

Gillard's crisis in global climate policy

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With the ascendancy of Julia Gillard to the prime ministership has come renewed speculation about the direction of Australia's climate policy. But the change of leadership provides not only an opportunity to put behind us the saga of the failed carbon pollution reduction scheme, it also gives Australia the chance to move beyond the disappointing Copenhagen conference and to foster more realistic international co-operation on climate change than is possible under the fundamentally flawed system of climate governance that produced it.

As the Copenhagen conference revealed to the world with great drama, progress in UN climate negotiations occurs agonisingly slowly. Six months after the conference, fundamental disagreements remain on nearly every aspect of the negotiating agenda.

As global emissions rise and the science becomes more compelling, the window for timely action narrows. We don't have the luxury of waiting for decades while countries grind out a compromise, yet that is precisely what will happen if a different approach is not taken. The lack of a global policy is also creating real economic costs caused by underinvestment in energy-generating capacity.

One problem with the current framework is that it has become too big to succeed. Countries have piled every conceivable issue onto the UN negotiating agenda and they are trying to reach a "grand bargain" by universal consensus. Getting 193 countries to agree on anything is challenging, let alone on every aspect of climate change policy.

Another problem is the predominant "targets and timetables" model for cutting emissions, by which countries pledge to reduce their emissions by a given percentage below a baseline amount by a specified future date. This model assumes countries can agree a global goal, find an equitable way of sharing the effort required and enforce those commitments through international institutions.

In international affairs, the absence of a central authority with the power to issue binding policies and enforce them means that attempts to establish comprehensive and coherent regulatory regimes are persistently thwarted by states' pursuit of their self-interest.

Even if countries could agree on a treaty, it is inconceivable that they would develop a global regulatory institution capable of enforcing strict compliance. Like it or not, international institutions and agreements ultimately depend for their effectiveness on the voluntary actions of national governments.

Frank recognition of this fact leads one to focus on how international policy can best be designed to encourage sufficient domestic emission cuts. Attempting to procure commitments from countries to be bound by medium and long-term targets, the achievement of which will not be known for decades, is not a clever way to go. After 20 years of largely ineffectual negotiations, surely it is time to try a different model?

Thankfully, the beginnings of a new model are visible in the Copenhagen accord. Most countries, including all of the developed countries and the major emitting developing economies, have pledged to take actions or meet targets to reduce their domestic emissions, want greater transparency in the reporting of emissions, and have agreed on a common goal of halting global temperature increases to 2 degrees above pre-industrial levels. But the currently pledged actions and goals are formally inconsistent, do not comport with expected rudimentary principles of fairness and lack the accompanying policy and institutional framework necessary to encourage increased - and eventually sufficient - effort over time.

In a new Lowy Institute policy brief, we outline the key components of a price-based framework for reducing emissions by which the major developed and developing country emitters would calculate the carbon price equivalent value of their existing commitments and then negotiate year-on-year increases in the price (or shadow price) of carbon in their economies.

Compliance would be assessed annually, meaning future commitments would be conditional on the implementation of commitments in the previous year. Such graduated forms of co-operation have been successfully applied to overcome credibility problems in past international negotiations on issues including nuclear disarmament, and there is every reason to think it would be more effective in inducing co-operation on climate change than the current approach.

Such a system could be negotiated relatively promptly among the 17 highest emitters, which meet regularly within the US-led Major Economies Forum. Efforts to measure, report and verify emissions reductions will continue within the UN, as will negotiations over a comprehensive treaty.

Nothing in our proposal undermines the UN process or forecloses other avenues of international co-operation; rather, we think it could help to improve trust and confidence among key countries in a way that would assist other international efforts to cut emissions.

If the Prime Minister is serious about addressing climate change, she must confront the crisis in international climate policy and push for a more realistic way to address this urgent and complex problem.