



# THE SIX ISSUES FOR COPENHAGEN

– The key questions for December's Climate Change Summit.

The position in May 2009

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*Kyoto, Bali, Nairobi, Poznan, Bonn, Bangkok, Copenhagen. Climate negotiation is global, it's big and it's very complex.*

The April 2009 meeting of the United Nations Framework Convention on Climate Change (UNFCCC) – the body overseeing global climate negotiations – ran over eleven days, with thousands of pages of proposals reviewed. Many are not exactly bed time reading. With 192 countries involved in the discussion, achieving consensus on a new climate deal in Copenhagen is not going to be easy.

So there's no doubt that the Copenhagen discussions are going to be huge. Significant concessions will be needed and a final agreement will see significant new financial and institutional structures established. Joint Implementation and Clean Development Mechanism projects are likely to look small by comparison.

All of this provides significant opportunity for business. Opportunities to build competitive advantage. Opportunities to respond to changing carbon finances quicker than others.

*This paper sets out WSP's view of the six big areas that Copenhagen delegates will need to agree in December. We'll revise this document after each of the five summits leading up to the main conference. This edition includes the progress made during the April 2009 Bonn summit.*

## **Issue 1 – what does success look like?**

The UNFCCC is clear that 'deep cuts' have to be made in global greenhouse gas (CO<sub>2e</sub>) emissions and it appears clear that the commitments will need to be made by 2050. But how deep is deep? The ambitions of countries today range from 'aspirational' to 'achievable' and from 'comprehensive' to 'not undermining global economic development.' This will be the first question to answer.

Long term stabilisation targets still range from between 450 and 350 parts per million of CO<sub>2</sub> equivalent (ppm CO<sub>2e</sub>). This compares with current levels of 430ppm CO<sub>2e</sub> today.<sup>1</sup>

Alternative approaches that could be agreed by way of long term goals include specific targets to reduce greenhouse gas emissions from current levels (likely) or agreeing a limit to the global average temperature increase to between 1.5 and 2°C above pre-industrial levels (less likely).

## **Issue 2 – how much will industrialised countries agree to reduce their emissions by?**

The UNFCCC has suggested that the 40 developed countries (Europe, USA, Canada, Japan, Australia and New Zealand) commit to reducing CO<sub>2</sub> emissions to between 25 and 40% below 1990 levels by 2020. This could be further matched by a longer term 2050 commitment to reduce emissions by 85% from 1990 levels.

Most developed countries have made national commitments already to reduce their CO<sub>2</sub> emissions, but these are in nearly every case significantly less ambitious than the UNFCCC's headline request. Typical commitments are around 15-16% reduction from current levels, although some countries, such as Ukraine, have made no carbon commitment. There will also be variations in the base year used to calculate emission changes and the extent and calculation used to measure emissions. All of these will need to be agreed. We also expect significant negotiations in agreeing how a headline 'developed country' target will be allocated between the 40 developed nations. Each country will have different circumstances and different ambitions.

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<sup>1</sup> This comprises 380ppm of CO<sub>2</sub> and 50ppm of other greenhouse gases including methane, nitrous oxide and the F-gases etc.



# THE SIX ISSUES FOR COPENHAGEN

## **Issue 3 – how much will developing countries agree to limit the growth of their CO<sub>2</sub> emissions**

Carbon emissions in developing countries grow as their populations increase and with increasing affluence. The UNFCCC is calling for a “substantial deviation” from business as usual growth – improving by between 15-30% from this baseline by 2020. This could then be followed by a specific commitment to reduce greenhouse gas emissions by 25% from 2000 levels by 2050.

Some of the largest nations, such as India and China, have already agreed national carbon reduction and energy efficiency plans. And these are ambitious. China’s 20% energy efficiency target in its 11<sup>th</sup> Five Year Plan is the largest CO<sub>2</sub> mitigation action in the world. Developing countries will need to formalise this as part of an agreement. It will be inconceivable that the 40 industrialised nations will sign up to an agreement without commitment from developing countries.

The commitments for developing countries will not be about reducing emissions, but about limiting growth. Specific areas for discussion include:

- Specific national CO<sub>2</sub> commitments in country development plans – Nationally Appropriate Mitigation Actions would be specific to each country, would build on existing programmes and would be voluntary.
- The scope for energy efficiency gains by industry and households.
- How avoiding deforestation can form a part of managing climate change. Deforestation is responsible for 15% of the world’s global emissions and there is a specific working group reviewing approaches to measure and address this area.
- Sectoral agreements for global industries, providing carbon targets for whole industries. These agreements would reduce the possibility of moving carbon heavy operations to developing countries to avoid regional carbon trading schemes. They would also address emissions from global operations, such as maritime and aviation operations.

## **Issue 4 – how do we get real action on climate change adaptation?**

Most work has focussed on reducing carbon emissions – mitigation action, as it’s known. But scientists tell us that even if we stop the carbon emissions growth immediately, the world will still warm by 2°C. This will lead to significant changes in rainfall, water availability, flooding, food, health impacts. The impacts will be felt in both developed and developing countries. Some countries will be affected more than others. Identifying, these impacts and paying for investments to manage them will be hugely expensive. Copenhagen must begin to deliver very significant progress on these matters.

Discussions will focus both on the step change in planning and also on building resilience to climate change. This won’t just lie in capital investment programmes, but also in knowledge sharing, legislation development, economic diversification. There are also proposals to share the risk of climate change beyond the more vulnerable countries. This will take place by disaster strategies and also by private sector actions, such as insurance strategies.

## **Issue 5 – who’s going to pay for developing countries’ work?**

The action that developing countries take will be dependent on effective support from developed countries. Current mechanisms, such as the Clean Development Mechanism (CDM) will not provide the scale of resources needed. UNFCCC notes “the need for substantial change in this area.” The Copenhagen delegates will need to agree a much more robust programme. This will include public finance support and also market mechanisms such as emissions trading. The programme needs to cover both mitigation and adaptation measures.

There are many thoughts already on the table. Two possibilities that look particularly interesting are to auction emission rights in developed countries and use part of the revenue for international cooperation. The other is to place a 2% levy on all CDM projects to fund adaptation. Other suggestions – among many – include contributions based on Gross Domestic Product (GDP), blended contributions (based on GDP, emissions and population), a uniform carbon tax of around \$100 per tonne, and an aviation tax. Emissions trading that brings in developing countries emissions will also be a key area.

# THE SIX ISSUES FOR COPENHAGEN

Suggestions for allocating this resource pot include dividing this range from equitable allocation through to a league table of GDP/head with the poorest nations receiving more support. Funding might also be based on the ambition of a country's climate mitigation and adaptation plans.

## **Issue 6 – how will the agreement be enforced?**

Robust enforcement will need to cover i) that countries meet the commitments they make; and ii) that the overall agreement is managed in a prudent and sound way. The current Kyoto agreement has no formal enforcement. So countries have no real incentive to meet their national commitments – other than public name and shame. This cuts little ice in a recession led world. The agreement needs to have teeth with clear and agreed penalties for countries that backtrack on their commitments.

To be effective, the agreement, its mechanisms and the management of funds needs to be administered in a scrupulously clear way. This doesn't mean that it will always be led by developed or developing countries alone – far from it. One of the key issues to be agreed will be how developing countries receive support that they specifically need and – far from the colonial era – are equal parties in the fund management. There also needs to be no whiff of corruption, misappropriation of funds or of spurious projects that are 'technically' permitted but which in practice do little to reduce carbon emissions.

## **Will there be an agreement?**

WSP remains optimistic that there will be an agreement in December. Scientists will probably want a stronger agreement – and they will probably be right. But getting an agreement that can be adopted by countries – particularly the USA - is more important. And agreements can then be bolstered later. The first Bonn summit has really done little to move the hard decisions forward. The atmosphere was cordial, but negotiation was tactical. The hard decisions and the really big decisions still need significant work over the next negotiating rounds.

Even if there is no agreement, significant action on climate change is already underway. Most industrial nations have committed to strong action on climate change already and the programmes developed by India and China will continue. So Copenhagen will not be an 'all or nothing' event. But an agreement is still more important – particularly for developing countries who will be affected more than most by climate change. Strong and implemented adaptation strategies are essential for them.

Much work remains to be done. The Bonn and Bangkok meetings in the run up to Copenhagen are as important as the final meeting in December 2009 in making this agreement. Ministers are agreed that action has to be done – but the detailed approaches on just how the world will agree to reduce greenhouse gas emissions have yet to be defined. The final outcome needs to be positive. It cannot leave developing nations in darkness. It cannot stop developed nations climbing out of recession. It must maintain standards of living. It must make those 'deep cuts.'

## **FURTHER INFORMATION**

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## **ABOUT US**

WSP Environment & Energy is a market leader in environmental, energy and sustainability consultancy. Globally we have over 1,000 people in 65 locations, and we are a part of WSP Group Plc.

Thought leadership is at the heart of our business. We pride ourselves on having an opinion. We use this to help our clients create sustained value from environmental issues and opportunities.