



## **The Rising Tide at Copenhagen: A Win-Win Solution for Industrialized and Developing Nations in a Changing World**

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The Kyoto Protocol broke new ground in the global climate negotiations. It overcame a long - standing logjam between industrialized and developing nations, the overriding problem both then and now in addressing climate change effectively.

Developing nations represent 80% of the world's population yet create only a small part of the world's wealth and emit only 40% of the emissions implicated in climate change. Industrial nations create most of the world's wealth and use most of its resources. In creating, designing and implementing the carbon market mechanism I helped provide flexibility while at the same time imposing limits on industrialized nations' emissions.

These two aspects of the Kyoto Protocol – its market flexibility and its firm grip on emissions limits – are quite different. But both are of great importance to industrial and developing nations. On this basis, the Protocol was born.

Developing innovative, cutting-edge yet practical approaches to addressing climate change issues continues to be my preferred approach, and my new book [Saving Kyoto](#) follows this path.

Now, on the eve of the Copenhagen summit I offer a bold new proposal that can break the remaining climate change impasse -- while at the same time enabling small island countries to better respond to the impact of climate change that threatens their very survival.

The proposal is meant to be timely, focused, and designed to have a significant impact. In addressing directly the concerns of small island countries it deals also with the much broader challenge: the gulf between industrialized and developing countries – rich and poor, North and South – that is still at the heart of the impasse.

The proposal is based on existing law: it is drawn from Article 4 of the UN Convention that has been ratified by all nations -- including the US in 1992. The approach proposed here is in a way simply an interpretation of existing law. But it can provide a ground shifting change in the climate negotiations, less than a month before the start of the COP15 conference in Copenhagen.

I propose a way to deal with both of the fundamental challenges we face: one well-recognized as at the heart of the discord on the road to Copenhagen, the other which has received much less global attention but is nothing short of a matter of survival for 42 small island states that are more than one-fifth of the members of the United Nations and 5% of the world population.

The two issues seem different but they are in fact one and the same – and the reason we are here today.

### **Key Elements of the Proposal – Breaking the Impasse:**

My proposal builds on existing law by updating and extending the Kyoto Protocol’s carbon market and its Clean Development Mechanism (CDM) that is designed to reduce emissions by providing carbon credits.

The proposal is politically feasible since it breaks the “zero sum” framework – as reflected in growing support for the principles espoused here by country delegations and political leaders in both industrialized and developing countries.

Here are the highlights:

First, it has two key elements – one financial, one technological – as suggested by the G77 in July. Both involving flexible and win-win *market-based solutions* that build on the concept of compensation from Kyoto (under Article 4 of the UN Framework Convention on Climate Change) and transform this into mutually advantageous trade.

The financial element extends Kyoto’s carbon markets by crafting a “trade” between developed and developing countries – meaning reciprocal rights for both sides.

Under it developed countries like the United States buy options from major developing countries like China – essentially buying a right to call on their emissions reductions in the future under certain conditions.

Meanwhile developing countries are able to establish a minimum price for these reductions, which ensures they are not selling their rights to grow for a pittance.

So each nation gets what it wants – and both save face: for example, the US can truthfully say it has obtained rights to limit Chinese emissions, and China can truthfully say it is being compensated for them. As provided by Article 4.

Rather than unilateral compensation, this scheme involves mutually beneficial trade between two different parties – the rich and the poor nations, the industrial and the developing world. Both sides gain – it’s a win – win solution – and depending on the situation – for example, between USA and China – little funding needs to change hands.

When other smaller or poor nations are involved, the trade involves compensation that results in clearly defined national targets that benefits both parties -- based for example on export credits and resulting on additional technology exports, and new jobs.

The technological element extends Kyoto's CDM to certify or accredit technologies that can increase available energy while reducing carbon in the atmosphere.

These are "negative carbon" (for example "air capture") technologies that reduce more carbon than they emit by extracting carbon from the air. Their whole scope is being developed as a piece of the whole puzzle, but is potentially a really important one for island nations.

This actually sucks carbon directly from the atmosphere – meaning a net reduction, not just trapping it to slow the increase in emissions.

CDM can provide funding for developing countries to develop new power plants employing this technology. They're not the carbon emitters, but this lets them play an important role even though they don't have major emissions to be cleaned up.

A developing nation - for example an island nation - can receive investment funding from the CDM to build power plants that produce power and at the same time suck carbon from air. The more power is produced, the more carbon is reduced.

An international private fund can channel private investment backed by government targets from industrial to developing nations.

The funds are investment from industrial nations, who get credits from this process that are turned into cash at the carbon market. This way a developing nation builds power plants and reduces carbon – while the industrial nation exports technology and creates more jobs at home: a win – win solution.

The result of this is a new mechanism for achieving carbon reductions from developing countries while providing them with compensation for doing so, all consistent with UNFCCC Article 4. This one-two punch addresses one of the chief political concerns in countries like the United States that has held up action on their own emissions reduction commitments, while ensuring compensation for developing countries' emissions reductions actions.

What it means specifically for small island states is the following:

The "negative carbon" approach offer the best – perhaps the only – way to mitigate the impact of climate change in the near term. It works by reducing carbon in the atmosphere – not just slowing down carbon emissions.

CDM will attract substantial new funding for these countries to build new "negative carbon" plants – helping them both address dramatic climate change concerns and empower "greener" economic

development for 80% of humankind.

My proposal ties into other proposals to help these countries through humanitarian assistance to address “climate adaptation” concerns. But unlike those, this market-based approach actually empowers them, so it is much more than just a “handout” or “charity” for them.

One immediate way it empowers small island states is by bringing them front and center at Copenhagen negotiations next month and beyond. They can use the moral imperative that they represent and the power available by their sheer numbers under the U.N. system – almost 25% of UN voting rights -- to play a leading role in the overall climate change process.

This gives a new meaning to the powerful sentence ‘the last will come first’ –involving the most challenging issue facing humankind survival.