

## Global

### Lack of progress in climate talks

*The COP24 only succeed in agreeing on rules on measuring, reporting and verifying carbon emissions. In the meantime, the world is falling behind the objective to limit global warming to 1.5°C. CO<sub>2</sub> emissions are set to rise to 2030, whereas they should peak by 2020. Countries are underestimating the urgency for action or held back by commercial interests. Moreover, environmental legislation is met by growing public resistance. It demands a better framing of climate policies. Moreover, the climate change discussion should be broadened to the WTO.*

#### ■ Minimal results at the COP24

The Paris agreement, concluded at the 21st Conference of Parties (COP21) in 2015, was a milestone in the process of reducing CO<sub>2</sub> emissions worldwide. The almost 200 participating countries agreed on limiting global warming to 2°C above pre-industrial levels and continue efforts to keep it below 1.5°C. In addition, the developed countries reiterated their commitment to jointly mobilise USD 100 billion annually for climate action in the least developed countries.

The agreement is not very demanding. Before the COP21, the countries had announced their own climate objectives, the so-called Nationally Determined Contributions (NDC), which were in many cases not very ambitious. The signatories decided that details of the deal, such as the measurement of the emissions and the procedures of upscaling the national pledges would be worked out at the subsequent COPs.

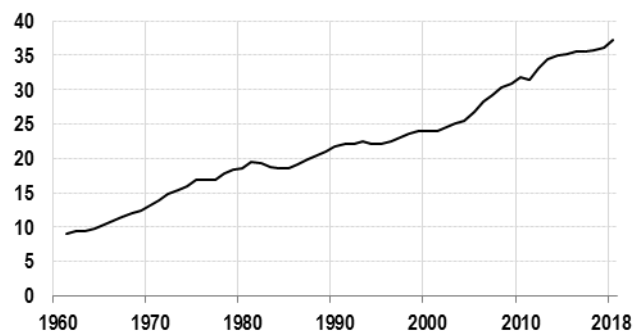
The process has not been a very smooth. Hardly any progress has been made in finding agreement on the USD 100 billion for climate finance by 2020, even though the promise was already made at the COP15 in 2009. Last year's COP24 held in Katowice (Poland) was a deception. It only succeeded at the last moment in accepting rules on measuring, reporting and verifying carbon emissions.

Ahead of the COP24 at Katowice (Poland), the Intergovernmental Panel on Climate Change (IPCC), the UN organisation for climate analysis, published a special report, "Global Warming of 1.5 °C". The main message is that the world is warming up quickly and more action is needed to bring the world economy back to a low carbon trajectory. It underlined the importance of keeping global warming below 1.5°C, which would require much more investment in particular in renewable energy sources. The conference failed to endorse the IPCC report "Global Warming of 1.5°C" because of opposition from four oil-producing nations, the United States, Saudi Arabia, Russia and Kuwait.

Time is running out for the negotiators to find solution how to upscale the national climate ambitions. The UN Secretary General Antonio Guterres has called for a special summit for head of states and government leaders in September 2019, ahead of the COP25. At the COP25, to be held in Chile, the process will be determined for upscaling the new climate objectives.

#### 1- CO<sub>2</sub> emissions continue to grow

GtCO<sub>2</sub> per year



Source: Global Carbon Project

#### ■ An unfavourable political environment

Although early signs of climate change have already appeared, many participants at the COP still deny the urgency for immediate action, as for most of them the catastrophic impacts will be felt well beyond the traditional planning horizons. Bank of England's governor Mark Carney has called it "the tragedy of the horizons". Normally, governments should have a responsibility in overcoming such market failure through developing policies and an appropriate regulatory environment.

Some countries are held back by commercial interests. Fossil fuel supply and thermal power investment are increasingly dominated by state-owned enterprises. During the COP24, both the US and Australia openly supported the coal industry. The Australian delegation argued that emissions could be effectively reduced by the development of carbon capture and storage. This is at odds with the recommendations of climate scientists who argue that countries should transition as soon as possible to renewable energy sources in order to avoid catastrophic levels of climate warming.

In June 2017, President Trump announced to pull the US out of the Paris Climate Agreement. For the moment, the US remains involved in the climate talks, as the rules stipulate that the country cannot leave before November 2020. The main argument of the US is that the treaty is not in its commercial interest. Thanks to deft diplomacy, in particular from the EU countries, the strongest backer of the



accord, no other country followed the US initiative. Also inside the US, the decision has been heavily contested. Some US states, municipalities and businesses have stepped up their action to compensate for the lack of action by the federal government.

It is possible that Brazil may follow the US example. During his campaign, the newly elected President Jair Bolsonaro had pledged to pull his country out of the Paris Agreement. The country already withdrew its offer to host the COP25, officially for budgetary reasons. That conference will now be held in Chile. A departure of Brazil could be fatal for the treaty, as other developing countries could revise their position.

However, commercial interests may withhold the country from going down this road. During his address at the UN general assembly, French President Emmanuel Macron announced that his country, and by extension all the EU, will not sign any trade agreement with a country that do not respect the Paris agreement. Moreover, the EU trade commitments should include its environmental and social obligations. His position has been publicly backed by EU Trade Commissioner Cecilia Malmström. A possible withdrawal of Brazil from the Paris Agreement may halt the negotiations on a free trade deal between the EU and Mercosur countries. This would be very harmful for Brazil's very large agricultural sector. Moreover, Brazil is also one of the main beneficiaries of the Paris Agreement. The large rainforest acts effectively as a carbon sink. For this, the country receives subsidies in order to halt deforestation.

#### ■ A different approach is needed

In order to limit global warming to 1.5°C, greenhouse gas emissions should peak by 2020. However, during the COP24, it was announced that the CO<sub>2</sub> emission had risen once more in 2018. According to the UN Emissions Gap Report, GHG emissions of the G20 countries, as a group, will not have peaked by 2030 unless there is a rapid increase in ambition and action within the next few years.

Unfortunately, many countries fall even behind on national environmental agendas. One problem is that environmental legislation is met by growing public resistance. As long as climate change does not seem a very pressing problem, it is very tempting to become free-riders and let the coming generations make most of the effort in cutting back greenhouse gases.

In particular, carbon taxes are often resisted, as users cannot change quickly to cheaper alternatives without incurring heavy costs. Moreover, for the tax payer, the link between carbon taxes and climate objectives is not always clear. These taxes could be perceived as just another way to finance the budget. In 2018, a modest increase in French carbon taxes triggered off heavy street protests which forced the government in reversing the measure. Voters in Washington State also recently rejected a carbon tax.

A solution could be the better framing of climate policy. Recently, George Shultz and Ted Halstead have proposed the so-called Carbon Dividends Plan. A carbon fee will be levied and the proceeds, the so-called dividend, will be directly put back into the people's hands. As the wealthier households tend to pollute more in

absolute terms, they would face the highest costs. According to the authors, the bottom income deciles would experience the greatest net gains.

A second problem is that the Paris climate agreement is rather non-committal. Countries are free to formulate their own objectives, there are no sanctions if these objectives are not met and they can leave when they want. However, some changes in attitude can be observed. The EU is already arguing that trade agreements should include environmental and social obligations. William D. Nordhaus, the 2018 Nobel laureate in Economic Sciences suggests that countries could form coalitions, the so-called climate clubs that accept a carbon price. Import duties will be levied on goods from countries that do not belong to the club. These duties can be dependent on the carbon contents of the goods. It is an interesting idea that may require broadening the climate change discussion to the WTO.

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