



AN INTERNATIONAL CLIMATE CHANGE CONVENTION:

WHO CUTS? WHO PAYS?

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“Show me the money!”



Robert Lyman
Energy Economist

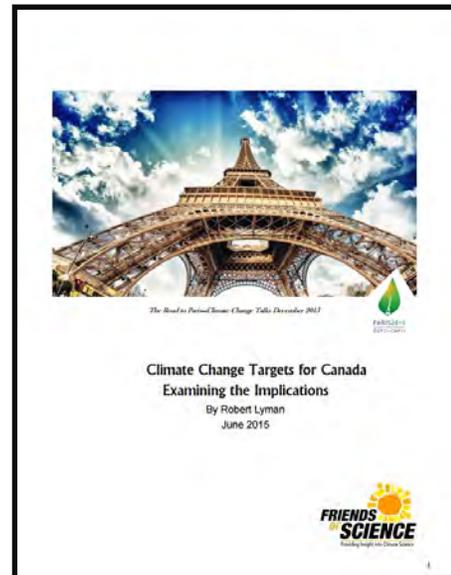
Those who saw the 1996 movie Jerry Maguire may remember the scene in which professional sports agent Jerry, played by Tom Cruise, asks his one remaining client, Rod Tidwell (played by Cuba Gooding, Jr.) what he should do for him to retain him as a client. Tidwell responds by saying, “Show me the money!” and then induces Jerry to repeat the phrase louder and louder until everyone in Jerry’s office stares in amazement.

I was reminded of that scene recently when I read about one of the key issues that will be negotiated during the 21st Conference of the Parties to the International Convention on Climate Change. The conference will take place in Paris in December 2015. In the lead up to that event, the Intergovernmental Panel on Climate Change (IPCC) and the various environmental organizations that endorse the theory of human-caused catastrophic global warming are filling the airwaves and newspaper pages with an unrelenting series of stories about disasters that allegedly will befall the planet unless the countries of the world commit to stringently reduce and ultimately eliminate greenhouse gas emissions (GHGs).

THE STICK—LEGALLY BINDING

The meeting of the G7 countries in June 2015

provided a sneak peek at the magnitude of the emissions cuts to be discussed in Paris. G7 leaders agreed in principle to make best efforts to eliminate GHGs by 2100 and to reduce emissions in the developed countries by 40 to 70 per cent below 2010 levels by 2050, 35 years from now. I wrote about what reductions of that size might mean for Canada in an article published by Friends of Science that can be found [here](#).



In brief, a new and legally binding international convention that forced countries like Canada

to soon eliminate most uses of oil, natural gas and coal would impose extraordinary costs and societal changes; arguably, attaining this goal is not feasible in technical, economic or political terms. Nonetheless it is on the agenda in Paris, and one must consider what factors besides costs (and the extraordinary influence of radical environmentalists) might determine its acceptance.

There have been twenty Conferences of the Parties since 1990.

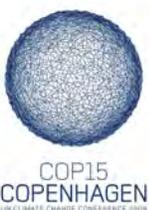
Almost all of them have floundered on two central issues – **who cuts and who pays**. In the 1990's, the developed, or industrialized, nations accepted the view that countries should be differentiated into those that had relatively high levels of emissions because of their historical development and those that, due to low levels of development, had relatively low emissions. The “guidelines” of the times said that the industrialized countries (mainly the members of the Organization for Economic Cooperation and Development, or OECD) should take the lead in reducing emissions. China and other developing countries saw themselves as largely exempt from this obligation; indeed, they insisted that any efforts on their parts to reduce emissions should not harm their economic development and should be paid for by assistance from the developed countries.



UN Climate Change Conference 2007
Bali - Indonesia



UNITED NATIONS
CLIMATE CHANGE CONFERENCE
POZNAŃ 2008
POLAND



COP17/CMP7
UNITED NATIONS
CLIMATE CHANGE CONFERENCE 2011
DURBAN, SOUTH AFRICA



UNITED NATIONS
CLIMATE CHANGE CONFERENCE
COP19/CMP9
WARSAW 2013



THE \$100 BILLION DOLLAR CARROT

As time went on, it became increasingly clear that the public in the wealthier countries did not share their governments' views that all of the burden of emissions reduction and of funding change in the developing countries should fall on OECD taxpayers. This view was reinforced when the International Energy Agency and the U.S. Energy Information Administration, the two most prestigious forecasters of future energy supply, demand and emissions, found that from 2010 onward virtually all (96%) of emissions increases will occur in the developing countries, and especially in Asia.

Figure 140. World energy-related carbon dioxide emissions, 1990-2040 (billion metric tons)

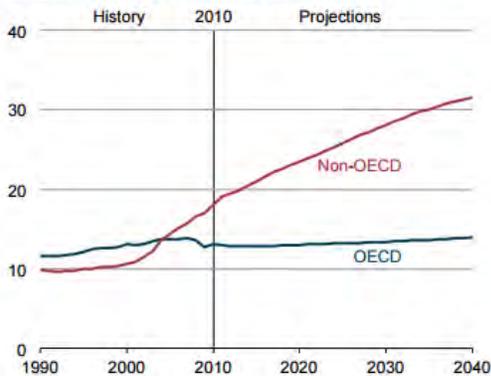
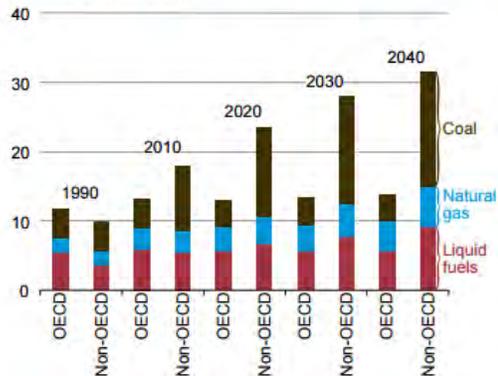


Figure 142. OECD and non-OECD energy-related carbon dioxide emissions by fuel type, 1990-2040 (billion metric tons)



Source: US EIA 2013 Energy Forecast Report Forecast link: [eia.gov/forecasts/ieo/pdf/0484\(2013\).pdf](http://eia.gov/forecasts/ieo/pdf/0484(2013).pdf)

To convince the developing countries to participate

in reducing emissions, the wealthier countries realized they had to offer an incentive. So, in 2009 at the Copenhagen Conference, they pledged in principle that they would mobilize a “Green Climate Fund” of \$100 billion per year by 2020 to pay for actions in developing countries, but only on the condition that a global agreement including participation by the developing



countries could be negotiated. The word “mobilize” was used to signal that the funds were expected to come from both public and private sources. The following year at the conference in Cancun, the developed countries expressed confidence that progress was being made by formalizing this pledge in the conference communiqué.

PROMISES VS. ACTION

Especially in the realm of climate change politics,

there is a long distance between promises and actions. Agreement in principle opened the door to a range of other issues. In exchange for agreeing, the developed countries sought concessions regarding transparency, the official shorthand for measurement, reporting and verification. They wanted developing countries to provide enhanced reports on their GHG emissions and on actions to reduce emissions, and be willing to discuss these reports with the international community (translation: with a new international bureaucracy of evaluators and inspectors). The developing countries balked at this idea.

The opportunity, Navarros Llanos said, was that since countries like hers (Bolivia) had done almost nothing to send emissions soaring, they were in a position to declare themselves

“climate creditors”

owed money and technology support from the large emitters to defray the hefty costs of coping with more climate-related disasters, as well as to help them develop on a green energy path.—“*This Changes Everything*”

Naomi Klein

The richer countries also wanted to commit to funding only GHG emission cuts. The developing countries insisted the

money include funding for climate change adaptation. Some developing countries argue that the funds represent “compensation” for the past effects of rich country emissions and that there should be no conditions at all placed on how the money is spent.



\$1 million
This is 10,000, \$100 bills

For their part, the developing countries wanted to have tangible commitments of money soon to begin the process of dis-

bursing it; they wanted to start with \$15 billion. The developed countries offered \$10 billion and then delayed significantly in providing it. (The largest portion of this total is the U.S. commitment of \$3 billion over four years, promised by President Obama; it remains unclear whether the Republican-led Congress will pass the appropriation.) No one is quite clear where the money will come from for more payments. New sources under consideration include fees on fuels used in international civil aviation and shipping, and increased World Bank lending.



\$1 billion
This is 10,000,000, \$100 bills

<http://www.pagetutor.com/trillion/index.html>

X 100/yr

Above all, the developing countries are united in their demands that the **\$100 billion per year** be totally incremental to existing development assistance programs. In other words, countries like Canada should continue providing foreign development assistance, plus provide the funds committed to address climate change. In fact, advocates of increased foreign aid spending have pointed out that (like almost all OECD members) Canada's present development assistance of about \$5 billion per year represents only 0.24% of GDP, when the U.N goal is 0.7% of GDP. So far, this has been treated as less like a rule and more like an "aspirational goal".



Canada has so far committed to provide \$300 million to the Green Climate Fund.

There is no way of knowing for sure how much Canada would be expected to commit to the Green Climate Fund if it is approved as part of an international convention in December. It could be up to **\$3 billion per year**. Thomas Mulcair, the leader of the New Democratic Party, has promised that, if elected to govern, he would raise development assistance to 0.7% of GDP, almost tripling it. Thus, under an NDP government, **the combination of official development assistance and Green Climate Fund payments by Canada could be up to \$17 billion a year by 2020**. That would make them about the same as the Equalization payments to the provinces.



The international discussions in Paris promise to be extremely difficult.

If the past is any guide, it is unlikely that governments will be able to resolve the central issues surrounding emissions reductions and funding. The attitude of the developing countries, however, will be as clear as those of a character in a movie. **“Show me the money!”**

WHO CUTS? WHO PAYS?



*Robert Lyman contributed this economic brief to Friends of Science Society for publication.
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Friends of Science Society has spent a decade reviewing a broad spectrum of literature on climate change and have concluded the sun is the main driver of climate change, not carbon dioxide (CO₂). The core group of the Friends of Science is made up of a growing group of Earth, atmospheric, astrophysical scientists and engineers who volunteer their time and resources to educate the public.

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