



# Climate Change and Clean Technology Blog

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## EU's Proposals for Global Pact on Climate Change at Copenhagen

The successful conclusion of the international climate change negotiations at Copenhagen at the end of 2009 is a key priority for the European Union ("EU"). In January 2009, the European Commission ("EC") set out its proposals for a comprehensive and ambitious new global agreement to tackle climate change and how it could be financed in a communiqué entitled "Towards a comprehensive climate change agreement in Copenhagen COM(2009) 39" (the "EC Communication"). The EU's goal is to limit global warming to less than 2°C above the pre-industrial temperature based on strong scientific evidence that climate change will become dangerous beyond this point. The EC Communication addresses some of the key global challenges including targets and actions, financing, and building an effective global carbon market.

The key points of the EC's Communication can be summarized as follows:

### *New Targets for Developed Countries*

The EC Communication states that developed countries should continue to take the lead in international efforts to fight climate change and has proposed that developed countries should commit to cutting their greenhouse gas ("GHG") emissions, as a group, to an average of 30% below 1990 levels by 2020 under the Copenhagen agreement. It sets out criteria that should be taken into account when setting national reduction targets to ensure comparable contributions by each developed country to this overall effort e.g. GHG emissions per unit of GDP, trend in GHG emissions between 1990 and 2005, population trends, etc.

### *Curbing Rising Emissions in Developing Countries*

The EC wants developing countries as a group to limit growth in their GHG emissions to 15-30% below business as usual levels by 2020. To enable them to do so, the EC Communication states that all except the least developed countries should commit to putting forward national low carbon development strategies, covering action in all key emitting sectors, by the end of 2011.

These plans would provide the basis for discussion at international level of the adequacy of the proposed actions and of external financial support for them where needed.

#### *Including Emissions from International Aviation and Maritime Transport*

The EC is concerned that international aviation and maritime transport are large and rapidly growing sources of greenhouse gas emissions but have so far been left outside the international climate change framework and proposes that the emissions from these sectors should be included in the overall targets of the new agreement. The EU has already included CO<sub>2</sub> emissions from its aviation sector in its own emissions trading systems and is currently examining several market-based measures with respect to maritime transport.

#### *Adopting National Adaptation Strategies*

The EC Communication describes how the Copenhagen agreement should also provide a framework to help countries adapt to climate change. In particular, it proposes that all developed and developing countries draft comprehensive national adaptation strategies and suggests financial and technological support to the most vulnerable developing countries. The EC recognizes that, in many cases, successful adaptation by developing countries can be achieved only if climate change impacts are taken into account in development cooperation projects.

#### *Promoting New Technology*

The EC recognizes that technology will be an essential part of a post-2012 climate agreement but notes that current public expenditure on energy-related research, development and demonstration (RD&D) is insufficient to achieve the technological advances and cost reductions that are needed in the medium to long term. Accordingly, the EC wants an explicit commitment by countries to a step-wise increase in their spending to form part of the Copenhagen deal, and, in particular proposes that global energy-related RD&D should at least be doubled by 2012 and quadrupled by 2020.

#### *Creating Innovative International Funding Sources*

To reduce global emissions, the EC estimates that net additional investment worldwide will need to rise to around €175 billion per year by 2020, more than half of this in developing countries.

The EC Communication proposes two options for creating additional, innovative international financing sources. The first option determines the annual financial commitment of developed countries on the basis of an agreed formula based on, for example, a combination of the polluter pays principle and its ability to pay. Under the second option, a certain percentage of the allowed emissions would be set aside from each developed country and auctioned to governments on the international level – the percentage increasing progressively in line with the per capita income.

#### *Building OECD Carbon Market*

The EC proposes to build a robust OECD-wide carbon market by 2015 through the linking of the EU emissions trading system (“ETS”) with comparable domestic cap-and-trade systems in the

US, Australia and other developed countries. As a first step, the EC aims to set up an EU-US working group to share experience on designing domestic emissions trading systems. Over time, the EC hopes that developing countries will also implement domestic trading systems so the OECD-wide market can be expanded to all major emitting countries by 2020.

### *Reforming Kyoto's Clean Development Mechanism (CDM)*

Kyoto's CDM has enabled developing countries to participate in the carbon market. It is currently designed as a project-based offset mechanism through which developing countries can sell credits for emission savings achieved by a specific project. These credits can be bought by developed countries to help them meet their emission reduction targets, and most are also accepted for use by companies in the EU ETS. To ensure the CDM's environmental integrity, the EC proposes that the mechanism should be reformed. In future, only those projects that genuinely bring about additional emission savings and that go beyond the cheapest options should be able to generate emission credits. In addition, for advanced developing countries and in highly competitive economic sectors, the EC states that the project-based CDM should be phased out and replaced by a crediting mechanism covering whole sectors. The EC hopes that this will also pave the way for the development of cap and trade systems in the economically more advanced developing countries.

### *Prospects for Reaching a Global Settlement*

The EC believes the basis for reaching a global agreement exists and is getting stronger. The EC also recognizes that the business community in many countries is increasingly taking a long-term view and becoming a driving force in the fight against climate change. In particular, the EC Communication acknowledges that the business community is asking for a coherent, stable and efficient policy framework to guide its investment decisions. Ultimately, the EC recognizes that continued leadership by the EU and an acceptance by other developed countries of their responsibility to take serious action against climate change will be an important pre-requisite for success in Copenhagen.

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