29NOV2011

The Durban Climate Conference started today with the usual ceremony and the public re-statement of the positions that countries have brought into the meeting. Now the negotiations begin.

Practical progress can be made on key issues in the Cancun Agreements in Durban and this is reflected in the ‘down to business’ mood of the meeting. However, the undercurrents are currently dominated by the fate of Kyoto Protocol and progress on taking the commitments made by all major emitters and capturing them in a new broader climate change agreement (see here for my recent oped on misconceptions on Treaty discussions). This will be fuelled by press reports that Canada has been quietly preparing to withdraw from the Kyoto Protocol. Key points on this speculation are:

+ **It is not new that Canada will not take on a new Kyoto target.** This does not mean they – and Japan and Russia - have ruled out new international commitments as some have suggested in the Australian debate. They, like all advanced economies, have just made this conditional on similar commitments from the USA and China, India and other emerging economies.

+ **This is an act of bad faith and should be condemned.** International negotiations are built on trust and if countries don’t live up commitments made in a Treaty they have ratified it weakens the process. In this context, the EU and Australia continuing to reaffirm their commitment to the Kyoto Protocol alongside a treaty that covers commitments from all major emitters is important.

+ **Canada is acting but is not an example to follow.** A report by Canada’s environment department shows its pollution rising by over 10 per cent over the coming decade. This contrasts Australia, where independent and separate analysis by The Climate Institute and ClimateWorks indicates that our domestic pollution will peak and fall below current levels by 2020.
Federally, Canada’s policy involves a mix of indirect carbon prices such as regulations on power stations, cars and buildings and various grant schemes to encourage people to use energy more efficiently. (The Coalition has suggested that Canada’s federal policy is similar to their direct action plan.) At a state level, governments are implementing carbon taxes, renewable energy targets, the phase out of coal-fired electricity and developing emission trading schemes to link with emerging USA schemes such as in California. Many of these policies are ambitious but are being overrun by the lack of national pollution limits to ensure Canada’s highly polluting oil industry does its bit to meet their national target.

30 NOV 2011

The Durban Climate Conference continued today with Governments getting down to nuts and bolts negotiations. As would be expected at this point in the meeting, no major developments have emerged.

On the sidelines of the meeting three new reports have been released:

+ **High global temperatures continue.** The World Meteorological Organization has concluded that the 2002-2011 period equals 2001-2010 as the warmest decade on record. The 13 warmest years have all occurred in the 15 years since 1997.

+ **Independent assessment of Australia’s carbon price.** Respected European researchers have released the first major international assessment of Australia’s carbon pricing package. They concluded that, “After so many years of lagging behind the rest of the world, Australia has fundamentally changed the way it will tackle climate change. It has now set in place a legislative system that, if applied well and increased in stringency over time, can get it on the right track to a low carbon future.”

The report shows, consistent with other independent analysis by The Climate Institute and ClimateWorks, that the policy has the potential to reduce domestic emissions this decade. They do however note that more action is needed in some sectors, such as transport, and in pursuit of greater energy efficiency. This underscores the importance of ambitious outcomes from the national energy efficiency scheme and the vehicle emission standards that the Government is in the process of developing.

+ **Major emitters seek free riding on global efforts.** The second report is a one eyed view of how Australia’s minimum target compares to other countries released by the Australian Industry Greenhouse Network (AIGN) and the Business Council of Australia (BCA). This report lacks the rigor of other assessments that has been undertaken both in and outside Australia.
For example, Professor Garnaut, researchers from ANU and The Climate Institute have concluded Australia’s 5 per cent target is not a fair contribution to current global efforts. This is confirmed by internal Department of Climate Change and Energy Efficiency documents obtained under freedom of information.

A recent report by The Climate Institute shows that the conditions for the 15 per cent target have largely been met.

A preliminary critique of the AIGN and BCA report

The AIGN/BCA report compares a reduction below expected emissions in 2020 (below BAU – or business as usual). While one indicator worth considering, comparing a reduction below BAU may mask perverse outcomes from other policy areas. For example, Australia’s fossil fuel subsidies increase emissions and make any BAU reduction for a given target greater.

Past analysis by ANU suggested that Australia BAU reduction for the 5 per cent target is less than the minimum targets committed to by USA, China, Japan, Canada, Indonesia, Brazil, South Korea and South Africa.

Another measure which is sometimes considered in the comparison of efforts to meet targets is economic cost. This is the major focus on the AIGN and BCA report. Independent analysis by Treasury indicates that while costs of meeting targets is lower in the EU, Japan, the USA and India they appear higher in China, Canada, Russia, South Africa and Indonesia.

Analysis of cost alone is not an appropriate measure of effort or the national interest. As internal Government reports highlight, “An outcome which sees Australia match the aggregate advanced country average would involve taking on larger economic costs and a more ambitious target, when national circumstances are taken into account. ... This is consistent with Australia’s desire to provide strong support and leadership for ambitious global action, and our recognition that Australia is expected to suffer greater harm from unmitigated climate change than most other advanced nations.”

01DEC2011

The business like atmosphere of the Durban Climate Conference is starting to be mixed with an air of anxiety. The workload is heavy as officials begin the process of narrowing down draft texts on the possible Durban outcomes. Anxiety is rising as the uncertainty around the legal nature of the future climate change agreement permeates discussions.

Table 1 below outlines the position of major players on whether legally binding commitments are required and also includes their views on the closely related issue of using international pressure and processes to lift the pollution reduction efforts of countries.

While countries continue to act domestically, there is ongoing debate around the legal nature of international climate agreements. The spectrum of this legal form extends from a loose “pledge and review” agreement between nations where their commitments and actions, or pledges, are enshrined
under a loose international legal framework, to a legally binding treaty with agreed common frameworks to ensure countries are accountable internationally.

The legal nature of an agreement will be one but not be the only determinant of its effectiveness. For example, a legally binding agreement may reduce its effectiveness if it leads to less ambitious commitments or is littered with loopholes. For example, allowing non-treaty commitments to be placed in international law has been crucial to encouraging the USA, China, India and other emerging economies to put forward pollution targets under the UN framework. If, in the development of the Cancun Agreements, countries had demanded that all national commitments be captured in a treaty it is unlikely that USA and major emitting developing countries would have inscribed their targets internationally. The overall result would have been a significantly weaker global outcome.

A legally binding agreement is also not a precondition for countries increasing their domestic actions. For example, internal Government documents indicate that in Copenhagen, assuming other conditions were satisfied, that Australia would have accepted a 15 per cent target even if a treaty was not agreed at that time.

Finally, progress can be made at the Durban talks even if the issue of the legal form of the agreement is not resolved. Policy progress on issues like financing low carbon development and adaptation, the refinement of accounting rules for land sector emissions and progress on reducing emissions from deforestation in developing countries are important with or without treaty commitments and will still reflect ongoing international momentum.

**Table 1: Summary of positions of major players on new legally binding pollution commitments.**

This may change over the course of the meeting and is not exhaustive. South Africa is excluded as they have the Presidency of the meeting. Least Developed Countries and Africa Group have a similar position to AOSIS. Positions in ( ) are inferred by policy and/or actions.

<table>
<thead>
<tr>
<th>Country or region</th>
<th>Support legally binding pollution commitments/actions on all major emitters</th>
<th>Support a mandate from Durban to finalise new Treaty</th>
<th>Timeline for conclusion of new Treaty</th>
<th>Supports process to increase national targets before 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Yes</td>
<td>Yes</td>
<td>2015</td>
<td>Yes</td>
</tr>
<tr>
<td>EU</td>
<td>Yes</td>
<td>Yes</td>
<td>2015</td>
<td>Yes</td>
</tr>
<tr>
<td>USA</td>
<td>Yes</td>
<td>(No)</td>
<td>(Post 2020)</td>
<td>No</td>
</tr>
<tr>
<td>China</td>
<td>Conditional: Binding commitments on developed countries now and legal* commitments on other major emitters post 2020</td>
<td>(No)</td>
<td>(Post 2020)</td>
<td>Developed country only</td>
</tr>
<tr>
<td>India</td>
<td>Binding commitments on developed countries only</td>
<td>No</td>
<td>-</td>
<td>Developed country only</td>
</tr>
<tr>
<td>Alliance of Small Island States (AOSIS)</td>
<td>Yes</td>
<td>Yes</td>
<td>2012</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* The definition of what China means by legal is ambiguous. The Chinese use the term “law” but non-binding decisions would be considered international law.
Detailed text drafting, revision and negotiation continue in Durban as delegates attempt to meet the Saturday deadline for proposals for Ministers.

One of the Australian Government’s priorities for the meeting is enhancing global carbon markets.

The Kyoto Protocol established three international market mechanisms. The most well-known is the Clean Development Mechanism (CDM) which allows developed countries to invest in pollution reductions in developing countries to meet their emission targets. Estimates suggest that up to half – perhaps as much as US$85 billion a year - of the total pollution reduction technology investment in developing countries has been leveraged by international trading. The Howard Government was a key architect of these agreements. (See here for a briefing on some misconceptions around international trading.)

Most of the policy focus is currently on (i) the ongoing reform of the existing mechanisms to improve their effectiveness and (ii) how to develop new mechanisms that reflect the new world, where a larger number of countries are making pollution reduction commitments and taking domestic action.

While markets can deliver low cost pollution reductions this is not their primary objective. The ultimate objective of markets is to increase the ambition of country targets – markets are means, not an end in themselves. There also must have robust rules to ensure they are delivering real pollution reductions and ensure public acceptance.

The major tension in the current debate is whether to develop new mechanisms exclusively through UN processes and/or allow individual or groups of countries to develop mechanisms under an internationally agreed set of principles and instruments. The former is the position of the EU while the latter more bottom up approach is more closely aligned with the position of the USA. Australia currently sits somewhere in the middle.

Bottom up approaches are worth considering if they lead to greater domestic action in both developed and developing nations. However, they do risk market fragmentation and could impede the development of a more efficient global market as businesses have to grapple with many different types of rules. They would also require close international review and scrutiny to build confidence among countries and investors that real action is being taken to meet targets. (Developed countries can’t ask China’s policies to be internationally reviewed while implying the opposite for their own policies.)

How does this all effect Australia’s domestic emissions trading scheme? From 2015, Australia’s emission trading scheme will accept UN compliant international credits and these will be available regardless of the outcome of Durban. While uncertain, current forecasts suggest that out to 2020 the supply of credits from the CDM closely matches current expected demand from the EU, Australia, Japan and South Korea.
The wild card in this is the emergence of emission trading schemes in China and California, and whether they link to global markets. These developments could create major new demand centres for credits. Unless new supply options or additional CDM projects are developed this would drive up international, and therefore Australian, prices and create a stronger incentive for Australian companies to take action at home.

04 DEC 2011

With ministers beginning to arrive, the meeting saw the tabling of an amalgamation text that could form the basis for a set of Decisions in Durban. The 131 page document is a ‘snapshot’ in time of the current state of the talks and many elements of the text will change in the final Durban outcomes. Note that this text does not deal with decisions under the Kyoto Protocol.

Overall, practical progress is still being made on technical policy issues such as implementing credible institutions to deliver finance and support to help the world’s poorest nations adapt to the accelerating impacts of climate change. This practical progress is critical to continuing momentum towards greater global ambition.

Two more days of formal negotiations remain before the High Level segment of the meeting begins. Intense lobbying by ministers and officials will pick it up a notch in an attempt to get the text to a point where the final political decisions can be made towards the end of next week.

Observers and delegates are watching China closely as they try to unpack suggestions that China may be prepared to make their domestic laws internationally binding.

In terms of the scenarios that The Climate Institute presented in advance of Durban the talks hang in the balance between the Fragmentation (some progress on practical issues but an increasing emphasis on domestic and regional policy making) and Progress (enhanced multilateral cooperation alongside domestic action).

Durban currently hangs in the balance between an agreement that sees the fragmentation of global collaboration or reinforces multilateralism as the prime mover for climate change cooperation. Regardless, the domestic actions countries are taking, while insufficient, remain the bedrock of attempts to avoid dangerous climate change.

07 DEC 2011

An agreement is in the making.

This would involve important progress on policy issues such as enhancing the transparency of country actions and a new system of capturing the commitments that better reflects a world that has increased action to reduce pollution and drive clean energy investment. It would also involve an outcome on the Kyoto Protocol and a process to take discussions forward under the Convention.

The spectrum of options for the Kyoto Protocol and the legal nature of the future agreement are outlined in Table 2 below.
Pressure remains on the European Union and Australia to take on a process to develop new targets under the Kyoto Protocol. There remains a risk that an exclusive focus on, or a failure to resolve questions on Kyoto will poison progress in other areas.

This is particularly pointy for Australia as many in Durban clearly remember Australia’s original withdrawal from the Protocol under the Howard Government.

That said, Australia and the EU are correct in using the potential of new Kyoto targets to maximise their leverage in achieving progress on capturing the commitments in the Cancun Agreements placed under binding international law.

Regardless of the outcome on the legal nature of the future agreements, while current domestic actions are significant they are insufficient. Australia should continue to play an important role in supporting international processes designed to put pressure on countries to increase the ambition of their targets. These include supporting a robust process for the agreed 2014-15 review of global ambition and processes to clarify targets and place them under international scrutiny.

Table 2: Current range of possible outcomes on key political issues in Durban.

Broad country positions in Brackets. The table has been organised to reflect the linked nature of decisions on the Kyoto Protocol and the Convention. For example, a stronger mandate to negotiate a new Protocol under the Convention increases the likelihood of a stronger mandate under Kyoto and vice versa. Note that while the USA supports a legally binding agreement its conditions for agreement currently block its implementation by default. Note that in a number of places the table refers to ‘Decisions’. Decisions are the currency of international law. While they are not legally binding they are analogous to regulations under our domestic legislation.

<table>
<thead>
<tr>
<th>Kyoto Protocol</th>
<th>New agreement under the Convention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision to formally amend the Protocol with new targets or a process to define the final Kyoto plus targets. (AOSIS, Africa Group, Least Developed Countries) This would be linked to progress on a new Protocol under the Convention. (EU)</td>
<td>Decision to finalise a new Protocol under the Convention. This may or may not have a timeline to complete the negotiations. (Australia, EU, Norway, Japan, USA, AOSIS, South Africa, Africa Group)</td>
</tr>
<tr>
<td>Decision to take Kyoto plus targets but no formal amendment to Protocol attached. Continued negotiations on level of target and detailed rules. (EU)</td>
<td>Decision to capture outcomes in a set of Decisions. There is also some discussion about making decisions and concluding the current work then starting a discussion around a legally binding treaty.</td>
</tr>
<tr>
<td>Individual or collective political declaration/s from a number of countries that they are prepared to take on new Kyoto targets conditional on progress on a new Protocol under the Convention.</td>
<td>Continue to discuss legal options. (China, Brazil, India)</td>
</tr>
</tbody>
</table>
The Durban Climate Conference is entering its final days. Bags are emerging under the eyes of delegates as the nights get longer.

Ministers from a range of countries have been dispatched to undertake consultations on some of the key barriers to agreement. The South African Presidency continues high level consultations on the broad shape of the deal.

There is a buzz on the conference around the high level meetings that are occurring between the USA, the BASICs – China, India, Brazil and South Africa – and the EU on the process from Durban to finalise a new agreement. Rumours are rife.

Expectations are that the meeting will continue into Saturday.

At this stage a firm prediction on the outcome of the meeting remains elusive.

It is time for countries to move from entrenched positions and show flexibility. The climate talks are among the most difficult and complex the world has seen and landing a deal means no one can ever be completely happy.

For Australia, this is in part will revolve around its engagement in the future of the Kyoto Protocol. Australia has passed legislation that has the potential to meet the full range of emissions reduction targets we have committed to internationally at lowest cost. These targets have bipartisan support.

Like the EU, this will enable Australia to meet new binding commitments it will make the future. It will also provide Australia with the flexibility to participate in a process to join all major emitting countries in closing the gap between the pollution targets currently on the table, and the investment necessary to meet the two degree goal agreed in Cancun.

Finally, in Durban we continue to hear about how countries are implementing domestic action to reduce greenhouse gas emissions.

China has revealed that it has decided to base its emission trading system on absolute caps on pollution not a baseline credits system like the one that operates in NSW and that which had been previously been proposed by the former leader of the Opposition Malcolm Turnbull. Germany has outlined its policies to ensure 35 per cent of its electricity supply is met renewable energy by 2020 (and not less than 80 per cent by 2050). Despite the recalcitrance of its Federal Government, the Canadian state of Ontario will have shut down 10 of 19 coal units by the end of the year and cut the use of coal by nearly 90 per cent since 2003. At the same time, it has brought online more than 9,000 megawatts of new and refurbished clean energy - enough to power cities the size of Ottawa and Toronto.
Actions by countries through domestic policies will determine if the international community avoids dangerous climate change. The current domestic action is historically significant, but insufficient for this task. There is an important role for Australia and other countries that are especially vulnerable to ensure that this meeting establishes a process to systematically increase international targets to build on and accelerate domestic action and ensure the actions they are taking are credible, robust, and internationally accountable.

11DEC2011

The Durban Climate Conference is running into overtime. Ministers continue to meet to try and reach agreement on the final deal and tempers are starting to fray.

The timeline for the end of the meeting is unclear. Negotiators are openly talking about the meeting extending into Sunday.

Hard political issues around the legal nature of future framework are dominating Minister level discussions. Australia’s public position on it is being caught up in a geopolitical public and private arm wrestle between the USA, China and India on how and when they would be bound by an international agreement.

As The Climate Institute outlined before Durban, many commentators still judge the success of UN climate meetings purely on whether they agree a comprehensive new climate treaty. To focus only on the political theatre of the international stage overlooks the very real and practical achievements that each round of negotiations can achieve.

More detailed policy discussions on issues such as financing low pollution development, supporting the world’s most vulnerable people adapt to the impacts of accelerating climate change and creating greater transparency around country actions, are close to completion.

12DEC2011

The successful conclusion of Durban’s UN climate convention should draw to a close not just those negotiations, but also the phony debates here in Australia about a lack of international action, laying to rest once and for all a persistent argument against acting on climate change.

Durban represented real progress in climate negotiations for three reasons.

First, all countries have agreed to negotiate by 2015 a single, legally binding global agreement that will cover all major carbon pollution emitters including, most importantly, China and the United States. It’s a big step. Never before have all major emitters agreed to have pollution commitments captured by a single, legally enforceable agreement.

This removes a massive stumbling block in climate negotiations which had nations like the US and, for a while, Australia, refusing to sign up to legally binding commitments because other major polluters like China and India weren’t subject to similar legal consequences.
It’s been a lame but pivotal excuse. Why act according to different obligations if every country isn’t similarly covered? There’d be no global trade whatsoever if you applied the same argument, but that hasn’t stopped the use of that excuse. Thankfully, now gone.

Secondly, countries have agreed to establish a Green Climate Fund and a work plan to unlock billions of dollars of additional investment for clean energy and adaptation in the world’s poorest nations.

While cumbersome and difficult to achieve, at the end of the day bedding down effective global solutions requires multi-lateral institutional architecture.

As such, making good on commitments to help the most vulnerable countries, many in our Asia Pacific region, is not only a smart investment in sustainable regional economic growth, but also critical to progress on climate action.

Finally, the Durban agreement recognises “with grave concern” that existing commitments to cut pollution are not enough to hold increases in global temperature below the 2 °C or 1.5 °C above pre-industrial levels that all countries have agreed is the common objective.

Existing action and commitments are inadequate because, as UN experts reported during the talks, the likely result will be global warming of three to four degrees. This would still lead to catastrophic and potentially irreversible consequences. (NB. taking no action under a business-as-usual scenario would likely deliver seven degrees of warming.)

With this prospect in mind, the Durban agreement states countries “shall raise the level of ambition” and build on existing actions.

The commitments and actions already in place in many countries are being driven by economic self-interest and not just by climate concerns. Clearing up local air pollution, creating energy independence and grasping commercial opportunities in the emerging global clean energy economy are proving powerful incentives and can only continue to gather pace under a global agreement.

Carbon prices and emissions trading schemes already legislated cover around 567 million people. With California and seven Chinese regions starting emissions trading schemes, around 900 million people may be covered by 2015.

As negotiators finalised the deal in Durban, clean energy recorded its trillionth dollar of investment since Bloomberg records started in 2004. Annual investments in renewable energy now compete with fossil fuel energy sources.

These investments and actions make a mockery of claims that Australia is somehow at risk of leading the world.

The inevitability of a global legal agreement should also put an end to any expectation that reducing Australia’s emissions by a modest 5 per cent is a viable 2020 target for Australia.

Under both the Government’s conditions, lodged with the UN, and the Coalition’s Direct Action Plan, the 5 per cent figure is contingent on inaction elsewhere.
Professor Ross Garnaut, the ANU and The Climate Institute argue Australia’s 2020 target should be between 10 and 15 per cent, based on a reasonable assessment of current global action. A target of at least 25 per cent, which both parties have in their range, is considered our fair share towards a 50/50 chance of achieving the commonly agreed two degree temperature limit.

Under the Clean Energy Future legislation, crunch time on that target will come in 2014 when the independent Climate Change Authority, chaired by Bernie Fraser, makes its recommendations.

For the Gillard Government, maintaining climate credibility here and abroad means strengthening the new policies and keeping open the possibility of a 25 per cent target, at least.

For the Coalition, Durban has opened the door to a dignified departure from the blood oath to remove the carbon pricing legislation. The Direct Action policy cannot achieve Australia’s 5-25 per cent international targets without billions of dollars of extra cost on the Australian economy.

The Durban Climate Convention has delivered real progress that should not only lead to stronger ambition and action but also a much smarter debate here at home, at least. Should.