



Towards a comprehensive and ambitious post-2012 climate change agreement

Contribution by Jaroslaw Pietras
(Director General DG Environment, SGC)
Stakeholder meeting,
Charlemagne, 15 October 2008

How can developed countries contribute effectively to mitigation ?

- Primarily through the further development of a real global carbon market:
 - GHG emissions must have a price.
- The EU ETS had a difficult trial period. The current discussion of the completion and improvement of the ETS is in its final stage.
- But, as it was rightly said by two American authors from MIT (Ellerman/JOskow): "The EU has done more with the ETS, despite all its faults, than any other nation or set of nations."
- Beyond the EU, some other developed countries intend to develop GHG cap and trade systems and will link them. Particular attention is of course paid to what will happen in the US.
- The broader and the deeper the carbon market is, the less erratic carbon price movements will be.
- A number of uncertainties are ahead of us, including price fluctuations in response to changing realities.
- The aim is to reduce emissions and a price of allowances is to correspond to scarcities. Problematic are excessive fluctuations caused by lack of transparency and/or artificial, inconsistent arrangements.

What kind of criteria should be guiding our actions ?

- Efficiency from environmental point of view (i.e. consistency with the aim of reducing global emissions to limit climate warming to 2° C by 2050)
- Economic effectiveness i.e. the least costly measures to reduce emissions
- Equitable nature of efforts (i.e. more developed and bigger emitters have to undertake more efforts.
- Possibility of global application (comparability of efforts) and ability to assess outcome in a wider scale
- Value added of instruments undertaken by public sector in relation to private actions

How to approach comparability of reduction efforts across developed countries ?

- This has become a politically very touchy question. Not only between developed countries worldwide, but also - let's face it - within the EU.
- You can of course compare absolute emission reductions. But normally it makes more sense in relative terms: X% of reduction of emissions.
 - But, in relation to which base year? Which reference scenario ?
 - Where is the point of departure for early action we might wish to acknowledge ?
- You can agree relatively easily on principles like equity, efficiency, effectiveness etc. The decisions on concrete burden-sharing efforts are more difficult.
- In the real world of compromise between interests, these principles will never be met fully.
- Finally, what counts more is where we want to go.
 - which objectives we want to reach
 - if we explore fully our emission reduction potential e.g. through energy efficiency
 - if we gain credibility in tackling the problem
 - if we use the "window of opportunity" or if we wait till we are forced to a rough 4 landing

What is our role in financing climate action by developing countries ? (1)

- Financing is one of the components of ensuring global efforts. But it should be based on clear mutual understanding of policy aims and requirements.
- EU assumes a global responsibility in sharing the costs for actions which are also in best Europe's interest, but they are also, or even more, in the interest of the developing countries.
- The Bali Action Plan refers to "improved access to adequate, predictable and sustainable financial resources and financial and technical support."
- A precondition: developing countries must be actively involved in governance. They must be co-owners of a process which is well understood in our and in their societies.
- Criteria for using common funds:
- Efficiency is a major issue as well. Better allocation of money can have the same positive effect as increasing total commitments.

What is our role in financing climate action by developing countries ? (2)

- The private sector will have to play a significant role .
- The public sector has to incentivate and to facilitate.
- International governance has to be improved as well.
- There is already a considerable number of financial instruments addressing climate change
 - We need to be clearer about the attribution of tasks, the division of labour.
 - Certain complementary mechanisms might be envisaged.
- There are a number of proposals on the table concerning the mobilisation of additional resources, like
 - a top-up of the global 0,7% of GDP figure
 - budgetary contributions on the basis of certain criteria
 - auctioning of allowances at the global level
 - part of ETS auctioning revenues
 - global carbon tax
- Work on different elements has to progress at the same time: principles, governance in developing countries, governance in international financial institutions, financial instruments.