

What is the demand for policy co-ordination in the framework of International Climate Policy?

1. Background and scope of the paper

With the adoption of the Kyoto Protocol Annex I countries have committed themselves to reducing the average of their annual aggregate GHG emissions in the years 2008 to 2012 by around 5 % percent in comparison to 1990. Although the text of the Kyoto Protocol was finalised already in 1997 and signed by 84¹ countries, the treaty still awaits ratification of all G8 countries, of most other industrialised countries and the majority of the developing countries. Thus, the protocol is not yet legally binding, it will enter into force much later than originally intended.

The reasons for the delay are manifold and range from the domestic political situation in some countries to the fact that the protocol contains gaps, which need to be filled in order to implement the requirements. Therefore diplomats adopted a work programme called the Buenos Aires Plan of Action, which structures the negotiation process after Kyoto until the sixth conference of the Parties in November 2000 in the Hague. Meanwhile, many of the tasks listed in this action plan have been completed. Nevertheless, experts still perceive strongly divergent interests concerning the implementation of the flexible mechanisms and the possibility to credit certain sink activities like afforestation and avoided deforestation against the quantified emission reduction commitment. Particularly these two issues are expected to overshadow the negotiations in the Hague, so that the overall goal of the Kyoto Protocol, which is the reduction of GHG emissions in industrialised countries, is in danger to get lost out of sight.

Looking into the history of the Kyoto Protocol, a very different flavour of international climate policy reappears: for some time the parties negotiated the commitments of Annex I parties with a particular focus on the reduction of domestic GHG emissions in Annex I parties. The EU even pushed the idea of a binding list of policies and measures that all Annex I parties were supposed to implement. The keywords in this discours were “common policies and measures” – often abbreviated common PAMs. The general idea of this approach was to overcome technological and macroeconomic barriers to climate change mitigation via co-

ordinated action – the prototype of these barriers being trade distortions that may arise due to unilateral introduction of eco-taxes. The EU, however, failed in its attempt to incorporate a list of binding policies and measures. In fact, this failure can be viewed as one of the biggest defeats of the EU during the negotiations.

Contrary to the picture currently presented by international climate policy, the implementation of policies and measures and their co-ordination is still highly relevant for the success of the climate regime. It is the purpose of this document to illuminate the importance of this issue for implementing the Kyoto-Protocol as well as the Framework Convention on Climate Change. Therefore the author will, firstly, describe the various negotiation topics in which PAMs play a role, secondly, introduce the reader to the various forms of policy co-ordination that could be pursued and, lastly, formulate minimum requirements that future work on policy co-ordination in the framework of international climate policy should meet.

2. What is the place of policies and measures in the current landscape of negotiations?

At first sight the inclusion of PAMs into the Kyoto-Protocol might surprise. Critics of co-ordination could claim that it suffices to fix quantified emission reduction commitments and leave the domestic implementation to the parties. However, the approach chosen in the Kyoto-Protocol is different: PAMs do appear at a very prominent place, right at the beginning of the text of the protocol (see Oberthür/Ott 1999, p.103 et seq.). More specifically, Article 2.1 (a) determines that each Annex I Party

„...shall implement and/or further elaborate policies and measures in accordance with its national

This sentence is followed by an optional list of PAMs that includes, for example, the enhancement of energy efficiency and the phasing out of market imperfections. Further, Article 2.1 (b) states that parties shall

„...cooperate with other such parties to enhance the individual and combined effectiveness of their policies and measures (...). Parties shall take steps to share their experience and exchange information on such policies and measures (...).“

¹ As of 28 September 2000

As part of their commitments, Annex I Parties must report on PAMs within the system of national communications² submitted to the Secretariat of the Framework Convention on Climate Change (Article 7.2) and the implementation of PAMs is subject to the review by so called expert review teams (Article 8.2).

Apart from the possibility to achieve bigger GHG reductions by co-ordinating PAMs, there are various other reasons why PAMs should be included in the Annex I commitments. The box below provides an overview of the benefits related to the explicit inclusion of PAMs as part of the Annex I commitments - and therewith the reporting and reviewing - as they are discussed in the literature (Compare OECD 1998a; OECD 1998b).

Parties may achieve higher GHG reductions through co-ordinated implementation than through unilateral implementation

Parties can mutually learn about the implementation of PAMs in different countries

Expert review teams/ a compliance body/ others can review the domestic implementation of the Kyoto-Protocol in order to identify early problems of non-compliance

Parties can demonstrate the extent of the effort they make

Each party can provide information on the extent to which parties are able to reduce their emissions

In this discussion paper the focus will be on policy co-ordination. However, although beyond the scope of this paper, particularly the importance of trust building among parties should be stressed (see Oberthür/Ott 1999, p.305 et seq.). By reporting the status of implementation of PAMs, Annex I Parties can signal their degree of commitment to the Kyoto Protocol before the first commitment period starts. In the current situation, where ratification of the Protocol is pending in most Annex I countries, such signalling can be crucial on purely political terms. A co-ordinated implementation of PAMs might furthermore serve as „demonstrable progress“ that industrialised countries must show by 2005 under Article 2.5 of the Kyoto Protocol.

It is almost self-evident that a system of reporting requires a certain amount of co-ordination. For the sake of completeness it should be mentioned that parties are currently striving to develop a uniform approach towards a clear-cut understanding of what PAMs are

² The Annex I parties already delivered two national communications. This task was part of their commitments under the Framework Convention on Climate Change. Under the Kyoto-Protocol the level of detail and the

and an ex-ante quantification of impacts of various PAMs. However, this type of co-ordination shall not be pursued further in this paper.

Instead it is worth sketching shortly the efforts that parties undertook in the post-Kyoto negotiations to facilitate the co-ordination of policies and measures. As mentioned above, the Parties adopted the Buenos Aires Plan of Action, in which tasks are assigned to the various institutions within the climate regime. One of the subsidiary bodies and the UN-Secretariat were requested to consider ways that facilitate the co-operation to “enhance the individual and combined effectiveness of PAMs”³. The chosen approach was as follows: The Secretariat was asked to prepare a report on “best practice” in PAMs based on national communications and on additional information that parties were invited to submit⁴. Additionally, a workshop on “best practice “ was held in Copenhagen in April 2000.

Meanwhile the workshop report⁵ and the report on best practice⁶ have been finalised and the Subsidiary body has prepared a draft decision⁷. Such draft decisions are presented to the Conference of the Parties for adoption. It might be of particular interest in the context of this paper that the draft decision contains the call for future work or a consultative process that

„...should take place (...) through initiatives involving all Parties and, as appropriate environmental and business non-governmental organisations, and should include the exchange of information on policies and

If this draft decision is adopted, PAMs will clearly be back on the agenda of the negotiations.

3. Various forms of policy co-ordination that could be pursued

Attempts within the climate regime to explore systematically the demand for such co-ordination are relatively few. Of these attempts the research project „Policies and Measures for Common Action“ done by the Annex I Expert Group is particularly noteworthy. This project was initiated in 1994 at the request of industrialised countries. A first and yet the only official report of this group concerning policies and measures to bodies concerned with the negotiations was delivered in 1996 (Annex I expert group 1996).

amount of information contained in the National Communications will need to be expanded.

³ FCCC/CP/1998/16/Add.1 1998: 35

⁴ The submitted information is compiled in FCCC/SBSTA/1999/MISC.10 1999.

⁵ FCCC/SBSTA/2000/2 2000

⁶ FCCC/SBSTA/1999/8 1999

⁷ FCCC/SBSTA/2000/CRP.9 2000

As a first step this group had gathered the various notions of the term „policy co-ordination“ that existed among delegates of the Parties. The experts found that most of the numerous notions can be located in the range that is sketched by the following four definitions:

- Specific policies and measures that could be implemented by a group of countries together under some form of agreement to increase the effect of the measure
- Co-ordination of action to implement the same or similar measures together
- Agreement to take actions in a sector towards a given aim or target leaving the means of reaching the agreed aim to each country
- Successful policies and measures that could be replicated in other countries

The expert group also provided examples that illustrated the content of these definitions. The first type of co-ordination may very well be suited to macro-economic policy making. For example, parties could decide to phase out ecologically counterproductive subsidies in a common effort under the form of an agreement. An example that would fit the second definition would be the introduction of the energy star label in Japan and the EU after its development in the USA. A prototype for the third category could be the fuel consumption of cars. A co-ordinated approach fitting this definition would consist of an agreement between Annex I Parties on the targeted fuel consumption, without fixing the policy that parties adopt for domestic implementation. Under such an agreement country A could choose to implement the agreement via mandatory standards, whereas country B might prefer voluntary commitments negotiated with the relevant industries. As an example of the fourth category the Annex I expert group cited a menu approach, i.e. parties could choose to adopt those PAMs which are listed on a menu of policies and measures.

As a second step, after having prepared a framework for evaluation, the expert group conducted various individual studies. Of these studies the one that is named „Demand Side Efficiency: Energy Efficiency Standards for Traded Products“ is of particular relevance to the policy dialogue as it focussed on office equipment and freezers/refrigerators.

According to the study, the rationale for common action in this field would be the potential reduction in trade distortions, the wider availability of cheaper and more efficient products through larger product runs and, consequently, bigger reductions in GHG emissions. Further, the expert group concluded that while there are little merits of Annex I wide energy efficiency standards for freezers and refrigerators, a co-ordination of standards for energy efficiency of office equipment might be desirable. Additionally, the expert group identified three options for co-ordinated action:

- Parties could agree to set product specific efficiency standards that are differentiated according to the circumstances in the various participating countries. As a common criterion for differentiation the group proposes cost effectiveness.
- Parties could endeavour to harmonise test protocols and measurement techniques.
- Parties could jointly introduce minimum energy performance levels for specific products.

The study also listed possible actors that might assume tasks in the process of policy co-ordination. These could be the various regional economic organisations like the EU, NAFTA or APEC, multinational industries and industry associations. Further actors could be, according to the expert group, the International Standardisation Organisation and the International Electrotechnical Organisation, the OECD and the IEA.

It should be borne in mind that the research project „Policies and Measures for Common Action“ had been carried out in a context that cannot be compared to the current landscape of the negotiations. At this early stage of the negotiation process the parties had not decided whether to adopt quantified emission reduction commitments or a binding list of PAMs that all Annex I countries must implement. Therefore the research title does not speak of co-ordinated action but common action. However, during the negotiations until Kyoto it had very soon become clear that particularly the USA strongly rejected any attempts to agree upon any harmonisation of mandatory PAMs (compare Oberthür/Ott 1999: 103-106). From the negotiation process until Kyoto one may therefore draw the conclusion that agreement on common action in all Annex I countries is probably not feasible. Further, one may deduce that attempts to impose the co-ordinated implementation of PAMs on particular countries will meet with some resistance.

A rather successful example of policy co-ordination has been developed in the international ozone regime. Under the framework of the Montreal Protocol on Substances that Deplete the Ozone Layer so-called Assessment Panels have been established whose task is to provide advice on the further development of the commitments of parties to the protocol (Article 2 Montreal Protocol). Concerning policy co-ordination, the economic and technology assessment panels are particularly interesting. Members of these assessment panels are experts working with governments, research institutes and to a large proportion multinational companies (Ozone Secretariat 1999). These experts have met regularly and have assessed, inter alia, the technical feasibility of substitutes for ozone depleting substances and the commercial availability of these substitutes in various countries. In doing so the assessment panels have significantly shaped the timetable for the phase out of ozone depleting substances

in the member countries of the Montreal Protocol. For example, the reports of the assessment panels greatly influenced the revision of the Montreal Protocol in London in 1991 (cf. Ott 1998). Thus, the Technology and Economic Assessment Panels provide a working example for an institutionalised knowledge transfer between economic actors and diplomats.

4. What might policy co-ordination in the framework of International Climate Policy look like?

Clearly, not all PAMs are suited for co-ordination and political resistance to compulsory co-ordination is likely to remain high. Although the parties will most likely decide to further continue exploring the demand and scope for policy co-ordination, a decision on an institutionalised process cannot be expected from COP 6. Therefore every attempt to specify a concrete framework would be speculative in character. I will therefore confine myself to formulating the demands that such a process should meet.

First, attempts to push the issue within the climate regime should initially focus on those PAMs where demand for co-ordination is relatively obvious. Prior to Kyoto the EU delivered a long list of priority policies and measures that it considered suitable for co-ordination⁸. Out of this list the following PAMs are of importance for the IT-sector:

- Energy efficiency standards and labelling for household appliances and other equipment
- Introduction of international voluntary agreements in internationally oriented industrial sectors
- International co-ordination on standards for energy efficiency and on the use of fiscal incentives
- International co-operation in PAMs development with industrial sector organisations

Second, there should be a learning process on the implementation of PAMs. This mutual learning can to some extent be facilitated by the system of national communications, indicators that quantify the impacts of particular PAMs and the anticipated expert reviews. However, in order to learn about the political cultures that sometimes prevent the adoption of PAMs, the official reporting and review system should be accompanied by efforts similar to those of the Annex I expert group or by initiatives of non-governmental institutions.

Third, actual policy co-ordination does not necessarily have to take place at Annex I level. Instead there is ample room for bilateral and multilateral action by small groups of countries. Particularly, pioneering groups that decide to advance on particular PAMs proved successful

in pushing other countries to follow. The European Union has abundant experience on how to implement PAMs in a co-ordinated fashion so that care is been taken of the national circumstances in member countries. The Japanese-German project on policy co-ordination is certainly such an attempt and the first workshop on the IT sector will hopefully provide a good example of what such co-ordination might look like.

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