Statement by Martin Khor of the Third World Network at the Dialogue Plenary Session at the UNFCCC Vienna Climate Talks, 29 August 2007

The Third World Network (TWN) would like to make a statement from a developing-country civil society perspective, which combines environment and development concerns. I would like to comment on four issues on building blocks towards a post 2012 UNFCCC climate regime – science and targets; relations between developed and developing countries (North-South); the need to link development and environment; and policy coherence.

First, on science and targets. Developments in the science of climate change have progressed recently so that there is broad consensus that the climate problem is real, serious, and that developing countries will be most affected. There is need to set targets for global action, such as to keep temperature rise to 2 degrees centigrade (or well below that), and to prevent Greenhouse Gas concentration from exceeding 450 ppm of carbon dioxide equivalent. However the establishment of such science-based targets have to be linked to the agreement of “burden sharing” principles, particularly as between North and South.

Second, therefore, is the crucial building block of fair North-South relations in a climate agreement. The UNFCCC and Kyoto principles of equity, historical responsibility, and common but differentiated responsibilities have to be re-affirmed and more importantly to be operationalised in concrete terms and measures to be worked out. Indeed these principles must be infused into all aspects of the negotiations and reflected in the agreements to be made.

The implications for developing countries of proposals on global targets should be more explicitly discussed. For example, the EU has made a proposal for a global emission cut of 50% by 2050 (compared to 1990 level) and a cut of 60-80% for developed countries. It is good that the EU has started the ball rolling by these proposals and figures. Of course it is only a start and the EU and other developed country parties can be expected to improve on their proposed commitments. However, there are also implications for developing countries in such figures, which have to be considered seriously. If we assume, for simplicity, that developed and developing countries account 50:50 for total emissions, then a global 50% cut with 70% developed-countries cut implies a 30% emission cut for developing countries. If developing countries’ population doubles in that period, then the implication is a 65% cut in their emissions per capita. If their population trebles, the implication is a per capita emissions cut of 77%. These are very deep cuts, and whether developing countries should or can take on such cuts should be openly debated. It is insufficient to leave these as implicit targets, as a residue of global and developed-countries’ targets. The above is of course only one aspect, though an important one, in the operationalisation of the principles of equity, common and differentiated responsibilities, etc.

Third, we need to develop much further the building block of integrating development with environment. Addressing climate change as an environmental crisis requires
simultaneously a development solution. The development challenges are enormous, far more than has been generally acknowledged as yet.

We agree that if climate change is not addressed, its effects would themselves devastate development prospects. Thus adequately addressing climate change through mitigation and adaptation is crucial, and is more cost-effective than adopting a “business as usual” attitude. However we should also not under-estimate the tremendous efforts required to switch to new development pathways that match the new emission-stabilization pathways required.

For example, we have heard that the economic costs of addressing climate change would be only 0.12% of world GNP per year, up to 2050. If this is so, then operationalising this would still be an enormous challenge. It may imply for instance that if developed countries are growing at 2.12% a year, they would have to do with 2% and if developing countries are growing at 6.12%, they would have to do with 6%. [Of course if developed countries were to agree to reduce their growth rates more than this, developing countries will have more space to grow]. This may be a relatively small price to pay to address climate change and allow us to have sustainable growth. But it would be a tremendous challenge indeed for developing countries to be able to grow at 6% a year and also be able simultaneously to reduce their per capita emissions by 65% or 77% by 2050. Perhaps it can be done. However, many in-depth studies must be undertaken to show how this miraculous transformation can be undertaken, or it would remain at this stage only a vision.

On the issue of finance, we should also not lull ourselves into thinking the sums are small and that the private sector will take care of most of the costs. The Secretariat paper has done an interesting job, with figures of an extra investment and financial flow of US$200-210 billion in 2030 for mitigation and “tens of billions of dollars” for adaptation. I believe we all need time to go through this very interesting paper. The enormous costs of mitigation and adaptation should be realistically spelt out, and national studies (as the one carried out by India on costs of emission-reducing reforms in industry) and examples of costs of addressing real-life climate-related events, would be illustrative. For example, in the newspaper USA Today (dated 29 August 2007) it was reported that the 2005 Katrina hurricane caused US$150 billion damage and the costs of reconstruction include US$116 billion allocated by the US Congress as well as many more billions of dollars to be met by private financing including insurance. The 2004 tsunami would also have cost many billions of dollars in rehabilitation and reconstruction. Mitigation and adaptation measures would help prevent or reduce such expensive costs of disaster-related reconstruction. The high costs of damage and reconstruction also have to be addressed. At the least, there is need for a large publicly-financed and operated fund to address adaptation. Private finance can only be a supplement, especially since it is difficult for poorer countries to access these funds and on affordable terms. A fund to address costs of damage may also need to be looked into, especially since climate-related damage is already taking place.
On technology transfer, the challenge is also enormous. A key question is the treatment of intellectual property rights over climate-friendy technologies. IPRs confer monopoly rights, and can curb affordable access through higher prices (that usually include monopoly profits) as well as be a barrier to introduction or upgrading of technology by private industry or public-sector agencies in developing countries. The lower the cost and the greater the ability of developing countries’ enterprises to make use of or to make existing or new climate-friendly technologies, the faster would be the developing countries’ ability to switch to more climate-friendly technologies and to the new emission-stabilization pathways as well as new development pathways. If there is “full protection of intellectual property”, it would be a barrier to technology transfer. The example of how Indian companies were hindered from introducing a new chemical that is not harmful to the ozone layer as a substitute to CFCs, because of patents on that chemical, is illustrative. Thus, a post-2012 regime has to deal with this thorny issue of IPRs and developing countries’ access to technology (existing and new technologies, for mitigation, adaptation and reconstruction).

On new development pathways, there should be more discussion and work done. Stabilisation pathways (aimed at greater energy efficiency and emission reduction) is an important component. However there are other key components if developing countries are to explore new ways of looking at economic and social development strategies that meet the requirements of stabilisation pathways. The pathway of moving from primary production and commodity-based sectors to commodity processing and first-stage manufacturing and services to more mature industrialization and services; the pathways of addressing sustainable development in agriculture, industry, commercial and social services, the pathway of trade policy, investment policy, financial policy, technology policy, social policy, have to be thought through. These are massive challenges.

Fourth, there should be policy coherence at national and international levels. If climate change is indeed the most pressing challenge of our times, then policies made in other areas and in other fora have to be looked at through the fresh lens of addressing climate change, and made consistent with the aims and measures that we are trying to implement in combating climate change. For example, at the World Trade Organization, there are proposals to consider as a non-trade barrier the imposition of higher taxes on cars with a higher engine capacity, or the lack of government action to facilitate financing of consumers’ purchase of motor-cars. At the WTO, some developed countries are also pushing developing countries to drastically reduce their tariffs on food products, so that their highly subsidized farm products can penetrate the poorer countries’ markets, and at the same time they are insisting that the developing countries’ markets for industrial products also be opened up very significantly. Developing countries that take measures, consistent with the TRIPS Agreement, to provide cheaper generic medicines for their population, are being condemned or punished by the major developed countries like the US or the EU. If these proposals were to be adopted, they would make it far more difficult for developing countries to switch to an emission-stabilisation pathway and a sustainable development pathway. Loan conditionalities facing countries dependent on the international financial institutions also have to be reviewed. Provisions of bilateral free trade agreements could also be looked at.