Bruno Julien

An EU perspective on International Burden Sharing Post-2012

Introduction

Climate change issues have come to the forefront of international diplomacy and will increasingly dominate policy discussions, both within our countries and among them.[1] New Zealand, like the EU, has engaged with the battle on climate change and is currently grappling with the complexities of putting in place an emissions trading scheme.

The aim of this article is, first, to explain how the EU is contributing to the fight against climate change. In particular, I want to highlight how we already differentiate efforts within the EU among member states and different sectors, setting a real example of what could be done. Then I wish to outline some core elements for global burden sharing to be negotiated at the Copenhagen conference to be held under the United Nations Framework Convention on Climate Change in late 2009.

I use the expression 'burden sharing' because it is in the title of this conference, but I think that this is not the most appropriate concept. What we should in reality be sharing is the responsibility to maintain our planet in good order for our children and grandchildren. If we don't share the commitment to address the situation now, then we will all have to share the catastrophes in the future, no matter if we are rich or poor, developed or developing.

EU global ambition level

The European Union (EU) has been at the forefront of the fight against climate change for almost a generation now and we are generally presented as 'a', if not 'the', leader in this area. There are three important reasons why the EU has been proactive.

First, we know that all nations, one day or another, will have to take measures to mitigate and to adapt to climate change. So the sooner, the better.

Second, we have a duty as developed nations – and as such, significant polluters – to develop policies and the essential technology transferable to other parts of the world.

Finally, the EU is convinced that the first to move will be able to harvest the early fruits of the adaptation needed for the new economic environment.

His Excellency **Bruno Julien** is the Ambassador and Head of Delegation of the European Commission to Australia and New Zealand. Mr Julien has worked with the European Commission in Brussels for 25 years, most recently as head of the LIFE unit in the Directorate-General for Environment, managing around 800 projects that form LIFE, the EU's financial instrument for the environment. He was also in charge of the EC nature policies and biodiversity policies.

It was as early as 1991 when the EU started to be concerned with the growing body of scientific evidence showing the ill effects of climate change. That evidence prompted the EU to launch its first strategy to limit carbon dioxide emissions and improve energy efficiencies.

By 2000, the EU was ready to adopt the first European climate change programme. This helped to address the challenges of climate change in a more systematic way. It identified a list of priority actions and policy measures in areas as varied as voluntary standards for car emissions and co-generation and urban greening.

A second programme was launched in 2005 – one that extended the initial package and introduced an emissions trading system (ETS). The ETS, with all its imperfections, was the first integrated system in the world to be applied by a collective number of states. The EU has learnt from its experience and is now improving this system.

In March 2007 the EU heads of state and government endorsed a package of concrete policy proposals to set Europe firmly on a path towards a low carbon economy. The EU now stands ready to deliver this ambitious medium- and long-term climate change package – without waiting for the results of Copenhagen.

We are making commitments already to show a good example. The EU has committed itself to reducing its overall emissions to at least 20% below 1990 levels by 2020. We are ready to scale up this reduction to as much as 30% under a new global climate change agreement, if other developed countries make comparable efforts.

We have also set ourselves the target of increasing the share of renewable energy use to 20% by 2020; so much so that the French presidency of the European Union has made it a major priority to conclude this package of measures by the end of 2008.

The mechanics

The EU as a region has a highly diverse economy. To achieve these goals, we must set out policies and share targets with this in mind. Some of our member states have a gross domestic product (GDP) per capita that is among the richest in the world, while others have a GDP per capita similar to that of Brazil.

The European Commission has come forward with a package of measures designed to ensure that the overall EU-wide target agreed by the EU Council in March 2007 is met; that the system is fair given such a diverse set of member states; and that policy instruments are flexible enough to ensure overall cost efficiency. The package treats the emissions of the EU emission trading system – the EU ETS – and sectors and gases outside the EU ETS differently.

As a reminder, the EU ETS broadly covers 40% of the EU's overall emissions by the largest emitters (about 11,000 companies in the energy, metal, mineral, cement and paper industries). The non-ETS section covers all other emissions, from transport to agriculture to waste, and so forth.

Two separate legal instruments are proposed by the European Commission, one to cover the reviewed EU ETS and one to cover the sectors and gases outside the EU ETS. This is a top priority of the current French presidency.

The EU has allowed for two different sets of targets to ensure reduction of its greenhouse gas emissions by at least 20% compared to 1990:

- for the EU ETS, this target is set at the EU level: a reduction of 21% compared to 2005;
- for the other sectors the reduction target is set at the member states' level. These add up to an emission reduction in the non-ETS sectors of around 10% compared to 2005.

Once a global agreement is reached, both targets will be adjusted to a stricter reduction target as necessary. For the non-ETS sector, the proposed decision sets national emission targets which take into account fairness and reflect differences in GDP per capita. The EU's largest and richest economies are required to reduce emissions to up to 20% below 2005 levels by 2020, while those economies with the lowest GDP per capita levels may still see growth in emissions compared to 2005, capped at +20% for the poorest. This allows some of our poorest member states to continue emission growth in sectors such as transport and housing, where they still have much to catch up compared to the rest of the EU.

Let me now turn to the ETS. Our current proposal to strengthen and improve the EU ETS draws on the lessons learned during the implementation of the first phase from 2005 to 2007. We envisage the introduction of an EU-wide cap on the total number of emission allowances – replacing the current system of national caps, and reducing emissions to 21% below 2005 levels by 2020. Companies will be treated equally, wherever they are located in the EU. To address fairness concerns, the European Commission proposes that countries with low GDP per capita will receive relatively more allowances to auction than richer member states. This redistribution is capped at 10% of the allowances allocated to the richer member states. Overall, the sharing of efforts (not burden) is designed to take into account the economic development of the various member states.

International action

The EU has long recognised that climate change is a global problem, and that the solution demands concerted international action. The EU climate change and energy package confirms that the EU is determined to move ahead. It has elements in it that will feature during negotiations in the international arena:

- It confirms and strengthens the carbon market as a tool to reduce emissions cost effectively.
- Through increased use of auctioning, it provides an innovative and sizeable source of finance for climate action.
- It differentiates between countries in the action they need to undertake.

The Bali conference recognised the need for action from both developed and developing countries. But there are substantial differences in circumstances and capabilities between countries that cannot be ignored. Action on climate change needs to be fair and thus differentiated. Debate and reconciliation of these differences and responsibilities in nature and magnitude is the key task in the next 18 months leading to Copenhagen.

We must reach agreement by Copenhagen in 2009. Given our ambitions and the level of agreement required, the road to Copenhagen will not be easy. As an international community we face the common challenge to at least halve global emissions by 2050 compared to 1990 levels. Business as usual is not a viable option – neither for developed countries nor emerging economies.

Developed countries

It is clear that developed countries – with their still substantially higher per capita emissions and income level – need to take the lead. An agreement will have to make sure that all developed countries move towards sufficiently ambitious emission reduction targets that are binding and comparable, including those countries that are not part of the Kyoto framework.

The EU believes that developed countries must take the lead. This should translate into binding targets. The EU thinks that these binding targets need to lead to an emission cut to 30% below 1990 levels by 2020 by the group of developed countries. This is in line with the findings of the Intergovernmental Panel on Climate Change that indicate that emissions from developed countries have to be reduced in the range of 25% to 40% in order to be on a 2°C pathway.

The good news is that much is happening in the United States both at state level and within Congress. Climate change is now part of the political debate, as we can see from the current presidential campaign.

The G8 meeting has moved the international community closer to an ambitious long-term vision. Between now and Copenhagen we need to agree to ambitious, meaningful and binding goals for emission reduction by all developed countries for the short and medium term, consistent with our long-term ambitions.

The EU, with its invaluable experience, is ready to engage with an open mind to set fair and effective targets. Hopefully this debate will still start this year.

Developing countries

But enhanced contributions from developing countries will be necessary too. We must ensure that their contributions lead to substantial reductions in greenhouse gas emissions compared to business-as-usual projections. Their main challenge and responsibility is to devise development strategies that follow lower carbon emission pathways. Many of these actions can come at no or low cost. They will certainly include many energy efficiency policies, beneficial in the longer term in times of energy insecurity.

Additional initiatives will be required beyond those win-win options. An agreement will need to work out concrete and measurable actions. To some extent it will have to be supported by developed countries. The global carbon market has an important part to play. Developed countries will need to live up to their existing and potential new commitments vis-à-vis developing countries, whether through access to technologies or to finance in general.

Climate change is incorporated as a key element in the European Union's development policies worldwide. Nowhere is this more relevant than for vulnerable Pacific Islands. Our 'blue-green' approach in partnership with Pacific Island governments aims to help their countries adapt to and mitigate the effects of climate change.

At the political level, we are building a global climate change alliance to work towards a post-2012 framework. We look forward to New Zealand's participation in the global climate change alliance in the Pacific in the near future.

We need to open a discussion on some of the innovative finance mechanisms as proposed by some parties in ongoing negotiations. The necessary shift in investments will neither come only from public finances and instruments, nor can it be mobilised in the private sector alone. Both aspects should be part of the package.

We want a more formal debate as soon as possible on how to differentiate between developing countries. Many parties agree that the least developed countries should not be asked to take on new commitments. But even among the remaining developing countries, differences in emissions and development levels are substantial and should be reflected in their contributions to the global efforts needed to fight climate change.

For emerging economies we must find the right combination of tools and incentives to ensure sufficiently ambitious contributions from them, which will then pave the way for further efforts on their side after 2020. Certainly, the most advanced developed countries will have to contribute significantly through their own domestic efforts to pursue a low-carbon development path.

Conclusion

As I said initially, to win the battle against climate change, all countries and responsible policy makers need to understand this major point: we should not focus too much about sharing a possible burden. At least equally, if not more importantly, we must concentrate on creating common opportunities when moving towards low-carbon economies.

Internationally, our lasting goal should be the creation of sustainable jobs and stronger economic growth in a more secure energy future. The EU example shows that as long as there is strong political will and commitment, states can cooperate and agree to share the necessary adjustments.

We have a historic opportunity ahead of us to reach a successful agreement in Copenhagen that must re-shape the future of mankind. Let's seize it together!

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1 This is a slightly edited version of the address given by His Excellency Bruno Julien 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.