

**DFID/DSA Policy Forum on Climate Change and International Development  
University of Greenwich, 2 June 2008**

**Working Group on Developing Countries and a Post-Kyoto Global Deal:  
*How can the objectives of justice, development and climate change mitigation be  
reconciled in the treatment of developing countries in a post-Kyoto settlement?***

**REPORT**

**Heike Schroeder and Chukwumerije Okereke  
(Tyndall Centre for Climate Change Research, UK)  
*Note-taker: Essie Apenteng***

**Introduction**

The aim of the working group on “Developing Countries and a Post-Kyoto Global Deal” was to find answers to the question of how the objectives of justice, development and climate change mitigation can be reconciled in a post-2012 global agreement. The discussion was structured around (i) the links between justice, international development and climate change mitigation strategies; (ii) how these objectives are reconciled in the present climate regime; and (iii) what the options are for linking the three objectives more effectively.

**Links between Justice, Development and Climate Change Mitigation**

Participants agreed that links between justice, development and climate change mitigation are currently weak and that overcoming this is key to designing an effective international climate change agreement. Inequality among countries, lack of trust and economic disincentives in developed countries were identified as significant obstacles.

**Current Impediments to Stronger Links**

Much of the discussion focused on the role of the Clean Development Mechanism (CDM). It is considered of central importance as its key elements of ‘clean’, ‘development’ and ‘mechanism’ encompass much of what the working group participants came together to discuss. While in theory this market mechanism may satisfy many objectives simultaneously, participants critiqued how it has fared in practice. The responses ranged from outright rejection - “it is fraudulent and should be abolished” - to the concern that the CDM was adopted merely to satisfy the US and that it is taking attention away from the more important challenge of large-scale decarbonisation of the global energy system. Some suggested that the CDM has been an important mechanism for the richer developing countries which have managed to attract a lot of projects. The CDM can therefore not be deemed entirely redundant. While the main goal should be to set stringent targets that propel countries to low carbon economic growth, a more equitable CDM should be a part of the policy mix in a post-Kyoto world.

Lack of trust was identified as a significant barrier to making progress toward an equitable global deal. The climate negotiations are often stalled not because of substantive details but because of a lack of trust between developed and developing

countries. The need to build trust is critical as otherwise any gesture, no matter how well intentioned, might be misinterpreted. For example, DFID may believe that it is better to mainstream development funding to avoid separate tracks and to merge ODA and climate adaptation funding. But this could be interpreted by developing countries as a ploy by the developed countries to abandon their obligations. Suggestions that a competent authority such as the GEF should manage the fund are seen as an attempt to make the funds inaccessible and dictate to the developing countries what they can and cannot do. It is for this reason that some insist on making a distinction between development aid, which is voluntary, and the moral duty to compensate victims for damages caused by their actions in line with the polluter pays principle. Accordingly advocates believe that payments to the developing world under the UNFCCC should not be pooled with development aid flows. Yet, there are some who argue that it would be better to combine the two for practical reasons and to calculate the required sum and add it to the existing ODA budget.

One participant argued that there is more than just a lack of trust. Realistically speaking, if we wanted to share with every Chinese our standard of living, “we would need seven earths, and they deserve nothing less than this”. We do not have the technology developed at the required scale to do this. Currently, developed countries export their old technology into the developing world, repeating the old mistake of promoting unsustainable growth. These technologies will, in the end, “destroy us all”. Giving developing countries advanced technology would undermine developed countries’ competitive advantage; “this is the dilemma”.

Another crucial factor identified was the interplay between the climate change regime and the WTO. The WTO fundamentally does not want to take on board environmental issues. If there is any curb on trade on environmental grounds the WTO rules will penalize that country. The WTO would have to be reformed to incorporate carbon or environmental costs and then trade would be fairer and freer. Until that happens we will see economic and trade issues override any opportunity to deal with the climate change prerogative. Third, business organizations think that government is not doing enough to incentivise these kinds of investments. Fundamental attitude changes are already visible, but political leadership and courage are desperately needed. Businesses behave in a logical way, “they are no villains”. Government needs to modify markets so businesses can play their part. However, given the wide commitment to neoliberalism, businesses who will lose out as a result of government intervention will invariably “cry out”.

Developed country ministries are not yet resolved on how much increase in ODA spending would be acceptable. There is a sense that too much funding can be more harmful than too little. It is also unclear how the extra funding would be sourced, whether through taxation of the CDM or, as China is proposing, a levy on GNP of 0.5 percent, similar to the ODA commitment made by industrialized countries decades ago of 0.7 percent. Furthermore, it was argued that DFID’s political space is restricted because the UK public remains skeptical and lacks understanding of DFID’s operations. There is a sense that “DFID should not give its money to corrupt leaders in Africa”. DFID has not yet done a survey about how much political space it has on climate change. It was stressed, however, that the power of NGOs to force markets to behave in certain ways is “phenomenal”; for example, it is now difficult to find wood in the UK

that is not certified by the Forest Stewardship Council. This implies that individuals have more power than one might think.

## **Options for Improving these Links**

It was argued that to reconcile the goals of justice, development and climate mitigation, there is a need to go far beyond the CDM and adopt far more stringent targets for the developed world in the short to medium term, while the developing world would need to accept emission caps in the longer term.

One participant laid out how the CDM could help bring about justice, development and climate change mitigation by investing full scale into solar and hydrogen power. The CDM could help make it viable to generate large-scale solar power in places such as sub-Saharan Africa or Mexico. Part of the energy could be used to power growth in Africa or Central America while the rest could be exported back to Europe through the Mediterranean or to the US. This way, both sides would benefit economically and “the planet would be saved”. Hydrogen fuel could be developed in the same way. The science of hydrogen fuel development is quite simple but its commercialization is being delayed by the major oil companies that desire to maintain their monopoly position in the oil and gas industry. Another participant identified two prerequisites to adaptation – effective mitigation and strong development. Mitigation can benefit a country too as there may be co-benefits, rather than it necessarily being a trade-off between growth and climate change.

Much should be done to close the gap in capacity between developing and developed country delegations at international negotiations. Developing country delegations to international negotiations are significantly smaller and individual delegates are often less well specialized. To ameliorate this situation more efforts could be invested into organizing pre-negotiation workshops to develop capacity in developing countries, especially in terms of providing knowledge.

Regarding whether to keep developing countries in one single pool (non-Annex I), it was suggested that while it makes sense for countries to come together for recognition of common positions it might also be advantageous for countries to form geographic (land-locked, coastal, mountainous etc) coalitions. For example, while pressuring of the Coalition of Rainforest Nations to include avoided deforestation was successful, geographic entities such as the Bangladesh Delta need “to be rescued very quickly from sea level rise and onrush of storms”, etc. It was argued that the CDM will not help these people as “it is undemocratic and cannot do the job”. Recognising the unique needs of coastal, low lying, arid or mountainous countries might be an important step toward designing more specific policies that will better suite such groups of countries. In addition, one participant stressed the importance of taking into account ecosystem services, such as rainforests.

Given the importance of market-based approaches to climate mitigation and the role of business in this approach, it was suggested that policies ought to enable businesses to recover the cost of their investment into a product or technology. It was noted that businesses would invest in renewable technology only if there will be a sufficiently sizeable market in the future. This highlights the important role of government.

Businesses need help from governments in the form of clear policy frameworks and incentive structures.

Participants contemplated that if government can commit large sums of money to fighting an “illegal war” in Iraq it should be able to generate the required finance needed to address climate change. It was agreed that inequality is a key reason for non-cooperative behaviour among countries around the world and that clashes between different norms are preventing collaboration. One participant suggested taking a step back and looking at the big picture through political science or international relations to help us better understand state behaviour and find ways to overcome obstacles to cooperation.

Participants also pointed out that to overcome the limited political space within which developed countries can move given their democratic systems, markets will be essential to generating the investments needed to shift to a low carbon world. It was added that because money is the common currency – “the international language” - market mechanisms such as the CDM or emissions trading have strong resonance. This is why it is important to involve businesses in the politics of climate change and to put a price on carbon. If the price of carbon was internalized, technological innovation and large-scale deployment would be triggered. It was regarded to be very probable that “things will move now that the price of petrol is at a record high” and a whole range of technology can now become feasible. The reason why it has taken long is because carbon had no price; “with no scarcity there is no signal”. But it was pointed out that the CDM is creating scarcity and promoting technologies. The price mechanism is therefore important. But it was also pointed out that markets work only where people have money that enables them to make choices.

In summary, the two main reasons why the UK government is pushing hard on creating markets is, one, that mitigation costs are so high that the government cannot find the necessary funds entirely in the public sphere but needs to rely on markets to generate them and, two, that the UK does not have the political space to set the kinds of targets that are needed. Systems of imposing lifestyle changes are unacceptable in democratic systems. Based on its current social contract, the only realistic option the UK has is creating markets. There are important lessons to be learnt though. Germany many years ago introduced a feed-in tariff where everyone pays extra for renewable energy – “a few Euros per household per year”. Germany is now “far ahead of everyone” because of this financial mechanism. At the same time, the Iraq war swallowed incredible sums of money. If money can be found for fighting an illegal war, surely, one would assume, it could be found for “something as widely beneficial as renewable energy”. It was also done for switching from coal to gas in the UK. Cookers were changed and “it was done”. Hence, it is a question of priority, leadership and courage to venture into uncharted political territory.

## **Conclusion: How Can We Shift to a Low Carbon World?**

Four sets of conclusions can be derived from the discussions. First, both governments and markets have important roles to play. Leadership and courage is required to open up the political space of governments and a clear policy framework and incentives are needed for businesses to act. Second, lack of trust between developing and developed countries needs to be overcome to enable better cooperation internationally. This could

be attempted by developed countries making visible progress in mitigating climate change and by identifying measures which do not sacrifice national interest. Third, a substantial investment into renewable energies and developing fuel that is storable, transmissible and combustible is absolutely required. Fourth, the concept of growth needs to be more seriously debated and values need to shift away from current high-consumption lifestyles.

Dr. Heike Schroeder  
Tyndall Research Fellow  
Environmental Change Institute  
University of Oxford  
Email: [heike.schroeder@ouce.ox.ac.uk](mailto:heike.schroeder@ouce.ox.ac.uk)

Dr. Chukwumerije Okereke  
Senior Research Associate  
Tyndall Centre Headquarters  
Zuckerman Institute for Connective Environmental Research  
School of Environmental Sciences  
University of East Anglia, Norwich  
Email: [c.okereke@uea.ac.uk](mailto:c.okereke@uea.ac.uk)