
Climate Change Kyoto Outcome

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CLIMATE CHANGE: KYOTO OUTCOME

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to the

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KYOTO - THE IMPACT ON AUSTRALIA

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I am pleased to be here today to have this opportunity to share with you my assessment of the Kyoto outcome.

The Kyoto Conference outcome is a landmark achievement in global efforts to address climate change. And Australia played no small part in the negotiations to ensure that the Kyoto outcome provided for a fair and workable agreement.

KYOTO OUTCOME - MAIN ELEMENTS

The countries listed in Annex I of the Framework Convention on Climate Change (i.e. the countries who were members of the OECD in 1992, East European countries and Russia) have agreed to reduce their collective greenhouse gas emissions to 5.2% below 1990 levels by 2008-2012. This represents a 30% reduction in projected business as usual emissions.

The Kyoto Protocol contains a set of differentiated targets for Annex I Parties which reflect individual national circumstances. These targets based on 1990 emission levels range from a 8% reduction for the EU to a 10% increase for Iceland.

The Protocol is based on comprehensive coverage of all six greenhouse gases, emission sources and sinks, including the land use change and forestry sector.

The Protocol contains tougher disciplines than currently provided for in the Framework Convention on the operation of regional economic integration organisations, (i.e. EU bubble). The terms of the internal EU burden sharing agreement specifying individual member state contributions to meeting the EU's overall reduction target must be notified at the time of ratification. This burden-sharing agreement cannot be amended for the duration of the target period. The EU cannot simply enlarge to take in new Economies in Transition members and redistribute their emission credits - this can only be done in the context of new commitments for a subsequent target commitment period. The Protocol also provides for increased accountability of EU members on compliance.

The Protocol provides for agreement to establish certain mechanisms enabling countries to meet their targets through cost effective approaches to reducing global emissions. These relate to the establishment of an emission trading regime among Annex I Parties and opportunities for joint implementation, and participating in joint projects with developing countries through a Clean Development Mechanism.

The Protocol will be open for signature for twelve months from 16 March and will enter into force when 55 parties have ratified, including parties accounting for 55% of Annex I emissions.

ANALYSIS OF KYOTO OUTCOME

The Kyoto outcome is in line with key Australian objectives for the negotiations. This was achieved through careful pursuit of a whole of government strategy that was developed and implemented over the two years preceding the final conference in Kyoto. Australia staked out early in the negotiations its commitment to seeking an equitable, realistic and achievable, cost-effective and environmentally effective outcome. Australia's position on the key negotiating issues was developed from a solid analytical base, which included ABARE's contribution in analysing and assessing the size and distribution of economic costs and potential losses. Australia's approach to the negotiations was developed in close consultation between all levels of government, industry and the wider community. The strategy also involved major diplomatic effort and high level political engagement in pressing Australia's case.

Australia took a leading role in advocating differentiation as the means for realising fair, realistic and achievable targets. We came in for a lot of criticism for our stance in seeking to translate the Framework Convention's equity principles into differentiated country targets that represent comparable effort on the part of each country. However through careful advocacy, others eventually came to share our thinking on the need for differentiation to achieve an equitable result. We see this element of the outcome as building a solid foundation for future agreements.

We were also one of the strongest advocates for comprehensive coverage as this approach gives countries the flexibility to optimise the mix of policies for reducing emissions in accordance with their individual circumstances. Importantly, the agreement recognises Australia's particular circumstances in the land use change and forestry where the sector is a net source of emissions.

Australia's target, to limit emissions growth to 8% above 1990 levels, represents a significant cut in our emissions growth from business-as-usual. It will be just as tough as for most other developed countries. It is no free-ride. Despite the progress already made in reducing our projected emissions growth, the measures announced by the Prime Minister last November and the inclusion of land use change emissions in the accounting, we are confronted with a challenging emissions reduction task. It will require all sectors of the Australian economy to play their part.

In negotiating the Kyoto Protocol, Australia along with Japan, Russia and other non-EU Annex I Parties pushed hard for tougher disciplines on the EU bubble. This was important to ensuring equivalence of obligation and responsibility on the part of all Annex I Parties.

We, along with the US and others', pressed for the inclusion of emissions trading and other mechanisms which will contribute to an environmentally and cost effective outcome.

Australia, along with others, was disappointed that the Kyoto outcome failed to include agreement on steps for negotiations of future commitments by developing countries. We were also disappointed that developing countries vetoed inclusion in the protocol of a provision which would have allowed individual advanced developing countries to voluntarily negotiate their own differentiated commitments. However, the provision for establishing a Clean Development Mechanism is an important means of pursuing developing country participation in emission reduction activities.

NEXT STEPS

Countries are currently focusing on the Kyoto outcome in terms of assessing the actions arising and domestic implications. This work is split between the ongoing international negotiations and consideration of domestic signature and ratification processes.

OUTSTANDING NEGOTIATING ISSUES

While the Kyoto Protocol contains many of the elements Australia is seeking, a number of critical issues remain to be negotiated. Negotiations this year will be addressing the modalities of emissions trading, elaborating the Clean Development Mechanism and the methodologies to be applied to the land use change and forestry sector. Decisions on these issues will be taken at the next Conference of the Parties meeting in Buenos Aires in November. Clearly the outcome of these negotiations will have a major bearing in determining the workability and effectiveness of the Kyoto Protocol.

Australia will be working to ensure that approaches to emissions trading and to joint projects with developing countries result in outcomes which are cost-effective, transparent and equitable. Many questions about the operation of an international emissions trading scheme need to be resolved. We do not yet know how an international emissions trading regime might operate or what the scope might be for any domestic emissions trading regime. We want our access to traded emission credits to be on equal terms with others. Only a fair, transparent and competitive international emissions trading scheme would deliver the kind of flexibility necessary to achieve emissions reductions at the lowest possible cost.

The Clean Development Mechanism was introduced by the US and Brazil late in the negotiations and details will need to be elaborated. However this mechanism could be an important means of overcoming the difficulties which beset the negotiations over joint implementation in providing a means for certifying credits resulting from emission reduction projects in developing countries.

In developing guidelines on the methodologies to be applied to the treatment of emissions from the land use change and forestry sector, we need to ensure that there is no back-sliding by others on this part of the Kyoto Protocol.

There are other issues that will also be subject to post-Kyoto negotiations and which must be addressed at the first meeting of the Parties under the Protocol, such as elaborating details of a mechanism and procedures for addressing cases of non-compliance. This will address the implications and consequences of Parties failing to meet their targets.

SIGNATURE AND RATIFICATION

The Kyoto Protocol is open for signature from 16 March. Early readouts suggest the majors are approaching the post-Kyoto environment very differently and this will impact on the timing of signature and ratification.

Japan, having played an important role as host to the Kyoto conference, to bring these difficult negotiations to a successful conclusion is widely expected to be one of the earliest to sign the Kyoto Protocol. Ratification, however, is likely to be a longer term matter.

A key issue for the European Union post-Kyoto is the need to renegotiate individual country targets within the EU bubble. Two key changes will have to be factored into EU internal negotiations. The collective EU reduction target has been halved from 15% to 8% and the Kyoto Protocol covers six greenhouse gases not the just the three proposed by the EU. It is early days yet, but while agreement can be expected to be difficult to obtain, many expect the EU to aim for early signature.

President Clinton has said the US remains strongly committed to addressing global warming. In his State Of The Union address he said that the US will find a way, as it has in the past, to clean up the environment and maintain economic growth. There are, however, dissenting voices in Congress and elsewhere stating that without developing country involvement the US will not ratify. It is clear that the US Administration has a tough task ahead convincing the Senate to ratify without developing country commitments. An effective Protocol needs US ratification.

In conclusion I would just like to say that the Kyoto outcome is a good first step in developing a fair and workable framework to deal with the challenge of climate change. While there is still much unfinished business on the post-Kyoto agenda, requiring a tough negotiating effort over the next few years, there is room for cautious optimism. The Kyoto Conference demonstrates that careful advocacy can deliver an equitable, realistic outcome able to accommodate our national circumstances and aspirations for economic growth.