

## TOWARDS A GLOBAL COMPACT FOR MANAGING CLIMATE CHANGE

BY RAMGOPAL AGARWALA



## OVERVIEW

Despite the dangers of climate change, there is little progress toward a global climate agreement. This paper presents an approach that could reconcile the perspectives of developing and developed countries, differences which have deviled potential agreements for quite some time.

## DISCUSSION

The primary factor behind lack of progress in multilateral negotiations is the changing power equation in the global economy. Until recently, the developed countries were the undisputed leaders in these negotiations. However, the global South has stood up and is determined to make its voice heard. In view of the serious risks that humanity faces from continued global warming, a paralysis on agreement on managing climate change will be most unfortunate.

Marking real progress towards an agreement will require being frank about the problems underlying climate negotiations. Both developed and developing nations must face up to some “inconvenient truths”. First, developed countries must accept responsibility for their historic emissions of greenhouse gases. Second, if the western lifestyle is not replicable for the world as a whole, it must be modified in both the developed and developing countries. Third, the global South needs to its own research to understand that climate change discussions are not a tool that the North is using to slow the economic and political rise of the South. Fourth, the developing countries must stop hiding behind the poor. Fifth, the present discussions of climate change impacts concentrate too much on the long-term term. Something more immediately relevant is needed.

Despite these challenges, a credible global compact is possible. It will need to satisfy five criteria. First, it has to be comprehensive by including both developed and developing countries. Second, it has to be equitable. Third, the targets on emissions have to be realistic. Fourth, the program has to be efficient. Fifth, the program has to develop an institutional mechanism for effective implementation.

## KEY FINDINGS &amp; RECOMMENDATIONS

► *The Kyoto Protocol satisfies none of the five criteria described above for a credible global compact.* First, the Protocol, which covered only 30% of global emissions in 2003, does not provide a comprehensive mechanism for emission control. Second, the Protocol’s targets are based primarily on political bargaining, not on equity. Third, the Protocol does little to indicate, even in broad terms, the programs of technological dissemination, incentives, and resources needed for achieving the targets. Fourth, the Protocol’s cap-and-trade system faces severe practical problems. Fifth, the Protocol relies on voluntary self-enforcement and allows countries to withdraw from the agreement without penalty. In view of these limitations, it is not surprising that the Protocol is not achieving its objective of reducing carbon emissions.

A post-Kyoto agreement should include the following features:

► *The agreement should set a realistic target of stabilizing global CO<sub>2</sub> emissions at 2003 levels until 2050 and reducing them by 50% by 2100.* If emissions are allocated on a per capita basis, this will require reduction in emissions in developed countries by about 70% by 2050 and allow an increase in developing countries’ emissions by about 70%. This will allow 6% annual growth in GDP in developing countries provided they can reduce carbon intensity of their GDP by 5% per year.

- ▶ *The agreement should set appropriate carbon prices by eliminating subsidies to emitters (particularly energy subsidies) and establishing a carbon tax.* This approach would minimize bureaucratic intervention, provide appropriate incentives, and raise revenue for mitigation and adaptation.
- ▶ *The agreement should support development and dissemination of carbon-saving technologies.* The massive programs popularizing family planning in developing countries provide an example of what should be done for climate change. More specific suggestions include patent buy-outs, reduction of tariffs on sale of technologies, a global clean-energy venture capital fund, transfer of technologies to public domain, licensing schemes with reduced duration of intellectual property rights, and flexible technology transfer mechanisms.
- ▶ *The agreement should be negotiated at the United Nations (UN), but should be implemented using Bretton Woods Institutions namely the International Monetary Fund (IMF) and the World Bank.* The UN system is the appropriate forum for negotiations and agreements on a global program for climate change. However, implementation of the agreements is likely to require substantial financial resources as well as formulation of concrete projects and programs. The IMF could be an ideal agency for reviewing the issues of carbon subsidies and carbon taxation at national and global levels. The World Bank could serve as an ideal agency for supporting projects and programs for carbon reduction.
- ▶ *Seigniorage (revenue from printing currency) from the creation of a new global currency to replace the dollar could be used to generate revenues to fund adaptation efforts.* It appears increasingly likely that global warming of more than two degrees Celsius may be unavoidable and that funding of adaptation efforts will be needed. However, developed nations may be reluctant to transfer large sums to developing nations. The revenues from printing and issuing a new global currency could be a good alternative source of funding available only to those countries that comply with emission targets.

## CONCLUSION

The ideas in this paper are undoubtedly ambitious. However, with the fate of humanity at stake, the world needs nothing less.

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## ABOUT THE HARVARD PROJECT ON INTERNATIONAL CLIMATE AGREEMENTS

The goal of the Harvard Project on International Climate Agreements is to help identify key design elements of a scientifically sound, economically rational, and politically pragmatic post-2012 international policy architecture for global climate change. It draws upon leading thinkers from academia, private industry, government, and non-governmental organizations from around the world to construct a small set of promising policy frameworks and then disseminate and discuss the design elements and frameworks with decision-makers. The Project is co-directed by Robert N. Stavins, Albert Pratt Professor of Business and Government, John F. Kennedy School of Government, Harvard University, and Joseph E. Aldy, Fellow, Resources for the Future. Major funding for the Harvard Project on International Climate Agreements is provided by a generous grant from the Climate Change Initiative of the Doris Duke Charitable Foundation.

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