

Climate Change: Beyond the Copenhagen Flop

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It's now official. There will be no final agreement at the Copenhagen conference on climate change this December. The prospect of a legally binding Copenhagen Agreement was given a quiet burial at a press conference on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Summit last Sunday. In a bleak face saving effort, Mr. Lars Lokke Rasmussen, Prime Minister of Denmark and Chair of the Copenhagen Conference, was given the unenviable task of announcing that it would be premature to expect any final agreement in Copenhagen. Instead the aim is to reach some kind of broad agreement that will then lead, hopefully, to a legally binding agreement at the next climate change meet in Mexico. .

It is a great pity that the opportunity to reach agreement at Copenhagen has been missed because the consequences of climate change are already upon us. We are seeing a rising frequency of extreme weather events like storms, droughts and floods that are destroying crops and livestock, washing away homes, and taking a large toll of human lives every year. The main lesson to take away from this missed opportunity is that the developed countries should stop expecting that they can somehow dupe or coerce the developing countries, including China and India, into an unequal treaty inimical to their development goals. We no longer live in a colonial world of imperial hegemony.

Equally, the developing countries must recognize that there can be no deal other than one that is acceptable to the major developed countries, especially USA, who are the main polluters. As we look beyond Copenhagen to a possible agreement at the next summit in Mexico, can we see any proposal that could be acceptable to both groups of countries?

Of the dozens of proposals on the table, one that could possibly do the trick is the scheme proposed by Nobel laureate Michael Spence. The starting point of Spence's scheme is an estimate by the International Panel on Climate Change that in 50 years the acceptable safe level of pollution would be about 14.7 billion tons or 2.3 tons per capita per year. The average pollution today is already 4.8 tons per head, and this will have risen to about 8.7 or 4 times the safe level by 2060 in a 'business as usual' scenario if no additional effort is made to contain carbon emissions. Much of the excess pollution at present comes from the advanced countries, especially countries like USA and Canada which emit about 20 tons per head. Other developed countries emit between 6-12 tons per head. In contrast developing countries, including India, emit well below the safe level of 2.3 tons and China is at the boundary.

The developing countries argue that the developed countries that do most of the polluting should be the ones to curtail pollution. However, with rapid growth in many developing countries, especially China and India, the emission balance is constantly changing. Fifty years down the road, the bulk of pollution will come from the developing countries. Hence the advanced countries maintain that climate change cannot be mitigated without effective action in the developing countries. However, such mitigation action at present could compromise the high growth route out of poverty in the developing countries.

Spence proposes that at present mitigation action should be mainly the responsibility of the advanced countries. First, there has to be acceptance of a global emissions time path leading to the acceptable target of 2.3 tons per head. This total acceptable level of emission rights or 'carbon credits' should be allocated to the advanced countries under a Carbon Credit Trading System(CCTS). The allocations can be based on some equity principle such as population size. The carbon credits initially endowed should then be tradable among the developed countries, based on their national preferences for carbon emitting activities.

The advanced countries should also be able to earn carbon credits through mitigation efforts, such as afforestation or the use of lower emission technologies, either in their own countries or elsewhere, where the cost of mitigation may be lower. The CCTS would establish a price for emissions reflecting the cost of pollution and enforce the 'polluter pays' principle for emissions above the assigned permits. Thereby it would also be introducing

an incentive for the advanced countries to move to cleaner technologies and engage in other carbon containing activities.

In this scheme the developing countries do not need to participate in the CCTS system nor do they have to meet any emission caps at this stage. The only commitment required of them at the outset is to accept the global carbon emissions time path leading to the acceptable target of 2.3 tons per head by 2060. As their growth leads to rising per capita pollution levels, these will sooner or later catch up with the pollution levels of the advanced countries, which should hopefully be declining towards the 2.3 tons per head target because of the incentives built into the Spence system. Once that happens, and a developing country 'graduates' to developed country status, they too will have to join the CCTS. Their entry would be on more advantageous terms, allowing for more carbon emission headroom within their permitted limits, if they voluntarily choose to take remedial action from now.

The beauty of the Spence proposal is that it is very transparent and fair, requiring polluters to pay for any emission beyond their fair permissible limits. If the G20 countries would buy into this proposal, they would be in a decisive position to enforce it. However, the proposal has two kinds of risks. One is a technological risk. The proposal assumes that the required stock of technologies will be available to reduce emissions or absorb emissions to meet the 2060 global target of 2.3 tons per head. Indeed there is already an impressive stock of technologies of both varieties. But there is still a great deal of uncertainty in this matter. As in any field of research, outcomes cannot be known in advance of the research.

The other risk is political. There is a feeling that some advanced country negotiators believe they can somehow hoodwink or bribe the developing country negotiators into accepting an unequal treaty that is unfair to the developing countries, especially the larger countries like China and India. If so then neither the Spence proposal nor any other will lead to a final agreement. Difficult as the advanced country negotiators might find to believe it, not every developing country negotiator is a sucker and not everybody is up for sale.

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