

THE HINDUSTAN TIMES, NEW DELHI, 17 NOV 2006

Climate of change

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There is new realisation that the environmental need to reduce emissions must be reconciled with the developing countries' objectives of economic growth and poverty eradication

THE WORLD'S environment and finance ministers in Asia and around the world are finishing preparations for a round of United Nations-backed meetings on global climate change next month in Africa. This time, the sense is palpable that something different is required for substantive action to occur. A new realism about global warming policy is emerging.

This month, the head of UN efforts on climate change, Yvo de Boer, called for a new framework to address global warming concerns. The United Nations acknowledged that despite the multilateral commitment to combat climate change, "it was also clear that poverty eradication and economic growth were the overriding concerns for developing countries". Growth will be high on the agenda at the upcoming meeting in Nairobi. That's in part because of the interests of developing countries, but also because of the realities that have hit home over the last year for developed countries as well.

This summer, reports emerged that European countries were having difficulty meeting their greenhouse gas target reductions. The carbon trading market created to put downward pressure on emissions was in chaos.

The problems are being felt in Asia too. The Associated Press reported last month that "Japan is still far from its target" under the Kyoto Protocol. "If no additional measures are taken," it reported, "UN forecasts show Japan's emissions will grow by 6 per cent, instead of shrink by the same rate as mandated by the treaty."

Research by the Australian Apec Centre at Monash University last year showed that increasing the cost of electricity to achieve these mandated cuts in greenhouse gas emissions would significantly impair the capacity of economies in Asia to grow and tackle poverty.

The problem of squaring the environmental need for reduced emissions with the social and political need to ensure economic growth has proved more difficult than some had originally thought. This has triggered new thinking on the issue. It has prompted some of the major parties in the climate change dialogue to begin focusing more on technology transfer and adaptation to future climate changes.

The good news is this new direction is likely to yield concrete results. Last year, several Pacific Rim countries, seeing the writing on the wall, took additional steps outside of the UN framework to address climate change. The United States, Japan, Australia, China, India and South Korea formed the Asia-Pacific Partnership for Clean Development and Climate (called AP6).

The Asia Pacific Partnership on Clean Development and Climate, an agreement signed

in 2005, offers an approach to climate change policy that can reconcile the objectives of economic growth and environmental improvement for developing countries. Together, the partners have 45 per cent of the world's population and emit 50 per cent of manmade carbon dioxide emissions. Projections of very strong growth in greenhouse gases in developing countries over the next 20 years means that there is enormous potential for reducing emissions through market-based mechanisms for technology transfer.

The strategy of the partnership is to develop and transfer new low-emission technologies. Eight working groups have been established and each one is co-chaired by two members of the group. Some address general matters like altering governance to promote investment in new technologies. Others focus on technologies and practices in industries where emissions are significant, like power generation, mining and production of cement, steel and aluminum.

Research shows this strategy can deliver tangible results. A study released in July by the Australian Bureau of Agriculture and Resource Economics showed global adoption of the AP6 could reduce emissions of carbon dioxide by about 14 per cent by 2050. These reductions are comparable to those achievable by Kyoto, but avoid the disadvantage of impairing economic growth. A new report by International Council for Capital Formation (ICCF) reaches similar conclusions.

How are such reductions possible without the economic pain? According to ICCF, the turbo-charged economies of China and India will need rapidly rising levels of energy in the coming years to satisfy their growth needs. To meet this demand, they will be adopting new power-generating technologies.

If China and India are able to adopt the newest and cleanest technologies, they can ensure emission reductions similar to those under Kyoto. If not, they will employ technologies that are twice or three times as dirty as those used in the developed parts of Asia, Europe and the US. This is why the technology transfer outlined in AP6 is so critical. Once energy generation technologies are selected, they will be in place for decades. There is only one time to get the choice right since path-dependence is a large driver of total future emissions.

This new realism on climate change is a welcome development. It brings hope that the empty rhetoric that has for too long dominated the global warming debate will be replaced by substantive accomplishments.

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