

Response measures: North-South divergence continues

Bonn, June 8 (Hilary Chiew) – Parties differed in their views on the treatment of the issue of unilateral measures under the forum and work programme on the impacts of the implementation of response measures.

Developing countries' call for a workshop to discuss the matter under the forum at the year-end United Nations climate conference in Warsaw, Poland was rejected by developed countries led by the United States and the European Union.

The United States strongly opposed the proposal saying it had firm views on this matter and would never agree to any discussion on unilateral measures in the forum nor at any other fora of the United Nations Framework Convention on Climate Change (UNFCCC).

The exchanges took place in all three workshops, operating as a contact group, at the 38th sessions of the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA). The forum is convened under the SBI and SBSTA.

Developing country Parties also expressed concerns that the workshop discussions were losing focus, particularly in the area of assessment and analysis on impacts and the modelling work generated, which they felt failed to take into account the special provisions of the Convention on the obligations of the developed countries and the special needs of developing countries.

On June 4, Parties exchanged experiences and discussed opportunities for economic diversification and transformation. On June 5, Parties engaged in the workshop titled “Just transition of the workforce and the creation of decent work and quality job”. On June 6, Parties

discussed the assessment and analysis of impacts. The forum closed with an expert meeting on economic modelling and socio-economic trends which was held on June 7. All the meetings were chaired by Richard Muyungi (Tanzania) who is chair of SBSTA and co-chairs the forum with the SBI chair, Tomasz Chruszczow (Poland). (The latter was preoccupied with the wrangling over the SBI agenda that is still not adopted; a “friends of the chair” setting was set up on Friday June 7 to resolve the impasse.)

Argentina representing the Group of 77 and China pointed out that the mandate from the Doha decision allowed Parties to discuss unilateral measures in the forum, citing paragraph 54 of Decision 1/CP.18.

(Paragraph 54 of 1/CP.18 adopted in Doha, Qatar in 2012 reads: *Welcomes the progress made in the work of the forum on the impact of the implementation of response measures being convened under the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation and invites Parties to continue to participate in the forum, including the sharing of views on policy issues of concern, such as unilateral measures; ...*)

Argentina said in this context, unilateral measures should be discussed as a cross-cutting issue in the forum in the different areas of the work programme and proposed that a workshop be conducted in Warsaw.

It stressed that G77 and China supports multilateralism and is in opposition to unilateral measures that undermine the spirit of multilateral cooperation and that could be contrary to the principles and provisions of the UNFCCC, in particular Article 3.5.

(Article 3.5 reads: *The Parties should cooperate to promote a supportive and open international economic*

system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change. Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.)

China in supporting the idea of the workshop said it noticed that from the presentations of Parties (on the different areas of the work programme) this issue is faced by many developing countries and stressed that the discussion is to find solutions to those problems arising from implementation of unilateral measures.

Referring to paragraph 54, the **United States** concurred that the decision from Doha meant the issue can be discussed in the forum but not to give it specific status and it wanted its intervention to be reflected in the workshop report later.

Supporting the United States, the **European Union** said Parties had lots of discussion of unilateral measures in the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) and although the wordings were there, it is against having a separate debate on the issue. **Australia** also disagreed with the workshop proposal.

On June 5, **Argentina on behalf of G77 and China**, said as there will only be one workshop under the forum in Warsaw and as there is a mandate to discuss the issue further, it reiterated its proposal for a specific workshop for unilateral measures. It asked those countries that opposed the idea to give substantive explanations on their concerns.

The **United States** said the AWG-LCA (decision in Doha) has absolutely no mandate for a workshop in Warsaw but is clear that the issue can be discussed in the forum. It asked Argentina to share its view. In response, Argentina said it would consult the G77 and China members on this matter.

Assessment and Analysis of Impacts

At this June 6 workshop, **India** focused its presentation on unilateral measures. It lamented that although Article 3.5 provides the protection against unilateral measures, the talks on imposing those measures on developing countries are

continuing. It listed five reasons why Parties must refrain from taking unilateral measures:

- The UNFCCC and its Kyoto Protocol, and COP/CMP decisions - is and must remain the principal forum for fashioning international climate policy. The climate regime with near-universal membership, sophisticated multilaterally agreed principles, rules and institutions to draw on, and frequent negotiating opportunities offers the best chance of arriving at an equitable and effective solution. Unilateral measures taken by countries and the retaliatory actions they spawn can only lead to sub-optimal climate policy;
- Climate policies crafted nationally/regionally and imposed beyond borders are unlikely to accurately reflect the principled balance of obligations in the climate regime. It may stand in violation of the UNFCCC and not respect the principles of CBDR (common but differentiated responsibilities);
- Whilst multilaterally agreed policies – developed through negotiated compromises between consenting states – implicitly command legitimacy, unilateral measures that seek to govern actors beyond their borders raise serious legitimacy concerns;
- Unilateral measures, if taken, show a disregard for multilaterally negotiated regime and in fact it is an indirect threat that measures will be taken by them unless others comply with their wishes. Consequently, unilateral measures lend themselves to a perception of partiality and are therefore affects the confidence building that is central to the multilateral climate negotiations;
- It is also worth bearing in mind that if nations are allowed to engage in unilateral measures, they will have little incentive to participate and reach compromise solutions in the multilateral process. Far from furthering the fight against climate change, unilateral measures chip away at the multilateral process and the principles on which the climate regime is built.

Instead, India said, it is of the strong view that the UNFCCC process should expand on Article 3.5 and agreed that Parties completely eschew unilateral measures and have a way to take corrective steps in case it happens. It stressed

that developed country Parties shall not resort to any form of unilateral measures on any grounds related to climate change.

In conclusion, India said, it is important to understand that the threat of unilateral measures is not a theoretical discussion but is very, real citing the example of the EU-Emission Trading Scheme to curb emissions in international civil aviation. These measures were not restricted to the EU only but all airlines from all countries from the point of departure. Consequently, several countries sent their voice of protest, after which the EU has decided to stop the clock. In other words, they have suspended but not withdrawn these measures and the threat remain of it being revived.

It further raised its concern over the discussion of market-based measures in the International Civil Aviation Organisation but fortunately, discussion is now going on in a multilateral setting.

Presenting on behalf of the **G77 and China, Argentina** said the assessment and analysis of the impacts from response measures had to be seen in the broader context of the achievement of sustainable development, in accordance with nationally defined priorities for developing countries.

It said the results of the Rio+20 conference last June (UN Conference on Sustainable Development in Rio de Janeiro, Brazil) should be taken into account as an overarching framework. Twenty years after the landmark 1992 Earth Summit in Rio, the international community reaffirmed sustainable development as the central paradigm in its three pillars (environmental, social and economic) as well as the Rio principles, in particular common but differentiated responsibilities.

It said Parties need to avoid and minimise negative economic and social consequences in the context in which all developing countries face those consequences in different ways, research and assessment of those impacts is a new field, and the UNFCCC is the mandated fora to discuss the issues including unilateral measures.

It urged developed countries to undertake an assessment in the design and implementation of their response measures, including unilateral ones, of those socio-economic impacts on, *inter alia*, employment, income, economic growth

rates and living standards in developing countries.

The assessment needs to be undertaken both in quantitative and qualitative terms and *ex ante* and *ex post* as well as taking into account the specific national conditions of developing countries and their priorities, needs and circumstances.

It further said such assessments will help to promote understanding about the nature and magnitude of the socio-economic consequences; help developing countries in identifying and addressing the impacts of response measures; and explore ways to avoid and minimise these negative impacts.

The assessment should be consistent with the principles and provisions of the Convention, in particular the principle of common but differentiated responsibilities, Articles 3.5, 4.8 and 4.9 of the Convention and Articles 2.3 and 3.14 of the Kyoto Protocol.

It should also include consideration of the special socio-economic conditions of developing countries (and their first and foremost overriding priorities in terms of economic and social development and poverty eradication) in the design and implementation of response measures.

Furthermore, Argentina said, the assessment should provide information about consultation with potentially affected developing country Parties, include scientific basis of the measure, and analysis if the measure is the most effective means to achieve the objective of combating climate change.

It also said the fulfilment of developed countries' obligations related to the provision of specific support to developing countries, in terms of transfer of technology, financial resources and capacity building should be included.

These, Argentina stressed, could assist in the development of endogenous capacities in developing countries, in order for them to meet the agreed full incremental costs of implementing measures in accordance to Articles 4.3, 4.5 and 4.7 of the Convention.

However, developing countries expressed dissatisfaction with developed countries' reluctance to engage substantially in assessing and analysing the impacts of the implementation of response measures.

Argentina said while the G77 and China welcomed the mitigation efforts of developed countries in combating climate change, especially in the domestic actions that they had taken, but it would like to see more focus on how developed country Parties are striving to minimise the negative impacts and how they are fulfilling their obligations to developing countries.

In support, **Venezuela** said it agreed that the cost of inaction is greater than actions in addressing climate change, but the point is not about actions but the impacts of the actions taken by developed countries on developing countries in compliance with the provisions of the Convention.

China said there were major differences in the presentations by Parties at this particular workshop and reminded Parties that they need to focus on specific actions at this stage of negotiation. It agreed with India, and also viewed the implementation of unilateral measures seriously as its economy will suffer. It hoped to have dedicated time to discuss the matter with a view on how to resolve and better implement those actions.

The presentations of developed country Parties (the European Union and Australia) focused on the environmental and economic co-benefits of response measures. The **EU's** presentation said the range of co-benefits far out-weighed the investment costs in low carbon infrastructure but not all climate policies have obvious co-benefits, and there can be conflicts or trade-offs between different objectives. It said the bottom-line is promising with sensible policies design. Later, in response to the reactions of developing country Parties, it said it is inevitable that measures taken to combat climate change are in a sense unilateral but noted that policies do not stay forever and are subjected to review and update.

Australia said a modelling by its Treasury showed that the Australian economy will continue to grow strongly while cutting emissions and moving to a clean energy future. It further said reducing emissions can deliver benefits, particularly to vulnerable developing countries most at risk of climate impacts, adding that sustainable development can help developing countries build social and economic resilience. It said Australia provided funding for vulnerable developing countries to adapt to the impacts of climate change accounting for over 50% of the country's A \$599 million in fast-start-

finance besides its efforts in developing and deploying low emissions technologies.

Manuel Montes of South Centre said response measures are already affecting developing countries yet there is no reporting of actions by Annex 1 (developed) countries to minimise the negative impacts of their response measures in their national communications. He said it is unclear how much of the burden of the mitigation measures has been passed on to developing countries without their consent. He said that to avoid and minimise negative economic and social consequences on developing countries, response measures must be assessed during design and before deployment. Montes also said as developed country Parties' response measures affect multiple Parties in a variety of ways, response measures should be evaluated in a multilaterally-based body and the assessment should be undertaken with the participation of all parties affected.

Economic modelling and socio-economic trends

Similarly, in the expert meeting on modelling (June 7), developing countries registered their dissatisfaction with the lack of studies and attention on analysing the impacts of response measures by developed country Parties on developing countries.

Modelling experts from the World Health Organisation, Tyndall Centre, Global E3 Modelling and the International Centre for Trade and Sustainable Development presented their findings.

Speaking for **G77 and China, Argentina** reaffirmed that Parties are losing focus in this forum which should be in relation to the principles and provisions of the Convention and to give full consideration for actions to meet specific needs of developing countries from the consequences of response measures.

It stressed that developing countries want to learn more from the modelling process but is disappointed that not much was accomplished, but would like the work in this area to continue. Noting that the expert analyses have a huge focus on fossil fuel subsidies, it reminded that access to energy is critical to achieving sustainable development for developing countries and the modelling should take this concern into account.

Saudi Arabia emphasised the context of the work programme and expressed concern that the discussion was not relevant to the topic. It understood that the forum is not about actions versus non-actions but to understand how response measures undertaken by developed country Parties will affect developing countries.

China agreed that the modelling work presented did not address the concerns of developing countries. It suggested cooperation between modelling experts from both developed and developing countries to ensure a higher quality of results. **Indonesia, Venezuela, Egypt** and **the United Arab Emirates** supported the developing countries' interventions.

Opportunities for economic diversification and transformation

Argentina presented on behalf of the **Group of 77 and China** hoped that the workshop would promote the understanding of development and dissemination of measures, methodologies and tools among experts and Parties to assist developing countries in economic diversification.

It also sought to improve its knowledge on how economic diversification can be integrated into sustainable development plans, especially those that promote social and economic development and poverty eradication. However, it noted that economic diversification entails high adjustment costs for developing countries' economies which are generally characterised by a low economic diversification. They have traditionally relied heavily on the production and exports of commodities that are particularly vulnerable to climate change.

Argentina said there are still serious development challenges in developing countries while the costs of clean technologies remain prohibitive for those countries. It is also important to consider the role of barriers implemented by developed countries such as agricultural subsidies, standards and tariffs, as they can hinder economic and social development of developing countries and therefore their possibilities for economic diversification.

Response measures such as standards and labelling related to carbon content of goods and services pressured developing countries to undertake a structural economic transformation, thus transferring the burden of the mitigation obligations of developed countries to developing

countries, without the adequate support, and which is inconsistent with Article 3.5.

Saudi Arabia said economic diversification is a tool for alleviating the negative impact of response measure but will not be sufficient on its own.

The European Union said it carried out economic diversification for many reasons and not just as response measures to climate change, adding that it has decoupled economy growth with an emission cut of 18.4% from 1990 to 2011.

Venezuela reminded Parties of the decisions of various COPs of UNFCCC that have committed the Annex I countries to assist those non-Annex I countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products, to diversify their economies.

It said the relative extent of the potential impacts of response measures suggested that economic diversification issues affects most significantly the least developed countries and oil exporting countries due to the lack of economic diversification. The lack of diversification increases these economies' vulnerability to fluctuation in primary commodity markets and reduces their adaptive capacity to climate change. However, Venezuela is sceptical that adaptive capacity and long-term prospects can be effectively addressed by economic diversification without the sustainable development perspective.

Mohamed Hamel, senior advisor of the **Organisation for Petroleum Exporting Countries (OPEC)** said these countries face large and disproportionate adverse impacts of the implementation of response measures but economic diversification could help if it is supported by adequate means of implementation, in particular technology and capacity building.

Job transition of the workforce and the creation of decent work and quality job

Argentina representing **G77 and China** reminded Parties of the inclusion of just transition in the Cancun (COP 16) decisions under shared vision and response measures (agenda items of the two subsidiary bodies) and in Durban (COP 17) Parties were urged to

promote just transition of the workforce in the implementation of their policies and measures which were reaffirmed in Doha (COP 18).

It reiterated that barriers implemented by developed country Parties such as agriculture subsidies, standards and tariffs could hinder workforce in developing countries. It pointed out that workforce in developing countries is among the most vulnerable social group due to the rapid growth of a young population in those countries, with the pressure of educating them for the labour market.

It stressed that the fulfilment of developed countries' obligation to provide finance, technology transfer and capacity building is also important to ensure support for workers that may be affected by social and economic consequences of response measures.

Saudi Arabia said its predominantly young nation with 48% of population below the age of 19 is exceptionally vulnerable to the adverse social and economic impacts of response measures. To a question from the representative of the International Labour Organisation (ILO) on whether assessment had been made on how to prepare its huge youth population for employment, it said despite policy changes in

labour training, it is constrained by its dependence on the petroleum industries and lack of other economic sectors.

South Africa said its millions of workers are employed in its energy-intensive industries and mining which are underpinned by abundance of coal, mineral and industrial policy legacy and cautioned that the process of transition must be judiciously managed.

Marek Harsdorff of the **International Labour Organisation (ILO)** said transition policies are needed and net employment gains in greening economy is possible; and climate actions can be pathway for reduced inequality and more social inclusion. He estimated green jobs contributing to 0.5% to 2% of global workforce in 2030, adding that jobs in renewable sector doubled from 2.3 million in 2006 to 5 million in 2010 and transition to a green economy in developing countries will leapfrog.

South Centre's Manuel Montes questioned the adequacy of the 2% job increment in the green sector. To this, the ILO representative replied that transition to low carbon development will achieve net job creation while non-action will be more costly.