
Climate change COP15 Copenhagen December 2009

IOE information paper July 2009

The run up to the negotiations at COP15 to be held in Copenhagen in December 2009 will dominate the headlines in the latter part of this year. This paper provides Members with information about the process, the politics and the implications for business.

It will be supplemented with regular updates as the debate develops.

Climate change the picture for business

Summary

Although the science is uncertain and predicting the future is always a risk, there is a consensus that global warming will produce significant consequences that may be beneficial to some and undesirable to others. It is likely that harmful consequences will affect those parts of the world least able to cope with them. The problems are complicated, involving desertification of some areas, flooding in others, shifts in food production, energy supplies, raw materials, species and populations. The political decisions have already been taken to anticipate and address the issue and to direct large sums of money to deal with climate change.

The climate change discussions have gathered huge momentum, politicians globally are engaged, new climate change dictionaries and terminologies have been invented, new interest groups and alliances have developed and the bandwagon is rolling towards COP 15 which will be held in Copenhagen in December 2009.

The purpose of this information paper is to inform IOE members about

- The background to the political discussions
- The possible implications for businesses and how the IOE is engaging with other business groups to influence the broader agenda
- What the IOE is doing to influence the employment and social angles of the debate.

The business aim is to ensure that all the aspects of sustainable development - economic growth, social cohesion from jobs creation, and environmental concerns are optimised to deliver sustainable enterprises.

The IOE carries the baton for influencing policy in employment and social policies and works with other business organisations to support and enhance their programmes to influence the broader discussions.

The long and winding road to COP15

THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

The IPCC, whose secretariat is based in Geneva, is the leading body for the assessment of climate change, established in 1988 by the United Nations to provide a clear, balanced view of the present state of understanding of climate change. The background for its creation was the need for decision-makers and others interested in climate change to have an objective source of information about climate change.

It does not conduct any research nor does it monitor climate related data or parameters. Its role is to assess on a comprehensive, objective, open and transparent basis the latest scientific, technical and socio-economic literature produced worldwide relevant to the understanding of the risk of human-induced climate change, its observed and projected impacts and options for adaptation and mitigation.

The IPCC has published four Assessment Reports, respectively in 1990, 1995, 2001 and 2007. They are written by teams of authors, nominated by governments and international organizations. They come from universities, research centres, business and environmental associations from all over the world. More than 800 contributing authors and more than 450 lead authors were involved in the writing of the IPCC's Fourth Assessment Report published in 2007, and more than 2.500 scientific expert reviewers were involved in its the two-stage scientific and technical review process.

The Fourth Assessment Report has contributed to both the public and politicians gaining a more comprehensive understanding of the causes and effects of climate change. The report demonstrates that climate change is a reality today, and that the critically high levels of greenhouse gases in the atmosphere, notably CO₂ emissions, are caused by human activity

THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

The United Nations Framework Convention on Climate Change (UNFCCC) was initiated in 1990 by the United Nations. At the UN Summit in Rio de Janeiro in 1992, 154 countries signed the UNFCCC. Today, 192 countries have ratified the convention, including the USA.

The Convention on Climate Change sets an overall framework for intergovernmental efforts to tackle the challenges created by climate change. It acknowledges that the climate system is a shared resource whose stability can be affected by industrial and other emissions of CO₂ and other greenhouse gases. According to the objective paragraph, the goals of the Convention are to stabilise the amount of greenhouse gases in the atmosphere in such a way as to give ecosystems the opportunity to adapt naturally. Food safety must not be compromised, and the potential to form sustainable social and economic development must not be endangered.

Governments under the convention bring together and share information on greenhouse gas emissions, national policies and best practices. They cooperate in preparing national strategies for

reducing greenhouse gas emissions and adapting to the expected effects of climate change, including bestowing financial and technological support to developing countries.

THE KYOTO PROTOCOL

The Kyoto Protocol is an international agreement between 182 Parties of the United Nations Framework Convention on Climate Change (UNFCCC). The Kyoto Protocol was agreed upon at the third Conference of the Parties (COP3) in December 1997 in Kyoto, Japan, and entered into force on February 16th, 2005. Its first commitment period ends in 2012.

The key point of the Kyoto Protocol is the binding targets it sets for the 37 industrialised countries and the European community for reducing greenhouse gas (GHG) emissions. The signing countries agreed to reduce their greenhouse gas emissions by at least 5% compared to the 1990 level, calculated as an average over the five-year period 2008-2012. Several of the world's largest CO₂ emitters, such as the USA and developing countries including Brazil, India and China, have not committed themselves to fixed targets to reduce greenhouse gas emissions. The GHGs included in the Protocol are Carbon dioxide, methane, nitrous oxide and the industrial gases HFCs, PFCs and SF₆.

The Kyoto Protocol offers three market-based flexibility mechanisms through which the committed countries can reach their reduction goals:

- Emissions trading. The countries may trade the quotas they have been allocated, meaning that one country, e.g. Denmark, can buy emission quotas from another country, e.g. Finland, if it is less expensive to reduce emissions in Finland than in Denmark. That is, if Finland doesn't use its quotas. Thus, emissions are reduced at the lowest cost possible.
- Joint Implementation (JI). Through the Joint Implementation, a developed country can receive "emissions reduction units" when it helps to finance emission reducing projects in another developed country (realistically, the recipient state will be a country with an economy in transition).
- The Clean Development Mechanism (CDM). Through the Clean Development Mechanism, developed countries may finance their emission reduction or removal projects in developing countries and receive credits for doing so which they may apply towards meeting mandatory limits in their own emissions.

For both JI and CDM projects, independent bodies must verify that the projects do in fact lead to actual emission reductions prior to them being incorporated in the emissions account. The aim of the mechanisms is to encourage green investment and help the Parties meet their emission targets in a cost-effective way.

While the UNFCCC encourages the industrialized countries to stabilize or even reduce GHG emissions, the Kyoto Protocol commits them to do so. Granting that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere, the countries committed to the Protocol have differing obligations; thus, the heavier burden is imposed on the developed nations.

CONFERENCE OF THE PARTIES (COP)

Some of the conferences of the parties under the Climate Change Convention have been of greater significance than others in that they have sown the seeds for or achieved significant results for limiting climate change. Here is a list of the main ones.

1995 - Berlin

The Conference of the Parties in Berlin (COP1) was the first after the Climate Change Convention went into force. The parties decided to initiate negotiations for what later came to be known as the Kyoto Protocol. The goal for COP1 was that countries should take on legally binding obligations for the reduction of greenhouse gas emissions.

1997 - Kyoto

After difficult negotiations, the Kyoto Protocol was passed at the third Conference of the Parties (COP3) and is an international agreement linked to the United Nations Framework Convention on Climate Change. When it came into force in 2005 the major feature was to set binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions. These amount to an average reduction of five per cent GHG emissions against 1990 levels over the five-year period 2008-2012.

The major distinction between the Protocol and the Convention is that while the Convention **encouraged** industrialised countries to stabilize GHG emissions, the Protocol **commits** them to do so.

Recognizing that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere as a result of more than 150 years of industrial activity, the Protocol placed a heavier burden on developed nations under the principle of "common but differentiated responsibilities." 184 Parties of the Convention have ratified the Protocol to date. The detailed rules for the implementation of the Protocol were adopted at COP 7 in Marrakesh in 2001, and are called the "Marrakesh Accords."

2000 - The Hague

At the sixth conference (COP6) in The Hague, negotiations collapsed. Amongst other reasons, this was due to insoluble disagreement between the EU and the USA. Afterwards, President George Bush declared in the spring of 2001 that the USA would not ratify the Kyoto Protocol.

2001 - Bonn and Marrakech

To get the process moving again after the collapse in The Hague, the UN Climate Change Secretariat called an extraordinary conference of the parties in Bonn (COP6 bis) in the spring. At this conference, and at the following one in Marrakech (COP7), the remaining countries succeeded in agreeing on most of the outstanding questions.

2002 - Delhi

Under the Danish presidency of the EU, the EU tried unsuccessfully at the eighth conference (COP8) to get the ministers to agree to a declaration about the need for further initiatives to limit climate change.

2003 - Milan

The focus of the ninth conference in Milan (COP9) was finding technical clarifications for some of the outstanding issues remaining from Marrakech. It concerned, for example, to what extent the giving off and absorption of CO₂ in soil and forests should be calculated, and how the Flexibility Mechanisms Joint Implementation (JI), the international quota trade as well as the Clean Development Mechanism (CDM) should be put together.

2004 - Buenos Aires

In Buenos Aires, the parties worked further at finding technical solutions, just as they also started informal discussions about what should happen after 2012. The conference of the parties in Buenos Aires was the tenth under the Climate Change Convention (COP10).

2005 - Montreal

When the parties met for the eleventh conference in Montreal (COP11), it was to ensure that there would be an international agreement for after 2012. Agreement was reached that the process would continue on two tracks. The first was a global dialogue about a future long-term climate co-operation with all countries participating, including the USA and the large developing countries (China, India, Brazil, etc.). The second was concrete negotiations under the Kyoto Protocol about industrialised countries' obligations after 2012.

2006 - Nairobi

The positive momentum from Montreal to start work towards a new binding agreement for after 2012 was maintained at the twelfth conference of the parties in Nairobi (COP12). At the same time, a series of milestones for a forthcoming agreement were set, just as a series of outstanding issues in the implementation of the Kyoto Protocol were finalised.

2007 - Bali

At the 2007 United Nations Climate Change Conference in Bali, the participating nations adopted the Bali Roadmap as a two-year process to finalizing a binding agreement in 2009 in Denmark.

To conduct the process, subsidiary bodies were set up

- the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA).
- the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP).

Furthermore, it was agreed that an Adjustment Fund would be established, which would help developing countries in adjusting to climate changes.

2008 - Poznan

At the United Nations Climate Change Conference in Poznań governments agreed to shift into full negotiating mode to shape an ambitious and effective international response to climate change, to be agreed in Copenhagen at the end of 2009. Parties agreed that the first draft of a concrete negotiating text would be available at a UNFCCC gathering in Bonn in June of 2009

What's at stake in Copenhagen (COP15)

As of 14 January 2009, 183 countries and 1 regional economic integration organization (the EEC) have deposited instruments of ratification, accession, approval or acceptance to the Kyoto Protocol. The position of India, China and the USA remains crucial as none of these countries have made declarations to be bound by the whole process and emission reduction targets. By the end of the first commitment period of the Kyoto Protocol in 2012, a new international framework needs to have been negotiated and ratified that can deliver the stringent emission reductions the IPCC has clearly indicated are needed. It is hoped that COP15 in **Copenhagen, 7-18 December** will achieve this.

THE DANISH GOVERNMENT'S GOALS FOR COP15

The goal is to enter into a binding global climate agreement at the United Nations Climate Change Conference in Copenhagen. The agreement will apply to the period after 2012.

The government's ambition is for the agreement to include as many countries as possible, and that the agreement must contribute to a reduction in man-made greenhouse gases which have a negative effect on our climate system.

At the EXPO 2008, the Danish government presented their objectives as a hosting nation for COP15:

- To get all the world's countries to agree on a global target for the reduction of greenhouse gas emissions.
- To get the world's industrialized countries to take the lead and reduce their CO₂ emissions significantly, while the world's newly industrialized countries and developing countries contribute to a collective solution
- To agree on a global climate regime which does not restrain economic growth and does not distort competition on the world market.

STILL ON SHIFTING SANDS

2009 has been a crucial and rapidly changing year in the international effort to address climate change, culminating COP 15 In December. In 2007, Parties agreed to shape an ambitious and effective international response to climate change, to be agreed at Copenhagen.

The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) and the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) will operate in full negotiating mode in 2009 to advance work towards meeting their respective mandates. Negotiations have been taking place all year and will continue right up to the wire. The first round of negotiations this year took place in **Bonn, 29 March-8 April**. The second meeting took place in **Bonn, 1-12 June**. Three further sessions will be held prior to Copenhagen: **10-14 August in Bonn** (informal meeting); **28 September-9 October in Bangkok** and **2-6 November in Barcelona**.

A revised negotiating text has been published by the UNFCCC it can be found at <http://unfccc.int/resource/docs/2009/awglca6/eng/inf01.pdf> and runs to 199 pages.

It deals with a huge range of issues for the future management of climate change. Some of the key issues that will impact on business are

- burden sharing by nations for the required cut in GHG emissions
- mitigation measures for climate change
- adaptation measures for managing climate change
- financial resources and investments
- research, science and innovation
- intellectual property rights in technology transfer

JUST TRANSITION

However in the employment and social aspects the unions have secured a commitment to 'just transition' in the negotiating text. They have forged powerful alliances with other groups. Whether the text remains will be hammered out in the next few months but their interpretation of 'just transition' includes the following matters that they wish to be explicitly specified in the final text and most will have a direct impact on businesses.

Scope, nature and elements of a shared vision for long-term cooperative action

In support of their commitments, the Parties shall undertake:

- equitable sharing of responsibilities and fair distribution of the costs between and within countries; those who have contributed less to the problem should not bear the burden of the transition costs;
- institutionalised formal consultations with relevant stakeholders including trade unions, employers and communities, at national, regional and when appropriate, sectoral levels;
- the promotion of decent green job opportunities and investment in low carbon development strategies and technologies;
- formal and non formal education, training, retraining, and life-long learning for workers, their families, and the communities that depend upon them;
- organised economic and employment diversification policies within sectors and communities at risk; social protection measures (active labour market policies, access to health services, social insurances, among others);
- respect for and protection of human and labour rights.

Policy approaches and positive incentives on issues relating to reducing emissions from deforestation

The next agreement should encourage Parties to:

- Attain benefits in respect to poverty alleviation, decent job creation and rural development needs;
- Address social implications and recognise and respect the rights and the roles of workers, rural communities and native and indigenous peoples, and ensure full and effective participation by these peoples and communities in all stages of decision-making, in accordance with the ILO Declaration on

Fundamental Principles and Rights at Work and the UN Declaration on the Rights of Indigenous Peoples;

Promote sustainable forest management and be consistent with long-term sustainable land management and the conservation of native forests.

And, as a positive incentive, call on Parties to:

Establish minimum standards for benefit sharing, developed with full and effective participation of indigenous peoples, workers' organisations and local communities.

Cooperative sectoral approaches

The next agreement should pursue the following as objectives for sectoral approaches and sector-specific actions, to:

Prevent carbon leakage and address competitiveness concerns;

Ensure that governance and decisions on emission reduction targets are made by governmental authorities, with transparency in decisions regarding the best available technologies as well as the sectoral distribution of reduction efforts.

The agreement should call on Parties to enhance the potential of sectoral approaches through:

Catalyzing and encouraging sectoral cooperation and providing a means of recognising the benefits of sector-specific actions;

Setting clear guidelines for intra-sectoral transfer, and avoiding its use as a framework for reducing companies' costs for transferring equipment with no additionality.

Various approaches, including opportunities for using markets, for promoting mitigation actions

Regarding the design of market-based mechanisms, the next agreement should:

Promote genuine sustainable development and poverty eradication;

Include social criteria and "broad societal values and norms" in the assessment and approval of Clean Development Mechanism (CDM) projects in developing countries;

Include co-benefits related to positive social outcomes such as number of new jobs created, contribution to alleviating unemployment, and the number of people acquiring new skills;

Create and improve binding ex-ante and ex-post consultation mechanisms regarding implementation of CDM projects in host countries;

Identify and analyse environmental and social aspects related to the construction, exploitation and end of service of all projects.

New approaches should enable:

The assessment of labour market impacts and adopting Just Transition measures; promoting labour management initiatives for "greener" workplaces; and using labour policies to identify opportunities for sustainable jobs, greening existing jobs, and alternative employment opportunities in cases of unsustainable jobs;

The analysis of consequences for the enterprises (including SMEs) from the sectors involved, including employment and competitiveness, as well as the establishment of sectoral dialogue mechanisms with the relevant social partners and identification of protective measures.

Economic and social consequences of response measures

The agreement should contain:

A mandate for the UNFCCC and governments to undertake comprehensive analysis of the social and economic effects of mitigation measures, leading to an international methodology aimed at measuring and analysing global, regional and sectoral impacts of mitigation policies in jobs, income, competitiveness and poverty, as well as in other social, environmental and economic matters;

A mechanism for exchanging best practices in addressing the economic and social consequences of response measures;

- Measures that can serve both GHG emission reduction efforts and priorities of developing countries, including development, employment creation or poverty eradication. The co-benefit approach aims at implementing such measures and thus should constitute an important pillar of development strategies in developing countries;
- The establishment of a World Climate Change Fund (Green Fund) that would support efforts to adapt to the adverse effects of climate change and the impacts of response measures, in addition to other needs.

Strengthening the catalytic role of the Convention

The next agreement should encourage Parties to:

- Promote institutionalised forms of dialogue for dealing with the downside of reducing emissions of GHGs. Workers and employers should be assured that a green environment for society does not mean unemployment;
- Promote tripartite social dialogue at different levels in order to further enhance coordination and cooperation required to ensure multidimensional analysis and implementation of climate policies. At the international level, this requires involving the International Labour Organisation (ILO).

Adaptation planning and implementation

The next agreement should encourage Parties to:

- Make use of social dialogue and consultation as a tool for planning adaptation strategies and for strengthening national and local delivery mechanisms.
- Mainstream poverty eradication and decent work creation in adaptation policies (since the provision of a sustainable income reduces vulnerability);
- Develop and improve methodologies for translating climate information into social and economic benefits;
- Work with workers' organisations, as well as other community-based organisations in spreading information about adaptation strategies in communities.

Risk management and risk reduction strategies

The next agreement should encourage Parties to:

- Promote a preventive approach to climate change in workplaces;
- Ensure best practices in process safety management are followed to prevent major industrial accidents in hazardous industries.

Economic diversification to build resilience

The next agreement should encourage Parties to:

- Organise economic diversification policies within sectors, and propose new activities for workers in sectors at risk in other economic sectors;
- Undertake social dialogue, consultation and full participatory processes with all stakeholders at all levels, including the community level, in an institutionalised manner, in order to enhance knowledge of communities' needs and views on diversification opportunities.

Effective mechanisms and enhanced means for scaling up the development and transfer of technology

The next agreement should encourage mechanisms which:

- Are comprehensive to address all the stages of the technology development: research and development, demonstration, deployment, diffusion, capacity building and training the workforce;
- Increase technological and financial resources, especially public investment, to a sufficient magnitude. This could be set through a Green New Deal to promote clean technologies and preserve and create decent jobs;
- Promote global sectoral agreements for sectors such as transport, which could stimulate the adoption of best available technologies and their dynamic development.

Ways to accelerate deployment, diffusion and transfer of affordable environmentally sound technologies

The next agreement should encourage Parties to:

- Develop formal education and vocational training programmes for workers and entrepreneurs in recipient countries (developing or in transition) and avoid “bottleneck effects” due to the lack of trained workforce, as is currently happening in Europe in the renewable energy field;
- Promote public research as a key component of technology development;
- Create an international body to find and finance shared technological solutions available for all.

Cooperation on research and development

The next agreement should encourage Parties to:

- Include funding for domestic research, development and innovation in technologies in developing countries, in particular those which will reduce energy consumption, improve energy efficiency and promote demand-side management, as it is also a means for building local capacities and use local knowledge and avoid dependency to foreign technologies;
- Develop a sustainable mix of energies, which will prioritise highly labour intensive and environmentally friendly renewable energies;
- Allocate further resources for research, rapid deployment and demonstration plants to determine whether CCS is cost-effective, energy-efficient and environmentally-innocuous, and thus, practical for broad application and mass deployment in coming decades.

Improved access to, disbursement of, and provision of new and additional resources

The next agreement should call on Parties to:

- Strengthen the role of public funding, as it is critical for mobilising the necessary resources for mitigation including REDD and adaptation;
- Establish mandatory targets - through taxes and transfers – so as to establish the incentives that can initiate adequate transition measures;
- Ensure strong regulation, transparency and government oversight of carbon market revenues. Carbon markets should be established in such a way as to ensure stable and reliable funding for mitigation and adaptation.

Means to incentivise adaptation actions

The next agreement should encourage Parties to:

- Prioritise adaptation actions with a multiplying effect. Actions that reduce vulnerability and enable societies to adapt in the long term, such as strengthening social protection systems, insurance, health and education systems should be prioritized

Institutional arrangements for the provision of financial resources and investments

The next agreement should encourage governments to:

- Establish a World Climate Change Fund that encompasses funds from different sources and finance adaptation and mitigation actions and provide the necessary funds for a Just Transition;
- Establish a democratic, transparent and participatory financial mechanism which takes into account civil society.