

Heinrich Böll Stiftung

Published by the Heinrich-Böll-Stiftung, European Union, Brussels

Printed in Belgium, February 2012

© The author and the Heinrich-Böll-Stiftung, European Union, Brussels
All rights reserved

Coordination and final editing: Silvia Brugger
Production: Micheline Gutman

Cover picture: © Ainhoa Goma/Oxfam
Mosaic of people pushing world leaders to act at Durban climate talks

The views expressed in this paper are those of the author alone.
They do not necessarily reflect the views of the Heinrich-Böll-Stiftung.

D/2012/11.850/1

The publication can be ordered at:

Heinrich-Böll-Stiftung, European Union, Brussels
Rue d'Arlon 15 – 1050 Brussels – Belgium

T (+32) 2 743 41 00 **F** (+32) 2 743 41 09 **E** brussels@boell.eu **W** www.boell.eu

PREFACE

The European Union (EU) has played a key role in the global fight against climate change, increasingly establishing itself as a leader in international climate policy. The EU has made efforts to back its leadership position with advances in domestic climate and energy policies. Ambitious climate action at home proves crucial for the international credibility of the EU climate leadership claim.

The failure of the Copenhagen climate summit in 2009 and the overarching economic and debt crisis, has weakened European climate leadership in recent years.

At the 2011 climate conference in Durban, the EU managed to revive some of its leadership position in climate change negotiation. Continued EU leadership in international climate policy will depend on the EU's will and ability to lead by example and to reduce the credibility gap between international promises and domestic activities.

The Heinrich Böll Foundation, with its worldwide network of 28 international offices, takes an active role in the debate on climate change. We believe that the EU must continue to play a major role in the global fight against climate change. However, the crisis of the Eurozone and the lack of unity in an enlarged EU are currently challenging its ability and willingness to lead the climate diplomacy. The Heinrich Böll Foundation's EU Office commissioned the expert Hans Verolme to analyse the EU's role in the international climate negotiations and to make recommendations for the EU to remain a driving force in international climate policy.

*Claude Weinber, Director
Heinrich-Böll-Stiftung, European Union
Brussels, February 2012*

Today's Climate World

It is clear to even the most casual observer that the political and economic stakes in the global climate negotiations are high. The self-confidence of the EU in international climate diplomacy was dealt a severe blow by the failure of the Copenhagen climate summit (COP15). We believe that regaining ground is imperative, both for the climate and for Europe. Durban was a first step. This brief paper looks at the role of the EU in the international climate negotiations and makes recommendations for renewed EU climate leadership at home and abroad.

Most observers had low expectations for the Durban talks, as countries were dealing with a deepening economic crisis. Yet, after 24 hours of playing in overtime, a deal was struck that, while not delivering many concrete results on the spot, was regarded as a success for those fighting for an international rules-based climate agreement. Some called it a "triumph for European climate diplomacy." This is noteworthy as European climate leadership had increasingly been called into question.

Europe's share of global GHG emissions is diminishing, however this need not reduce its leverage in the international climate negotiations. Fact is, even in the midst of Euro-zone troubles and a global financial and economic crisis, Europe remains the world's largest single market economy. Innovation and job creation in new industries, and resource efficiency are proving an important factor in Europe's competitiveness.

Europe does not wield the kind of veto power that the USA or China hold in today's multipolar and inter-dependent world. Today, the USA and China are struggling to find new ways of working together, as they seem condemned to mutual dependence. It is, therefore, widely regarded to be in Europe's strategic interest to advance its objectives through leadership and diplomatic engagement.

The world today is very different from the world of 1995, or even 2005. The EU of 15 that negotiated Kyoto will soon be the EU of 28. The break-neck speed, with which some developing country economies have grown, in large part due to the globalization of production and consumption and the opening up of economies, has altered the geo-political landscape. In the climate world, the emergence of the BASIC coalition carries with it the risk of entrenchment, but also the potential of overcoming old divisions. On balance, optimism prevails. This stems from the fact that BASIC leaders recognize the severity of climate impacts and understand how it undermines their potential for sustainable development. But one cannot leave the foxes to guard the hen house. A decade of mostly US-driven climate confabs proved the inability of the polluters to end their carbon addiction. When given the opportunity, uncomfortable choices will be deferred ad *infinitum*. Here Durban was a step in the right direction, in that the voices of those most impacted gained strength. It also showed how an EU strategy can be anchored both by values and European interests.

Since 1990, Europe has experienced a gradual decoupling of emissions from economic growth in most of its major economies. See *Annex A, page 13*. This decoupling goes beyond the decline of the old, inefficient, industrial base of Central and Eastern Europe. A major shift can be observed in the energy mix, with natural gas and, more recently, renewables taking up a larger share. The vast majority of new capacity being installed today is renewables. Yet, coal capacity remains stable. In the absence of strong and sustained policies and incentives, supply concerns and rising prices have been shown to steer a liberalised energy market back to carbon-intensive and environmentally damaging sources like coal, tar sands, or gas from fracking.

Europe has proven capable of delivering on visionary unifying projects. Before looking at

the challenge ahead, let us remember early successes. The creation of, and ultimately the entry-into-force of the Kyoto Protocol, marked a high-point in early EU climate diplomacy. Following the rejection by the USA of this UN treaty, Europe was united in its desire to rebuff the Bush Administration and decided to extend support to Russia in its WTO bid in exchange for Russian ratification of Kyoto. This ratification triggered the entry-into-force of the agreement in February 2005.

In 2015, Europe will again be looked upon to play a central role in cementing a new global climate deal.

The Durban Platform and the Future of the Kyoto Protocol

Europe has strongly argued for an internationally-binding rules-based climate agreement with global coverage. Durban both did and did not deliver on this objective.

Governments in Durban agreed to launch Kyoto's second commitment period, but crucial details were left unresolved, partly as a result of Polish intransigence over the future use of "hot air." As a result, the numerical binding targets remain to be agreed in Qatar in December 2012 at CMP8.¹ Despite this political decision, the 2nd commitment period is still not in place. Several developed countries (e.g. Russia, Japan, and Canada) have said they will not be bound by it and they will not submit targets. The EU and its allies will in 2012, formalise the conditional pledges, in place since Copenhagen, in the form of QELROs.² But things may still unravel.

It is worth looking at how this delay was due, in part, to EU internal politics. If Europe were a climate leader, it would have negotiated to limit the carry-over of AAUs,³ supported a 5-year commitment period (not the 8 years pushed by the Commission and some others), and not have watered down the accounting rules for forests.

Is it not the EU's view that the current pledges are inadequate to limit warming to below 2 degrees? The resulting gap in ambition (aka the gigatonne gap) needs to be closed before 2015 if a global peak in emissions well before 2020 is to be realized. It is clearly not enough to note these facts "with grave concern" in the Durban Platform decision. Concrete steps need to be taken to increase ambition before 2015. The EU should make concrete proposals, with its allies, to do so.

It is also because of these facts that I do not share the optimism expressed after Durban by many negotiators. The political energy is shifting to a new round of talks: the promise of something new, bigger and better to supersede Kyoto. But those talks will be about what governments can promise they and often their successors will do from 2020 onwards. To celebrate this as a success for the climate is what Alan Greenspan called "irrational exuberance."

Suddenly, a future without the Kyoto Protocol has become conceivable. Unless we challenge the complacency and expose what business-as-usual does to our climate, the second commitment period to Kyoto will be the last. With it more than a decade of detailed rule-making is open to re-negotiation. Experience shows the new rules are unlikely to become stricter. The negotiations in Durban on forest accounting or

1 The 8th Conference of the Parties serving as Meeting of the Parties to the Kyoto Protocol.

2 Quantified Emissions Limitation or Reduction Obligations are the "targets" listed in Annex B of the Kyoto Protocol.

3 An Assigned Amount Unit is 1 metric ton of CO₂ equivalent, tradable through the mechanisms of the Kyoto Protocol. "Hot air" is the AAUs resulting from an over-allocation of credits to economies in transition that saw their emissions drop sharply following the collapse of the Soviet Union. "Banking" and sale of these credits in the 2nd commitment period would negate the effect of the otherwise already weak targets.

carbon capture and storage, for example, show how little interest countries have in preserving environmental integrity. They rather look at how money can be made off projects.

The question of legal form has been on the table since before Copenhagen, when the USA proposed the use of “an Agreement” under Article 17 of the Convention. The Americans, in view of a recalcitrant Congress, want to maintain legal flexibility. Hence the Durban Platform speaks of “agreed outcome with legal force.” This text, proposed by the USA, was accepted by India, which is widely viewed to have bungled the negotiation by giving up a strong reference to equity and the right to sustainable development.⁴ Does India live in such fear of a treaty that, using any measure of fairness, is unlikely to impose targets upon them?



The final Durban huddle – India, China, the EU, the USA, and onlookers. © Kristian Ruby

The Platform, at best, promises to establish a global agreement that takes effect from 2020. It does not commit countries, collectively or individually, to set mitigation (or financing) ambition at a level consistent with the reductions called for by the most recent and best available science or the needs of those most impacted by (and least responsible for) climate change. What it *did* do was remove the so called firewall between the developed and

developing countries. By doing so, the Durban Platform put the discussion on “fair share” and differentiation of commitments at the heart of the negotiations for the post-2020 agreement. Even if India gave up references to equity or historical responsibility in the Durban Platform decision, all of those around the table knew that one cannot ignore climate justice in crafting a successor agreement to Kyoto. The need for equitable effort sharing is one lesson the EU learned long ago. What was surprising is that developing countries were ready to enter into that negotiation outside of the relative safety of the Bali Action Plan mandate.

The EU has seen its fair share of debate on effort and burden sharing. It should bring forward a clearer position at the UNFCCC and make proposals on how to make workshops on the issue productive. It can do so, and build further trust among its partners, by first making a commitment to fully explore the issues around equity, historical and differentiated responsibilities, and capabilities. For too long, the lack of an EU position was informed by fear: the fear of developing countries using the climate negotiations to right every historical (economic) wrong. The common view remains that the issue is simply too complex. The reality is that one cannot make progress on climate mitigation ambition without in parallel making progress on what insiders commonly refer to as CBDRRC. Europe itself has learned to deal with these tough questions and this experience has relevance for the rest of the world. Europe has, in the past, successfully conducted effort (and burden) sharing negotiations between its member states and constructed support packages for those countries with high mitigation potential that might be disproportionately disadvantaged. One important lesson is that the packages were political in nature, as it was not possible to agree on an objective measure of what constitutes a “just transition.”

⁴ More commonly referred to in climate-speak as common but differentiated responsibilities, according to capabilities (CBDRRC).

Did Durban spell the end of “pledge-and-review” climate governance, as some were quick to argue? It depends. Pledge-and-review is one particularly weak form of international rule-making. Since Bali (although some might argue since 1992), we have seen how voluntary pledging leads to the lowest-common-denominator negotiating, with countries saying “after you, oh no, after you, sir” when it comes to making commitments. But the holy grail of global science-based target setting and binding enforceable international rules is far off. Even in such a system political judgement has to be applied.

This understanding has implications for the design of the new agreement and the implementation of the Durban CMP decision on the second commitment period. Firstly, Parties should be able, possibly be incentivised, to increase their ambition without this requiring a treaty amendment procedure. Secondly, as is by now common practice, Parties should commit to implement treaty provisions prior to entry-into-force to the extent possible. These are positions the EU has held. Thirdly, large emitters both developed and developing should design long and medium-term low carbon budgets and pathways that are compatible with 1.5 degrees of warming. While in pursuit of rigorous action, it is important to caution against the risks of taking action at any cost. Climate-compatible development and (new) technologies all have social, economic, and environmental consequences that cannot be ignored. Some technology choices come with important non-carbon co-benefits. The EU recognised this when in the late 1990s, it promoted a positive list of sustainable development technologies for the CDM. There really is no such thing as technology-neutral policy making, as the so-called “playing field” has never been level. Markets created through regulation need not be “blind” to (poor) technology choices. Geo-engineering, for example, is quickly becoming a fig leaf for major polluters. Similarly, a singular focus and commoditization of carbon runs

counter to the values of protecting biodiversity and community conservation.

Low carbon budgets and plans can usefully inform negotiations of 2020-2025 commitments. This is where national policy and law-making by (often democratically elected) parliaments meet global, top-down target setting that is adequately ambitious in light of the science. Ambition can only be achieved through an iterative and transparent negotiation process that includes careful consideration of what is everyone’s “fair share” of the effort. With that we are back at square one, at the question of equity and the right to sustainable development.

Did Durban move the world closer to timely decision making based on the best available science? As it stands, the lack of ambition pre-2020 is what might lock the planet into a 3-4 degree climate future. This is part physics and part diplomacy, and the consequent lack of action. But the door is ajar for more ambition. There are opportunities in the review process linked to the upcoming Fifth Assessment of the IPCC. One of the central objectives of EU climate diplomacy in 2012 and beyond will need to be to seize these opportunities, whether an adequacy review of existing pledges / targets in the context of the Kyoto Protocol or enhanced action based on agreement on sources and capitalization of the Green Climate Fund.

A (Re-)Emerging Alliance of Ambition

In the run up to and the decade following the Earth Summit, some of the poorest and most vulnerable countries made common cause with a small group of developed countries that wanted to show leadership in climate action. This relationship was not without its problems, but in 1995, with the support of NGOs, this alliance with the EU-15 at its core, signed onto the Berlin Mandate that provided the basis for the negotiations of the Kyoto Protocol. As time passed, the credibility of developed countries

waned as in the view of developing countries they never made good on the promises made under the Convention. Developed country emissions continued to rise and little finance or technology support was forthcoming.

By 2005, the green group that stood at the heart of the Kyoto Protocol had crumbled. European credibility now hinged on the successful implementation of its Kyoto commitments through the emissions trading system, clean development projects, support for adaptation and technology cooperation. But the world had to wait till 2005 for the ETS to get piloted. On balance, the ETS is viewed by developing countries as a success especially when compared to the USA. But from the perspective of the atmosphere, the grandfathering of allowances and softening of prices is troubling and would support sceptical voices who reject an unfettered “carbon market” approach that does not control but grants the right to pollute.



Leaders from the USA, Brazil, India and China in Copenhagen.
© 2012 Doug Mills/The New York Times Syndicate

The failure of the Doha round of trade talks further fuelled a dynamic in the G77 & China that saw negotiations become increasingly entrenched between “developed” and “developing” countries. The real world in the meantime saw the rise of first the Asian tigers and next a resurgence of the BRICS economies that shook the established world order to its core. Suddenly, in a globalized relatively open

market economy, Europeans and Americans started living in fear of losing the privileged position they had occupied for generations. Following on the heels of the 2008 financial crisis, Copenhagen was a failure foretold. The meeting ended in a stalemate between the USA, India and China. The resulting Accord failed to paper over the lack of ambition and disillusioned many. The EU tried to save face but was locked out of the most crucial discussions.

Since the side-lining of the EU in Copenhagen, serious effort went into recreating an ambition alliance. In March 2010, the seeds of a new alliance, the Cartagena Dialogue, were sown. The Dialogue had its roots in the chaotic last 48 hours of Copenhagen, and has a diverse membership of around 30 participating countries, represented by the heads of delegation. The Dialogue is unique in that it brings together developed and developing countries from all continents and includes representatives of the COP Presidency as observers. Most members are proactive diplomatically and have a commitment to multilateralism, greater ambition, and a legally binding regime.

Dialogue members believe that discussion and dialogue, rather than brinkmanship and vetoes, are the key diplomatic route to resolving differences and tackling blockages. Prior to Durban, co-facilitators – one from a developing country and one from a developed country – prepared short papers on issues with options for discussion. The Dialogue works on complex, cross-cutting issues such as legal form, mitigation, MRV, and finance. Progress may require tailor-made solutions that better reflect vastly different circumstances, capabilities, and vulnerabilities.

But the Cartagena Dialogue is not a true alliance of ambition, though it represents the sensible middle ground of those committed to the cause. There are tensions inherent in the Dialogue as some issues need a broader, more political approach. The Cartagena Group is by no means the democratic left flank of

the climate world. Therefore, in our recent paper,⁵ Farhana Yamin and I argued for the resurgence of a true alliance, with Europe, the least developed countries and small island developing states at its core. Through an enormous diplomatic investment, the EU was key in securing this in Durban. We witnessed the re-emergence of a vocal and effective ambition alliance. Europe, the small islands, and the least developed countries came together. AOSIS, the EU and the LDCs publicly insisted on securing a rules-based multilateral agreement that has mitigation ambition action at its core.

To deliver lasting results, this alliance needs to be broadened to include most of Latin America (including richer countries like Chile and Argentina) and, crucially, countries from the BASIC group. On the developed country side, a durable alliance would include the more progressive elements in the Umbrella Group (Norway and Iceland, Australia and New Zealand), and the key members of the Environmental Integrity Group (Mexico, Switzerland, and South Korea). But to be fair, it is far from certain that all these countries will join hands.

Concretely, the EU could deepen the alliance by co-developing a work plan for near-term ambition with AOSIS and the LDCs for submission to the UNFCCC. The EU expert groups, like EGFA,⁶ could invite alliance members to jointly prepare expert papers, e.g. on approaches to the differentiation of actions and commitments. The EU's diplomatic corps, the newly minted EEAS, could be instructed to make the strengthening of an alliance of ambition a diplomatic priority. For starters, by developing a joint strategy with the Green Diplomacy Network (created in 2000), that consists of member state experts.

The ambition alliance will, on the developing country side, most likely not include all African Group members, mostly due to OPEC's influence. Unsurprisingly, the Arab and ALBA members of OPEC will stay outside such an alliance. But with COP18 being held in Qatar, the spotlight will firmly be on the Arab region and OPEC. A differentiated set of commitments post-2020 will have to include these rich, high-emitting countries. For the time being, the Arab Spring has not yet led to significant climate change actions. There is still much instability, open conflict even, in many countries. This will hopefully soon change. But the link between resource dependence, good governance, and the need for transparency was obviously not lost on Arab youth. Some governments have understood and, while resisting formal obligations, are investing heavily in green technology and renewables. The International Renewable Energy Agency (IRENA) is being hosted in Abu Dhabi. Europe has traditionally found it difficult to engage OPEC members on their demands. Tackling the issue of response measures in the context of a wider debate of a just transition will, however, be required. This cannot be a discussion about compensating the wealthy but is about re-tooling economies, something Europe is also engaged in at home.

European Drivers for an Ambition Alliance

In Europe, there is broad recognition that climate change is one of the defining 21st century challenges. This is evidenced by the active role that the leaders of major member states have personally played in the climate talks. This is not a partisan issue and climate scepticism doesn't have a strong foothold in Europe. However, for many heads of government the complexity and intractability of the diplomatic challenges posed

5 *A Future for International Climate Politics – Durban and Beyond* by Lili Fuhr, Barbara Unmüßig, Hans JH Verolme, Farhana Yamin. Berlin, November 2011. Available at http://www.Boell.de/downloads/oekologie/A_Future_for_International_Climate_Politics_-_Durban_and_Beyond.pdf

6 The Expert Group on Further Action on International Climate Protection Efforts, established in 2003.

by climate change, the short-term (political) costs of some of the policy actions required, and (since Copenhagen) the risk of becoming associated with “failure”, has led to a gradual disengagement. Other problems appear more pressing. The rhetoric of a low carbon future notwithstanding, some are publicly defending the narrow and short-term interests of their energy and carbon-intensive industries. At a time of economic trouble, instead of supporting the transition under way with public policy measures and leveraging public money for green investment and jobs, some governments are seeking to defer the necessary decisions. They put money in the pockets of the fossil industry, *e.g.*, through free allowances, in the full knowledge that future leaders will have less room to manoeuvre. An ounce of prevention is worth a pound of cure: Mitigation today reduces the need for costly adaptation measures tomorrow.

Deferring the necessary decisions does not come without consequences, and carries high future costs. The investment in infrastructure today locks in carbon emissions for years. Through carbon lock-in today, we are foreclosing development options well into the 2030s and 2040s.⁷ As pointed out above, technology is not necessarily the answer. We should especially show some humility and, after the carbon experiment, spare the planet our further experiments in the form of geo-engineering. We are also burdening future generations with costly adaptation measures. Climate security is inextricably intertwined with food, water, energy, even physical security. Despite a growing tide of people knocking on the doors of Fortress Europe, this may not be so clear to all policy makers. We live in an increasingly globalized, tight-knit world.

Europe will need to squarely deal with the blockers. The scope of this paper does not allow

for an extensive discussion of all the blockers and possible ways for the EU to deal with them. But let us look at least at the biggest elephant in the room.

In the early years of this century, Europe standing up against the USA was not simply a matter of climate politics. Trans-Atlantic friendship was, and is to some extent still, deeply embedded in the political and economic establishment of Europe. But anti-Americanism has firmly found its place alongside it, and Americans have had to learn to “agree to disagree” with Europeans on important questions of human rights, defence, and climate change. Following the rejection of Kyoto in February 2001, it was the war in Iraq, launched by a narrow “coalition of the willing,” that brought into the open a fundamental disagreement between Europe’s view of multi-lateral diplomacy and that of the USA. That the issue of climate change happened to be of personal importance to UK Prime Minister Blair made this all the more poignant.

What Europe did not at the time realise, was that what was perceived as being the view of the conservative wing of the Republican Party, was in fact more broadly supported by the American political establishment and intelligentsia. This was brought home to the EU when, following the election of Barack Obama as president, the personnel and tone changed, but the bottom line didn’t. It was not just strong resistance from Congress that led the Obama Administration to back away from a binding international climate agreement.

Ever since the showdown in Bali (December 2007), the EU has been under pressure to move forward without the USA, while leaving the door open for it to return. Why did this not happen? Firstly, the simple fact that the USA is a close ally on many “fronts” and American

⁷ One only has to quote the IEA here: “If stringent new action is not forthcoming by 2017, the energy-related infrastructure then in place will generate all the CO₂ emissions allowed in the 450 Scenario up to 2035, leaving no room for additional power plants, factories and other infrastructure unless they are zero-carbon, which would be extremely costly.”

and European elites are culturally close. Second, geo-politically climate change has played second fiddle to security and economic relations. Third, the USA remains the world's largest emitter historically, and with per capita emissions in the order of 20 tons of CO_{2e}, it is simply too important to ignore. Finally, the USA as the single largest contributor to multilateral institutions exerts enormous influence over the multilateral process. The Durban Platform has not resolved some of the fundamental differences of opinion but it creates a space to resolve them.

European Climate Leadership at Home

When thinking of the EU, one thinks of grand visionary projects that unite the continent and overcome old division, be it creating a single market, the introduction of a single currency, the expansion of the Union to the east, or addressing climate change, the global challenge that will define the 21st century, and driving a shift to a low-carbon economy. All are unifying positively European-scale projects.

The EU of old no longer exists. It has proven difficult to find a climate consensus between 27 member states that reflects the diversity of national circumstances. But there is more to this than meets the eye. The EU-15 of Kyoto shared, despite significant differences, the wish for economic integration as a means to a higher objective. The EU-15 emerged from and were defined by the trauma of World War II. The sharing of scarce resources and conflict prevention through economic integration were the DNA of "old Europe." A decade after the collapse of the Soviet Union, the EU started the integration of the CEE-10. These states emerged from and bore the scars of the collapse of Soviet communism. But the integration of

the "new" member states was not a merger of equals. Even though the atmospheric were favourable, the economics created a 2-class Europe. One decade on this reality is capable of paralysing European decision making, and climate policy has become a prime example. Europeans smart at the paralysis of US democracy, but Europe has its own system of checks and balances. So, while the Lisbon Treaty gives the European Commission and the President a stronger role, in practice this has not yet been realised. Americans now do have that one address in Brussels they seemingly needed to talk to Europe. But for now, there is not one coherent climate vision for Europe. At present the EU position on its climate ambition for 2020 remains 20/20/20:

1. A 20% reduction of green house gas emissions compared to 1990 levels;
2. A 20% reduction in primary energy use – based on projected levels – through improved energy efficiency;
3. A 20% share of energy consumption originating from renewable energy sources.⁸

This ambition is now the law of the land. From Day 1 it was clear that the 20% reduction target was inadequate to meet a science-based global goal and the conditional 30% target was introduced. In fact, European leaders came to Copenhagen fully prepared to be asked and to make this pledge. But Europe was side-lined in the dynamic between the USA and the BASIC countries. The EU was never asked to increase its opening bid.

Following the failure of the Copenhagen talks, industry and some member states strongly lobbied against the EU moving to 30%, arguing it would make Europe less competitive. Despite this, ample evidence shows that the EU will achieve the reductions ahead of time and at lower costs than originally expected. Further-

⁸ The food security implications of the EU approach to bio-fuels needs to be referenced here, as well as the need for a clan approach to the Fuel Quality Directive.

more, they ignore the important benefits of domestic investments, jobs, and lower fuel costs.

Today, it is clear the 20% target is obsolete, as it will be achieved without any additional action. Member states leaders and ministers from France, Germany and the UK have come out in support of the EU adopting a 30% 2020 target. They are most strongly opposed by the Visegrád Group and Italy. The alliance of the Czech Republic, Hungary, Poland and Slovakia was created in 1991 for the purposes of cooperation and furthering their European integration. Today they are better known for their opposition to the transition to a low-carbon economy. What is notable is that these countries are both relatively well-off when compared to the rest of the CEE region (GDP > EUR15,000) and are highly dependent on coal for energy. They vehemently argue a transition away from coal is unacceptable, and that any limits imposed on their development disadvantage them *vis-à-vis* the world's emerging economies. A false comparison if ever there was one.

The most recent Commission analysis shows how there are still tremendous mitigation and efficiency opportunities in the CEE region. Reductions in the “new” member states are also the cheapest. What Europe needs to come to terms with is how to finance the transition and share the costs, as well as the benefits. This spring, ministers have the opportunity to put down a marker in the form of mid-term goals for the 2050 Roadmap, Building on that decision, leaders can then move to 30%. Here Germany's leadership is, once again, crucial. By acting at home, Europe can maintain a leadership role internationally.

BusinessEurope would like one to believe the time has come to move beyond the 30% debate. This response, specifically to the publication of the 2050 Roadmap, is disingenuous. Remember their opposition to the rest of the package? Frankly, there are compelling economic reasons for Europe to be a climate leader at home. An ageing Europe depends

on innovation in its knowledge-intensive economy. The German economy, for example, depends on the Euro and for its competitive advantage on technological development. Hence, the German “Energiewende” makes for an interesting case study for Europe and beyond. It is worth noting that clean technology depends to an extent on scarce extractive resources. In its pursuit of security of supply of these extractive resources Europe cannot simply apply old “security” thinking. Similarly, some in Europe are in hot pursuit of energy security and diversity of supply. In the era of “peak oil” they are reverting to exploiting what were once marginal sources, like tar sands and gas from fracking, which carry high social and environmental costs. Europe's credibility also depends on how it manages these pressures and the large commercial interests associated with them. For 2012, also in light of Canada's decision to ditch Kyoto, a first step would be to deliver a clean Fuel Quality Directive.

From the discussion above it should have been clear to the reader that, for now, the EU will submit its QELROs for the second commitment period based on the obsolete 20% target, possibly complemented by an “imaginary” 30% QELRO. For Europe to be a credible climate leader, it needs to raise its ambition before 2015 and deliver before 2020 additional reductions! Europe's partners in the re-emerging alliance of ambition need to apply pressure. All signs are that they will, as they understand how much depends on accelerated mitigation efforts.

The current investment signals are neither loud nor long. To make them long, Europe needs to set ambitious 2030-2050 low carbon and renewable energy trajectories. This will provide the business lobbyists with regulatory certainty they claim to need. But for the climate and credibility sake, the real lobby effort should remain for “loud” 2020 targets and their delivery mechanisms. A first step has been taken in the form of the Energy Efficiency Directive, which has the potential to lift European ambition to

25%. But betting on efficiency alone will not do. There is evidence that much low-hanging fruit has been picked and that the early signs of a decoupling of emissions and production fade. The aspirations of European consumers remain high and the resulting rebound in emissions may well wipe out the efficiency gains made.

The Kyoto Protocol was, if not in practice at least in principle, the cornerstone of the European Emissions Trading System, hence its use of emissions allowances and the availability of credits from the UN's flexible mechanisms. The row of the inclusion of international aviation, after over a decade of blocking in the ICAO (International Civil Aviation Organisation), makes it painfully clear how the negotiators have become captured by their elites. Europe standing firm on the inclusion of international aviation in the Emissions Trading System must be lauded. Aviation provides a valuable lesson that the principle "the polluter pays" is still not uncontested.

This positive development has been overshadowed by the near crash of the Emissions Trading System, which has seen prices drop precipitously. Large energy companies have taken their windfall profits and many energy-intensive companies are, for the time being, given a free-ride in the auctioning system. In that context, to remove excess ETS credits from the system seems utterly sensible. It is not as if the regulator is meddling with the "free market" given that the ETS is an artifice created with the express aim of reducing carbon pollution by a gradual tightening of pollution units. As things stand today, the role of the carbon price in driving low carbon investment is minimal. This needs to be corrected. But carbon "market" interactions with other policy measures need to be judged in this light. The debate on set asides is, therefore, more a sign of the Visegrád Group flexing its muscles, as they want to test the resolve of other countries to making the low carbon transition. Europe will thus be a proving ground for the international

debate come 2014, when the discussion on the serious political implications of the IPCC's Fifth Assessment Report will be unleashed.

Conclusion

Climate diplomacy in a fast-changing globalized economy and multi-polar geo-political world has challenged the EU. At times countervailing forces were at work, with member states pulling in different directions. The consequences of the failure of Copenhagen and the subsequent adjustment of expectations of what international climate governance can deliver for Europe and the climate has led to more realism.

Durban represented a reversal of fortune for the EU in that its diplomatic alignment with the most vulnerable and, despite internal disagreements, its standing by Kyoto allowed it to anchor the negotiations. Climate change has increasingly been integrated into foreign policy, but it still plays second fiddle. Europe will soon face a choice of managing climate diplomacy as a matter of economic competitiveness and security or a matter of global cooperation and further integration. These are of course not always mutually exclusive objectives. But as the USA has found, one cannot rattle the sabre at home and speak love overseas. Europe has traditionally always opted for soft power and engagement. It should continue to do so. This is not simply about engaging emerging economies or deepening and broadening the ambition alliance. The trans-Atlantic (special) relationship will continue to be tested.

Since the collapse of talks in Copenhagen the UNFCCC is on probation. No matter how important the events in Durban may in retrospect prove to be, the centrality of the UN negotiations has been reduced. The EU has proven capable of building upon existing partnerships and creating new alliances that are an essential part of a diplomatic strategy. Partnerships need to be practical if they are

to be durable. Political alliances need to share objectives and can shift in light of changing circumstances. Multiple alternative forums for climate engagement exist; most of them consisting of large emitters. It should not be surprising that the foxes are unable to guard the hen house. Technical and bilateral partnerships are a useful alternative to these fora, as they build trust and explore concrete options for action. But many partnerships lack a tight strategic focus. The EU should build on its early action, but deepen the relationships through a more coordinated approach with a stronger political focus.

To sum up, from 2012 thru 2014, will be a proving ground for renewed EU climate leadership. The results of which can be harvested in 2015 (or not). The EU needs to build on existing relationships, but invest more in the partnership. For the BASIC countries, the key is to create trust in the policy instruments the EU has developed. This is done in part by taking further action at home and implementing lessons learned. Finally, the EU has to be willing to show teeth. In the long-term this includes looking at trade measures for blockers.

By now it is clear that there is no alternative venue to negotiate a global climate treaty. But a parallel world exists, with the G20 in particular needing a more focused involvement by cli-

mate policy makers. It is another example of the new dynamism fast-industrializing nations show at the international stage, working on equal footing with the G7/8 powers. Major investment strategies for non-G20 members are being prepared for key sectors, such as infrastructure (including energy) and agriculture, and implemented through the multi-lateral development banks. These strategies seem to lack climate coherence and the G20 has so far not recognized the need for climate-compatible development, limiting warming to 1.5 or 2 degrees.

For now, it is difficult to assess how the current global crisis of public confidence in politics and business will shape our future climate leaders. The outrage of the 99% was fuelled by an increase in economic and social inequality around the world which has direct relevance to the international climate framework as discussed here. Opportunities for climate leadership abound and thus present an opportunity for political leaders to regain credibility with a disillusioned body of young people.

In conclusion, restoring the EU's credibility and climate leadership at home and abroad can be achieved.

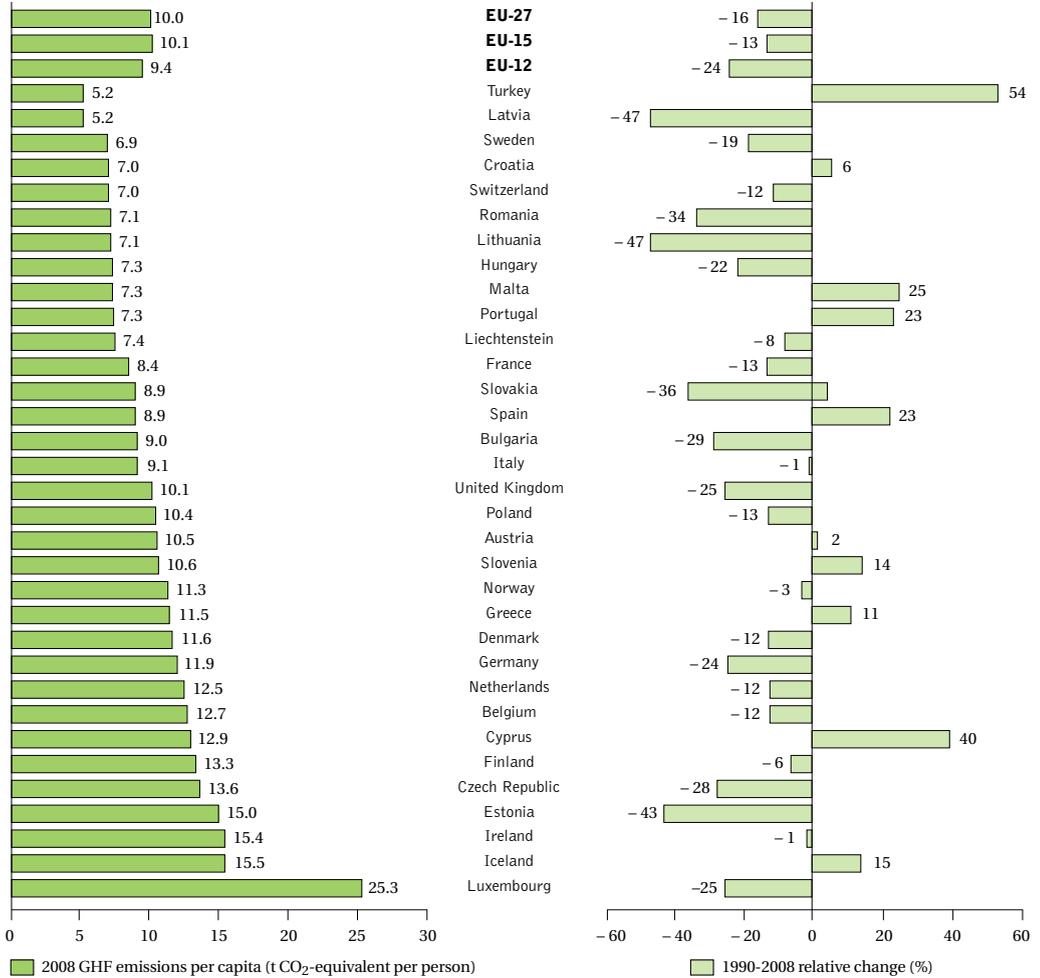
There is no Plan B for the planet.



Hans Verolme* has 20 years of global experience in the field of international environment and development. He has extensive experience navigating climate change politics, having worked as senior adviser to the British Embassy in Washington, DC, and as US and global director at WWF. Since 2008 he has been providing strategic advice to organisations wishing to seriously address the climate challenge. Based in Berlin and having worked and lived in India, Kenya, and the USA, he has personal knowledge of development challenges and green economy.

*The author can be contacted at climate@hansverolme.net

Annex A – GHG emissions per capita in 2008 and percentage change 1990-2008



© Source EEA 2011



The expectations for the 2011 climate conference in Durban were extremely low, as countries were dealing with a deepening economic crisis. Yet, an agreement was reached that some called a triumph for European climate diplomacy. This is noteworthy as European climate leadership had increasingly been called into question after the failure of the Copenhagen climate summit in 2009. The EU's diplomatic alignment with small island states and least developed countries proved crucial for reaching the final agreement now known as the Durban Platform. Europe can only maintain a credible leadership role if it spurs its climate action at home. A recent study by the European Commission showed that a more ambitious EU carbon target would have a much lower total impact on the economy than previously expected. However, decisions to

raise the 2020 emissions reduction target and to strengthen the EU Emission Trading Scheme remain outstanding. The crisis of the Eurozone and the lack of unity in an enlarged EU are currently challenging the EU's ability and willingness to lead the climate diplomacy. The European Union office of the Heinrich-Böll-Stiftung commissioned Hans Verolme, a Berlin-based strategy adviser on international climate policy, to analyse European climate leadership in Durban and beyond.

This discussion paper is intended to stimulate the debate on how the EU can enhance its alliance with other global climate frontrunners and address a changing world order. What steps does Europe have to take that underpin the EU's climate leadership and ensure an ambitious future global agreement?

 **HEINRICH BÖLL STIFTUNG**
EUROPEAN UNION

Rue d'Arlon 15, 1050 Brussels, Belgium
T +32 2 743 41 00 **F** 32 2 743 41 09
E brussels@boell.eu **W** www.boell.eu

