

Presentation of Mutsuyoshi Nishimura  
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A. Focus on Copenhagen

1. Going to a low carbon rather than stopping global warming.

With the divide between developed and developing countries running so deep, we cannot win this battle. This is one lesson which I have learnt from my short experiences as a climate negotiator. In order to overcome this binary division, I have come to conclude that we better forget about climate change. Instead, we would do better to focus our attention on how to win the global game of the 21st century. Let's follow this strategy, if it is likelier to eliminate the division and forge consensus for common action.

If we talk about climate change, we tend to focus on historical responsibility, fair burden sharing, equity between rich and poor, finger-pointing and such sort of things. Ideological divide won't subside and no proactive process ensues.

If, on the other hand, it is a matter of winning the global game of the new century, one must proceed quicker and deeper towards low carbon, by reducing one's emissions drastically and increasing energy efficiency, no matter what your neighbors do or do not do. This is the new enlightened attitude which must militate against the traditional "you reduce more than me" attitude.

In the globalization of the 21<sup>st</sup> century, the quicker and deeper one transfers to a low carbon civilization, the better off one is in terms of competitiveness, technological development, sustainable growth and energy security. No nation can expect to prevail in the global competition as long as it remains fossil-fuel dependent. Unless you get to the bottom of it, you have lost.

In fact President Obama has just carried the day and may continue to take the initiative in the new game. Obama's proposed stimulus package is to total at least \$US775 billion and for the Green New Deal, \$US150 billion over ten years, to create five million green jobs, modernize energy infrastructure and reduce carbon pollution by 80 per cent by 2050.

This has provoked a chain reaction of countries emulating this concept. European countries, Mexico, China and Japan are all joining ranks with the US. And the latest on board is Australia. A few days ago, the Sydney Morning Herald encapsulated the Aussie spirit just rightly and wrote, "There is no time to lose if we want to avoid falling behind the US and other developed nations in the race for green jobs growth and tackling dangerous climate change." (*"Obama's green plan 'good for Australia' SMH January 9, 2009*)

## 2. Enabling culture by working on reality rather than theory

For Copenhagen to be effective, it must build a new enabling culture. Target numbers are necessary but they are not enough. What is needed is that the community work together to enable countries to achieve those targets. And this must be done on the basis of reality, not on the basis of theory.

Despite the tremendous amount of climate discussions, there has scarcely been progress toward a congenial partnership, toward a new culture of enabling. Why? In my view, it is due to the way in which climate discourse has been held which tends to go adrift on the side of theory rather than reality.

Technology transfer is a case on this point. Countries tend to deal with this issue in a generic context. But if we instead deal with technology transfer in the context of realities such as Guangdong Province, China, or Sub-Saharan Africa, for example, we are likelier to achieve better results.

If we collaborate with host countries on their real projects such as

to modernize coal firing power plants within xx years, then it is likelier that this collaborative effort would provide the most efficient and fitting clean technologies, procure financing, establish suitable business links, help build local capacity, deal with intellectual property rights and all other related issues more quickly and practically.

Working together on the basis of reality provides quicker results than working on the basis of generic theory. More importantly it will create a new sense of positive cooperation, a sense of partnership, a sense of trust amongst nations, rich and poor. And this sense of partnership and trust is absolutely indispensable for the world to de-carbonize itself and to enhance the sustainable growth of all nations at the same time.

### 3. Transforming the UNFCCC into a World Climate and Energy Council

A global climate challenge of this magnitude cannot be properly met with the UNFCCC if it continues to function basically as a static, treaty drafting institution. As the treaty drafting runs its course, the UNFCCC needs to become a world headquarters to energize and spearhead actions crucially needed to achieve the in-time transition to a low carbon world, by ensuring the short-term peak and decline as well as the long-term reduction of global GHG emissions.

New dynamic policy coordination is absolutely necessary in order to spearhead real actions on a global scale to fend off a climate catastrophe. National targets and sectoral targets are effective in the implementation of countries' commitments. Yet, energy efficiency for example, will be best pushed forward if there is a constant whistle blower. There are other areas where the constant supply of information about innovative policies and measures, needs to become best practice.

Put simply, global actions must be distinctly energized. A world high council must roll back its sleeves and call the shots to push

world transformation forward. Fundamentally, we need the formation of a “Situation Room” which could be called a “World Climate and Energy Council”.

The developing world must be assured that a high world council will spearhead a new congenial cooperation and safeguard their sustainable development. Developing nations must also be assured that there will be a new genuine world process committed to develop technology and implement its transfer which is both adaptable and effective.

## B. Focus on post-Copenhagen

### 1. 2020 as the year for grand action

Despite the tremendous effort Copenhagen will elicit from all countries, there remains much to do. Copenhagen does not put the locomotive in full steam. The timing of the US domestic legislation is unknown. Major developing countries have yet to come much to the fore. And there is the exceptional challenge, of reducing 40GT by 2030 from BAU of 70GT which cannot be met by December 2009. Copenhagen is far from being the panacea.

By force, we must look at post-Copenhagen. Sir Nicholas Stern puts the year 2020 as the year for major developing countries to take on binding targets, if not earlier. By 2020, a comprehensive plan must be drawn up to ensure world focus on an ultimate solution.

### 2. In search of an ultimate solution which is surest and cheapest

In my view, due to the ever increasing seriousness of climate change, discussions must undergo a thorough remodeling to ensure that any recipe or proposal for the solution hence forth must detail numerically, how and when climate stability would be realized. Proposals that simply delineate a reduction of xx GT are no longer valid so long as they do not spell out a convincing methodology to arrive there.

This is necessary as the world can ill afford to undertake a global endeavor of this magnitude without knowing exactly what can realistically be achieved in 50 years time. And critically, the world can ill afford to undertake a global endeavor of this magnitude without assuring ourselves that we will achieve an acceptable level of climate stability from our efforts.

Half-minded efforts are not a good strategy. There is no middle ground: we either win the battle or lose it. If the world sets out to do all this, we must win it. We must win it with the least sacrifice. And we must be sure we are taking surest strategy to win this battle whilst incurring the least possible cost.

Hence the surest recipe is indispensable. And fundamentally that recipe must be the least expensive as the specter of huge costs might cause people to pull the punch.

The surest recipe to achieve climate stability is to cap global GHG emissions for decades to come. The cheapest recipe is to allow the abatement to take place wherever it is cheapest.

If you seek the surest way to stabilize the climate, you have no alternative but to cap global emissions. If you seek the cheapest recipe, you have no alternative but to start abating wherever it is cheapest to do so in the world. These two requirements designate a global carbon trading system with a strict descending world cap as the only means forward. Almost by force, we must move to a global emissions trading system and create a one single common carbon price world-wide so that the price signal does all the tricks.

Thus in my view a global carbon trading system with a forceful descending global cap is the surest and cheapest way to stabilize the climate. A technology development treaty will greatly help enhance this recipe.

Since the surest recipe caps global emissions, it crucially does not

cap national emissions nor companies' emissions. It is more effective to talk about the whole volume of carbon (carbon budget) the world can emit than to talk about national reductions or company specific reductions. The basic idea is to deem global emissions as those of one nation and to let the cheapest abatement opportunities be exploited first.

### 3. Upstream global emission trading is the way to go rather than linking downstream ETSs

According to a recent Greenwire report, "Exxon Mobil Chairman and CEO Rex Tillerson said at the Woodrow Wilson Center debates on January 8 this year, that the United States should tax greenhouse gas emissions rather than implement a cap-and-trade program favored by President-elect Barack Obama and powerful congressional Democrats.

He is quoted as saying "As a businessman, it's hard to speak favorably about any new tax, but a carbon tax strikes me as a more direct, transparent and effective approach."

"A carbon tax would avoid the cost and complexity of having to build a massive trading market and a bureaucracy of regulators to ensure its transparency and effectiveness" Tillerson also charged that such a market would have "inherent problems with verification and accountability."

"It is important to remember that a cap-and-trade system requires a new market infrastructure for traders to trade emissions allowances," "This new Wall Street of emissions brokers will take the emphasis away from the goal of reducing carbon emissions and focus its attention on trading from price volatility."

Well, this is an important development. It is remarkable that people like Tillerson now agree to put a price on carbon in the form of a tax in order to curb emissions. I argue though, that C&T is a more appropriate and effective instrument than tax as C&T sets a cap on the emissions and forces those emissions to actually

diminish to the pre-set level, crucially something which tax cannot do.

But his remarks do shed light on one of the crucial aspects of the emission trading system.

If the US goes to downstream C&T, very much the way the EUETS is organized checking numerous individual emission points every year, then he is right, this will incur a huge administrative burden. As he puts it, there will be "inherent problems with verification and accountability".

If the world is to create a global carbon market on the basis of those downstream ETSs as it is suggested in many prominent papers around the world, Mr. Tillerson's problem is going to be exponentially compounded.

For one, I don't think China can cope with the huge administrative burden required to check emissions of their million enterprises, let alone all other developing countries. An attempt to globalize the carbon market will go only so far but will never reach the point where a single common carbon price is created globally.

Therefore, nations must proceed with the upstream C&T system checking only custom statistics related to the importation of fossil fuels thus avoiding bureaucracy. European emission trading system (EUETS) is a downstream approach and therefore, in my view, must eventually change to upstream.

The most efficient carbon market is one which gives rise to a single common carbon price world-wide to continue for the decades to come, not for some time to come. And this, coupled with a declining and forceful cap on global GHG emissions, in conjunction with a set of concomitant technology policies, will be the most powerful and surest way to achieve climate stability whilst incurring the least global cost.

Critically nations must agree to cap global emissions (not national emissions nor companies' specific emissions) so as to stabilize the climate by 2050. By cutting global emissions more than 50%, and practicing global carbon trading, we can achieve climate stability with the least cost and the least bureaucracy.

In fact there will be no more talks on imposing national caps and its compliance. There will be no more talks about off-setting nor safety valve because the global carbon market will allow enterprises to seek the cheapest abatement opportunities all over the world. There will no longer be issues of competitiveness nor carbon leakage as the carbon price will be the same all over the world.

Indeed, global upstream ETS is undoubtedly pro business. As long as any country, any company, any steel mill is competitive with the prevailing carbon price, it can burn as much fossil fuel as it wishes. It is not a growth stifling system. It is a pro-business method for achieving climate stability.

It is also pro-lean government in that it does not necessitate the establishment of a tremendous honey-comb of bureaucracy. This is the leanest and least cumbersome way to achieve climate stability.

Sounds great but this is not my invention, of course. This is a recipe which has existed for some time but people have just dismissed it as impracticable for one reason or another.

#### 4. Isn't the world a different place 5-10 years later?

It is impracticable as long as the world doesn't agree to put a lid on GHG emissions over the 50 years from now. As long as the much desired shared long-term vision to stabilize climate remains hazy, it is impracticable. Where developing countries remain skeptical about the merit in favor of their sustainable growth, it is impracticable. Until rich countries come to understand that the initial allocation of allowances based on common but



differentiated responsibilities will not mean any big transfer of resources to the developing countries, it remains impracticable.

But much will change in 5-10 years time. People in the developed world will have a better understanding of the merit of the upstream global emission trading system as the requirements for the surest and cheapest solutions grow stronger every passing year.

Developing countries will require time to mull over the new scheme. But I am convinced that by the time they have to take numerical abatement commitments, they will find global emissions trading an attractive method as it will be compatible with their growth perspective.

Regarding the issue of the enforcement of a global cap to ensure climate stabilization, a new discussion is being heard even in the developing countries tent. Chinese scholars are now talking about the need to halve global emissions by 2050 (“Carbon Budget Proposal” by Jiahua PAN, Ying CHEN, Wenjun WANG, Chenxi LI presented on December 8, 2008 at the China’s Side Event at Poznan COP14) indicating that the time must come sooner or later when the developing world will share the global commitment.

In my view, it is possible that developing countries will eventually make some quantum leaps like accepting a long-term shared vision, and agreeing with the global long-term reduction path which will lead to an acceptable level of climate stability. But this will only happen if the rich countries share fully developing countries’ legitimate concerns and aspirations for fairness and equity, for their sustainable development and poverty eradication.

Fantasy? Well, it may well be for some time to come, but if it continues to be deemed fantasy for decades to come, the planet would be in a real danger.

5. In concluding...

What I would like, is to urge you to think about the post-Copenhagen perspective. And to think about how serious the issue will be in just a matter of years.

If the international community rises up to the challenge of climate change and mobilizes global efforts of this magnitude, we must ensure success to avoid catastrophe. Half-minded efforts are not a good strategy. It is almost like President Bush saying, “Are you with us or with them?” If we fight against climate change, we have to win it. So the question we have to ask is, are we here to save it or lose it? At the very least, we must snatch victory from the jaws of defeat. Hence my search for the surest and the cheapest solution.

Thank you.