From a Global Burden to an Engine of Growth:

Reframing Climate Policy After Copenhagen

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The international climate summit in Copenhagen disappointed many in failing to produce a legally binding, international treaty. Given the timing and the framing of the conference, this is perhaps not surprising. However, understanding how expectations were raised so high and why negotiators failed to meet them is vital to planning the next steps toward meaningful climate action.

In the lead-up to Copenhagen, the policy options available became framed almost exclusively in terms of a classic zero-sum game, creating absolute winners and losers. Negotiators became bogged down in developing complex formulas to share the climate "burden," while attempting to preserve states' rights to sovereign domestic policies. Given the economic and geopolitical upheavals of recent years—and that the 192 nations present all held widely disparate interpretations of equity—this effort turned out to be impossible.

The talks would have been more productive if, rather than focusing solely on the short-term costs of carbon reduction policies, they had focused on the massive economic opportunities presented by a move to a low-carbon economy. The advantages of this transformation have not yet been sufficiently understood or accepted, despite compelling evidence that a highly-efficient, low-carbon industrial development path can yield economic growth and

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greater energy security. Technological advances, "green jobs," and reduced healthcare spending as a result of decreased pollution all represent potential economic opportunities. In 2009, more venture capital went into green technology start-ups than into any other sector. Wind, solar, and other renewable sources of energy are coming online in massive volumes. Projects such as the UK off-shore wind farms, the Indian solar project, and massive wind deployments in China and Africa are changing the energy mix and showing that renewables can make significant in-roads across the world. In the United States, cities and states are making major investments in energy-efficient, low-carbon transport systems.

But these facts were not reflected at the United Nations Framework Convention on Climate Change (UNFCCC) conference. Political leaders at Copenhagen were more focused on the threat of job losses today, rather than opportunities and the promise of job creation tomorrow. Brazil, South Africa, India, and China, for example, all made it very clear that the notions of "targets, caps, and limits" must, at least in the short term, take a back seat. Meanwhile, even small countries, such as Sudan, Venezuela, Saudi Arabia, Bolivia, and Cuba, demonstrated their ability to act as "spoilers" and prevent any progress simply by refusing to accept any proposal put forward. As a result, the focus has shifted from "global climate action" toward an alternative, decentralized model that stresses the overall quality of economic growth, including international competitiveness, energy security, jobs, national security, and health. Similarly, the notion of a global carbon price has been replaced by a decentralized model that relies on a portfolio of domestic policies.

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The future of the UNFCCC administered multi–lateral process is highly uncertain at this time. The dual-tracked negotiations will continue, at least until this year's December meeting in Cancun. However, it is unclear whether these negotiations will produce a negotiation text, much less a binding treaty.

At the same time, the Copenhagen Accord called for informal "panels" to advance the negotiations on REDD+ (Reduction of Emissions from Deforestation and Forest Degradation) and climate finance. At the time of writing, the mandate, participants, and process for these panels remain unclear, as is the process by which their findings will be integrated into the UNFCCC process.

The post–Copenhagen context has been further complicated by a concerted attempt by those who have a vested interest in the high-carbon economy to undermine climate science with misleading attacks on the credibility of the International Panel on Climate Change (IPCC) and the scientific community at large. Their efforts to shift public opinion have profited from an unusually cold winter in the northern hemisphere. Nevertheless, governments understand the importance of decisive action, not only to mitigate climate change, but also to benefit from the opportunities of a shift to a low-carbon economy. The emphasis has decidedly shifted from the international context to national political and development agendas.

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Climate change has become established as one of the fundamental issues of international diplomacy. Much like human rights or support for free trade, climate policy is now an issue that cannot be ignored in any international context and through which a country's international profile is defined. Regardless of the various peripheral data and process issues raised against the IPCC, international actors have accepted the fundamental fact of climate change and recognize that carbon mitigation is an international responsibility. Increasingly evident threats to water supplies, agricultural capacity, and energy security are pushing the international community harder than ever to address climate change.

As a result, there is a new and more positive narrative around climate change today. This narrative recognizes that the move to a low-carbon economy has vast benefits in terms of economic growth, sustainability, energy security, public health, quality of life, and self-reliance at a national and regional level. Another key driver, particularly salient for developing economies and developed economies still recovering from the economic crisis, is the potential for reduced carbon consumption to provide insulation from the volatility of fossil fuel prices.

While combating global warming is in itself a compelling reason to act, it is not the primary driver at this stage. Responsible political and

corporate leadership must focus on the economic imperative to move to a low-carbon economy that will assure a more prosperous and secure future. Winners of this race will develop the skills and technologies that will define world trade for the next century.

The shift to low-carbon economies, while ensuring long-term economic growth, will certainly require substantial changes and present considerable challenges. To support and facilitate these changes, three types of public and private organizations are emerging: centers of expertise and best practices on the transition to a low-carbon economy; financial structures that can deliver capital for investments in the developing world; and organizations that can monitor progress and maintain benchmarks for governments and investors.

An example of the first type is the Green Growth Institute (GGI). The GGI is designed to assist developing countries in creating low-carbon economic growth plans with a consistent, world-class set of analytical capabilities and data. The President of Korea, Lee Myung-bak, announced the launch of GGI in his speech to the UNFCCC conference in December 2009. The GGI is sponsored by the Korean government and is headquartered in Seoul. Its mission is to offer "country-specific, politically-relevant economic analysis and capacity building to support nations as they chart a low-carbon course towards economic prosperity and climate resilience."

The GGI will assist developing nations in all aspects of low-carbon development planning, including technical support of mitigation cost curves, the development of macroeconomic models, the exploration of private and public capital flows, and the detailed design of domestic policy. The GGI will operate from the "inside," providing analytical capacity to national planners and decision-makers. It will not conduct "outside-in," third party services that are not part of the national political system. In doing so, GGI will work intensively with its national partners and their most engaged and promising economists and planners. Because of its global engagement, GGI will also be superbly positioned to develop "best practice" standards for low-carbon development plans, and to help implement such standards through its peer-to-peer network.

The second type of organization includes financial institutions that can support the incremental costs and capital investments required to move toward a low-carbon economy. The importance of these organizations, most likely built through existing structures such as Multilateral Development Banks, is to ensure the effective flow of the financial resources committed in the Copenhagen Accord. Developed countries pledged $30 billion in financing for developing country mitigation and adaptation through 2012, and to the mobilization of $100 billion per year by 2020. These organiza-

tions will be critical for developing countries unable to self-finance the full cost of a low-carbon transformation.

Finally, new organizations are emerging that can assess and advise governments about the effectiveness of their policies, programs, and measures that are enacted in order to improve performance, make efficient use of resources, and establish credible bases for investment in low-carbon economies. An example of this type of organization is the Climate Policy Initiative (CPI). From its regional offices in the Americas, Europe, and Asia, CPI will complement the work of the GGI by evaluating whether and how governments across the world fulfill their goals and policy pledges. It will work with governments to review, assess and set credible standards in the practice of national and international policies, measures, and expenditure programs.

CPI will work with various types of bodies, including national energy and climate policy makers and regulators, national carbon finance or energy infrastructure regulators, international climate regulators and financial mechanisms, and other public agencies with important climate impacts. CPI will, whenever possible, compose research documents that should be updated on a yearly basis to assess changes in performance over relevant time periods.

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The result of the efforts of GGI and CPI, along with the many others working to bolster progress on programs such as REDD+ and technology transfer, will feed into the international debate. Action and success will create confidence in the applicability of the new economic structures and will help rebuild the trust that was lacking during the Copenhagen summit. Renewed trust will create space for countries to come back to the table in a spirit of cooperation and allow the debate to be reframed through the prism of opportunity.■