

I nternational Cooperation for a Greener Future

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Effective global governance is needed to address many international issues, ranging from the monetary system to security and peace. Global governance, or international cooperation, is also essential if we are to protect our planet and its ecosystems, or the so-called “global commons,” i.e. natural assets that need to be managed beyond national borders. Indeed, many of the environmental challenges we face today are global by nature, such as climate change, ozone-layer depletion and biodiversity loss, and their impacts may only become apparent over a long time.

Successfully tackling such environmental challenges requires enhanced international environmental cooperation. Based on my experience working on these and other environmental issues at international organizations for the past 17 years, this article will provide an overview of key global environmental challenges, why international cooperation is crucial to tackle them and what bottlenecks are hampering further progress.

Who Takes Action & Who Pays: Tackling Global “Distributive” Question

Both developed and developing countries need to work together and be part of the solutions to the global environmental challenges. Yet, the greatest obstacle to worldwide action is the uncertainty about who should take action and who should bear the costs of that action. This is especially so for climate change and biodiversity loss for which the costs and benefits of policy action are unevenly distributed among countries and generations. Many areas with high levels of biodiversity are located in developing countries, but benefits of their conservation extend globally (e.g. food provision, climate control and genetic resources for pharmaceuticals). So, international cooperation is needed to share the costs of its protection.

The same applies to climate change. Historically the majority of greenhouse gas (GHG) emissions have come from developed countries, but the consequences of climate change are expected to be most severe in the poorest of developing countries where vulnerability is highest. Looking to the future, even if OECD countries brought their emissions to zero, their emission reductions would be fully outweighed by the growth of new emissions projected in the major emerging economies – China, India, Brazil and Russia – by 2050. Yet, on a per-capita basis, OECD country emissions will still on average be much higher. The key bottleneck in the negotiations under the UN Framework Convention on Climate Change is rooted in the difficulties in agreeing on practical interpretations and mechanisms for implementing the principle of “common but differentiated responsibilities” between developed and developing countries. In other words, who should act and who should pay. The issue of distributing the costs of environmental protection measures, if left unsolved, may prevent major advances in different environmental areas.

It is generally agreed that developed countries should set examples by taking actions domestically, and also help cover the cost of action in developing countries. But the devil is in the details; its implementation needs to be backed by solid finance and credible mechanisms for monitoring and verification of action. Under the Montreal Protocol on Substances that Deplete the Ozone Layer adopted in 1987, developed countries committed to phase out CFCs

by 1995, and set up a Multilateral Fund in 1990 to help pay for developing countries to phase out the use and production of ozone-depleting chemicals. Since its establishment, industrialized countries chipped in some \$2.5 billion to the Multilateral Fund, which is supported by a secretariat tasked to ensure that projects financed by the fund comply with technical rules and guidelines. It is often regarded as one of the most successful mechanisms for implementing the principle of “common but differentiated responsibilities” between developed and developing countries.

For climate change, it has been more difficult to agree both on “who should act” to do what, and “who should pay” how much, leading to the current deadlock in the international climate negotiations. The world is looking to industrialized countries to lead the way by taking ambitious action to cut GHG emissions. The Copenhagen Accord, which lists targets and actions pledged by over 110 countries, represents internationalization of actions by both developed and developing countries. But this is not enough to limit the temperature rise to the internationally agreed safe level of 2°C. OECD analysis suggests that even the most ambitious targets declared by industrialized countries would reduce their emissions collectively by 18% at most by 2020 compared with 1990 levels. This falls short of the estimated 25%-40% reduction that the Intergovernmental Panel on Climate Change (IPCC) says is needed to stay within the 2°C limit. On financing, the Copenhagen Climate Conference led to an initial commitment by advanced countries to deliver fast-start finance of \$30 billion for 2010-2012 and a longer-term goal to mobilize \$100 billion per year by 2020 from public and private sources. Governments also committed to create a Copenhagen Green Climate Fund. Making this happen will be critical to building trust and cooperation between developed and developing countries. But again, the proof is in the practical implementation, and funds will need to be delivered, leveraged and well used.

In the area of biodiversity, there has been much work in recent years on mechanisms for so-called “Payments for Ecosystem Services” (PES) in the lead-up to the International Year of Biodiversity and the 10th Conference of Parties (COP10) to the UN Convention on Biological Diversity (CBD) in Nagoya this year. PES programs fund ecologically sound practices in developing countries,

can also play a role in encouraging sustainable development, and in some cases help reduce carbon emissions from deforestation. There are now over 300 PES programs worldwide at local, regional and national levels. The challenge is how to scale them up to the international level so that developed countries can support conservation actions in developing countries. International discussions are ongoing to find synergies with climate change finance and in particular with the proposed international mechanisms on what is now referred to “Reducing Emissions from Deforestation and Forest Degradation” (REDD) in developing countries.

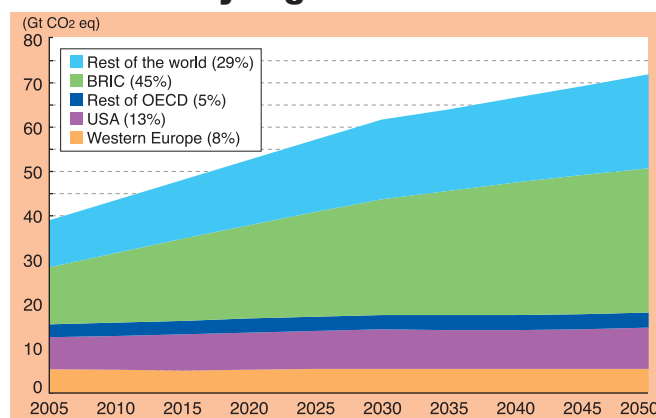
Putting in Place Environmentally Effective & Economically Efficient Solutions

Whether financed internationally or domestically, it is important for countries to ensure that actions for pollution reduction and nature protection are environmentally effective and economically efficient. More efficient use of available finance has become more important as public and private budgets are increasingly constrained and competing with multiple demands in the wake of the economic and financial crisis.

If environmental objectives are to be achieved at the least cost, governments should use market-based or price-based instruments such as GHG emissions trading, taxes on pollutants and user fees for nature reserves. These measures have the added benefit of bringing in revenues which could contribute to fiscal deficit reduction or be used to cut other taxes that create economic distortions, e.g. on labor. Many countries have put in place or are considering domestic GHG emissions trading schemes to provide incentives to the private sector for moving towards a low-carbon society. Broad participation, by extending or linking such carbon markets, is critical for ensuring that the target of staying within the +2°C limit is met at the least possible cost to the economy. Globally, the most cost-effective approach to tackling climate change is to put a price on GHG emissions, i.e. to make polluters pay across all sectors, emission sources and countries including all major emitters. Emerging economic powers, such as Brazil, China, India and Indonesia, in particular need to be part of international solutions, given their increasing role in the world economy and rapidly growing impacts on the global environment. However, we still have a long way to go to realize a true global carbon market as many countries such as the United States, Japan and Australia are stuck in policy debate at the national level on the introduction of domestic emissions trading systems.

Pricing carbon is not only about taxes or tradable permits. It is also about removing harmful subsidies that make these fuels artificially cheap. Using data collected by the International Energy Agency, the OECD has calculated that removing fossil fuel subsidies in emerging economies could reduce global GHG emissions 10% below where they would otherwise be in 2050. In Pittsburgh last year, G-20 leaders pledged to phase out inefficient and wasteful fossil fuel subsidies. It would save money for governments and taxpayers, and shift the economy away from polluting activities. Such a common pledge by the G-20 as a group could be seen as a form of international cooperation, but if there is no sanction or penalty for individual

Projected greenhouse gases emissions by region



Note: Gt CO₂ eq = Gigatons of CO₂ equivalent
BRIC = Brazil, Russia, India and China

Source: OECD ENV-Linkages

countries for not following through, it would be toothless. Let us hope that the political impetus created by the G-20 will be translated into concrete action by each member country.

Working Together to Achieve Common Environmental Goals

If we are to achieve a common greener future, international environmental cooperation will need to be intensified before we reach a threshold beyond which irreversible damage is done to our ecosystems. International environmental cooperation takes many forms. Multilateral environmental agreements (e.g. Montreal Protocol, Framework Convention on Climate Change and Convention on Biological Diversity) can set internationally agreed environmental goals, targets and actions, and establish mechanisms for funding and for monitoring, reporting and verifying implementation by countries. Also effective are exchanges of best practices in environmental policies and peer learning among countries, for example through the OECD, which now brings together developed and emerging economies.

There are myriads of examples of bilateral and regional environmental cooperation on joint research and transfer of knowledge and technologies for sustainable production and consumption. Developing countries are among the most vulnerable to many environmental challenges and they have limited capacity in many areas of environmental protection, including adaptation to climate change and sound management of chemicals and hazardous wastes. National initiatives within developing countries are clearly central, but international cooperation and development assistance have an important role to play.

However, international environmental cooperation between developed and developing countries can make a real impact only when developed countries take the lead and set an example by taking ambitious domestic actions. To bring about effective solutions beyond the North-South divide to the key environmental challenges we face today, we must work harder first to get domestic environmental policies right in rich countries.

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