

Statement of
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regarding
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Bali and the Path Toward a Post-2012 Climate Treaty

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Mr. Chairman, Senator Lugar, and members of the committee, thank you for the opportunity to testify on the recent Bali climate change negotiations and the path toward a post-2012 climate treaty. My name is Elliot Diringer, and I am the Director of International Strategies for the Pew Center on Global Climate Change.

The Pew Center on Global Climate Change is an independent non-profit, non-partisan organization dedicated to advancing practical and effective policies to address global climate change.¹ Our work is informed by our Business Environmental Leadership Council (BELC), a group of 44 major companies, most in the Fortune 500, which work with the Center to educate opinion leaders on climate change risks, challenges, and solutions.

Mr. Chairman, I would like to commend you and the members of this committee for convening this hearing today. Over the past year, the U.S. Congress has for the first time engaged in a genuine debate over how – not if, but how – the United States should address global climate change. So far, this debate has focused primarily on questions of domestic climate policy. This is a critical first step. But as you know, meeting the challenge of climate change requires global solutions as well, and these are possible only with strong leadership from the United States. The U.S. Senate has a vital role in mobilizing and setting the terms of U.S. engagement in the global climate effort. This committee, with your leadership, can ensure the Senate is well prepared to fulfill that responsibility. We are very encouraged that you are initiating this process with this hearing today.

In my testimony, I would like to address four topics. First, I will offer our perspective on the post-2012 international climate framework – both what it must achieve, and how it should be structured. Second, I will assess the recently agreed Bali Roadmap and the opportunities it

¹ For more on the Pew Center, see www.pewclimate.org.

presents. Third, I will outline key steps the United States must take to seize these opportunities. Finally, I will suggest a diplomatic strategy working within and outside the U.N. negotiating process, and the potential role of the Bush administration's major economies initiative.

My key points are as follows:

- A post-2012 international climate treaty must establish binding international commitments for all the major economies. However, the form of commitment can vary. While the United States and other developed countries should commit to absolute economy-wide emission targets, other forms such as policy-based commitments are appropriate for the major emerging economies.
- The Bali Roadmap represents an historic turning point in the international climate negotiations. By not excluding the possibility of developing country commitments, it for the first time offers the prospect of a fair, effective, and comprehensive post-2012 agreement.
- To ensure the Bali Roadmap's success, the United States must: move as quickly as possible to enact mandatory domestic limits on U.S. emissions; declare unambiguously its willingness to negotiate a binding international commitment; and outline the support it will provide to developing countries if they, too, assume reasonable commitments.
- In addition, the United States should mount a major diplomatic initiative, working both bilaterally and multilaterally to clarify and advance the negotiating agenda and find common ground. The administration's major economies process could lay important groundwork with agreement on elements such as a long-term climate goal and an international technology fund.

1) The Post-2012 International Climate Framework Must Be Flexible but Binding

The Pew Center's perspective on the post-2012 climate framework reflects not only our own detailed analysis but also the collective views of an impressive group of policymakers and stakeholders from around the world. As part of our effort to help build consensus on these issues, we convened the Climate Dialogue at Pocantico, a group of 25 individuals from government, business, and civil society in 15 key countries, participating in their personal capacities. The group included senior policymakers from Australia, Brazil, Britain, Canada, China, Germany, India, Japan, Mexico, and the United States. It also included senior executives from companies in several key sectors, including Alcoa, BP, DuPont, Exelon, Eskom (the largest electric utility in Africa), Rio Tinto, and Toyota. The group's consensus report was released in late 2005 at an event in this room hosted by Senators Biden and Lugar.² Since that time, we

² *International Climate Efforts Beyond 2012 – Report of the Climate Dialogue at Pocantico* is available at <http://www.pewclimate.org/pocantico.cfm>.

have produced a number of analyses further elaborating on the Pocantico recommendations.³ I would like to highlight several key points.

Engaging All Major Economies – First, the post-2012 framework must engage all of the world’s major economies. Twenty-five countries account for about 85 percent of global greenhouse gas emissions. These same countries also account for about 75 percent of global population and 90 percent of global GDP. The participation of all the major economies is obviously critical from an environmental perspective, as all must take sustained action if we are to achieve the steep reductions in emissions needed in the coming decades to avert dangerous climate change. But the participation of all major economies is critical from a political perspective as well. All have concerns about fairness and competitiveness, and for that reason, none can sustain an ambitious effort against climate change without confidence that the others are contributing their fair share. We must agree to proceed together.

The Need for Flexibility – At the same time, we must recognize the tremendous diversity among the major economies. This group includes industrialized countries, developing countries, and economies in transition. Their per capita emissions, and their per capita incomes, range by a factor of 18. The post-2012 framework must provide flexibility for these widely varying national circumstances. As the kinds of policies that can address climate change in ways consistent with other national priorities will vary from country to country, it also must accommodate different national strategies. To achieve broad participation, a post-2012 treaty must allow for variation both in the *nature* of countries’ commitments and in the *timeframes* within which these commitments must be fulfilled.

The Need for Binding Commitments – Allowing diverse approaches does not mean that each country should be entirely free to decide for itself how it will contribute to the global effort. The failure of most developed countries to reduce their emissions as pledged in the U.S.-ratified U.N. Framework Convention on Climate Change demonstrates the inadequacy of a voluntary approach. A strong effort – one adequate to the challenge – will be possible only if national contributions are integrated in a common framework and reflected in binding international commitments. As I stated earlier, countries will deliver their best efforts only if they are confident that their counterparts and competitors also are putting forward their fair share of effort. To establish that confidence, there must be some measure of accountability at the international level, and that is best achieved through binding international commitments. If countries are accountable only to themselves, we will not achieve the critical mass of effort needed to deter global warming.

Multiple Commitment Types – A country’s commitment should be of a form appropriate to its level of responsibility and capacity and its national circumstances. For the United States and other developed countries, we believe the appropriate form of commitment is a binding absolute economy-wide emissions target. The United States was the first to advocate the use of

³ See Burton, Ian, Elliot Diringer and Joel Smith, *Adaptation to Climate Change: International Policy Options*; Bodansky, Daniel, *International Sectoral Agreements in a Post-2012 Climate Framework*; Lewis, Joanna and Elliot Diringer, *Policy-Based Commitments in a Post-2012 Climate Framework*; and Bodansky, Daniel and Elliot Diringer, *Towards an Integrated Multi-Track Climate Framework*, at www.pewclimate.org.

targets and emissions trading to address climate change, based on its success in combating acid rain. This market-based approach also is reflected in most of the major bills before Congress aimed at limiting and reducing U.S. emissions. Within the international framework, stronger absolute targets for developed countries are absolutely critical to drive emission reduction and to sustain and strengthen the emerging greenhouse gas market.

We must accept, however, that China, India, and other developing countries are very unlikely to commit at this stage to binding economy-wide emission limits. With standards of living just a fraction of our own, they are fearful of jeopardizing their growing economies, and will have to be persuaded by the example of developed countries that a cap on emissions is not a cap on growth. For now, economy-wide targets are also technically impractical for most developing countries: to accept a binding target, a country must be able to reliably quantify its current emissions and project its future emissions, a capacity that few if any have.

As an alternative to binding economy-wide targets, developing countries could be encouraged to make policy-based commitments. Under this approach, countries would commit to undertake national policies that would moderate or reduce their emissions, without being bound to an economy-wide emissions limit. These commitments could be tailored to national circumstances and build directly on domestic policies. China, for example, has domestic energy efficiency targets, renewable energy goals, and auto fuel economy standards, and some version of these could be put forward as international commitments. Tropical forest countries could commit to policies to reduce deforestation. To be credible and effective, policy-based commitments would need to be measurable and binding, with mechanisms to ensure monitoring and compliance.

A third potential element of the post-2012 framework is sectoral agreements, in which governments commit to targets, standards, or other measures to reduce emissions from a given sector, rather than economy-wide. In energy-intensive industries whose goods trade globally – the sectors most vulnerable to potential competitiveness impacts from carbon constraints – sectoral agreements can ensure a more level playing field. Sectoral agreements also may be a practical way to engage developing countries not yet prepared to take on economy-wide commitments. Sectoral approaches are being explored by global industry groups in the aluminum and cement sectors. We believe they also are worth exploring in sectors such as power and transportation, where competitiveness is less of a concern but large-scale emission reduction efforts are most urgent.

In addition to these different types of emission reduction commitments, the post-2012 framework must address technology, finance and adaptation. On technology and finance, it could include two types of agreements: the first, for joint research and development of “breakthrough” technologies with long investment horizons; the second, to broaden access to existing and new technologies by addressing finance, intellectual property rights, and other issues impeding the flow of low-carbon technologies to developing countries. On adaptation, the top priority within the climate framework should be assistance to those countries most vulnerable to climate change for national adaptation planning and implementation. But broader efforts to reduce climate vulnerability also should be integrated across the full range of bilateral and multilateral development support.

I would emphasize again the need to integrate these elements in a coherent framework. An ad hoc agglomeration of nationally defined programs will not produce the level of effort that is needed. Strong global action requires binding international commitments negotiated and agreed as a package. The framework must be flexible enough to accommodate different types of commitments, and reciprocal enough to achieve a strong, sustained level of effort.

2) The Bali Roadmap is an Opportunity for a Fair, Effective Post-2012 Framework

I would like to turn now to the Bali Roadmap adopted by governments at the UN Climate Change Conference last month in Bali. In our judgment, the Bali Roadmap initiates a process that, for the first time ever, offers the prospect of a comprehensive international climate framework of the type I have just described. The process is far less than ideal. However, we believe it is the best that could have been achieved given present political constraints – the first and foremost of these being the unwillingness to date of the Bush administration to negotiate a binding international commitment.

The Bali Roadmap in actuality encompasses two parallel negotiating processes. The first of these was launched two years ago under the Kyoto Protocol. Its aim is to negotiate post-2012 commitments for those countries that presently have binding targets under the protocol. As these countries are highly unlikely to assume new commitments on their own, however, a parallel process was needed to engage the United States and developing countries in the post-2012 negotiations. This second process, under the U.N. Framework Convention on Climate Change, was launched in Bali and is called the Bali Action Plan. Although these two processes are not formally linked, the expectation is that they will converge in a comprehensive agreement in 2009, with some commitments established under the Kyoto Protocol and others under the Framework Convention.

In our analysis, the ideal outcome in Bali would have been a negotiating mandate clearly specifying the types of commitments to be negotiated by different groups of countries. The Bali Action Plan, by contrast, is very loosely framed. With respect to mitigation, it calls for “measurable, reportable and verifiable” actions on the part of both developed and developing countries. In the case of developed countries, it speaks of “mitigation commitments or actions,” and identifies emission targets as one option. In the case of developing countries, it speaks of “mitigation actions,” not commitments, “supported and enabled by technology, financing and capacity-building.” The Action Plan specifically identifies sectoral approaches and measures to reduce deforestation as potential mitigation elements. It also calls for the post-2012 agreement to include provisions addressing adaptation, technology, and finance and investment.

In sum, the Bali Action Plan identifies the full set of issues that must be addressed but leaves entirely open the nature of the actions or commitments to be negotiated by any country or group of countries. In this sense, the Bali Roadmap puts no country on the hook for anything. At the same time, however, it lets no country off the hook either. This, in fact, is what is most significant about the Bali agreement. The 1995 Berlin Mandate, which launched the negotiations leading to the Kyoto Protocol, explicitly excluded the possibility of new commitments for

developing countries. Up until the Bali conference, developing countries had steadfastly maintained that posture. The Bali Action Plan does not expressly contemplate binding commitments for developing countries; with the United States not yet prepared to negotiate such commitments, developed countries can not reasonably be expected to. But the Bali Action Plan does not explicitly exclude the question of developing country commitments either. This presents a significant opening, one the United States must capitalize on if we are to achieve a fair and effective post-2012 agreement.

Under the Bali Roadmap, this agreement is to be reached at the 15th conference of the Framework Convention parties in Copenhagen in late 2009. We believe that, even under the best of circumstances, this is an extraordinarily ambitious timeline. The reality is that negotiations will not begin in earnest until the United States is prepared to negotiate a binding commitment. Without a change in policy by the Bush administration, this can occur only when a new president takes office in January 2009. Even then, it will likely take the incoming administration a matter of months to appoint senior officials and develop a formal negotiating position. That will leave precious little time to meet the Bali deadline. We believe that as the deadline approaches, parties should revisit and revise it if necessary to allow time for a successful negotiation and avert what would be perceived as a dramatic failure at the Copenhagen conference.

3) U.S. Leadership at Home and Abroad is Key to the Bali Roadmap's Success

I now would like to outline steps that the United States can take to ensure that the Bali Roadmap leads to a fair, effective, and durable post-2012 agreement.

The success of the Bali Roadmap depends ultimately on the willingness of each of the world's major economies to assume and fulfill a binding commitment commensurate with its responsibilities and its capabilities. The willingness of other countries to assume such commitments will depend in large measure on the willingness of the United States. As the world's largest economy and largest historic emitter, the United States has a singular responsibility not only to reduce its own emissions but also to lead the international community in forging an effective global response. To date, the United States has failed to deliver on either score. In our view, the United States must do three things to reverse this record and set the stage for a post-2012 agreement.

First, Congress and the President must move as quickly as possible to enact mandatory domestic legislation to limit and reduce U.S. greenhouse gas emissions. As a founding member of the U.S. Climate Action Partnership, or USCAP, the Pew Center strongly supports the establishment of a cap-and-trade system as the centerpiece of a mandatory federal program with the goal of reducing U.S. emissions 60 to 80 percent by 2050. We are very encouraged by the progress achieved in the Senate toward enactment of such a program, and are fully committed to working with you and your colleagues towards that end. Domestically, a mandatory market-based program will stimulate technology development and deployment and give U.S. businesses the certainty and incentives they need to reduce emissions as cost-effectively as possible. Internationally, a mandatory domestic target will enable the United States to negotiate with greater confidence and credibility. Having resolved what it is prepared to do at home, the United

States will know far better what it is prepared to deliver abroad. And, having taken concrete action to meet its responsibilities, it can more credibly call on other countries to fulfill theirs.

Second, the United States must state clearly and unambiguously that it is prepared to negotiate a binding international commitment. As long as that remains in question, other countries will have a legitimate excuse to avoid negotiating commitments of their own. As I stated earlier, we believe that the United States' commitment, and those of other developed countries, should be in the form of a binding absolute economy-wide emissions targets.

Third, the United States should make clear the type of support it is prepared to offer developing countries if they, too, assume appropriate commitments. Once we have demonstrated a willingness to reduce our own emissions and assume a binding international commitment, it will be reasonable for us to expect that major emerging economies such as China assume commitments as well. However, it also will be reasonable for these countries to expect that we and other industrialized nations will assist them in fulfilling their commitments. This is in part a matter of fairness, given our greater historic contribution to climate change and our greater capacity to address it. Indeed, we and other industrialized countries agreed in the Framework Convention to assist developing countries in their efforts to address climate change, and the Bali Roadmap identifies such support as an essential element of a post-2012 agreement. However, providing such support is also very much in our self-interest, as we will bear the consequences if developing countries fail to act.

Support can be provided both on a bilateral basis and as part of a post-2012 agreement. A domestic cap-and-trade program, for instance, could allow for crediting of emission reductions in developing countries; additional incentives could be conditioned on the acceptance by developing countries of reasonable international commitments. Congress also could provide tax and other export incentives to support the adoption of U.S. clean energy technologies. A post-2012 agreement could establish an international financing mechanism and address issues such as intellectual property rights. Determining the appropriate forms and level of support requires a far better understanding of developing countries' needs and the barriers to achieving them. To the degree feasible, however, we believe that support for developing country efforts should take the form of market-based incentives that leverage private financial flows.

As I noted earlier, the Bali Roadmap presents an unprecedented opening to engage developing countries more deeply in the climate effort. To seize this opportunity, the United States must come forward with an offer that fairly addresses the legitimate needs of developing countries, while being realistic about the nature and level of commitment that can be expected in return.

4) Reaching Agreement Requires a Major U.S. Diplomatic Initiative

We believe that these three steps by the United States – enacting mandatory domestic emission limits, declaring a willingness to negotiate a binding commitment, and offering a package of incentives for developing country action – are essential preconditions for a

comprehensive post-2012 climate agreement. But these steps must be accompanied by vigorous and sustained U.S. diplomacy both within and outside the U.N. negotiating process.

Within the U.N. process, the new Ad Hoc Working Group established by the Bali Action Plan must now agree on how it will take up the complex set of issues before it. Despite the tight deadline, it will not be feasible for the parties to go directly to negotiating commitments. First, they must come to a firmer common understanding of the central issues and the options for addressing them. Key among these are different commitment types and their potentials, specific technology needs, and financing mechanisms. The United States should fully engage in the Working Group process and help ensure that it focuses on the right issues in the right order.

Simultaneously, the United States should engage in intensive bilateral diplomacy to better understand the perspectives of other key countries and to seek common ground for a comprehensive agreement. Within the negotiations, issues often are debated only in general terms. To fully understand the concrete needs and concerns of other countries, it is better to engage them one on one. Trust and understanding developed on a bilateral basis will make a comprehensive agreement far more feasible.

The United States also can work outside the formal negotiating process to promote consensus among the group of major economies. The participants in the Pocantico dialogue I described earlier were among the first to urge a high-level dialogue among major economies as a prelude to formal post-2012 negotiations. The goal of the administration's major economies initiative is to reach consensus among these key countries in 2008 as a basis for a global U.N. agreement in 2009. However, the administration brings to this initiative a specific vision of the post-2012 framework – one based on nationally defined programs, rather than binding international commitments. There was little indication at the first major economies meeting in September that other countries support this approach. Still, by aiming for agreement on discrete elements, rather than a comprehensive approach, the initiative could in the months remaining make a significant contribution. In particular, if the major economies were to achieve consensus on a long-term climate goal, or on an international technology fund, as the president has proposed, these could serve as important elements of the post-2012 agreement envisioned in the Bali Roadmap.

To summarize, I believe the Bali Roadmap presents an historic opportunity to mobilize an effective multilateral response to climate change, and it is incumbent upon the United States to lead both at home and abroad to ensure its success. I again commend the Committee for bringing the attention of the Senate to bear on these critical issues, and I thank you for the opportunity to present our views. I would be happy to answer your questions.