Exploring Regional Regimes for Climate Change

Author
Llewelyn Hughes

By Llewelyn HUGHES

Global greenhouse gas (GHG) emissions increased by 5.9% in 2010, according to the Global Climate Project. Simple arithmetic shows that if emissions continue growing at this pace they will double in 12 years. This would place a two-degree centigrade limit on global temperatures beyond reach, and invite the possibility of catastrophic environmental change.

The alarming increase in emissions occurred despite the economic problems facing the United States and Europe. This can largely be attributed to economic growth in the newly industrializing powers of the Asia-Pacific: in 2010 Chinese and Indian GHG emissions increased by 10.4% and 9.4% respectively. In fact we are today in a process analogous to that experienced in the West and Japan over the second half of the 19th and the first half of the 20th centuries. Only the scale this time is different: now more than 2.5 billion people are using more energy as they improve their standards of living.

In contrast to the increase in GHG emissions, global progress towards decarbonizing economic growth was modest in 2011. The COP 17 negotiations in Durban, South Africa, which is part of the major forum for governments to negotiate international cooperation over climate change, managed to advance international cooperation a few steps. But it is not yet clear how robust these gains are. In contrast, regional cooperation through the Asia-Pacific Economic Cooperation forum advanced surprisingly far. So what did we learn from COP 17, and how can regional cooperation in climate change through forums such as APEC help?

First Lesson of COP 17

The most important gain from the Durban conference is that it appears to move beyond the obstacle that has consistently stymied global climate negotiations. Since the Rio Earth Summit of 1992, negotiations are carried out under the basis of "common but differentiated responsibilities" (Article 3). In this formulation developed countries are responsible for moving first in reducing GHG emissions, while developing countries are asked but not required to follow suit.

There was a good ethical reason to adopt the "historical responsibility" formulation; it reflected the fact that the industrialized world is responsible for the bulk of the stock of GHGs that already exist in the atmosphere. This formulation nevertheless made the negotiating position of important governments - most notably the US - impossible because of the resistance of domestic legislators. Even in countries such as Japan, which signed on to national targets through the Kyoto Protocol, governments have proven unable to develop the domestic consensus necessary to implement policies allowing them to meet their commitments.

The Durban Conference suggested that governments may be willing to move beyond this impasse. An agreement was reached at COP 17 to negotiate a legally binding agreement that includes developing countries. Yet negotiations will be arduous and the outcome uncertain. This leads us to the second lesson of COP 17.

Second Lesson of COP 17

Despite the progress at Durban, the meeting also taught us that governments need to think harder about alternative venues for promoting international cooperation over climate change. Reports suggest that the Durban conference was close to collapse. A failure to reach some commitment for a second implementation period for the Kyoto Protocol, for example, would have doomed the talks to failure. Even with the progress that was achieved, Japan and other countries remained unwilling to sign up to a second implementation period absent greater commitments from developing countries. Failure would have left governments with little to fall back on.

The problem of international negotiation over climate is fraught for many reasons. The first is undoubtedly that climate change is a difficult public policy problem. Energy use extends to virtually every part of our economy. The climate change problem is also not limited only to energy use, but also incorporates forestry and agriculture. It therefore involves a far larger range of interested parties for governments to negotiate with domestically, making the "win-set" for reaching international agreements smaller.

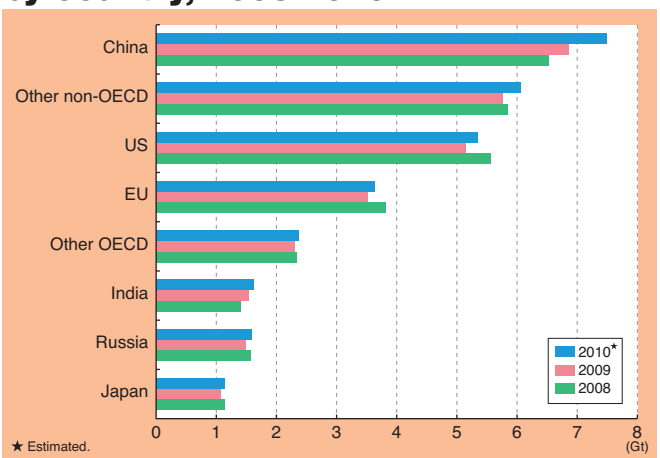
But slow progress in climate negotiations is not only a function of the complexity of climate change as a policy issue. It is also a function of the choice of forum for negotiations. How and with whom governments go about negotiating agreements, in other words, is at least as important in determining success or failure as the structure of the policy problem.

Here the UNFCCC process has consistently proven itself a poor instrument for negotiations. There are simply too many countries involved, and a large number of these don't matter in limiting GHG emissions growth. Also, while national GHG emissions caps - which have been the focus of negotiations - may be the right long-term goal, a singular focus on this has tended to strengthen, rather than weaken, the obstacles to agreement.

APEC member economies

- Australia
- Brunei Darussalam
- Canada
- Chile
- People's Republic of China
- Hong Kong
- Indonesia
- Japan
- Republic of Korea
- Malaysia
- Mexico
- New Zealand
- Papua New Guinea
- Peru
- Philippines
- Russia
- Singapore
- Chinese Taipei
- Thailand
- US
- Vietnam

Energy-related CO_2 emissions by country, 2008-2010



Source: International Energy Agency, World Energy Outlook 2011, p. 208

Nascent Regional Climate Regime

There was a second notable development in climate negotiations in 2011. At the APEC meeting in Hawaii held one month before the COP 17 meeting, leaders from APEC member countries adopted a strong declaration on climate change, under the rubric of "promoting green growth." The declaration called for progress by APEC countries in:

- developing a list of environmental goods and services and lowering applied tariffs on these to 5% or less, and reducing non-tariff barriers;
- rationalizing and phasing out fossil-fuel subsidies, and setting up a voluntary reporting mechanism;
- seeking to reduce APEC energy intensity by 45% by 2035;
- promoting energy efficiency in transport, buildings, power grids, and other areas;
- incorporating low-emission development strategies through Low-Carbon Model Towns;
- working to prohibit trade in illegally harvested forest products.

This Green Growth agenda taken up by APEC is intriguing for three reasons. Combined, they suggest a pathway forward for taking up a robust climate change agenda on a regional basis.

First, the APEC leaders' declaration shifts the discussion over international cooperation away from national targets and towards promoting sustainable economic development. This makes sense, given that the long-term goal of climate policy can only be to make economic growth consistent with a GHG-emission-constrained world.

Climate change emerged as an issue in APEC at the Sydney meeting in 2007, when the target of reducing APEC energy intensity by at least 25% by 2030 was adopted. The "Green Growth" approach to climate change was pioneered by Japanese government negotiators during the 2010 APEC chairmanship of Japan.

This represented an elevation of climate change within the APEC forum. Most importantly, it is a formulation that is more likely to produce gains in the short term than a focus on binding national GHG emissions targets. This is because it redefines the problem of climate change cooperation away from the painful question of how to distribute costs, and towards how to cooperate in producing joint gains. In doing so it also sidesteps the question of historical responsibility for the stock of GHG emissions in the atmosphere that has dominated climate negotiations within the UNFCCC.

Second, negotiations over climate change held within APEC involve a smaller number of countries than those under the UNFCCC. In the most general sense, the probability that a "win-set" emerges in international negotiations tends to fall as the number of countries with veto power increases. This is certainly the case in climate change, given the heterogeneity of domestic interests that characterize the problem.

In this area APEC has an important advantage over the UNFCCC. APEC incorporates 21 member economies with a wide range of income per capita, and big differences in political systems, as noted by Aggarwal and Volberding in the January/February 2010 issue of *Japan SPOTLIGHT.* Yet despite this it is inevitably a less heterogeneous group than the UNFCCC. It also represents over half of the world's GDP and more than half of global GHG emissions. APEC therefore represents a useful forum for governments representing most of the countries that really matter to engage with one another, with fewer countries to confuse negotiations. The breadth of the 2011 Leaders' Statement is testament to this potential.

The third benefit of APEC is that it has a less legalistic approach than the UNFCCC process. Rather, it takes a soft-law approach, as seen in the Bogor Declaration of 1994 focusing on promoting open trade and investment in developed APEC economies by 2010, and 2020 for developing countries.

A criticism of APEC is that its soft-law approach makes it useless for negotiating real policy outcomes. But such criticism underestimates the benefits of informalism, and misunderstands the structure of international cooperation over climate change. Hard-law approaches to international cooperation certainly better clarify the

gains of cooperation, but they also clarify losses, making agreements harder to reach. Cooperation through APEC will never be a perfect substitute for more robust forms of legal commitment. But that does not mean it is useless. The soft-law approach of APEC lends itself to exploring and extending potential areas of cooperation. This makes sense for a contentious issue such as climate change in which development stands in tension with environmental goals.

Learning from Trade

The crucial question is how the agenda emerging out of APEC is institutionalized regionally. Here there is much work to be done.

Despite the differences in cooperation in trade and investment and in climate change, there are important similarities in the dynamics of global negotiations. In the case of trade, plodding negotiations within the GATT/WTO process led governments to negotiate second-best agreements, in the form of free trade agreements, bilaterally and regionally.

The explosion in bilateral trade agreements across the Asia-Pacific, as well as the more recent negotiations over the Trade Partnership of the Pacific (TPP), and possibility of a Free Trade Area of the Asia Pacific (FTAAP), are evidence of a deliberate strategy by many governments to shift the locus of negotiations from the GATT/WTO to alternative forums that allow for greater flexibility, with fewer negotiating partners. APEC played a useful role as a laboratory for governments of member economies to seek out new areas of cooperation in trade and investment.

The shift to broaden APEC's agenda to include climate change can be understood similarly. Almost all governments recognize that climate change is an important public policy issue, and that international cooperation is a crucial component of any attempt to curb global GHG emissions. As the UNFCCC continues to make slow progress, and as the urgency of the climate change problem grows, we can expect governments to increasingly seek to negotiate climate change-related cooperation in alternative forums. Just as in trade, APEC can play an important role building an agenda for substantive action among the most important GHG emitters in the Asia-Pacific. The question is how to best harness this dynamic in order to make further progress in curbing GHG emissions growth.

Two Things Needed Now

A pattern is emerging in regional trade politics in which bilaterally negotiated free trade agreements function as stepping-stones to a larger region-wide agreement in trade and investment through the TPP, ASEAN+3 (and perhaps ASEAN+6) and perhaps FTAAP. In this formulation, whether on a bilateral or regional basis, experimentation within APEC forms one part of a set of formal agreements with concrete commitments by participating countries to lower barriers to trade and investment.

It is at the second stage of this process that work still remains to be done. In contrast to trade, in climate change policy there is not yet a clear complement to the exploratory work done in APEC. A review of international organizations around the Asia-Pacific region shows that climate change has been picked up in a number of different forums with little apparent coordination. ASEAN +3, for example, has created a number of frameworks to promote climate change-related policies, including the APT Cooperation Strategy Framework, and the ASEAN Environmental Education Action Plan. The 2007 Singapore meeting of the East Asian Summit (EAS) made a declaration on climate change, and the September 2011 meeting included a number of different climate change-related activities. The Asia Pacific Partnership on Clean Development and Climate adopted a sectoral and soft-law approach to climate change policy focused on firms operating in eight key industry sectors. Yet these initiatives remain piecemeal and uncoordinated.

Needed now, therefore, are two things. First, member governments need to consolidate the use of APEC to promote regional cooperation in energy and climate change. With energy-exporter Russia acting as host for 2012, and Indonesia the following year, energy is likely to remain an important focus of APEC's work.

Second, more thought needs to be put into how climate change gains negotiated through APEC can be locked in. Governments have already made some headway. South Korea launched the Global Green Growth Institute in 2010, and Japan proposed a *Low-Carbon Growth Partnership* at the 2011 East Asia Summit. But better coordination between governments in choosing venues to promote EGS and energy intensity and other targets is a crucial next step to formalizing the progress made in APEC. The trade arena, where experimentation and trade facilitation have moved along with bilateral and more recently region-wide commitments, is a useful model to emulate.

Finally, we can be under no illusions that these measures alone will produce adequate changes to national economic systems within the timeframe required. The inclusion of EGS on the APEC agenda was achieved only by skilful diplomacy. More broadly, the chief economist of the International Energy Agency notes that the window to limit temperature increases to two degrees is rapidly closing as energy use skyrockets globally. The lack of accounting for GHG emissions in prices is the biggest market failure of our time, and solving the problem will require transformational change in how energy is produced and used. The benefits of fewer but more important negotiating partners, and more flexible negotiating platforms, make APEC a useful instrument through which to promote this goal on a regional basis. The real question now facing governments is how to consolidate these gains through clearer commitments and deeper coordination. JS

Llewelyn Hughes is assistant professor of Political Science and International Affairs, George Washington University. His research focuses on the political economy of energy markets and climate change, with interests in the international relations of Northeast Asia and Japanese politics. He also has broad experience across the public and private sectors, including serving as international aide to Ichiro Ozawa, a senior politician in Japan's governing Democratic Party of Japan, and advising firms in the energy, telecommunications, retail and aerospace sectors on the management of government and public relations. Llewelyn is fluent in Japanese, having trained as a simultaneous and consecutive interpreter in that language. Website at http://home.gwu.edu/~lhughes/Home.html.