

progressive solutions to urgent international challenges

# Seeking New Opportunities to Prevent Global Warming

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**ABOUT “BUILDING GLOBAL ALLIANCES FOR THE 21st CENTURY”**

Initiated by leaders from the United States and Europe, “Building Global Alliances for the 21st Century” seeks to ensure security and prosperity for people around the world by developing and promoting progressive solutions to transnational challenges through global cooperation. Global Alliances draws on the experience and ideas of progressive leaders and thinkers to shape policy by developing and communicating innovative proposals that address global economic, security and sustainable development concerns. In the longer term, Global Alliances will address the institutional reforms required to manage our increasingly interdependent world. Global Alliances benefit from the direction of a prominent Steering Committee comprised of: Urban Ahlin, Madeleine K. Albright, Robin Cook, António Manuel de Oliveira Guterres, Morton H. Halperin, Lee H. Hamilton, John Monks, John Podesta, Poul Nyrup Rasmussen, Maria João Rodrigues and John Sweeney.

**ABOUT THE PROJECT CHAIRS**

Dr. Lena Sommestad, who holds a PhD in Economic History, has served as Minister for the Environment of Sweden since 2002. Ms. Carol Browner served in the President’s cabinet as head of the United States Environmental Protection Agency from 1993 to 2001. She is currently a Principal with The Albright Group LLC.

**BUILDING GLOBAL ALLIANCES FOR THE 21<sup>st</sup> CENTURY**

**Seeking New Opportunities to Prevent Global Warming**

Those concerned about global warming were likely hoping for a different outcome in this year's U.S. presidential election. But Russia's ratification of the Kyoto Protocol – which means the treaty will finally enter into force – reminds us that opportunities still exist to reinvigorate efforts to prevent climate change.

In our increasingly globalized world, strong economies and stable societies depend on sustainable development. Dependence on finite sources of oil leaves nations vulnerable. The impact on societies of the battle for resources can be as devastating as war or famine.

But perhaps nowhere is the challenge of sustainable development as profound and vital as the effort to combat global climate change and transition economies based on fossil fuel to cleaner, renewable sources of energy. Carbon pollution knows no boundaries. A smokestack in one part of the world may contribute directly to the destabilization of the climate in another. And the legacy of our pollution makes the consequences of our inaction a burden to our children and future generations.

“Building Global Alliances for the 21<sup>st</sup> Century” is a partnership between progressive international leaders seeking cooperative solutions to global challenges<sup>1</sup>. We recognize the need to lay the groundwork for action now. We recognize that we must reinforce the efforts of governments, nongovernmental organizations and businesses that have already developed initiatives to address this problem. We are committed to pursuing an ambitious effort to:

- Intensify efforts to implement local, national and regional emission trading markets for greenhouse gas emissions. We will seek to identify and include other flexible mechanisms designed to lessen the cost of meeting the targets laid out in the Kyoto Protocol. We must cooperate on lessons learned, and work to ensure consistency and transparency of systems in order to maximize potential linkages between distinct local, national and regional trading markets.
- Launch a plan of action for sustainable energy production. We must take the lead in fully exploiting the potential for more efficient uses of energy, including measures to promote energy efficiency technologies and renewable energy sources. In particular, we should break new ground in promoting technology transfers to developing and emerging economies.
- Initiate a broad discussion on the development of a global climate change accord beyond 2012. We should aim to include all countries in a multilateral framework and to develop an equitable accord that respects the diversity of circumstances and conditions across the globe.

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1. This paper reflects a strong consensus among participants in Global Alliances, though participants may not necessarily agree in every detail.

## Dangers of Global Warming

The earth's climate system has demonstrably changed on both global and regional scales since the pre-industrial era. And human beings are contributing more to global warming now than ever before by the unprecedented emission of greenhouse gases, especially carbon dioxide (CO<sub>2</sub>), into the atmosphere.

Recent studies, including the *Arctic Climate Impact Assessment*, have found more significant impacts from climate change than previously thought. The earth's ice cover is melting faster than earlier projections. The extent and rate of the climate changes under way most likely exceed all natural variation in climate over the last thousand years and possibly longer. The global average temperature has risen by 0.6 degrees, while the global warming rate is almost 0.2° C per decade. Large glaciers, such as those on the west coast of Alaska and in northern Canada, are melting at accelerated rates; melting reduced the mass of the Alpine glaciers by one-tenth in 2003 alone. The global average sea level has already risen by 10 to 25 cm (4 to 10 inches) over the past 100 years. Today, many Pacific island countries are only 1 to 2 m (3 to 7 feet) above sea level.

The climate change projected for the years to come will have predominantly adverse effects on environmental, socio-economic, and geo-political systems. Global warming may exacerbate global problems such as drought, famine, disease, regional insecurity, and population displacements. It can seriously impede the efforts of poor countries to tackle poverty and generate economic growth. A 2003 U.S. Department of Defense study reports that climate change could also have serious implications for national security, as nations seek to protect the scarce resources within their borders.

Climate change will have adverse impacts on public health and the well being of communities. Its effects may include increases in smog; hot and cold waves; water- and food -borne contamination; diseases transmitted by insects; and extreme weather events. The most vulnerable populations – children, the elderly, the poor and the disabled – will suffer the most from these effects. Severe weather events like tornados or floods will also affect the economy and quality of life through loss of income and productivity, increased stress for families, and increased costs of health care and social services.

Addressing global warming requires radically transitioning our global dependence on fossil fuels and the exponential increase in greenhouse gas emissions. According to the International Panel on Climate Change (IPCC), we must reduce total global emissions by approximately 70 percent to confine the global temperature increase to two degrees centigrade. Unfortunately, the concentration in the lower atmosphere of CO<sub>2</sub>, the main greenhouse gas, is now at its highest in 420,000 years – possibly even 20 million years – and stands 34 percent above its level before the Industrial Revolution. This rise has accelerated since 1950.

Our long-term task is to reduce greenhouse gas emissions by looking beyond fossil fuels – which emit greenhouse gasses when burned for energy – to other sustainable forms of energy. While this will not be easy, as industrial society has been built on the use of fossil fuels, the cost of inaction is greater still. The transformation costs should be spread fairly, and equity issues between developed and developing nations must be addressed.

### **Global Action Needed – and Possible**

Combating climate change requires concerted global action. The United Nations Framework Convention on Climate Change provides basic principles for collaboration. The Kyoto Protocol (adopted at the third session of the Conference of the Parties to the Convention in Kyoto, Japan, on 11 December 1997) adds to these principles by requiring developed countries to put caps on greenhouse gas emissions.

The Kyoto Protocol not only induces efforts to limit climate change, but spurs cost effective approaches that avoid distortions in competitiveness between nations and including market oriented instruments such as emissions trading. Like all binding commitments, the Protocol must be combined with systems for monitoring, reporting and compliance – elements that must be part of any future multilateral accord. We hope that all countries will eventually join the Protocol process, as Russia recently did. Unfortunately, the United States – the largest greenhouse gas emitter in the world – remains conspicuously absent.

As efforts to advance the Kyoto Protocol continue, we must pursue complementary means to reducing greenhouse gas emissions. In this paper, Global Alliances proposes three strategic initiatives to confront the global problem of climate change:

#### *1. Emissions credit trading and other flexible mechanisms*

We must intensify efforts to develop local, national and regional emissions trading markets for greenhouse gases with the ultimate objective of a global trading market. We should share lessons learned and build linkages between distinctive trading markets at all levels.

Emissions trading programs cap the total output of CO<sub>2</sub> emissions, allowing businesses to buy and sell – “trade” - emission allowances, thereby achieving cost-effective emission reductions.

Emissions markets offer flexibility for companies to find the most cost-effective solutions to achieving emissions reductions by encouraging efficient allocation of investment. Emissions trading also minimizes the distortion in international competition. The United States has used an emission trading program to reduce acid rain pollution. It has proven to be more cost-effective than most traditional environmental regulatory programs, while securing an unprecedented level of compliance.

On January 1, 2005, a European Union (EU) emissions trading market will become effective, enforcing caps laid out in the Kyoto Protocol and encompassing almost half of the EU's total emissions of CO<sub>2</sub>. The EU program is designed to include the other Kyoto mechanisms and allow for linkage to emission trading markets in other parts of the world.

In the United States next April, nine states in the New England region plan to launch a trading market within the power sector. Businesses have also begun to experiment with an emissions trading market at the Chicago Climate Exchange. These efforts are crucial to spurring private sector investment and momentum to deploy cost-effective alternatives to old technologies and fuels that contribute to carbon pollution.

The development of emissions trading markets in Europe and the United States demonstrate that national and even local markets are possible and that they form a good first step towards a global trading program. Our challenge is to ensure that this new economic instrument develops into an efficient policy tool with the potential to serve as a building block in a future global emissions trading market.

The concept of emissions trading must not necessarily be confined to developed countries. Emissions trading markets could encompass developing countries or sectors within developing countries in a way that supports sustainable development efforts.

## *2) Sustainable energy production*

We should fully utilize energy efficient technologies and renewable energy sources. In particular, we should promote technology transfers to developing countries.

We can dramatically reduce greenhouse gas emissions and promote economic growth and competitiveness by transforming the ways we generate and consume energy. For example, low-carbon technologies have the potential to reduce dramatically our energy consumption. Low-carbon technologies can also bring ancillary benefits such as reduced local air pollution and a reliable electricity supply. However, the switch to more sustainable systems for energy production demands political commitment.

To achieve this, Global Alliances proposes four energy policy measures:

First, governments should declare targets and timetables for aggressive energy efficiency reductions and renewable energy increases. For example, governments should set targets for improved energy efficiency in buildings and the use of renewable sources of power generation. Attaining ambitious targets for energy efficiency and renewables requires substantial legislative, administrative and political support. Governments can play a major role in supporting new technologies through public procurement and programs to raise public awareness.

Second, governments should revamp their tax and subsidies policies to encourage energy efficiency and environmental protection. They should remove specific subsidies on coal mining and other fossil fuel consumption, which creates an inefficient overuse of pollution-generating fuels, and thus harms the environment.

Drawing on lessons learned, governments should pursue tax programs that reward good environmental practices and discourage harmful environmental impacts. Green taxes have proven to be an efficient way of bringing about environmental changes and reducing CO<sub>2</sub> emissions. Reductions in personal and corporate income taxes can be used to ensure fairness.

Third, we should seek international cooperation to strengthen long-term research and development in support of improved energy efficiency and the deployment of renewables. The time is right to increase automobile efficiency by deploying hybrid, renewable fuel and modern, high-efficiency diesel vehicles, taking care not to reduce the air quality gains made in the past decades. Europe and the United States have well established research and development programs on various clean technologies.

Fourth, we should promote efficient use of energy in developing and emerging economies. As countries develop into industrialized, urbanized economies, with rising energy consumption, opportunities exist to establish efficient energy systems. Developed nations must fulfill their commitments of the Convention on Climate Change regarding assistance to developing countries.

Development assistance programs should encourage developing countries to cooperate on sustainable energy production efforts. International financial institutions, in particular the international development banks, should change their lending policies to encourage investments in renewable energy and energy efficiency. For example, a certain percentage of their lending portfolio could be dedicated to investments in renewable energy and energy efficiency.

Already, several forward thinking businesses see the benefit of developing energy efficiency and renewable market opportunities in the developing world. We should create incentives to expand clean and renewable and efficiency investments. Similarly, the industrialized countries that bear the most responsibility for the global warming experienced thus far and have the resources and technology to tackle the problem, should take the lead. Doing so can bring advantages for companies and countries as a whole.

### *3) Combating global warming beyond 2012*

For the period beyond 2012, we should aim to include all countries in a multilateral framework and to develop an equitable accord that respects the diversity of circumstances and conditions of the world. We must initiate a broad discussion on how best to combat global warming beyond 2012.

In the years to come, we can expect an intense discussion on the design of a regime to combat global warming beyond 2012. We should use the basic framework of the Kyoto Protocol as our point of departure. At the same time, the single focus on emissions reduction commitments that marks the Protocol will be insufficient, and a more comprehensive approach – which would include developing countries – will be needed.

The Kyoto Protocol provides a degree of flexibility but employs only fixed targets and timetables. Discussions on future alternatives have broadened the scope to comprise indexed targets, activity based targets, relative targets and non-binding targets. Other options under discussions include unilateral, bilateral or multilateral agreements, such as the major emitter approach.

A major challenge in all discussions on the future climate change regime is to bridge the gap between developed and developing countries. Progressives can play an important role in facilitating these discussions.

## **Conclusion**

More than 2,500 scientists agree that human-induced climate change is real. It is a global problem that requires a global solution. Failure to act now leaves future generations with problems they will be unable to solve. Global Alliances chooses to take actions now that improve the quality of life for current generations and do not foreclose options for future generations.



