Statement of

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regarding
The Roadmap from Poznan to Copenhagen –
Preconditions for Success

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Mr. Chairman, Mr. Sensenbrenner, and members of the Select Committee, thank you for the opportunity to testify on the international climate change negotiations and the path toward a post-2012 climate treaty. My name is Elliot Diringer, and I am the Vice President for International Strategies at the Pew Center on Global Climate Change.

The Pew Center on Global Climate Change is an independent non-profit, non-partisan organization dedicated to advancing practical and effective solutions and policies to address global climate change.[1] Our work is informed by our Business Environmental Leadership Council (BELC), a group of 44 major companies, most in the Fortune 500, that work with the Center to educate opinion leaders on climate change risks, challenges, and solutions.

Mr. Chairman, in requesting my participation in this hearing, you asked me to address several important questions. Before responding to each in turn, I would like to highlight the following key points:

- Governments have made important progress since the 2007 Bali conference in strengthening their national efforts and in laying groundwork for a new multilateral agreement. In anticipation of new U.S. leadership, governments recently agreed to enter into "full negotiating mode" with the aim of achieving a comprehensive agreement later this year in Copenhagen.
- To be effective, a post-2012 climate framework must establish verifiable commitments by all major economies, including economy-wide emission targets for developed countries, and a range of policy commitments for developing countries. The major challenges for Copenhagen are agreeing on: a range of "comparable" emission targets for developed countries; the basic terms of developing country action and a process to further specify them; the appropriate means and level of support for developing country actions; and how countries' efforts are to be measured and verified.

[1] For more on the Pew Center, see www.pewclimate.org.

- The Copenhagen conference should be considered a major success if it produces a strong interim agreement that puts a full, final and ratifiable treaty within reach. This agreement should establish the basic architecture of a post-2012 framework; indicate the range of emission reductions and the level of support that developed countries are prepared to commit to; and initiate a process to determine the specific actions to be undertaken by developing countries.
- To ensure success in Copenhagen, the United States must lead at home, by quickly enacting comprehensive mandatory legislation to reduce U.S. emissions, and abroad, through vigorous multilateral and bilateral engagement. In fashioning domestic legislation, Congress can strengthen the hand of U.S. negotiators. Provisions authorizing a stronger U.S. effort and stronger support for developing countries upon ratification of a new climate treaty could provide important leverage to secure stronger commitments from other countries.

1. What progress has the international community made since the negotiations in Bali?

The UN Climate Change Conference in Bali marked a significant turning point in the international climate negotiations. The United States and other parties to the UN Framework Convention on Climate Change (UNFCCC) launched a two-year process with the aim of reaching a comprehensive agreement at the UNFCCC Conference of the Parties to be held later this year in Copenhagen. In the year since Bali, global emissions have continued to rise at an alarming rate. But there has been encouraging progress both at the national level, with many countries stepping up their climate efforts, and in multilateral discussions, with governments now weighing specific options for a new agreement.

Many developed countries have taken steps to strengthen or establish mandatory programs to reduce greenhouse gas emissions. Most notable is the decision in December by European heads of state enacting a suite of policies aimed at achieving the European Union's ambitious goal to reduce greenhouse gas emissions 20 percent below 1990 levels by 2020. These include an expansion of the EU's Emissions Trading Scheme, new measures in sectors not covered by the trading system, and individual member state targets to increase renewable energy to 20 percent of the EU's overall energy mix. Separately, the United Kingdom set a mandatory target to reduce emissions 80 percent below 1990 levels by 2050. Elsewhere, the Australian government decided to develop a national cap-and-trade system and other measures to reduce emissions 5 to 15 percent below 2000 levels by 2020, and 60 percent by 2050. And the Japanese government launched a voluntary emissions trading system, and set a goal of reducing emissions 60 to 80 percent below 2005 levels by 2050. Japan plans to announce a mid-term emissions target later this year.

A number of major developing countries, meanwhile, have put in place national climate change strategies. China, which adopted a National Climate Change Program in 1997, issued a white paper last year elaborating its policies and actions. China also reported progress toward its ambitious energy intensity target, with energy consumption per GDP down nearly 3.5 percent in the first three quarters of 2008. India adopted a National Action Plan on Climate Change outlining existing and planned actions in eight areas, with a strong emphasis on energy efficiency and large-scale solar power. Brazil adopted a National Plan on Climate Change that includes policies to increase renewable energy and cut electricity consumption 10 percent by 2030. Brazil's plan also calls for reducing deforestation rates about 70 percent by 2017 – avoiding nearly 5 billion tons of carbon dioxide emissions – with support from the international community.

Mexico recently announced an aspirational goal to reduce emissions 50 percent below 2002 levels by 2050, and is developing sectoral targets with the aim of launching an emissions trading system by 2012. Finally, South Africa, following a detailed analysis of its mitigation options, has set a goal of stopping greenhouse gas emissions growth by 2020 or 2025, with absolute reductions to begin ten years later. The government intends to achieve its goals in part with an escalating price on carbon through a tax, emissions trading, or a combination of market mechanisms.

Beyond these national efforts, governments also have made progress since Bali in building common ground for an effective long-term global response. At the G-8 summit in July in Hokkaido, Japan, President Bush and other leaders supported a global goal of reducing greenhouse gas emissions at least 50 percent by 2050. In a declaration by leaders of the world's major economies, China, India and other major developing countries pledged to pursue "nationally appropriate mitigation actions…with a view to achieving a deviation from business as usual emissions." A new Clean Technology Fund launched at the World Bank through the Bush administration's initiative will help developing countries by supporting the deployment of commercially available clean energy technologies.

Within the UN climate negotiations, meanwhile, governments have begun debating the key issues and options for a post-2012 agreement. Parties have come forward with dozens of concrete proposals addressing key elements under the Bali Action Plan, including developed and developing country efforts; mechanisms for financial, technology and adaptation support; and a long-term vision to guide the international effort. These proposals and debates have highlighted significant differences among parties. But they also reflect a wealth of new and serious thinking within governments about the practical challenges of crafting a workable climate treaty. Perhaps most encouraging are the proposals from a number of developing countries suggesting ways their actions can be strengthened and embedded in a new climate agreement.

For years, governments have engaged in a prolonged pre-negotiation, even as the evidence of accelerated warming continued to mount. In anticipation of new U.S. leadership, parties resolved in Poznań in December that they were now ready to enter "full negotiating mode." Conditions are finally set for a genuine negotiation to begin.

2. What are the major challenges faced on the way to Copenhagen?

The Pew Center believes that, to be effective, the post-2012 framework must establish verifiable commitments by all the major economies, and that in order to do so, it must allow some flexibility in the types of commitments taken by different countries.

We believe all developed countries should commit to economy-wide emission reduction targets. They are effective and efficient, and are the foundation of a global greenhouse gas market. For reasons both political and practical, however, most developing countries cannot be expected at this stage to assume economy-wide targets. For these countries, the framework should also allow for policy-based commitments. These would be commitments to implement nationally defined policies – such as energy efficiency standards, renewable energy targets, sustainable forestry plans, or other sectoral policies – to produce verifiable reductions in greenhouse gas emissions.

In addition, the framework must provide incentives to developing countries to reduce their emissions, through market-based mechanisms and public finance, and it must help the poorest and most vulnerable countries adapt to the impacts of climate change.

The major challenges for Copenhagen are to reach agreement on: a range of "comparable" emission targets for developed countries; the basic terms of developing country action and a process to further specify them; the appropriate means and level of support by developed countries for developing country actions; and how countries' efforts are to be measured and verified. Each presents its own set of challenges; pulling them all together in a comprehensive package will be more challenging still.

Comparability of Developed Country Targets – Under the Bali Action Plan, a new agreement is to ensure the "comparability of efforts" among developed countries, a question that is likely to revolve primarily around mid-term emission reduction targets.

Comparability could depend on host of factors such as a country's: emissions intensity (emissions per GDP); relative wealth, or ability to pay; economic and population trends; past efforts to reduce emissions; marginal costs of abatement; and other national circumstances (resource base, climate, geography, patterns of trade, etc.). Agreement on a quantified formula to determine respective targets seems unlikely, however. Rather, targets will likely be determined through a political negotiation in which parties take factors such as these into account.

In the United States, President Obama has called for a domestic cap-and-trade system with the mid-term goal of reducing U.S. emissions to 1990 levels by 2020, the same target adopted by the state of California and by the six other states and four Canadian provinces in the Western Climate Initiative. The European Union, by contrast, has set a goal of reducing emissions 20 percent below 1990 levels, and says it is prepared to go further if other developed countries agree to comparable reductions.

Viewed against a 1990 baseline (the base year employed in the UNFCCC and the Kyoto Protocol), the EU target and the one proposed by President Obama appear very much at odds. Circumstances, however, have changed considerably since 1990. U.S. population has grown 19 percent, for instance, while Europe's has held steady. For the United States, a return to 1990 levels by 2020 would require a very significant level of effort. Measured against a more recent baseline, the EU target and the one proposed by President Obama appear considerably more comparable – each would reduce emissions roughly 15 percent below 2005 levels. Numbers emerging elsewhere fall in a similar range. Australia is considering reductions up to 15 percent below 2000 levels. Canada has talked of reducing emissions 20 percent below 2006 levels. Japan has yet to formally propose a target, but a government analysis released last year suggested a maximum feasible reduction of 14 percent below 2005 levels.

Defining Developing Country Actions – A major step forward in Bali was the agreement by developing countries to negotiate "nationally appropriate mitigation actions." One of the central challenges for Copenhagen is defining these actions in a way that is acceptable to developing countries and can be accepted by the United States and other developed countries as a genuine commitment.

The key issues are the form of developing country commitments, and the process for determining their specific content. As noted earlier, the Pew Center supports the use of policy-based commitments, in which countries agree to implement nationally defined policies producing verifiable emission reductions. Countries could tailor their policies to their natural circumstances, mitigation potentials, and development objectives. Policies could be sector-based or economy-wide, and could include standards, targets and fiscal or other measures. They should be defined in clear, verifiable metrics, such as energy intensity improvement, growth in renewable energy, reduced deforestation rates, or sectoral targets.

Beyond agreement on a general approach, a process is needed to define the specific actions of individual countries. This process could serve two purposes. The first would be to allow some assessment of the soundness and adequacy of the proposed actions. The second would be to determine the means and level of support to be made available to help implement the proposed actions; under the Bali Action Plan, developing country mitigation actions are to be "supported and enabled by technology, financing and capacity-building." These two purposes are inherently related: the strength of a country's commitment will depend in part on the support provided, and vice versa.

The expectations for any given country – and the nature and level of support it is likely to receive – will depend heavily on its particular circumstances. Developing countries strongly oppose any explicit differentiation among them beyond the categories already established in the Framework Convention, which gives special consideration to least developed countries and small island developing states. The bargaining process itself is likely to produce a de facto differentiation, however, with stronger commitments by the most advanced emerging economies, and perhaps none at all by many others.

Support for Developing Country Efforts – Agreement in Copenhagen will not be feasible without major progress on the question of incentives and support for developing country efforts. As noted, the Bali Action Plan makes developing countries' mitigation actions at least partially contingent on support from developed countries. Developing countries need assistance in analyzing their mitigation potentials, developing and implementing effective policies, deploying climate-friendly technologies, and measuring and verifying their emission reductions. In addition, the Bali Action Plan calls for stronger support for adaptation in vulnerable countries. Although mobilizing support will be especially difficult under current economic conditions and budgetary constraints, early progress in this area will greatly enhance prospects for an agreement.

There is broad recognition that the majority of investment for mitigation will come from private flows, in part through greenhouse gas markets. But additional public finance is needed to supplement private flows for mitigation and to address adaptation. While the level of support to be provided will in the end be critical, other questions must be addressed first. These are the means by which any public finance is to be generated, the institutions through which it is to be disbursed, and their governance.

International climate funding has relied primarily to date on pledging by donor countries; resulting flows are modest and unpredictable. An effective agreement will require adequate, predictable funding. Countries could commit to certain funding levels or formulas, but actual flows would remain subject to national appropriations processes. International mechanisms proposed by some parties – such as levies on international emissions trading, or an auction of international emissions allowances – would not require national appropriations but would be subject to fluctuations in the greenhouse gas market.

Institutionally, the major issue is whether any new funds are managed directly under the Framework Convention, as developing countries have proposed, or at the Global Environment Facility or a multilateral bank, as many donor countries prefer. Governance is another issue, with developing countries insisting on a much stronger say than under traditional donor-weighted models. The new Clean Technology Fund points to a potential compromise – placing any new funds at an existing institution, avoiding the need to re-create institutional capacity, but with a more balanced governance structure.

Measurement, Reporting and Verification – The Bali Action Plan introduced a critical new construct into the climate negotiations with the requirement that the mitigation efforts of both developed and developing countries, as well as support for developing country actions, be "measurable, reportable and verifiable" (MRV). Credible approaches to MRV will be essential to establish and maintain parties' confidence in their respective efforts and in the overall regime.

Existing practices under the Framework Convention and the Kyoto Protocol should prove adequate in the case of countries with economy-wide targets. New approaches will be needed for developing countries, which now have only minimal reporting requirements and are not subject to international review. If verification is done nationally, as proposed by developing countries, it should follow agreed international guidelines and be subject to international review. A review process could be strictly facilitative, providing expert advice where countries are falling short, or could entail consequences, such as a loss of financial support or access to the carbon market.

How support for developing countries is to be verified will depend on the way it is provided. As some support is likely to continue to flow through bilateral channels, common criteria are needed to distinguish "climate-related" assistance from other aid.

3. In what way should the US contribute to facilitating a success in Copenhagen?

The Copenhagen conference should be considered a major success if it produces a strong, balanced interim agreement that puts a full, final and ratifiable treaty within reach. Such an agreement could take the form of a decision of the UNFCCC Conference of the Parties and should:

- Outline the basic architecture of a post-2012 framework, including the types of mitigation commitments to be undertaken by different groups of countries, mechanisms of support for developing countries, and basic terms and mechanisms of measurement, reporting and verification;
- Set an emissions target range, or minimum target levels, for developed countries;
- Indicate the level of support to be provided for developing country actions, assuming a final agreement with appropriate developing country commitments; and
- Initiate a process to determine the specific actions to be undertaken by individual developing countries.

An agreement of this type would settle fundamental legal and design issues. Further, by specifying the level of effort they are prepared to undertake, and the level of support they are prepared to deliver, developed countries would in essence be placing a concrete and comprehensive offer on the table. This would create the necessary conditions to then negotiate the specific terms of developing country action, the major additional element needed to form a ratifiable agreement.

No country could do more than the United States to ensure success in Copenhagen. Inaction by the United States – the world's largest economy, and largest historic greenhouse gas emitter – has been the single greatest obstacle to global action on climate change. Over the coming year, the United States has the responsibility and the opportunity to instead drive the global climate effort through renewed leadership both at home and abroad.

First and foremost, the United States must exercise leadership at home by moving swiftly to enact comprehensive mandatory legislation to cap and reduce U.S. emissions. The Pew Center, along with the other members of the U.S. Climate Action Partnership, urges Congress to enact legislation this year to establish an economy-wide cap-and-trade system to reduce emissions 14 to 20 percent below 2005 levels by 2020, 42 percent by 2030, and 80 percent by 2050. We recognize that this timeline and these targets are ambitious. We believe they are achievable and economically sustainable, and that now is to the time to act.

The United States also must exercise leadership abroad through a full-fledged diplomatic strategy to achieve a comprehensive agreement under the UNFCCC establishing fair, effective and verifiable commitments by all major economies. President Obama's recent pledge of vigorous international engagement and his appointment of a Special Envoy on Climate Change are encouraging signs that the Administration intends to move quickly.

The Administration must immediately engage in the ongoing UNFCCC negotiations, making clear its commitment to achieving the strongest possible outcome, while at the same time helping to set realistic expectations for Copenhagen. Stepping into a negotiation midstream requires great delicacy. The new Administration will surely be welcomed, but it must be mindful of decisions already taken, and it may have to work hard to overcome a deficit of trust. It will be especially important to acknowledge recent movement by developing countries, and to make early progress on incentives for developing country action.

Success in the negotiations will require vigorous efforts on other fronts as well. The United States should work with other countries to quickly reconstitute the Major Economies process launched by the Bush administration. Despite their initial reluctance, many governments have come to recognize the enormous value of a small-group dialogue in laying the foundation for a comprehensive agreement under the UNFCCC. At the same time, the United States must step up bilateral engagement with key countries. With Europe and other developed countries, the Administration must work toward consensus on emission targets and common approaches to developing country engagement. With developing countries, it must signal a strong willingness to provide the support they need, while being clear about what the United States needs in return.

Of all the bilateral relationships, perhaps the most critical, and most delicate, is with China. While China has shown a greater willingness to engage in climate discussions, and is sensitive to its new standing as the world's largest greenhouse gas emitter, it is reluctant to be cast in the spotlight. Still, closer collaboration on clean coal technology and other energy and climate challenges could produce practical benefits for both countries and help pave the way for a multilateral agreement. Next week, the Pew Center will release a report produced jointly with the Asia Society outlining a proposed roadmap for U.S.-China cooperation on energy and climate change.

4. What are the inter-linkages between the ongoing national and international climate negotiations and how can they enhance and influence one another?

One of the most critical lessons of the Kyoto experience is how important it is that our domestic and international climate policies proceed in tandem. The United States should not repeat the mistake of allowing its climate diplomacy to move out ahead of its domestic policy process. This requires close coordination not only within the executive branch, but more importantly, between the Administration and Congress.

The United States' leverage in the international negotiations will depend heavily on the pace of domestic climate legislation. The ultimate timing and stringency of U.S. legislation will bear directly on the timing and strength of a U.S. commitment. For that reason, U.S. negotiators may not be in a position to conclude a final agreement intended for ratification until domestic legislation has been enacted or is close to enactment. Still, with the general direction of domestic climate policy now emerging, the United States can and should begin negotiating the overall structure of a new international agreement. At the same time, the Administration should work with Congress to incorporate into legislation provisions that will help at the negotiating table.

Many of the core issues in the design of a domestic cap-and-trade system have implications for international engagement. Some approaches can provide strong positive incentives for developing country action. Allowing U.S. emitters to meet their targets in part through the purchase of international offsets can mobilize private investment to reduce emissions in developing countries. Revenue from the auction of emission allowances can be used to support both mitigation and adaptation efforts. Border measures imposing costs on energy-intensive imports have been advocated as a way to encourage stronger developing country action. However, these could lead to trade and other conflicts, and other approaches can better address the competitiveness concerns of energy-intensive industries.

In fashioning domestic legislation, Congress can build in provisions to strengthen the hand of U.S. negotiators. The targets set under domestic legislation must fundamentally guide the U.S. negotiating position, but reaching an agreement will be easier if negotiators have additional room to bargain. Congress could, for instance, authorize immediate assistance for capacity-building in developing countries, with assistance for technology deployment to be made available upon U.S. ratification and entry into force of a climate agreement. Similarly, Congress could set aside allowance auction revenues to be made available on entry into force for emission reductions overseas above and beyond a U.S. domestic target. Being able to offer an international target somewhat stronger than the domestic target could provide the negotiating leverage needed to secure stronger commitments from others.

To summarize, I believe we now have an historic opportunity to mobilize an effective multilateral response to climate change, and it is incumbent upon the United States to lead both at home and abroad to ensure its success. I commend the Select Committee for bringing the attention of the Congress to bear on these critical issues, and thank you for the opportunity to present our views. I would be happy to answer your questions.