

APPENDIX

A FIVE PART PACKAGE

At summits, Leaders can act in three ways: they can commit to actions in their own countries; they can agree to work together in international organizations; and occasionally they create new processes or international entities. The L14 may also focus their efforts in certain regional organizations—such as APEC, ASEAN or NAFTA—to implement some of the initiatives that could engage critical developing countries.

Leaders could possibly reach consensus on elements of the following preambular statements:

- Global climate change poses significant risks to the planet; all nations have an important stake in addressing these new threats to human security.
- The threats posed by global climate change are already sufficient to make collective action both necessary and urgent. There is a need for action by all, now.
- Based on scale, magnitude and irreversibility, global climate change constitutes a security issue. Energy security and climate security are inextricably linked
- Delay in acting on climate change now will mean that the costs of addressing it later will be significantly greater.
- The central questions facing leaders, parliamentarians, publics and policy makers is who pays for the costs of addressing climate change and how the costs will be shared.
- There is a special responsibility on the part of advanced industrial countries which account for the largest share of the current levels of carbon emissions in the atmosphere.
- "Fast growing emerging market economies themselves face significant impacts from climate change." Their action is of great importance to their societies and to the world.
- For the world to move forward on addressing climate change, it is essential that industrial countries and emerging market economies each take actions themselves, each help forge international goals, standards, and rules, and each fully participate in and comply with international agreements.

The five points below amount to a series of credible commitments by L-14 leaders which will have the effect, taken together, of building the deadlock breaking package. There is no desire to invent new bodies for their own sake. The thrust of the effort is to re-orient current institutions in a practical way. A limited number of new mechanisms will be required.

1. The L14 could encourage actions consistent with the UNFCCC

We require enhanced information and policy advice to set appropriate targets. L14 Leaders could propose a permanent influential Bicameral Commission be established under the auspices of the UNFCCC, including authoritative leaders of science to evaluate what has been, can, and should be done.

Under the auspices of the UNFCCC, we need a high level political process to evaluate policies and progress, and to identify opportunities for further reductions. The Commission could include a high-level political body, like a Council of Ministers (or Prime Ministers) for broader bargaining including trades across policy areas. It could negotiate reciprocal mitigation strategies – carbon prices, emissions fees, or tradable-permit systems – with accompanying discussion of compensation and transfer measures to lower-income countries and other policy concessions in energy security, industry, and trade.

The Commission could comprise a science body to evaluate business as usual emission trajectories over time, and to update how urgent the need to reduce emissions based on science and evidence. It could review long-term targets (for warming or concentrations of GHGs)¹ necessary to frame the level of effort that will be required. They should consider the principles of progressivity and population (poorer populous nations need more generous targets), “business as usual” trajectories, intensity targets, and a trigger mechanism whereby countries should be obligated to take on more stringent binding commitments once their per capita gross domestic product reached agreed levels. A mechanism should be devised for voluntary accession of developing countries re binding commitments, and proposed to the UNFCCC.

The Commission could be invited to determine the merit of countries retaining the option of a "safety-valve system", that is, national tradable permit systems with government promise to sales of additional permits at a stated price (and thereby cost) ceiling, sufficiently high, until an agreed point in the 2020s.

¹ Perhaps warming of no more than 2-3 degree C, or concentrations of greenhouse gases no higher than 550ppm of total GHG, as recommended by reputable experts.

The Commission could provide support for regional climate impact assessment, review emissions scenarios and assessment of mitigation opportunities and costs, and provide a venue for policy peer review.

2. Gradual knitting together from the bottom up

We should not attempt an immediate homogeneous system where every country assumes identical approaches. Instead coordination of varied autonomous efforts should be encouraged to avoid the lowest common denominator. Diversity should be promoted in several ways. Peer review has much to offer, promoting the sharing of understanding and agreement on the comparability of effort and likely impacts.

To set the stage for peer review, the L14 could invite the International Energy Agency to provide the UNFCCC with a framework to analyze the level of effort in each nation's proposed "package" of mitigation policies and measures. Peer review of mitigation policies should initially be North-North, to dispel any concern it will be a "Trojan horse" for the North to give the South report cards. The work should include analytic work to develop a simple, common metric for aggregate stringency of mitigation policy.

The IEA and World Bank should design and negotiate guidelines for near-term investments in large coal power generating stations and upstream fossil-processing facilities to ensure agree that they make allowance (siting, space, design) for future retrofitting for carbon capture and sequestration.

The IEA and IPCC could be invited to provide the framework for reciprocal recognition of emissions credits. They should be asked to design and negotiate standards of monitoring, accounting, and liability, codifying bilateral agreements on ways to integrate countries' fragmented efforts over time, such as agreements for mutual recognition so that credits from one system should be legal tender in others, or a "most favored nation" provision.

To send credible signals on the need for innovation of new technologies, the L14 could invite the OECD and World Bank to suggest coherent and effective policies. They could be asked to jointly advise on barriers to clean energy that currently exist and how they might be overcome. They could be asked to monitor and review progress and help to focus readjustment of long-term goals. The OECD could design for the UNFCCC a process of non binding peer review of country-specific studies for each L14 nation.

The IMF and World Bank could be invited to devise an intermediate term options to phase in fiscally neutral GHG taxes, to eventually be harmonized with the design of an internationally agreed tradable permit framework. They could be asked to assess existing national fossil-fuel subsidies and their implications for greenhouse-gas emissions.

Collective effort will avoid wasteful and duplicative analytic efforts. A mosaic of initiatives will confront the "nothing to do with me" syndrome and demonstrate relevance to the local level.

3. A New Engagement Strategy

Developing countries must be compensated for extra costs incurred in reducing emissions. A new strategy is needed to generate enthusiasm for worldwide engagement. The World Bank and UNEP could be invited to identify options to re energize and re- design the Global Environment Facility and the Clean Development Mechanism (CDM), identifying areas of action that align with countries' development plans and existing interests, while also allowing for deep reductions in CO₂.

The World Trade Organization (WTO) should be asked to ensure that trading arrangements should not be used punitively – border tax adjustments should be rejected in all but the most egregious cases. The L14 could ask its Trade and Agricultural Ministers to work together in the WTO to replace food production subsidies with incentives for farmers to grow environmentally beneficial bio-fuel crops. The WTO should be invited to recommend an offset package (loans, guarantees or other assistance from countries whose companies should benefit from improved market access).

The most important "deal" which should be pursued is to extend commercial nuclear partnerships to developing countries. It is imperative that a system be developed to guarantee both the supply of nuclear fuel (consistent with security and non-proliferation concerns) and an international system of nuclear waste management. The L14 should work with the IAEA to design and implement a viable non-monopoly scheme for the full nuclear fuel cycle to guarantee failsafe assurances of supply.

There are other important initiatives where the L14 could be the catalyst. To make gas more widely available in China, an arrangement could be made with Russia to supply large volumes, coordinated with complementary supplies of LNG from other countries to the coastline. The L14 could promote the vision of a new multilateral approach to finance and construct the infrastructure. The L14 could trigger the design and promotion of a viable plan for slowing deforestation in Brazil (and other countries whose sylvan balance sheets are shrinking). The plan should include compensated reductions for preventing deforestation (within the UNFCCC logic).

Adaptation is critical part of any package of initiatives. One must anticipate large areas of Bangladesh will become unlivable in a few decades. Focus should be placed on anticipating refugee movements in the long term, by improving flood defenses, researching drought resistant crops, and preventing building on the seashore. The World Bank and the OECD should advise on actions and policies that will prevent refugee flows destabilizing neighboring countries.

4. Promoting National Efforts

Conservation has an important role to play. Focus should be on a promotion campaign for conservation, applying existing technology (e.g. long life low energy light bulbs, standby hotel key cards). L14 Environment Ministers should be instructed to explore new international standards, to meet best practice levels. L14 Energy Ministers should be directed to propose a schedule of ambitious but practical renewable energy standards, to encourage a high proportion of new electric capacity to come from renewable energy. L14 Ministers of Transport should initiate a process for evaluating the feasibility of quantitative bio fuel standards and targets for transportation. The IEA should be asked to consider extending its stockpiling commitments to non-members.

5. Research and technology

WIPO and the World Bank should be asked to design options for a creative mechanism for the purchase of patent rights of promising technologies for their use in developing countries, both to promote clean and efficient energy. Developing country users should not pay license fees, but patent holders should be reimbursed by a new financial Facility.

The World Bank and the regional Development Banks could establish a Clean Technology Acquisition Fund, providing financial resources to enable developing countries to finance the adoption of new technologies.

Following the CGIAR model, The World Bank could establish a network of R&D institutions both from the developed and developing world to engage in research in new technologies

Radically new technologies are needed. Finance and Science Ministers should be asked to establish a forum to catalyze key agreements on R&D strategy, charging international organizations with follow-up. The forum could also be charged to discuss barriers to an adequate level of R&D effort—such as perverse tax incentives. Given the large potential in industry savings, they should advise on establishing mechanisms to fund investment in the most effective technology in polluting industries. Finance and Science Ministers should also be asked to coordinate negotiations on investment in new energy R&D in cases where an international approach is needed—such as with costly programs (e.g., highly advanced and commercially risky coal combustion programs, or advanced nuclear reactors). International task forces on key technologies should be a priority, such as those already established under the Asia Pacific Partnership.