



## Reaching a Climate Deal in Copenhagen

There is a growing awareness that action is urgently needed to seriously address the climate change problem. The multilateral process that began with the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 resulted in the Bali Action Plan (BAP) in 2007. The BAP calls for enhanced action on adaptation, mitigation, technology development and transfer, and finance, which should be specified in an international agreement by the end of 2009 in Copenhagen. This brief addresses some key development and burden sharing aspects related to mitigation and adaptation which need due consideration to ensure a successful and sustainable outcome of the negotiations.

### Crisis as opportunity

The current financial crisis provides an opportunity to make a fundamental change in the patterns of international cooperation, investment and production. New sustainable development trajectories are to be sought, based on low-carbon, clean technologies, with a large component of renewable energy sources. In fact, there are important synergies to be expected from integrating climate and energy related investments into strategies addressing the economic downturn, for example the employment gains of shifting towards renewable energy.<sup>1</sup> A 'shared vision' based on the essential premise of the UNFCCC convention—common but differentiated responsibilities and capabilities will be the basis of any new international agreement agreed in Copenhagen. Negotiating parties must ensure that this shared vision show a clear and strong commitment to the overall objective of sustainable development and catch-up growth in developing countries. It should also include equity considerations such as poverty reduction and convergence in terms of income distribution and emissions per capita.

### Adaptation and development

Adaptation is needed not only because the impacts of climate change are already being felt in several parts of the world, but also because even with successful mitigation strategies there will be an inevitable rise in temperatures to which the world will have to adjust. Adaptation will become even more urgent if mitigation efforts are insufficient or too slow. Additional adverse impacts will be unavoidable in the next decades and will affect the implementation of internationally agreed development goals.<sup>2</sup>

Developing countries are already significantly affected by climate change in many ways, including impacts on agricultural production, livelihoods in exposed regions, health, and so on. They need to develop policies regarding adaptation while meeting development and poverty reduction objectives. To ensure effectiveness in terms of sustainable development, developing countries' adaptation efforts are best mainstreamed into national and sectoral development policies and strategies, bearing in mind the need for additionality in funding adaptation efforts.

Financing for adaptation is currently limited. For example, the National Action Programmes for Adaptation (NAPA), developed with the financial support of the Global Environment Facility (GEF), were meant to identify the most urgent and immediate needs of a specific group of countries (LDCs). NAPAs, however, do not provide even close to the amount of resources needed for the execution of comprehensive adaptation programmes. Moreover, new insights on climate change impacts suggest that adaptation planning should look farther into the future and be extended beyond the pressing needs identified to date. Given the nature of adaptive capacity and its linkage with development in general, strategizing development planning and raising development finance is essential in meeting adaptation requirements. New international approaches to adaptation require vulnerability mapping as well as capabilities in exploring and designing adaptation options, which are weakly developed hitherto.

### Mitigation and development

The IPCC Fourth Assessment Report suggests that avoiding the risks of dangerous climate change requires that emissions peak in or before 2015 and are reduced by 50–85 per cent by 2050. The industrialized countries are to take a lead in mitigation and international co-operation towards it.<sup>3</sup>

Progress towards emission reductions, however, has been disappointing, as the developed countries have not contributed extensively in the mitigation process, as agreed in the convention. In order to reduce GHG emissions to the extent that temperature increases will remain below 2°C from pre-industrial levels sustainable global targets, and aggressive mitigation actions by developed countries need to be initiated urgently and in earnest. Developing countries will also need to contribute to mitigation in the future. The fact that many developing countries have already

<sup>1</sup> UNEP (2008) 'Background Paper on Green Jobs', UNEP, Nairobi.

<sup>2</sup> See also United Nations (2009) "Achieving Sustainable Development in an age of Climate Change", Committee for Development Policy Note

<sup>3</sup> For recent estimates by IPCC, please see Contribution of Working Group III to the Fourth Assessment Report of IPCC, Technical Summary, pages 39 and 90, and Chapter 13, page 776

started doing so is encouraging.<sup>4</sup> Hitherto, developing countries have not contributed significantly to existing GHG concentrations; nonetheless they have to face a huge challenge to switch to a low-carbon path. This requires a major transformation in their economies; evidence of successful low-carbon economies, however, remains rare.<sup>5</sup> The transformation will require massive technology and financial transfers from the developed countries. This is as yet an unfulfilled promise and any global agreement will have to make good on this promise.

Global mitigation efforts should involve in the first place those countries that are able to undertake such actions and which are also historically responsible for accumulated GHG in the atmosphere (the so-called Annex I countries). It should subsequently involve countries that will have significant future emissions because of their strong growth performance and, as a consequence, have the potential to engage in mitigation action once the needed technology and finance are provided. Historical contributions to accumulated emissions should be paramount to ensure fairness and equity in global action.

## Financing needs and gaps

To aid in convergent economic growth and raising of domestic resources, an investment “push” in developing countries<sup>6</sup> (including least developed countries) is needed. This will allow them to pursue a low-emissions, high-growth path, meet challenges of adaptation and become resource-efficient. Given the large indivisibilities of such investments, the push inevitably will need to build on a major public investment component but this effort should help crowd in new private investment. The new agreement must ensure adequate finance for such a push.

At present, the financial resources available from international sources for developing countries to engage in climate change mitigation and adaptation fall well short of what is needed. Although cost estimates are surrounded by a considerable degree of uncertainty, conservative estimates would put total developing-country financing needs for mitigation and adaptation at about \$250 billion per year. This would be on the order of 0.5 to 1 per cent of world gross product (WGP) in 2030. Currently available official bilateral and multilateral resources for climate change-related action are about \$10-20 billion per annum. New proposals on the table could add another \$5 billion, but this would still leave an enormous financing gap. To reach adequate levels by 2030, and given the emerging needs for adaptation finance as well, concerted efforts to bridge this gap would have to start immediately.

<sup>4</sup> The national climate change action plans of China, India, Brazil, and South Africa are good examples in this regard

<sup>5</sup> For some examples on emissions reductions, see IPCC Fourth Assessment Report Working Group III, Chapter 12, page 701.

<sup>6</sup> *Promoting Development, Saving the Planet* (WEISS 2009, forthcoming)

## Towards a new climate finance architecture

In order to enhance predictability, funding must not be voluntary but tied to agreed long-term commitments, based e.g. on pro rata mechanisms (such as levied percentages of financial flows, mandatory contributions in relation to GDP). Wider ranging options which include taxes on capital flows or on international transport, energy use or emissions, or volumes of transactions in carbon markets, permit-auctioning, and others can generate considerable additional annual flows on the order of tens of billions of dollars. Revenue sources, like auctioning of emissions permits and carbon or energy taxation imply carbon-pricing, which in itself may stimulate the shift towards sustainable, low-carbon development. Yet, carbon pricing may generate adverse (regressive) income effects which will need to be addressed.

The future financial ‘architecture’ should enable the mobilization of adequate, additional and predictable funding. It would need to be built on, and handle, flows of finance mobilized according to objective criteria reflecting responsibilities and capabilities to contribute to climate related policies. Disbursements to eligible recipient countries should also be based on agreed criteria which should indicate priorities of resource allocation towards the most vulnerable countries. The overall governance in a new architecture should ensure policy coherence and a focus on sustainable development.

## Conclusion

Effective mitigation will require lead and aggressive action in the North as well as mitigation actions in developing countries in the future, supported by full and effective assistance by the North, as articulated in the convention and reaffirmed in BAP. Development has to be central to the climate change agreement—both mitigation and adaptation have to be an integrated part of development agendas and the global process must strengthen the appropriate links with global and national efforts in this connection. This requires an urgent scaling up of funding and technology available to developing countries for mitigation as well as adaptation and support for an investment “push” and catch-up growth in developing countries. This remains the only sustainable option to deal with future developing country emissions and climate change challenges. ■

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