

The Langdon Hall Non-Text: A Canadian Response

The Canadian Context:

The Canadian context for climate-change action is changing rapidly. Following 15 years of strong talk with little action, and a year of a new government downplaying the issue – and even flirting with climate-contrarian positions – the past two months have seen several important movements. The Government now faces an opposition whose new leader has pledged to make climate change the centerpiece of the next election campaign, and in response has rapidly elevated their attention to the issue and announced several new initiatives. This current "Who's greener" competition between the two major parties, together with the recent media prominence of the Green Party, have made the short-term political environment highly favorable for greenhouse-gas initiatives. The risk, of course, is that we will see a series of hastily crafted, mediagenic initiatives that are longer on symbol than on substance: in this regard, the opposition leader's willingness to preclude consideration of a carbon tax is not promising. The seriousness and persistence of the present enthusiasm, and the extent to which it will promote development of well designed, sustained initiatives that address the greenhouse-gas problem over the multi-decade horizon it requires, remain open questions.

Potential Canadian Reaction to the Non-Text:

Action under the Kyoto Umbrella:

The current Government's position that Canada cannot meet its Kyoto target at this late date without predominantly relying on purchased credits is correct. Nevertheless, the term "Kyoto" has become the slogan in Canada for any serious action on climate change. Consequently, Canada supports the Non-text's emphasis on continued action under the Kyoto umbrella. Continuing under the Kyoto umbrella will pose two sets of challenges, however. First, it will require parties to shift their attention from the debacle of the first commitment period toward the attempt to craft more effective measures – not just a new round of similarly structured national emissions targets – for subsequent periods, without falling into mutual recriminations and one-upmanship. Second, it will require finding a way of reconciling continuing formal allegiance to the FCCC/Kyoto framework with its foundation principle of universal participation, with the practical reality that concrete progress will only be achieved in bargaining among small groups of nations.

The proposed new Commission:

Canada is likely to support the proposed new multilateral institution for climate-change assessment, but its mandate must be re-focused. The job of providing assessments of present knowledge of climate-science is being done very well by IPCC Working Group 1, and giving this job to a more political body as proposed is only likely to muck it up. If there is a need for a body with more governmental stature to process the scientific information provided by IPCC WG1, the Framework Convention's existing Subsidiary Body on Scientific and Technical Advice (SBSTA) can probably handle the job.

Rather, there are three other tasks not now being done well, which could benefit from action by the proposed new institution. Of these, the first two resemble tasks now being done by IPCC Working Groups 2 and 3, but which could be done more effectively by bodies with different structure and capabilities. The third task is not presently being done by anyone, unless you count the extremely weak and tightly constrained reviews of national reports done by the Secretariat to the Framework Convention.

Task 1: Support for Impact Assessments: Providing scenarios, data, tools, and technical support for conducting assessments of climate-change impacts in specific places and sectors. The information needed to assess impacts depends strongly on local ecological and socio-economic conditions, as well as on global climate data and projections. The data, resources, and tools to conduct these analyses are highly unequally distributed. The combination of information needs, from highly centralized global climate data and model projections to highly local knowledge, suggest the need for a cross-scale organizational structure to support impact assessments, including an international technical body supporting decentralized efforts. (This body could augment or team with an existing IPCC body, which provides only the climate-scenario part of this support.)

Task 2: Emissions scenarios and mitigation options: Providing technological and economic assessment of emissions trajectories and options for mitigation, including information and analyses about capabilities, lead-times, costs, and constraints. A technical secretariat would commission, coordinate, and disseminate technical and economic analyses, providing periodically updated information about national and regional emissions trends and scenarios, the estimated costs and conditions of achieving various mitigation trajectories, and available opportunities for further reduction. It would need consultative processes with national officials at the technical level to exchange data and analyses.

Task 3: Review of National Programs: Reviewing, summarizing, and assessing existing national emissions programs, tabulating progress achieved, and projecting likely future gains. This task is more political than the others, because it involves critical scrutiny and evaluation of national programs, posing risks of confrontation and embarrassment. It must also interface with the technical capacity described under Task 2, however, because one of its functions must be to produce comparative assessments of national and regional efforts including comparisons of marginal mitigation costs.

The Proposed Target:

Canada is likely to support a clear, long-term global stabilization target, whether for warming, radiative forcing, or atmospheric concentrations. We recommend not sketching a single trajectory of global emissions to reach the target, however, but – under Task 2 above – defining an envelope of several alternative trajectories that reach the same target, to highlight the tradeoffs between earlier and later reductions.

We also recommend against explicitly negotiating national emissions constraints within these envelopes, at least in the near term. This would be an invidious, distributive negotiation that would dominate early discussions, obstruct the aim of promoting multiple, diverse decentralized actions, and demand commitments of governments that they cannot be confident of their ability to meet. Instead, we recommend having the Task 2 body sketch out a series of alternative national and regional trajectories over time, that are consistent with the envelopes of global emissions trajectories discussed above. These would provide a clear basis for evaluating national efforts and achievements without imposing early commitments of uncertain achievability. Explicit national target trajectories can be kept on the agenda for a later time when heightened concern about climate change has further eroded free-rider resistance in major emitting nations and there is better information about the likely costs of alternative distributions of effort.

Because the approach now focuses on longer-term goals and initiatives, we advise against a one-time sinks adjustment for the United States. This is inconsequential because it is only relevant for the first commitment period, and the international politics look terrible. We also recommend against the proposal to let nations retain a safety valve in early stages, because the primary focus on encouraging diverse, decentralized efforts on early stages makes this irrelevant. Agreement on safety valves later in the regime's development makes good sense, but at that point there is no need to phase out the provision – provided the level of the safety valve is high enough.

Gradual knitting together from the bottom up:

Canada is likely to support the encouragement of diverse national mitigation initiatives, reflecting varying degrees of concern and capability. The key requirement of this early stage will be exchange of information, unbiased and competent policy evaluation, and critical scrutiny – Tasks 2 and 3 above. Major industrial-country emitters should be encouraged, though high-level consultation and reciprocal cajoling of leaders and ministers, to adopt measures that seek to approximate one of the illustrative national trajectories that aim at stabilization developed as part of Task 2 above. One useful form of such comparative assessment might be a standardized graphical presentation of national emissions showing baseline projections, illustrative stabilization trajectories, and the projected effects of policies adopted. Governments should also be encouraged to combine narrowly targeted sectoral and technical measures with economy-wide policies. Because the latter will have significant fiscal implications, whether from emissions taxes or from auctioning emissions permits (whether all of them or some fraction), there should be consultations among finance ministers to compare and assess the design of such systems and encourage their coordinated adoption.

Mitigation policies strong enough to work will put pressure on multiple other policy areas, e.g., energy, agriculture, industry, and trade. The domestic adjustments between Provinces and sectors needed to manage internal distributive effects are likely to require accommodations in these other policy areas. These in turn may well have implications for other areas of international cooperation and Canada's existing international obligations. Canada's situation is probably not unique in this respect. Consequently,

there must be a high-level forum for candid discussions of these tradeoffs, and for negotiation of the accommodations in other policy areas that may be needed to make serious national-level mitigation policies feasible. The breadth of issues involved would require a consultative process among heads of government, with fairly deep staff support.

Canada encourages the proposed promotion of bilateral and plurilateral deals, at scales ranging from individual projects to sectors to nationwide emissions agreements. As with purely national initiatives, a key requirement for the success and growth of such initiatives will be open exchange of information supported by competent and impartial analysis. As part of Tasks 2 and 3 described above, there should be a central clearinghouse to maintain a consistent database of these arrangements, including information about the claims of effect advanced for each agreement, supported by critical analysis of projected and realized effects.

The MFN analogy for spreading mutual recognition of emissions-credit systems is striking but not adequately specified, so we are not confident it could be made to work as intended. MFN in trade involves policy movements in only one dimension, which all parties recognize as advantageous: If I lower my tariffs for you, I must do so for all parties. In contrast, the mutual recognition of emissions credits involves two policy dimensions: to what degree do I recognize emission credits generated by your system; and what stringency of oversight (e.g., accounting, monitoring, liability, verification, etc.) do I require in return for this recognition. The goal of a global emissions-trading regime involves full and universal recognition of credits, with an oversight regime sufficiently stringent to ensure that all (or almost all) credits represent legitimate reductions. At present, many credits are suspect and we do not know what level of oversight would be needed to make them legitimate. So if Canada makes a bilateral with another country to exchange credits in return for a specified oversight regime, this arrangement is in large part an experiment to assess whether this level of oversight is sufficient. If it should turn out not to be, we would not want to be compelled to offer the same terms to any other nation that seeks them, so a literal application of the MFN principle is clearly inappropriate. But if this is not what the MFN analogy means, what does it mean?

A New Engagement Strategy:

The CDM is a waste. It should either be abolished, or if the form and name must be retained, gutted to re-create another more credible program. In this new program, as in all project-level partnerships, the pretence of an objective measure of additionality should be abandoned. Rather, each project-level partnership should involve an explicit negotiation over the amount of mitigation-related subsidy to be provided, the quantity of credit to be assigned, and the specific oversight requirements. These negotiations would take place within the broader context of, and would be constrained by, the national-level deals discussed above over recognition of credits and stringency of oversight.

Incentives that reach outside the climate issue may be required to bring particular countries on board with specific initiatives. There must be a forum of sufficiently high

level to discuss climate mitigation and potential linked agreements on, e.g., development aid, investment, market access, the deadlocked Doha round, etc.

At the same time, it is crucial to recognize that incentives come in both positive and negative forms, and sometimes achieving agreement will require deploying both. Consequently, Canada opposes categorically excluding the possibility of negative trade-related measures such as border tax adjustments (BTAs). In view of the potential of the climate-change issue to grow much more urgent, these should not be precluded as potential tools of influence between rich industrialized countries that exhibit persistent and extreme disparities of effort, because the potential to threaten such measures can be important tools to motivate participation. Such threats must be deployed with great care, of course, so (as Schelling taught us about successful threats) they do not have to be delivered. There is a far stronger case for explicit renunciation of BTAs and related negative trade measures in relations between industrialized and developing economies. Even in this case, however, the renunciation should not be permanent and unconditional, but should depend on future economic and emissions growth.

Edward A. Parson
January 24, 2007