

David Parker

# Sharing the Burden of Climate Change

I have been asked to talk about ‘sharing the burden of climate change’.<sup>1</sup> Of course, that means all of us playing our part. It is unfortunate that the language of this topic is in itself loaded to the negative. ‘Playing our part’ sounds far more desirable than ‘sharing the burden’!

Right now, the primary global response hinges on the Kyoto Protocol. The first commitment period of the protocol ends in 2012, so our next challenge will be looking at the options for tackling climate change after this date.

Here I would like to explore some of the key issues countries will need to consider post-2012 to effectively tackle climate change.

## Setting the scene

One of the achievements at the UN negotiations at Bali last year was adoption of the Bali Action Plan, which sets out the building blocks needed for a comprehensive international response after 2012. The Bali Action Plan agrees that we must have a ‘shared vision for long-term cooperative action’. This vision will set a long-term goal for the international community.

Importantly, the shared vision envisages emissions reductions goals for both developed and developing countries. Developed countries, including the United States, must state their quantified emission limitation and reduction objectives, taking into account their national circumstances. Developing countries will need to take on measurable, reportable and verifiable, nationally appropriate mitigation actions. The international community will strive to find ways to reduce

greenhouse gas emissions in ways that are compatible with a country’s circumstances, such as its size or economic situation.

Deciding what mitigation actions are appropriate and fair for different developed countries, and as between developing and developed countries, is referred to in the plan as ‘comparability of effort’, or what we’re calling burden sharing.

The concept of ‘comparability of effort’ builds on a key principle developed early on in the United Nations Framework Convention on Climate Change – the principle of ‘common but differentiated responsibilities and respective capabilities’.

These principles reflect the notion of equity. Equity doesn’t necessarily require us all to do exactly the same things. To be sure, the global community shares a common resource that must be collectively managed and cared for. However, it must be acknowledged that developed nations have a greater responsibility to deal with climate change because over time they have produced a large percentage of the emissions that are in our atmosphere today. Additionally, developed countries have more capacity to address climate change and, in the convention, are called to ‘take the lead’.

The principles of ‘comparability of effort’ and ‘common but differentiated responsibilities and respective capabilities’

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**Hon David Parker** holds the climate change and energy portfolios in the Labour-led government, and in this role has taken part in a number of international meetings and UN negotiations on climate change. On the domestic front, he has overseen the development of the New Zealand Emissions Trading Scheme which recently passed into law.

will guide the design of a future agreement after the end of the first commitment period. We should also keep these two principles in mind when discussing how the global community should address climate change or when we make decisions about New Zealand's role in this task.

## The type of burden sharing I have been referring to ... is really about how to fairly mitigate climate change across individual countries.

### **A global response is needed**

So, we know that a global response is needed, but what kind of response? The Kyoto Protocol provides just a stepping stone towards tackling climate change equitably and effectively. In its present form it cannot solve climate change, since it places commitments only on some developed countries and does not provide the basis for equitable burden sharing.

An effective global solution will require all major emitting countries to play their part. The future agreement will need to support strong global action on climate change. Developed countries alone will not be able to stabilise greenhouse gas emissions. As developing country economies and emissions grow in absolute and relative terms, they will, by 2020, account for more than 50% of global emissions. Therefore, developing countries – in particular those which are major emitters, and those which have graduated or should graduate from developing to developed status – will also need to take action.

Before negotiating what actions are fair for individual countries, we must first decide what overall emissions reduction efforts are required to determine our global goal. This long-term global goal must be meaningful and something that all parties can, and will, sign up to.

The latest science has reinforced the need for the international community to take urgent action on climate change. According to the Intergovernmental Panel on Climate Change, developed countries will need to collectively reduce global emissions by between 25% and 40% below 1990 levels by 2020. Developing countries, on the other hand, are in an intense growth phase. They will need to significantly reduce their projected emissions.

At the G8 summit in early July 2008 in Japan, some of our most important political leaders emphasised the need for a goal that achieves 'at least 50% reduction of global emissions by 2050, recognizing that this global challenge can only be met by a global response'. We still lack clarity as to whether that 50% reduction is below 1990 level emissions or uses some other base year.

### **Burden sharing**

Bearing that in mind, a key issue for the negotiations over the coming years is deciding exactly how much should be done and by whom. It comes back to the concept of 'comparability of effort' or 'burden sharing'. To be politically acceptable, our individual

burdens will need to be decided at the same deadline, using principles that are regarded as fair, equitable and practical.

As previously noted, a shared burden does not mean a simple division based on population. Each country's effort to reduce emissions will need to be determined in respect of their circumstances. These national circumstances include each country's mitigation potential, their capacity to reduce emissions and their stage of economic development.

As part of the collective effort by developed countries, New Zealand will take action that reflects its fair share.

Developed countries will also need to strengthen their assistance to developing countries. There needs to be an international effort to boost investment in the research, development and deployment of low-emissions processes and products. Again, the focus in each country will differ. In New Zealand we are focused on agricultural emissions and renewable energy. Australia has a greater focus on clean coal technology. The different emphasis reflects our national circumstances.

The type of burden sharing I have been referring to above is really about how to fairly mitigate climate change across individual countries. But burden sharing is not just about mitigation. It is also about adaptation.

The Bali Action Plan stated the need to increase action on adaptation, technology development and transfer, and financial resources and investment. If we are unable to effectively share the burden of mitigation, adapting to climate change will become extremely costly. Sharing the burden of adaptation would then become a critically important issue for developing countries especially. I would be concerned that unless we can achieve a fair mitigation agreement, fairness in adaptation will be very hard to achieve.

### **Maintaining the integrity of the global carbon market**

I would like to comment briefly on the emerging global carbon market. We all have an interest in seeing a durable global carbon market develop. As part of this, substantial benefits will accrue to developing countries through the Kyoto mechanisms such as the Clean Development Mechanism. In my view, more work needs to be done to maintain the reputation of international linkages and Kyoto mechanisms in the developed countries from which capital is flowing.

We need to ensure that these precious capital flows are focused on ensuring the widespread adoption of the most crucial low-carbon technologies. We already know that to beat climate change we need to deploy low-carbon electricity generation and new low-carbon transport technologies, and make progress in emissions-intensive sectors like aluminium, steel and cement.

In my opinion we may need to consider linking generous capital flows with agreements with recipient country governments to introduce and enforce regulated minimums. For instance, for a government to be eligible to obtain money generated by developed country emissions trading schemes

for clean stationary energy, such as for carbon capture and storage or renewables, we should consider whether this should be linked to adoption of a broader regulatory rule against high-carbon electricity generation, such as new coal-fired power stations without carbon capture and storage.

We need to protect the integrity of carbon markets. Corrupt or negligent practices, including poor audits of savings or additionality, must be stamped out. We should not undermine or pay for regulatory standards that ought to be applied anyway. We should not pay for what already makes economic sense without any subsidy.

We need to improve the understanding in all countries of the importance of government interventions around regulatory standards and of how carbon taxes work and can be recycled. We need mechanisms to deal with avoided deforestation. New Zealand has some experience and ideas on this front that may help.

Unless these issues are resolved, it will be very difficult for willing developed countries like New Zealand to justify to our people who elect our governments that the investment flows desired by developing countries should be part of the post-2012 agreement.

#### **Agreement on the rules for global commitments**

I turn now to New Zealand's negotiating position. Before New Zealand will commit to quantifiable goals for emissions reductions, both the accounting framework and the rules that will apply post-2012 need to be agreed. Our mantra on this issue is 'rules before commitments'.

Why do we want this? Past experience has shown that agreeing on the rules before making a commitment is vital for environmental integrity. Early on in the Kyoto international negotiations, countries made commitments and then chose to effectively modify their commitment by modifying rules. The international agreement around land use, land use change and forestry – or LULUCF for short – is one such example. Throughout the LULUCF negotiations, countries manoeuvred to claw back the concessions they had made in taking on their emissions reductions targets. In retrospect, this was perhaps a natural response – but we shouldn't repeat it again. Commitments need to make sense and be achievable.

This time we need both transparency around the rules and an open discussion before we start to negotiate our commitments. These discussions will help each country to determine how much it can reduce its emissions based on its national circumstances, and then make realistic commitments. Paying lip service to 'rules before commitments' would be to everyone's detriment, and would put at risk being able to reach a post-2012 agreement that all countries can accept.

#### **Burden sharing in New Zealand**

The issues I have outlined here in relation to burden sharing within the international community are also relevant to

the New Zealand government's domestic climate change goals. Sharing responsibility is in the design of the New Zealand emissions trading scheme (ETS). It incentivises emission reductions by rewarding decreases and charging for increases. It reflects into the economy the reality that we face as a country under Kyoto.

Without an emissions trading scheme, taxpayers would have to pay the whole cost of fulfilling our obligations under the Kyoto Protocol. Furthermore, there would be no incentive to reduce emissions, leading to an increase in New Zealand's liability under the Kyoto Protocol.

To avoid distortions, our ETS covers all six Kyoto greenhouse gases and all sectors of the economy over time. This ensures fair sharing of responsibility. Fairness among sectors is achieved by way of differing levels of free allocation, subject to the principle that all sectors see the full marginal cost for increases in emissions.

Reducing emissions is about more than just cost or meeting international obligations. Climate change puts the well-being of our economy, our communities and our environment, and our way of life at risk. It is right and proper that we do what we can to reduce our emissions, prepare for climate change and become more environmentally sustainable. Of course, all countries have this to consider in the international negotiations. Plainly, there is a lot at stake here.

**There is a special responsibility on the world's major economies – both developed and developing – to show leadership.**

#### **A shared vision**

While it might seem like reaching agreement on goals for emissions targets is an almost insurmountable task, we already have an end date in sight. These negotiations are meant to be finalised at the meeting in Copenhagen in late 2009. This is not far away and we will need to make the most of the time we have because the issues are complex and agreeing the details won't be easy.

Our shared vision will help us get there. It reminds us that we all have a responsibility, no matter the size or the nature of our economies. We account for around 0.2% of the world's emissions. We can and will do our bit, but clearly we can't overcome without the rest of the world.

There is a special responsibility on the world's major economies – both developed and developing – to show leadership. I remain hopeful that we can reach a positive outcome from these negotiations. The people of the world are overwhelmingly behind us. We have the political mandate to act.

1 This is an abridged version of the opening address by Hon David Parker at the Post-2012 Burden Sharing symposium, 29 July 2008, Wellington, jointly hosted by the European Union Centres Network and the Institute of Policy Studies.