



# Breaking the Climate Deadlock

## Breaking the Climate Deadlock: Update/July 2009

### Introduction

With just over four months to the United Nations Climate Change Conference in Copenhagen, we are now at a critical point for securing the ambitious global deal that will set us firmly on the path to a prosperous low carbon economy. In May, the World Business Summit on Climate Change showed that companies are fully behind a new agreement, while the UN climate talks in Bonn and Major Economies Forum on Energy and Climate made important progress in a range of areas. In this newsletter, we bring you up to date with these and review the latest developments in US and UK climate policy. We also highlight key findings from our well-received 'Technology for a Low Carbon Future' report and look forward to some upcoming initiatives, including our plans for Climate Week NY'09.

**Questions?** Contact our Analyst Thurstan Wright at +44 (0) 20 7960 2715 or [twright@theclimategroup.org](mailto:twright@theclimategroup.org)

### World Business Summit on Climate Change

#### The Copenhagen Call

At the end of May international business leaders met in Copenhagen for the World Business Summit on Climate Change (WBSCC). Two key themes emerged from the summit. First, the critical role of business: the private sector has an important role to play in financing climate solutions and is expected to provide most of the investment needed to move to a low carbon world. Governments need to encourage business to make this investment by providing a clear policy framework and incentives. Second, the need to get the mechanisms right: carbon markets are likely

to play a large role in climate policy but these must be expanded and used in combination with other policies.

Other key points raised during the summit include: (i) the credit crunch should not prevent governments from pursuing a strong climate treaty, as business is ready to respond; (ii) economic revival and urgent climate action can go hand in hand – boosting the economy and jobs through investment in green infrastructure; and (iii) business recognizes that there are (short-term) costs needed to tackle climate change but that these are outweighed by the (long-term) benefits of avoiding dangerous climate change.

At the end of the summit, the organisers issued 'The Copenhagen Call', a powerful statement explaining what businesses feel is required to build a successful global climate deal, including agreement that global temperatures must not rise by more than 2 °C relative to pre-industrial levels and that, to achieve this, we must cut 17 Gt of greenhouse gas emissions by 2020 (relative to business as usual) and set bold targets for 2050 as part of a new climate treaty.

The 'Call' states that business leaders are ready to help meet these emissions reductions.

To find out more [read our news story](#)



Steve Howard, CEO of The Climate Group, moderating a WBSCC session

#### Summary Report for Policymakers

The Copenhagen Climate Council has released a summary report, giving an overview of discussions that led to the Call.

### UN Climate Negotiations – June 1st-12th

Following the WBSCC, UN climate negotiators met in Bonn for the latest round of talks. These sessions produced some progress – and have subsequently led to the publication of negotiating texts for Copenhagen - but leave a mountain to climb before COP-15 gets underway in December.

Countries are currently engaged in a two-track negotiating process under the 'Bali Road Map':

- AWG-KP: focused on agreeing new commitments beyond 2012 for developed countries that have ratified the Kyoto Protocol and making reforms to the current mechanisms.
- AWG-LCA: a broader process involving all countries, including the US. Its objective is to agree on 'Long-term Cooperative Action' towards achieving a "shared vision", also for the period beyond 2012.

The AWG-LCA was the most productive working group in Bonn, where a 200-page text was put together. This is a good start, but the text is too long and must be cut down by the time ministers get together in Copenhagen later this year.



UN negotiators in Bonn last month

The AWG-KP was less successful. Negotiators were unable to agree a draft text as developed countries weren't prepared to set emission reduction targets until the rules governing how these targets can be met have been agreed. In contrast, developing nations would like the targets set first, as a demonstration of leadership and commitment on the part of developed countries. The chair has since compiled a document of proposed amendments. These will be presented at the next informal session in Bonn (10-14 August).

Many developed countries favour a single, all-inclusive agreement (a new 'Copenhagen Protocol' to replace Kyoto) and would have preferred to have seen the two working groups merge. Developing countries are insisting that a simple updating of the emission targets under Kyoto, combined with reinforcing the financial and technology commitments of developed countries, is sufficient.

It is not yet clear what the outcome in Copenhagen will be. While almost everyone believes there will be some kind of political agreement, there is a general acceptance that Copenhagen will not be the end of the negotiations and that a number of complex technical and political issues will need to be resolved afterwards.

Processes outside the UNFCCC (such as bilateral talks between US and China) are likely to be critical in developing the political support needed to resolve the current deadlocks.

### US climate policy: Critics fail to see bigger picture on historic Waxman-Markey Bill

On 26th June the US House of Representatives passed the historic American Clean Energy and Security Act (Waxman-Markey Bill), which sets a target of a 17% reduction in GHG emissions from 2005 levels by 2020 and an 83% reduction by 2050.



Representatives Henry A. Waxman of California, left, and Edward J. Markey of Massachusetts, both Democrats, have introduced a landmark piece of climate and energy legislation

Groups on the right and the left of the climate debate have attacked the bill. Greenpeace called it "a tremendous loss for the American people and for the world." The Financial Times simply described it as "a mess."

This dissatisfaction stems from compromises made to the bill in order to secure enough votes for its passage. First, the short-term reduction target was reduced from 20% below 2005 levels by 2020 to 17% to secure the votes of Democrats from fossil fuel states. Then lawmakers agreed to allocate for free a large chunk of the emissions allowances, which were originally to have been auctioned, including to utilities and energy-intensive manufacturers. Finally, authority over agricultural offset projects was given to the Department of Agriculture to win over Democrats from farm states.

Whilst these compromises are not ideal the critics miss the larger point: the bill commits the US to reduce its emissions to 83% below 2005 levels by 2050 (equivalent to 80% below 1990 levels) – a commitment from the US in line with what is needed globally. Getting a majority of US policymakers to support it amidst a recession was an incredible challenge.

The vote count tells much of the story. Even after all the compromises that were made, the bill only passed by a vote of 219-212 (216 votes are needed). This means that if just four additional Members of Congress felt the bill did not reflect their interests, it would have failed.

Critics assumed that if the flawed bill had failed, an improved bill would then succeed it. But this assumption ignores history. The US legislative process is never kind to bold policies that reach their pinnacle and fail. In 1993 Bill Clinton made universal health care

the cornerstone of his first-term agenda. But when a compromise plan failed in the Senate, it was subsequently dropped from the legislative agenda, and led to a lack of confidence in universal health care as a concept. Also, the Clean Air Act, which defines the Environmental Protection Agency's responsibilities for protecting the nation's air quality, initially seemed weak but once passed was strengthened over time.

The truth is that if the Waxman-Markey Bill failed to pass, climate policy in the US would likely have been postponed by months, and probably much longer. This would have made it nearly impossible for President Obama to contribute tangibly to international negotiations this December in Copenhagen – once again causing the US to delay progress at the international level.

The compromises made were the political price paid to avoid this scenario and to start reducing emissions in the US. Given the alternative, the flawed bill looks less like a "mess" and more like a miracle.

## **G8 and Major Economies Forum Communiqués**

At the beginning of July world leaders gathered in L'Aquila for the G8 and Major Economies Forum (MEF) summits, both of which aimed to maintain momentum towards a new global deal on climate change.



As is often the case, the statements were full of grand aspirations – and, in the case of the G8, made important progress on long-term goals – but offered little of the detail that is urgently required.

On the plus side, the G8 communiqué demonstrated the importance that heads of government attach to climate change, with 12 pages dedicated to the issue (versus six in last year's text). This was further reflected in key elements of the communiqué, including: (i) agreement for the first time on a goal to keep global temperature rise within 2°C of pre-industrial levels; (ii) repetition of the need to cut global emissions by at least 50% from current levels; (iii) a commitment to cut industrialised countries' emissions by 80%; (iv) recognition of the need to speed up the deployment of existing low carbon technologies; and (v) agreement on the need to expand and link domestic and regional carbon markets, including a reformed Clean Development Mechanism .

The MEF communiqué meanwhile illustrated the substantial differences that still exist between developed and developing countries. Although MEF leaders endorsed the 2°C goal contained in the G8 communiqué and stated that they "resolve to spare no effort to reach agreement in Copenhagen", their communiqué was significantly watered down from drafts that had been circulating before the summit. There was no mention of the 50% global emission reduction target for 2050, nor was there any more detail on the 2020 targets that will give businesses the certainty they need to start investing now on the scale necessary in low carbon technologies.

G8 leaders met in Italy earlier this month

## **UK Government: Leading the transition to a low carbon future**

In publishing the **UK Low Carbon Transition Plan**, the UK government is putting the UK on track to a low carbon economy.

The white paper lays down the measures that will help the UK to meet its legally binding target of cutting emissions by 34% on 1990 levels by 2020. The main policies driving emissions reductions are the EU Emissions Trading System, energy efficiency and increased use of renewable energy for heat and transport.

Published in parallel, the **UK Low Carbon Industrial Strategy** sets out how the UK government plans to help businesses and workers seize upon the scale of opportunities of a low carbon economy. Budget 2009 announced £405 million of new funding to encourage business to invest in low carbon technology and up to £4 billion of new capital from the European Investment Bank to support renewable and other energy projects. The UK government estimates that by 2020, more than a million Britons will work in the low carbon and environmental sector, with half a million additional UK jobs in the renewable energy industry.

## Breaking the Climate Deadlock report 'Technology for a Low Carbon Future'



To help build momentum ahead of the G8 and MEF summits we released a new report, in collaboration with Tony Blair, which finds that 70% of the reductions needed by 2020 can be achieved by investing in energy efficiency (through lighting, vehicles, buildings and motors), renewable energy and reducing deforestation.

Key findings include: (i) major emission reductions are achievable by 2020 if we focus action on key solutions now; (ii) 70% of the reductions needed by 2020 can be achieved by investing in energy efficiency – lighting, vehicles, buildings and motors – and reducing deforestation, the costs of which are manageable and generate positive returns; (iii) just seven policies (that are already being implemented in different parts of the world) can deliver these reductions: they just need scaling up; (iv) we need to invest now in developing future technologies that will take time to mature, in particular carbon capture and storage, large scale solar and new generation nuclear, along with public infrastructure such as smart grids; and (v) international cooperation driven by an ambitious agreement in Copenhagen can rapidly bring costs down and accelerate scale up of both current and future technologies.

[Read the report](#) or [listen again](#) to our “Breaking the Climate Deadlock: Technology for a Low Carbon Future” webinar, recorded on 30 July

## Upcoming initiatives from The Climate Group



Climate Group CEO Steve Howard, UN Secretary General Ban Ki-moon and New York City Mayor Michael Bloomberg at the launch of Climate Week NYC

### Climate Week NY°C

During the week of September 21, The Climate Group will act as secretariat for Climate Week NY°C. Hundreds of business and government leaders from across the world, including UN Secretary-General Ban Ki-moon, Former UK Prime Minister Tony Blair and New York City Mayor Michael Bloomberg, will converge upon New York City for a series of high-level meetings and events. These will include a UN meeting on climate change; the Clinton Global Initiative Annual Meeting; and the launch of the 2009 Carbon Disclosure Project reports. During this week we will also release our next Breaking the Climate Deadlock report.

## What businesses can do to help secure a strong global deal

**Read our next report.** In the lead up to Copenhagen, businesses must help convince government that an ambitious and robust global climate change deal is not only good for the environment but good for the economy too. The Climate Group's next Breaking the Climate Deadlock report, to be released during Climate Week NY°C, will provide further evidence of the economic benefits of tackling climate change, especially through international collaboration. Businesses also need a “long, loud and legal” deal to provide the certainty for businesses to make green choices and investments.

**Signatures needed.** The Climate Group supports the Prince of Wales's Corporate Leaders Group on Climate Change, which on 29 June released The Copenhagen Communiqué on Climate Change. The communiqué aims to be the definitive statement from the business community for COP-15. We are seeking over 500 companies from across the globe to sign up to this statement, which will send government a clear message that business is ready and willing to act. We will send more information on this shortly.

**Input needed.** The Climate Group is playing an integral part in the Task Force on Low Carbon Economic Prosperity – an initiative requested by UK Prime Minister Gordon Brown at the G20 Summit in London earlier this year. We are leading on two of the six working groups: market mechanisms and energy efficiency. These business-expert working groups aim to provide policymakers with specific guidance on how to maximise the opportunity for business investment in a post-Kyoto climate regime. The Task Force will report back to the G20 in Pittsburgh, 24-25 September. If you would like to know more about these working groups, including how to input into the reports, please contact [twright@theclimategroup.org](mailto:twright@theclimategroup.org)