annex review was one of the cores of the Russian Proposal and clearly links into both of the AWG negotiations.

The Politics

At the onset of Bali it was very unclear what the outcome would be. While there seemed to be a good level of goodwill and agreement going into the meeting, the depth of that agreement was very shallow.

The domestic political base across the world also varied greatly. While the European Union was under tremendous pressure to deliver, there was little media coverage, at the outset, in many countries.

What became clear over the two weeks is that climate change, in many countries, has become an issue of national political and economic significance. Many countries now understand that the impacts of climate change would destroy their ability to meet development and economic goals, thus moving the issue into a different political sphere. Rather than being an environmental issue that only impacts a few constituencies, climate change is becoming an economic and security issue that impacts entire economies and populations.

In fact, the issue is also no longer a “Northern” issue, one that only industrialised countries care about and do something about. The striking

⁵ In 2008 the AWG will be chaired by Luiz Alberto Figueiredo Machado and in 2009 by Michael Zammit Cutajar.

⁶ “Scope and content of the second review of the Kyoto Protocol pursuant to its Article 9.”

development in Bali was that the outcomes were very much led by developing countries. This is true both of the large emerging economies and the least developed countries.

China's proactive approach

At the beginning of the two weeks China had already put forward an informal non-paper, which was then updated and circulated once more. China's papers outlined, in a pragmatic, proactive and productive fashion, its position on the core issues. A number of Chinese interventions noted the historical nature of the Bali meeting and the Chinese approach to the meeting was just that. It became clear that if Bali failed, it would not be due to the fact of political will and effort by the Chinese delegation, quite the contrary.

South Africa, Brazil and India

South Africa and Brazil also played leading roles, stating their readiness upfront to begin negotiations on greater actions for themselves and then bringing specific ideas in many areas of how the negotiations could be shaped. The Indian position also evolved from one of full-on opposition to negotiations for developing country mitigation, to one of acceptance and deal making in the end. On the final Saturday, the South African Minister made it clear that developing countries were ready to move, and that they expected the USA to take on its responsibility as well.

All three countries ensured that the United States' commitments would also be a significant part of the post-2012 agreement. It could be no other way, even if the current Administration has not changed its opposition to any meaningful response to the problem.

The two weeks in Bali thus became an exercise of finding ways of meaningfully engaging the current US Administration in an ambitious enough fashion that the next Administration will take on the type of commitment required of the USA - a legally binding reduction target. Understanding that most leading Congressional and business figures, and all major Presidential candidates, support mandatory targets to cut emissions, the developing countries and the EU worked to bring the USA to the table.

The importance of the multilateral context

The emerging economies, however, were not the only leading figures in the developing country block. If one ever needed a reconfirmation of why the final agreement must go through the United Nations process, Bali provided it.

Throughout the two weeks the Small Island Nations and Least Developed Countries reminded delegates of the urgency and the high stakes for their countries. On the last Saturday, many of these countries spoke from their hearts and directly challenged the USA to either join in, or get out of the way, as there was no alternative for them than a successful Bali result.

These interventions from Tuvalu, Papua New Guinea, Costa Rica and others built up the pressure on the USA and made it clear to the world that if Bali collapsed, it was the Bush Administration's fault. The continued presence of these countries is essential to ensure that the final outcome of the Bali Roadmap negotiations is not a 3 or 4 degrees C deal, but a below 2 degrees C agreement.

EU leadership

In many cases developing countries and the European Union worked together to achieve results. This was certainly the case in the technology debate, but also on the final day when the EU fully supported the proposals of the G77 & China.

Europe's leadership did not begin in Bali, but previously in March 2007 when it adopted its unilateral 20% reduction target and Germany made climate the focus of the G8. Ever diligent and patient at the negotiating table, the Portuguese presidency and key EU member states ensured that the key issues stayed on the table until the end, were willing to criticize those countries not prepared to move forward, and worked closely with allies in the G77 & China.

Australia, Canada and Japan

Other developed countries such as Australia, Canada and Japan had to be brought along over the two weeks through tremendous domestic media and public pressure and the potential for isolation alongside the Bush Administration.

Prime Minister Rudd's announcement in Bali of Australian ratification of the Kyoto Protocol received rounding applause, but the Australian position on the post-2012 negotiations remained unclear for the two weeks. In the end, Australia proactively moved forward with the majority of countries, hopefully

beginning a new tradition of working productively together with others towards positive outcomes.

Both Canada and Japan were, besides the Bush Administration, the most criticized over the two weeks. 'Fossil of the day' awards from the Climate Action Network abounded as did massive media coverage in both countries. As it became clear that the Bush Administration was moving into the blame spotlight, Canada began trying to move itself out of that spotlight. Not a major player for the two weeks, it is very clear that the gap between public opinion, the science and the current government remains immense in Canada.

Japan, on the other hand, played a quite active role in the negotiations, tabling a proposal going into the meeting for a voluntary pledge and review approach. This approach was soundly rejected by all but the USA which put a similar proposal on the table the Thursday night of the second week.

On the final day of the negotiations the Japanese Minister indicated that Japan would not always follow the USA, but rather can remain neutral in the face of a choice. His choice not to support the USA in the endgame became the final piece of the puzzle which allowed a deal to emerge. Prime Minister Fukuda must now, however, make a choice, hopefully clarifying soon Japan's support for absolute mandatory caps for industrialized countries, particularly Japan itself.

Engaging the USA

The US situation was complex for the negotiations to address. Delegations understood fully that they would begin negotiations with one Administration and finish them with another. They also understood that all major Presidential candidates support a fundamentally different approach than this Administration, noting the statements of key candidates on the Bali meeting and their support for binding caps on CO₂.

The current Administration worked hard to present itself to the media as the good guy in Bali, noting its readiness to negotiate, to conclude by 2009 and to be part of the future agreement. What became clear early on, however, is that this Administration was not prepared in any fashion to consider negotiations for itself on binding targets, nor any type of guidance for the level of ambition of that target.

It also, once again,⁷ seemed unprepared for the level of political will from other countries, particularly that of China, South Africa, Brazil and even India.

Finally, the Administration had what it has long advocated for – a negotiation process on developing country commitments. The lack of such commitments was one of two cited reasons for President Bush's rejection of the Kyoto Protocol.

With those countries now ready to play, it placed the issue of US commitments front and centre. This would have been the chance for a 'Nixon goes to China' moment, but instead it required the full public isolation of the Bush Administration, while the cameras were rolling, combined with the need to at least look like a good guy in the domestic political debate, that moved this Administration to accept the deal all others were ready to accept.

As the blame game began to shift, supported greatly by Al Gore's speech, the Administration became more nervous and began to actively look for ways to thread the needle of how to leave a space for negotiation on an ambitious commitment for the USA for the next President to agree, without changing the current President's position.

In the end, the Bali Roadmap did thread that needle. A space for US engagement on significant and comparable efforts to other developed countries is ready and waiting. The new US President must recognize this space now, and ensure that s/he will very quickly engage in the negotiations. A stocktaking exercise in Poznan is waiting.

NGO engagement

The Bali Outcome was not only dependent on the government delegations, but also on the non-governmental delegations which played a large role in the success of Bali. From external pressure agents, to shuttle diplomats, to media briefers to domestic audiences, to experts on key issues, the NGO community, particularly members of the Climate Action Network, was not only present but pulling and pushing to ensure a successful outcome.

⁷ At the Montreal meeting in 2005, the Bush Administration misjudged the support by all other countries to negotiate a final agreement, even after representatives had walked out.

Conclusions

In the end, the global climate community can now credibly explain to the global public that a comprehensive negotiation has been launched on the post-2012 regime that will result by the end of 2009 in:

- > greater emissions reductions,
- > an expanded and improved carbon market,
- > new mechanisms to expand technology cooperation,
- > increased support for adaptation, and
- > a holding space for the US to participate one more year without doing too much harm, and to participate more credibly once a new President has come into office.

This outcome is both a minimum outcome – delegations could not credibly go home with less – and a maximum one: the most that was possible with the current US Administration still at the table.

It provides a framework for efforts over the next two years, efforts which will not only take place within the UNFCCC. It is quite clear that without political changes in some key economies, the Copenhagen meeting in December 2009 will result in a very weak and inadequate post-2012 agreement, one that will be unacceptable to many countries sitting at the table.

As countries begin to truly understand the implications of climate change, and see an ambitious global agreement in their national interest, the negotiations will shift away from “I will if you will”, to a more common (but differentiated) response of the global community together.

This response is the one we must aim for, on all levels from local, to national, to international, including business and other new constituencies, to ensure that the Copenhagen meeting results in an agreement that keeps planetary warming well below a 2 degrees C rise in comparison with pre-industrial levels.