



## **The Climate Challenge and EU Policy Efforts**

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The increasing urgency of responding to the climate challenge should come as no surprise. Declining arctic sea ice extent, increased melting of permafrost and increased forest vulnerability and mortality represent only a few of a multitude of potential *tipping events* that could trigger an even greater increase the rate of global warming and climate change. By now it is old news that the 2007 IPCC findings were quite conservative estimates, the likely outcome of a decision-making body based on consensus outcomes.

As we approach the next round of UNFCCC Conference of the Parties negotiations in Durban, South Africa (Nov/Dec 2011), the sense of urgency continues to rise. By now we know that *Business as Usual* impacts on rising temperatures are likely to be significantly higher and ideal target atmospheric CO<sub>2</sub> concentrations significantly lower than previously predicted. And we likewise know that even if the world's governments are able to bring about a reversal of current behavior patterns, the world is already pre-committed to a significant rise in average temperatures and a significant loss in global welfare. The only question is how much time we have already lost and how bad things will get before we can turn them around, if indeed we are ever able to turn them around.

In assessing the Cancun outcome, it seems appropriate to point to the significant failures

at this meeting. Despite attempts to remain positive and keep sights fixed on the successful conclusion of an ever distant international agreement, we are rapidly running out of time. Progress must be made and made quickly, despite what a few wildcard Representatives and Senators in the US Congress might think. At least Europe, along with many other countries in the world, appears to have recognized this imperative. Despite these failings, the *Cancun Agreement* does point to increasing consensus among world leaders on a few key points: 2°C (and, subject to continued analysis, perhaps 1.5°C) represents a commonly recognized and agreed target, the range and breadth of emission reduction commitments *across* Annex I and non-Annex I countries is increasing and further attempts will be made in Durban to arrive at a legally-binding and broadly-inclusive international agreement.

There are several contributions the EU could make to future endeavors. Perhaps the greatest contribution for the next round of negotiations is the delivery of a signature from its US ally in Durban. This of course is no easy task and the path to achieving this goal appears more heavily laden with uncertainty than attempts to predict precise temperature and precipitation changes in the coming years and decades. But one thing seems relatively certain: without a US commitment, the relative commitment and con-

tribution of many other—in particular developing—countries is likely to be half-hearted. And the reasons for this are quite simple: the developing world bears little direct historical responsibility for the current climate dilemma and growth aspirations are excessively difficult to put aside where the developing world is not actively and convincingly showing the way. Apart from a string of oil-rich countries collectively responsible for less than 1% of the world's emissions Australia (1.5%) and Luxembourg (.03%), the US and Canada are the world's two worst *per capita* offenders and the two countries most in need of significant behavioral and policy reform. Together they represent a total of about 20% of world GHG emissions, an amount roughly equivalent to China's emissions but with only a quarter of the total population.

There are several paths the EU might pursue in order to convince its US ally to sign an international agreement. One path is certainly what happens already: active diplomacy and continuous international information exchange. This will require a significant and singular effort both from the current Hungarian and the upcoming Polish EU presidencies.

A second path is to begin picking away at some US peccadilloes. One of these is certainly the concept that the protection of US competitiveness depends on low cost energy resources (in particular coal). While the failure to include countries like China in an international agreement could potentially boost the relative competitiveness of Chinese goods in the short-term, the potential for reducing costs by boosting relative energy efficiency in the longer term in the US (and in many other countries) is huge. Of course China has already provided every indication it is prepared to commit to an in-

ternational agreement. And there are likewise significant signs that China will continue to actively promote the growth of low carbon energy resources. In fact, if the US refuses to get on board with the program, it could easily be left behind in a high carbon desert—increasingly isolated, out-competed and utterly bereft of international credibility.

Another peccadillo is frequent US (and occasionally EU or member state) insistence on the view that renewable energy technologies are expensive. For one, this is simply no longer true. Prices for all renewable technologies have declined rapidly over time and in many cases have begun to approach parity with fossil fuel-based technologies. For another, there is a significant correlation between the rate of technological innovation, falling prices and the amount of public support dedicated to the rapid adoption of renewable technologies. By preserving basic market conditions, consumer-based subsidies such as feed-in tariffs (FIT systems) or consumer rebate programs that do not directly benefit technology producers freely drive both technology and price competition. The adoption of renewable technologies (as well as renewable technology innovation) is one area in which some of the EU15 member states have excelled, primarily as a result of feed-in tariff (FIT) systems of the type used in Germany, Spain and a few other countries. Such strategies could be expanded across the EU and also exported.

A third path is leading by example (as should the US). As one of the world's foremost promoters of replacing the Kyoto Protocol when it expires at the end of 2012 with a renewed climate treaty, the EU has already done much to fulfill this proscription. On the other hand, many of the advanced EU member states still have a long way to go to meet the requirements of the current

treaty. One miraculously lesser known fact is that the major share of emission reductions in the EU27 can be ascribed to two factors: the incorporation of the Central and East European economies in the EU and the recent economic crisis. Moreover, as the Central and East European countries have been relatively hard hit by the economic crisis, they have also likely again borne a disproportionate share of the emission reduction burden. Together, these two factors explain the major reduction in emissions compared to the 1990 base year. Moreover, without this and without the right to draw on the Kyoto flexibility mechanisms (CDM, emission trading, etc.), the majority of EU15 member states would not be able to meet their Kyoto requirements in 2012.

By way of setting examples, the EU could opt for a unilateral, formal commitment to a 30% reduction of emissions by 2020. Of late, due to significant progress on emission reductions, this option has been more frequently discussed in the EU. Resulting in large measure from the impact of the economic crisis, in 2009, only one year into the Kyoto commitment period (2008-2012), EU27 emissions were 17.3% below 1990 levels, already very close to the 20% EU target set for 2020. In order to cement this significant progress as growth again begins to take hold and in order to illustrate by example that emissions can be successfully decoupled from economic growth, setting a 30% target as well as revising some of the main features of current EU policy efforts seems appropriate.

The most recent EU Council Conclusions, while welcoming progress in Cancun, fail to provide a more significant commitment. Though signaling the importance of developed countries reducing emissions by 25-40% by 2020, the Council Conclusions fail to

demonstrate how the EU or individual member states will achieve this goal. The European Commission's Flagship Europe 2020 Initiative and the series of proposals on Energy Efficiency and a Roadmap for the Low Carbon Economy by 2050 do little more, suggesting only that the EU may be able to achieve total emission reductions of 25% by 2020.

A further area for concentrating EU efforts would be to more strongly recognize and reward the Central and East European countries for their contributions to EU27 emission reductions. The comparative success of the Central and East European member states is nowhere adequately reflected in EU policy efforts. Moreover this relative success, whether due to the positive efforts of Central and East European member state governments, economic transition or the current economic recession, should be cemented into place by the rapid adoption of strategies to preserve and further promote it. As currently discussed also by the European Commission, one way of achieving this goal is to firmly anchor and prioritize emission reductions and the development of the low carbon economy in the European Community's structural and cohesion fund framework. Moreover, under the guidance of the current Hungarian and upcoming Polish presidencies, this is presumably an issue around which most or all of the Central and East European member states could potentially rally and unite.

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