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Options for the Institutional Venue for International Climate Negotiations

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The goal of the Harvard Project on International Climate Agreements is to help identify and advance scientifically sound, economically rational, and politically pragmatic public policy options for addressing global climate change. Drawing upon leading thinkers in Australia, China, Europe, India, Japan, the United States, and other countries, the Project conducts research on policy architecture and key design elements of a post-2012 international climate policy regime. The Harvard Project also provides insight and advice regarding countries' domestic climate policies, especially as these policies relate to the prospects for meaningful international action. The Project is directed by Robert N. Stavins, Albert Pratt Professor of Business and Government at the Harvard Kennedy School.

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OPTIONS FOR THE INSTITUTIONAL VENUE FOR INTERNATIONAL CLIMATE NEGOTIATIONS

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It is exceptionally challenging to conclude a comprehensive and effective multilateral agreement to address global climate change among nations with divergent interests. This is true for many international issues. However, largely because any domestic policy or set of policies to mitigate greenhouse gas (GHG) emissions (whether intended to implement an international agreement or not) extend so deeply into the economic fabric of a nation, climate change negotiations have proven to be exceptionally difficult.

The Fifteenth Conference of the Parties (COP-15) of the United Nations Framework Convention on Climate Change (UNFCCC) reinforced doubts about whether the UNFCCC should continue to be the primary institutional venue for global climate change negotiations. This issue brief assesses some other institutions that might serve to supplement or partially replace the UNFCCC.

BACKGROUND

The UNFCCC entered into force in 1994. It is governed primarily by a Conference of the Parties, of which there are 194, typically meeting once a year, in December. The Kyoto Protocol to the UNFCCC, adopted in 1997 and entering into force in 2005, was the first major step forward by the UNFCCC parties to reduce emissions of GHGs. It placed binding limits on the emissions of Kyoto parties. The United States is a party to the UNFCCC; it signed but did not (and will not) ratify the Kyoto Protocol.

In December 2009, COP-15 was held in Copenhagen. The meeting resulted in the Conference “taking note” of the “Copenhagen Accord.” 126 parties have or are very likely to make the submissions that are required for participation in the Accord and that contain emissions-reductions-commitments. These countries represent about 85% of global emissions (if forestry and land-use changes are taken into account). However, the form and ambition of the pledges vary widely, and to date models suggest that total resulting emissions reductions do not approach the amount needed to stabilize GHG concentrations at 450 ppm or temperature increase at 2° C, a frequently discussed target. Given the extremely slow pace at which the UNFCCC negotiations have moved and the modest results of COP-15, an outcome of Copenhagen other than the Accord may prove to be equally or more consequential: the decreased credibility of the UNFCCC as the major institutional venue for international climate policy negotiation and implementation.

ISSUES AND CHALLENGES

The two weeks of COP-15 illustrated four specific problems with the UNFCCC framework: the large number of countries involved, the widely varying degrees to which these countries contribute to and are affected by the problem to be addressed, the polarization between economically developed and developing nations, and the rules for adoption of decisions. These problems, most of which were apparent long before the Copenhagen meetings, have caused many observers to question whether the UNFCCC is the best institutional venue for productive negotiations and action on global climate change policy, or at least whether it ought to be the sole venue.

First, the UNFCCC process involves too many countries to allow anything of real significance to be achieved. The larger the number of parties that are included in a negotiation, the larger the transaction costs incurred in reaching agreement.

Second, what is particularly striking about involving 194 parties in the discussion of international climate change policy is the reality that just twenty of them account for more than 80% of global emissions. There is also a wide disparity in exposure of countries to the impacts of climate change and the consequent need to adapt. Most countries with very significant exposure are very low emitters. This has contributed to the problematic national incentives that manifest themselves in the negotiations.

The third problem is that UN culture and negotiating dynamics tend to polarize many discussions into two factions: the developed world versus the developing world. This polarization is troubling because the world is much more diverse than such a dichotomous distinction would suggest. Developing countries, while accounting for more than half of global emissions (and growing rapidly in this regard), are generally more reluctant to commit to reducing GHGs, tending to prioritize economic growth above environmental public goods. But clearly, the emerging economies of China, India, Brazil, and South Africa (the key “BASIC” coalition in the climate talks), and Korea and Mexico (with Chile, the only countries that are both OECD members and non-Annex I countries¹), and have more in common – along some key economic dimensions – with some countries in the so-called developed world than they do with the poorest developing countries, such as those of sub-Saharan Africa. Certain other countries lumped into this undifferentiated mass – particularly the oil-rich Persian Gulf States – are far more hostile to the global effort to reduce emissions than are other developing nations. Finally, as noted, some highly exposed small island states and non-oil-producing, water-deficient states in the Middle East and North Africa have an interest in demanding a global emissions-reduction-path that may be politically infeasible for large emitters—including the BASIC countries.

The negotiations at COP-15 and the resulting Copenhagen Accord did split the developing countries more than had ever been the case. The Annex I parties made firmer offers of financing for adaptation (as well as mitigation) assistance than they had in the

¹ “Annex I” refers to the Kyoto parties—industrialized and emerging eastern European states—that have binding emissions-reduction targets.

past, which split the developing-country bloc. Much progress was made in somewhat separate talks on forest management, which engaged Brazil and Indonesia positively. Related to both, the Accord itself requires, for the first time, emissions-reduction commitments of developing countries, although of a different kind than required of industrialized countries. Having said this, both during and subsequent to Copenhagen, the sharp differences between the BASIC countries and the Annex I parties have again almost completely stalled the process.²

The fourth problem is that the decision-making rules of the UNFCCC process require consensus (adoption by virtue of no objection) or unanimity (all 194 parties voting in favor) for nearly all decisions. It was lack of consensus that resulted in the COP-15 not “adopting” the Copenhagen Accord, but rather “noting” it: only 188 of 194 countries supported it. Six nations threatened to vote in opposition, accusing the 188 of “undemocratic procedures”: Bolivia, Cuba, Nicaragua, Sudan, Tuvalu, and Venezuela. Generally, because there are so many countries with such diverse interests participating in the UNFCCC, the unanimity requirement makes the prospects for entering into any meaningful agreement relatively slim.

ALTERNATIVE VENUES

The problems associated with the UNFCCC are potentially far-reaching. If the best that can be hoped for under this framework is a short-term, relatively unambitious agreement, it may in fact be doing more harm than good: with a series of short-term agreements, a given country may invest less in abatement technology than it would were there no agreement at all, because it will have incentives to increase its costs of compliance in order to decrease the burden that is imposed upon it in upcoming rounds of negotiation. It is therefore important to have an institutional arrangement in which the parties participating can come to an agreement about not just the short term, but the more distant future. If the UNFCCC is not a viable framework to achieve these goals, what are the possible alternatives?

The Major Economies Forum on Energy and Climate

One promising venue was initiated in 2007 by the Bush administration in the United States as the “Major Emitter Meetings” – the “MEM process.” The Obama administration recognized that this was a promising approach, adopted it, changed its name to the Major Economies Forum on Energy and Climate, and continued the process, now commonly referred to as the “MEF.” Several meetings have taken place – in Washington, Paris, and Mexico City – bringing together Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, South Africa, the United Kingdom, and the United States. Those 17 countries and regions account for

² In order to achieve the concentration and temperature targets that are frequently promoted, the large developing countries would have to make major emissions reductions at some point in time, even if the major industrialized emitters reduced their emissions to zero.

nearly 90% of global emissions. The U.S. Deputy National Security Advisor for International Economic Affairs, Michael Froman, chairs the meetings.

Some nations and advocates are concerned about a small set of large countries reaching decisions; and no doubt some are not comfortable with a process chaired by the United States. One might also be concerned that an agreement covering only a subset (albeit a large subset) of the world's emitters will be undermined by leakage, as emissions shift to unregulated countries. Finally, as is also true of the G-20, the MEF is not recognized by its own participants as a forum for negotiating binding agreements. But in this sort of small group, policies might be tailored to encourage participation by larger developing countries (such as China and India) that are crucial to the global effort to reduce emissions.

The G-20

Another conceivable institutional venue would be the G-20, the "Group of Twenty Finance Ministers and Central Bank Governors," established in 1999 to bring together the leading industrialized and developing economies to discuss key issues. They recently turned their attention to climate change policy in Pittsburgh in September, 2009. The make-up of this group is similar to that of the MEF; the G-20 includes all the nations represented in the MEF, plus Argentina, Saudi Arabia and Turkey. One advantage of the G-20 is that its core mission is to provide a venue for discussing economic and finance policy. As such questions are fundamental to considerations of climate policy, it is conceivable that the G-20 could facilitate significant progress on climate.

Bilateral and Multilateral Approaches

There are other conceivable multilateral forums (existing or new) that could be convened, as well as bilateral approaches. Recent bilateral efforts involving cooperation on low-carbon technology innovation and deployment include an agreement between the United Kingdom and China to test new coal combustion technologies. Similar agreements have been concluded by Australia and China, the United States and China, and the United States and India. However, it is easier to conclude such technology-cooperation agreements than it is to reach binding agreements on outcomes—in particular, emissions reductions.

Bilateral agreements can allow for more flexibility in designing incentives for reluctant nations to participate in the effort to reduce emissions. They may also, however, create perverse incentives by discouraging these nations from initiating changes domestically that will prevent them from extracting further benefits in future agreements. Moreover, negotiating many separate bilateral treaties will generally involve higher transaction costs than would one multilateral treaty covering all participants.

A new role for the UNFCCC

It is unlikely that any of these alternatives will fully supplant the UNFCCC, and it is too soon for obituaries to be written for this rather durable institution. The Kyoto Protocol's first commitment period runs through 2012. The Clean Development Mechanism (CDM) and annual national reporting functions (such as those that are key parts of the Copenhagen Accord) are likely to work through the United Nations, most likely the UNFCCC.

Also, the UNFCCC has a very large constituency of support, including at a minimum most, if not all, of the G-77 group of developing countries, which now numbers 130. In addition, the UNFCCC has significant international legitimacy, and is potentially key for implementation, no matter what the venue may be for initial negotiation.

Thus, even if these other institutional venues become viable forums for climate negotiations, the UNFCCC is unlikely to become irrelevant. Its role may shift and diminish, however, so that it becomes just one component of a set of overlapping climate regimes. Given the variation in compliance costs facing nations, and the transaction costs associated with climate negotiations, such "customized multilateralism" may be desirable (Thompson and Verdier, 2010).

"Doing nothing"

Many—perhaps most—of the world's governments recognize that climate change is a major threat to their societies. And some have implemented significant domestic policies to reduce GHG emissions. These include China (perhaps the world's leader in deploying renewable-energy technology), the European Union (which operates by far the most important cap-and-trade system for reducing emissions), and the United States (which has modest regulatory initiatives in place to reduce emissions). One alternative to the UNFCCC is to give up on binding international agreements to reduce emissions altogether and focus on informal collaboration and consultation among states. Climate change is a pure collective action problem, and all major emitters must participate in order to significantly alleviate the problem, but it may not be necessary to conclude formal international agreements to do so.

CONCLUSION

Whether the next steps in international deliberations should be under the auspices of the UNFCCC or some smaller body, such as the MEF or the G-20, is an important and open question. Given the necessity of achieving consensus in the United Nations processes as currently defined and the open hostility of a small set of countries, other bilateral and multilateral discussions could be an increasingly attractive route, at least over the short term. There are many questions, however, that need to be addressed before anyone can identify the best institutional venue (or venues) for international climate negotiations and action.

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