



## ANALYSIS

# Australia and climate change negotiations: at the table, or on the menu?

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## EXECUTIVE SUMMARY

The climate change negotiations are changing the global economy in ways that matter to Australia. New norms, standards, rules, and even laws will require Australia to change. These developments create challenges and opportunities for Australian businesses and individuals.

Australia's national circumstances — especially its relatively high current dependence on industries that emit large quantities of greenhouse gases — are distinctive, so Australia must work harder than others to advance its interests. Failure to pay proper, high-level attention to the negotiations would seriously endanger the national interest. By actively engaging in negotiations in a strategic and creative way, Australia can help ensure that the next global agreement provides a smooth adjustment for the global and the Australian economy. This would minimise potential adverse impacts on Australia, and secure access to the new economic and other opportunities that action on climate change brings.

In 2013, for the first time outside an election period, the Australian delegation to the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP) was not led by a minister. Towards the end of 2013, Australian representatives preparing for hosting the 2014 G20 meeting in Brisbane told their counterparts that climate change would not be discussed in any depth. Australia resisted sustained calls, including from key partners such as the United States and the United Kingdom, to place climate change prominently on the agenda, instead characterising climate change as a distraction from the G20's proper focus on jobs, economic growth, and trade.<sup>1</sup> Australia remained firm until the meeting opened in Brisbane, where other countries effectively forced the issue onto the agenda and into the spotlight.

Similarly, in September 2014, the Prime Minister chose not to attend the UN Secretary General's Climate Summit, despite being in New York near the time, and despite its purpose being to build momentum towards a strong and effective global agreement at the United Nations Climate Conference in Paris at the end of 2015. The Summit was targeted at world leaders; around 100 heads of state and government attended. Prime Minister Abbott was clear about his reasons — at a media conference shortly before the Summit, he reportedly said climate change was “not the only or even the most important” international issue.<sup>2</sup>

The Liberal National Party Coalition went to the 2013 election with a clear plan to overhaul Australia's domestic policy on climate change, so the subsequent reforms came as no surprise.<sup>3</sup> What was surprising, however, was the new government's international approach. Previous Australian governments, of both political persuasions, and regardless of differences in the substance of their policies, have dealt with climate change as an important international issue requiring high-priority attention. Australia has consistently played a major role in multilateral climate negotiations, international forums, and leaders' dialogues.<sup>4</sup> And more recently, Australian public opinion has shifted in favour of more concerted action. The 2014 Lowy Institute Poll found a significant majority (63 per cent) agree that Australia “should be taking a leadership role on reducing emissions.”<sup>5</sup> Only 28 per cent believe that “it should wait for an international consensus before acting.” This can be read as increasing support for active international engagement as much as for stronger domestic policy.

The Government's retreat came at the very time international negotiations were gaining momentum. In October 2014, European Union (EU) leaders agreed to reduce greenhouse gas emissions by at least 40 per cent below 1990 levels by 2030. On the eve of the Brisbane G20 meeting, the United States and China jointly announced their own

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targets: China to slow and then halt growth in its emissions around 2030; the United States to reduce its emissions by 26-28 per cent below 2005 levels by 2025. They also announced that they would strengthen bilateral cooperation on climate change and work together to secure an ambitious new agreement in Paris.<sup>6</sup>

The Coalition has repeatedly stated its commitment to reducing Australia's emissions by between 5 and 25 per cent below 2000 levels by 2020,<sup>7</sup> and it will announce its post-2020 target by the middle of this year.<sup>8</sup> But statements by ministers, including the Prime Minister, since the last election strongly suggest that a decision has already been made to restrict the 2020 target to the least ambitious end of the range (that is, 5 per cent).<sup>9</sup> Given that the conditions for moving beyond 5 per cent have been met,<sup>10</sup> Australia may face a difficult task explaining its position to other parties to the UNFCCC — particularly given its strong assertion that, in this context: "We do what we say."<sup>11</sup> Further, against the background of the EU announcement and the US-China accord, a post-2020 target as unambitious as 5 per cent is for 2020 will doubtless attract widespread and severe criticism. Australia could defend its position, but only if it is well and truly on the front foot in the climate negotiations, actively engaged in a constructive fashion.

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At the time of writing, the Government's approach to the climate negotiations appeared to be changing, with its engagement increasing in intensity and profile. One area where Australia's position had been widely seen as egregiously out of step with international thinking was financing. The Government's repeated statements that it would not be contributing to the Green Climate Fund (GCF)<sup>12</sup> were criticised both within Australia and internationally.<sup>13</sup> The Government's decision during the December 2014 Lima COP to contribute \$200 million to the GCF removed the stigma of its previous position and directly enhanced the delegation's standing at the COP.

Foreign Minister Julie Bishop's attendance at the COP may have made this shift possible, and her attendance marked an important change in itself. Yet the backroom wrangling that evidently took place to get her there (her first request to attend was reportedly rejected by the Prime Minister's Office; her second request was approved on the condition Trade Minister Andrew Robb attended as a 'climate chaperone') evidences the Government's abiding ambivalence to international climate change negotiations.<sup>14</sup>

This Analysis focuses on the Government's strength of engagement in international climate change negotiations, rather than its choice of emissions reduction targets, domestic policies and measures, or positions on specific international issues. While substance and process are inevitably informed by, and reflect, the same set of concerns, this Analysis contends that regardless of its domestic policy settings Australia would benefit from stronger international engagement. It

examines the broad risks arising from the tepid engagement in negotiations that characterised the Government's first year in office, and the rewards that might flow from more vigorous participation in future negotiations. It also considers how Australia might reclaim its position of influence at the international climate change negotiating table.

## WHY INTERNATIONAL CLIMATE NEGOTIATIONS MATTER

The UNFCCC may be central to the global response to climate change but it does not enjoy a good press. It is widely seen as a talk-fest, and a polarised one at that. Progress is certainly slow, as is inevitable for any group of 195 where all decisions require consensus. It suffers from other failings as well; but the fact is the UNFCCC negotiations shape national and global climate action — and associated economic activity — through both formal and informal channels. Climate discussions in other forums come and go, but the UNFCCC has proven resilient, and remains the only universal forum for negotiating the rules. It thus retains a unique legitimacy.<sup>15</sup>

That is not to say it dictates national obligations. To be clear: the negotiations are an activity of the UN, so the conventional view of national sovereignty is always respected. No country can be compelled to do anything. Given that decisions are made only by consensus, countries have scope to prevent decisions they object to strongly. Ultimately, any country can choose not to become a party to an agreement — as the United States (and, originally, Australia) did with the Kyoto Protocol — and any party can later withdraw if it chooses — as Canada did from the Protocol in 2011.

Still, the UNFCCC and the Kyoto Protocol boast almost universal membership (the Convention has 195 member states; the Protocol 191).<sup>16</sup> Being party to either agreement entails legal obligations, primarily about reducing emissions of greenhouse gases within the country concerned, and reporting on the actions taken.<sup>17</sup> These obligations are not specific as to the particular policies and measures to be adopted, but they form part of a broader and interconnected global regime that is, slowly but inexorably, having an impact on the economic activities that are the source of emissions.

In giving operational effect to legal provisions of the two treaties, parties make formal decisions. Decisions are not legally binding in themselves, but can, over time, construct a quasi-legal understanding. Looking back, a series of incremental moves can be seen to establish a general accepted standard that guides actions by individual countries and other actors.<sup>18</sup>

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In recent years, the emphasis on legal obligations has been progressively overtaken by the demands of universalism. In the Kyoto Protocol, legal form — that is, an agreement in the form of a Protocol containing legally binding targets — was determined in 1996, before any decision on what the targets themselves would be.<sup>19</sup> Targets applied to a select list of ‘developed’ countries only. The move to universal action began in Bali in 2007; following the Copenhagen meeting in 2009, over 90 developed and developing countries pledged action to reduce their emissions. As the Paris meeting approaches, decisions on targets will precede decisions on legal form. All countries have been invited to put forward their intended nationally determined contributions (INDCs, in negotiation parlance) well before the meeting convenes. Many will be expressed as absolute emissions targets (as in the Kyoto Protocol) but some will not, and some will include additional actions such as support for other countries’ efforts.

Many developing and some developed countries have insisted that their commitments be recorded as voluntary as the quid pro quo for making them. This reflects the same concern Australia has long expressed: that differences in national circumstances mean commitments should be different in scope, nature, and degree.<sup>20</sup> As a result, while Paris may yet deliver an outcome “with legal force,”<sup>21</sup> it is highly unlikely that the national mitigation targets themselves will be legally binding. Australia’s initial insistence at Lima that the Paris outcome had to be legally binding was probably just a misstep, underlining how remote Australian ministers had been from the negotiations to that point. (Some observers suspect though that it was an attempt by the Government to set the bar for Paris so high that Australia could label the meeting a failure and withdraw even further.)<sup>22</sup>

Regardless of the legal form of the Paris outcome, many countries are concerned with maintaining the capacity to evaluate what national commitments mean in terms of emissions, and to monitor implementation. The UNFCCC’s central reporting and review framework will therefore remain crucial, and it will be important for Australia to be able to influence the design of those mechanisms in detail.<sup>23</sup>

Beyond the formal process, informal channels of influence operate too. The negotiations are, to a large extent, the global locus of debate on climate change. At the Lima COP in 2014, for example, about 180 official ‘side-events’ were held.<sup>24</sup> These were sponsored by some of the thousands attending the COP who do not represent governments but speak for intergovernmental, environment, civil society and business organisations, academic institutions, and other groups of varying influence in their communities. While not all follow the negotiations in detail, the COP is a marketplace for the intense exchange of ideas and opinions among delegates and observers. Connections are made and, over time, strands of different ideas intertwine, mature, and emerge into practice. Collaboration can, and of course does, occur outside the

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COPs, but the COP — and to a lesser extent, the few weeks of intersessional negotiations throughout the year — is the annual point of convergence and the deadline for next steps.

Incremental changes in norms and standards can move through the capillaries of diverse networks (economic, environmental, scientific, financing, and so on) to create expectations and guide decision-making over time. On specific issues, countries and their delegates can feel pressure from emerging orthodoxies and it can count. Following consistent analyses demonstrating the economic and environmental damage wrought by fossil fuel subsidies, and repeated calls to repeal them,<sup>25</sup> governments are now acting — almost always at political cost. For example, both the previous and current Indonesian governments have substantially reduced subsidies on liquid fuels in the last two years, as has Malaysia.<sup>26</sup> No doubt budgetary reasons prevail when such decisions are made but the frequent reiteration at COPs and elsewhere of the environmental value of change assists the political case.

## WHY CLIMATE NEGOTIATIONS MATTER FOR AUSTRALIA

The results of the formal negotiations and the many consequential or associated economic changes (in particular, the emissions reduction targets that countries set and the policies and measures they put in place to meet them) will profoundly alter the economic prospects of many industries globally — for better or for worse. The impacts will be felt directly by Australian firms in affected industries: companies with low-emissions products and services may do better while those with high emissions may find costs are higher and customers fewer. At the level of the national economy these movements will show up in changes to Australia's terms of trade.

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These changes are an unavoidable consequence of global action to tackle climate change. The international community has agreed that global warming should be limited to less than 2 degrees Celsius above pre-industrial levels.<sup>27</sup> Science tells us, roughly, how much additional greenhouse gas can be emitted if that target is to be met.<sup>28</sup> This means the world has a 'carbon budget' that cannot be exceeded without lengthening (or extinguishing) the odds of staying below 2 degrees.

If we assume that governments will eventually take measures to stay within a budget, there are inevitable consequences for the world's remaining resources of fossil fuels — coal, gas, and oil. Specifically, much of these resources will have to remain unused. This is the basic logic of the 'unburnable carbon' and 'carbon bubble' arguments. A recent analysis on this theme by researchers at University College London suggests that even if technology to capture and permanently store carbon emissions is available, 80 per cent of the world's current coal



reserves will have to remain in the ground to have a reasonable (that is, more than 50 per cent) chance of staying below 2 degrees.<sup>29</sup>

While the international community has not agreed on a carbon budget to guide national efforts,<sup>30</sup> investors are increasingly assessing the environmental and economic risks associated with carbon intensive investments.<sup>31</sup> The UNFCCC systems and negotiations provide crucial input: guidance on the trajectory of global action; details of national targets, policies, and measures; and periodic updates on how countries are progressing toward their goals. Through these channels, the UNFCCC directly influences markets and investments, including the valuation of coal and other fossil fuel reserves.

As one of the world's biggest fossil fuel producers and exporters, Australia has an important stake in both when and how the world pursues emissions reductions.<sup>32</sup> This is not to say that Australia should seek to delay or avoid global action — in fact, its vulnerability to climate change as well as its economic circumstances push squarely in the other direction. Partly as a result of Australia's current reliance on coal, and more broadly of its relatively emissions-intensive economy, it faces relatively greater economic adjustment than many other developed countries as the world reduces emissions.<sup>33</sup> Timely action would spread the adjustment, reducing economic disruption. Further, coordinated action through linked markets would help minimise costs (both for Australia and for the world).<sup>34</sup> But should efforts fragment, costs would increase.<sup>35</sup>

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Seen from this perspective, active engagement in the negotiations, to push for quick, decisive, and coordinated global action, should be a high-priority economic task for the Australian Government. Instead, by stepping back from the negotiations, the Government implicitly suggested that it could avoid the required adjustment, at least for the present. Avoiding the task at hand is rather like a smoker ignoring health warnings. The problem will not go away — it will only get worse. And over time, failure to convincingly explain its domestic policy choices would leave Australia's interests exposed, both within and beyond the climate negotiations.

When, in June 2002, the Howard Government announced that Australia would not be ratifying the Kyoto Protocol most other governments were unhappy with the news, and some appeared to be deeply offended. In subtle ways some of that group may have paid back Australia for the perceived offence on other issues, often well beyond the sustainable development domain. These instances are difficult to evidence because most often linkages were not formally made (unsurprisingly, given the nature of diplomacy). But the authors are aware of occasions on which otherwise friendly governments inexplicably declined to agree to Australian requests. Sometimes no feedback at all was provided,

sometimes an eyebrow was raised, and sometimes elliptical references to the Kyoto Protocol were made informally.

Worse, serious suggestions emerged from time to time for trade measures against Australia and other recalcitrants, particularly from European sources.<sup>36</sup> These were not acted upon before Australian policy changed, and subsequently consideration of such measures has fallen away. In the medium term, however, should some countries be seen to be lagging global efforts, border tax adjustments may well be used to level the trade playing field. Whether such measures would be WTO-compliant would be difficult to assess in advance; WTO requirements are a little like travel insurance — you sometimes cannot be sure whether you are covered until you make a claim. More likely than retribution, though, is overt peer pressure. Soon after the G20 meeting in Brisbane, the UK Prime Minister David Cameron commented that Australia would not want to be the back marker on climate change and “will feel pressure and want to do more.”<sup>37</sup>

For these reasons, Australia’s interests are better served through active participation in the negotiations to ensure that the new agreement supports strong and urgent action, and expands opportunities for efficient coordinated action. Such constructive positioning would be consistent with Australian policy and would build Australian influence. It would also incidentally benefit Australia in two ways: first, by providing access to more cost-effective abatement opportunities in other countries; second, by limiting impacts on global economic activity (which provides the opportunities for Australian exporters and investors).

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With an eye to just these considerations, Australia played an important part in ensuring that provisions allowing flexibility in meeting targets were included in the Kyoto Protocol and that reasonable rules were agreed to for their implementation.<sup>38</sup> Several years ago it seemed that the world was capitalising on these rules and heading towards efficient coordinated climate action. The carbon market was consolidating as the EU emissions trading scheme matured, the Kyoto Protocol’s Clean Development Mechanism (CDM) expanded, and other national and subnational schemes emerged or were foreshadowed. With the global financial crisis, this changed. Governments turned to the urgent issues of domestic economic stimulus and recovery, and demand in international carbon markets crashed — followed by prices. The promise of a growing global carbon market was dashed.

Since then, while the number of countries using emissions trading has gradually increased, most developments have taken place not through international linkage and coordination but at the national or sub-national level.<sup>39</sup> Political economy and other local factors — including industrial structures, technology capabilities, and natural resource endowments — mean many measures to reduce emissions are quite narrow or prescriptive in nature, mandating particular technologies or limiting the

use of particular fuels.<sup>40</sup> Even within the EU, there are tightening restrictions on the use of emissions reductions that occur beyond EU borders.<sup>41</sup> These trends are mirrored in Australia's own arrangements — the Government's Direct Action Plan focuses only on domestic emissions reductions, with no role for international units.<sup>42</sup>

Domestically-focused approaches may not always be the most economically efficient and, given their particular origins, may not be suitable vehicles for international collaboration. Indeed, to the extent that such measures have the potential to reduce economic activity elsewhere, and may be developed without consultation with those so affected, they could become sources of international tension. Unilateral European efforts to reduce emissions from the aviation industry, for example, caused significant disturbance in relations with many other countries.<sup>43</sup>

Paris and subsequent agreements could reinvigorate efforts to link and harmonise action, keeping open the prospect of lower-cost, less-disruptive mitigation pathways. With its economic circumstances pressing Australia to work for strong and efficient global action, the case for Australia to give high priority to the negotiations is axiomatic. Two examples of where this is particularly the case are coal and the land sector.

#### COAL

Coal is an obvious target for regulation. It is a major cause of the air pollution that is an increasing economic drag and political challenge for many governments, especially in rapidly developing economies. Restrictions on its use therefore deliver attractive economic and climate co-benefits. Even where such local factors are not drivers, the relative emissions-intensity of coal means it can be a sitting duck when targeted emissions reductions are the only way forward on climate change. Recent changes to US power plant regulations and China's bans on new coal-fired power plants in key regions may foreshadow a broader shift.<sup>44</sup> To the extent that these measures accelerate contraction of the global market, they increase costs for Australia.

Moreover, non-government actors will push for restrictions even if governments remain cautious. The fossil fuel divestment campaign is gathering steam.<sup>45</sup> Like other issues nurtured in the margins of the climate negotiations, the notion of divestment of fossil fuel assets seemed like a fringe idea just a few years ago. But it has now matured and is drifting towards the mainstream as economists, financiers, scientists, and proponents of ethical investment intensify their exchanges and build collaboration. That the risk of 'wasted capital' and 'stranded assets'<sup>46</sup> is being taken seriously by the coal industry in particular is evidenced by the strength of reaction to local divestment moves such as that of the Australian National University.<sup>47</sup> While

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divestment by investors on ethical grounds may be a marginal concern, similar action by mainstream investors for commercial reasons would be of much greater moment and could prove an existential risk for some companies.

The general benefits of efficient global mitigation action discussed above also hold true for coal. Efficient global action would change the relative competitiveness of producers, improving the position of lower-emission producers. Australia is a relatively low-emissions coal producer. So in the context of coordinated, linked global action, its share of global coal trade is likely to increase, even as the global market for coal peaks and declines in line with global emissions.<sup>48</sup> The general risks hold true too. If Australia comes to be perceived as a laggard, it is not unimaginable that eventually its coal exports could be the focus of targeted discriminatory action.

## LAND SECTOR

Since the early days of climate change negotiations the land sector has been a quintessential example of Australian distinctiveness. In many European countries, and even in North America, land-use change slowed or stabilised decades or even hundreds of years ago. In Australia, forests continue to be cleared for agriculture just as they do in developing countries such as Brazil, Indonesia, and Papua New Guinea. Emissions from land-use change (deforestation) comprised about 24 per cent of Australia's 1990 baseline emissions. That Australian governments should see their efforts to reduce land clearing as a measure to reduce emissions struck many Europeans as somehow illegitimate, even if they could not explain how.<sup>49</sup>

In the end, the agreed rules were critical to Australia's capacity to take on an acceptable emissions reduction target and meet it. Australia's emissions — excluding the land sector — averaged 130 per cent of 1990 levels over the first Kyoto commitment period (the years 2008 to 2012). The land sector almost completely offset this growth: Australia's emissions — including the land sector — averaged 103 per cent of 1990 levels.<sup>50</sup> The land sector was, therefore, instrumental in Australia meeting (indeed, surpassing) its target of 108 per cent.

Emissions from the land sector remain important to Australia and poorly understood elsewhere. The issue returns whenever new commitments are discussed. For example, countries are currently debating which emissions should be counted for the purpose of ensuring that second commitment period targets (for the years 2013 to 2020) deliver further reductions relative to the first. Some parties contend that land-sector emissions should be excluded.<sup>51</sup> If this approach were adopted, it could lead to the cancellation of some of Australia's emissions rights, and have a material impact on Australia's target.<sup>52</sup> Australia will have to continue to

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work hard to resist the proposals and preserve accounting arrangements consistent with its interests.<sup>53</sup>

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## OPPORTUNITIES GOING BEGGING

Having a position of influence within the negotiations can help shape and deliver the opportunities that global action creates. All delegations bring national experience to their positions; this informs their interventions and initiatives and so becomes available to other participants. The case for wind energy, for example, has been strengthened over time by the way EU delegates in particular have cited its potential contribution, corrected misunderstandings, and generally underlined its value.

From time to time Australian businesspeople involved in the global carbon market have influenced the direction of negotiations by making their perspectives understood through the medium of Australian and other delegates. None of this is exceptional in any way but it all depends on access to a delegation that can ensure its voice is heard widely. Australian business has distinctive capabilities in many fields — for instance, Australian-based financial and legal services firms have long demonstrated innovation and agility — and will find new opportunities in climate change action. For this reason, a strong national presence in the negotiations will be an important asset.

Another factor at play in the current negotiations is that, very slowly, the tide is beginning to turn against the model of development that relies on unfettered exploitation of natural resources.<sup>54</sup> Increasingly, national leaders are committing their governments to strategies that aim for strong growth with much lower natural resource inputs (and consequently, lower pollution outputs). Terms such as green growth and the circular economy are finding their way into the mainstream — although this would hardly be evident to consumers of Australian media. These concepts and the economic opportunities they present are feeding back into the negotiations in a positive way and narrowing traditional divisions. What has been exclusively a burden-sharing debate is taking on a more complex and optimistic tone. Australia currently ranks low on global indices of low-carbon competitiveness, but has the endowments and other factors to improve rapidly, and to contribute to a virtuous circle between the global economy and the negotiations.<sup>55</sup>

## AUSTRALIA HAS TO MAKE ITS OWN CASE

Australia is sometimes said to be a developed country with the economic structure of a developing country. This observation is intended to reflect the distinctive features of land-use change in Australia and the relatively high dependence of its economy on extractive industries. To some extent Australia's approach to climate change negotiations has always reflected this unusual combination of economic circumstances. Australia has never been able to depend on other countries to cover its interests,

a fact that has sometimes led to Australian delegations taking positions at odds with usually like-minded countries.

Australia's distinctiveness has contributed to a consistency in its approach despite changes to strategies and high policy. Following the extended applause that accompanied the announcement at the Bali COP that the Rudd Government had ratified the Kyoto Protocol, an astute member of the South African delegation remarked to Australian delegates: "So you've changed your position; what about your policy?" Cynical perhaps but wise too, because Australia did not suddenly see the world through EU or developing country eyes. The South African was reframing the view often heard among diplomats and academics that policies may change but national interests endure.

Australia's push for specific land sector provisions in the Kyoto Protocol to take account of its national circumstances was sometimes seen by others as a fudge or special pleading.<sup>56</sup> From the Australian perspective it was simply acknowledging an important source of industrial emissions: deforestation accounted for 24 per cent of national emissions in 1990.<sup>57</sup> Although, in the event, other countries did on occasion draw on this provision in minor ways, Australia was compelled to justify it repeatedly. It is probably the case that no other feature of the Kyoto Protocol was more important to Australia. Not only did it aid Australian governments to reduce land clearing, but, as noted above, it also made an important contribution to Australia's capacity to meet its emissions reduction target. This was a major diplomatic achievement for Australia's delegation at Kyoto with an impact on the national interest of the first order.

The importance of the provision to Australia required continued investment of resources in ensuring accounting rules and procedures would allow the provision to be operationalised successfully. This investment was substantial, requiring one or two negotiators at most international meetings and a number of people in Canberra keeping on top of a very complex set of technical requirements. As the preceding discussion of the Kyoto Protocol's second commitment period shows, Australia must maintain its investment.

The prospect of fragmented and inefficient global action confronted Australia early in the UN process; fierce debate resulted in a steady move towards flexibility and efficiency. Australia played a large part in that result, through relentless analytical input into the negotiations over years. It may not have won too many friends but it certainly did influence people.<sup>58</sup> During the negotiations regarding the operational details of the Kyoto Protocol, Australia argued strongly for inclusion and sensible elaboration of what are now called the Protocol's 'flexibility mechanisms' when most countries opposed them. Australia was not the only country supporting this approach — indeed, working closely with like-minded countries was a critical success factor. But Australia's active engagement across the range of issues, even some of little national

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importance, lent credibility to the delegation's perspective. So too did the availability within the delegation of specialised expertise in economics and econometrics — at that stage rare among the generalist diplomats and environment officials who made up the larger part of most delegations.

A crucial additional element was the fact that the delegation was led at formal meetings and other ministerial-level meetings by then Australian Minister for the Environment, Senator Robert Hill. It did no harm to the cause that he was an extraordinarily effective negotiator with a singular style that charmed his adversaries most just as he was trumping them. His abiding insistence on achieving outcomes for Australia from the sluggish process kept the delegation energised. Australia's explicit focus on national interest (since nobody else was covering it off) was unpopular with many other countries throughout this period, and sometimes made even some of its closest collaborators, such as Norway, uncomfortable.<sup>59</sup> But nobody doubted the weight of Australia's presence and influence.

It was this determined, comprehensive, and informed approach that led to acceptance of Australia's nominated Kyoto Protocol target (108 per cent) even though many countries thought it was far too generous. A British representative said afterwards that the UK persuaded others that it was better to have the Australians inside the tent than outside because they had shown that they could not be ignored.

Other issues have also required sustained effort by Australia. Successive Australian governments have pointed to the importance of carbon capture and storage (CCS) as a means of reconciling Australia's fossil fuel resources and high emissions industries with a low-carbon future,<sup>60</sup> and the importance of widespread CCS adoption over time. A potential means for promoting CCS was for it to be included in the Clean Development Mechanism, one of the Protocol's flexibility mechanisms. In theory at least, this would have facilitated the uptake of CCS in developing countries by allowing developed countries or businesses to finance CCS projects in return for carbon credits. Many other delegations resisted this however, and although Australia was not alone, national interest was seen to require that Australia devote analytical and negotiating resources to the task over an extended period.<sup>61</sup>

## TOWARDS FULL ENGAGEMENT

The surest way for Australia to secure its national interests in the climate change negotiations would be to move decisively to policy settings that prioritise a global solution to climate change. This would match the expectations of Australia's partners, who are aware of the country's vulnerability to climate change and that its endowments of natural resources include those necessary for low-carbon prosperity.<sup>62</sup>

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Within the confines of the negotiations, ministerial attendance at the Lima COP and the decision to support the GCF have already strengthened Australia's hand. Three key elements — Ministerial leadership, a strong negotiating team, and active engagement in preparations for Paris — could sustain momentum and help restore Australian influence.

### MINISTERIAL LEADERSHIP

A key element of successful reengagement with international climate change negotiations that defends and advances Australia's national interests will be ministerial participation at key meetings. Ideally at each such meeting the Foreign Minister — or another minister in her absence — would convene her Umbrella Group colleagues to review developments and consider possible joint action. This would demonstrate Australian sensitivity to the political importance of the issue.

The foundations of the decision not to send a minister to the 2013 COP in Warsaw were laid by the changes in administrative arrangements that followed the election that year. The Environment Minister was given responsibility for most domestic climate change policy while the international negotiations became the province of Foreign Minister Julie Bishop.<sup>63</sup> Encumbered as they are with extremely heavy travel commitments for the host of other issues before them, foreign ministers rarely attend COPs.<sup>64</sup> This may be one reason why in other countries where foreign affairs departments have lead responsibility and always head delegations at officials' level, the climate change or environment minister may lead when ministers are convened. This is the usual Japanese practice, for example.

Having had no ministerial heft in Warsaw, the Australian delegation in Lima last year found itself with both the Foreign Minister and the Trade Minister. Both have strong portfolio interests in the agenda and both have strong track records as negotiators. If the Foreign Minister continues to lead Australian delegations throughout 2015, Australia will be in a strong position at the COP in Paris in December. It will be important that she also attend meetings of the Major Economies Forum, an influential dialogue led by the United States (in which the Secretary of State will probably participate), as well as the several meetings at ministerial level that will likely precede the COP.<sup>65</sup> This will be a heavy schedule for the Foreign Minister and explains in part why she will see few of her counterparts on the circuit. But a foreign minister brings a particular perspective that links climate change to other global developments, and this will help her negotiating partners broaden the context of their work.

Should the Foreign Minister not be able to meet the demands of the Paris preparatory process, a Plan B could involve Environment Minister

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Greg Hunt, an accomplished international negotiator well-known to many of his counterparts. This would not be unusual for the Australian delegation. Previous ambassadors for the environment reported to both the Foreign Minister and the Environment Minister. This was an effective means of ensuring the cross-government coordination that is a primary requirement for success, both at home and abroad.

#### A STRONG NEGOTIATING TEAM

The Minister needs to be supported by an effective team of officials, which is the right size for the job. The current Ambassador for the Environment Peter Woolcott is one of Australia's outstanding diplomats but there are too few officials committed to international climate change negotiations to cover the breadth of Australia's interests. Day-to-day diplomatic exchange on the climate negotiations is impossible, as the UNFCCC secretariat is based in Bonn rather than a major diplomatic city. The climate change working year is therefore compressed into a few sessions of a week or two each. Meetings commence at around 7am and conclude around 11pm, six days a week. (Informal meetings fill most Sundays.) While some may not matter much, others lead to important decisions or produce crucial inputs into final decisions made by ministers in the high-level sessions that conclude each COP.

The range of meetings is effectively an atomised version of the agenda as a whole. Participation in most is essential for a delegation that wants to maintain a complete picture of the whole and the capacity to influence outcomes on those issues of greatest interest. Even with a delegation of 25 or so — about the average at previous COPs — a sharp sense of priority is required to ensure that the most important meetings are covered. At Lima the delegation was only 14 strong, not counting those directly supporting ministerial attendance.

A delegation of reasonable size is also required to ensure that an adequate range of expertise is available. Economics expertise is no longer unusual but is seen as essential in most delegations; the process is probably the most important multilateral economic negotiation currently underway. Australia was one of the first countries to deploy a specialised climate change legal unit, a step that enabled the delegation to elaborate (in 2009) a method of harmonising the different types of commitments being considered for inclusion in an agreement that is conceptually very close to the one adopted for the Paris meeting. At a crisis point in the Copenhagen meeting Australia was called on to assist because, as those coordinating the resolution of the crisis remarked, the Australian legal team was the best at the COP. Many aspects of the negotiations are highly specialised and a delegation without the necessary expertise can really only look on as decisions are made. Forestry, marine science, energy technology, aviation, and soil carbon are just some of the issues that call for detailed attention from time to time.<sup>66</sup>

*At a crisis point in the Copenhagen meeting Australia was called on to assist because...the Australian legal team was the best at the COP.*

## CONVENE A PREPARATORY MEETING

In the year preceding a COP of real moment such as that in Paris, intense consultation and coordination on key issues are features of the preparatory process. As host and president of the COP, France will now be finalising its strategy for building momentum and promoting consensus. Australia could play a useful role by offering to host a meeting in Australia to address a particular aspect of the preparatory task. This could be a meeting of countries of the region, or of countries particularly interested in an issue of importance for the Paris meeting. In the latter case, active Australian problem-solving would be welcomed generally. Such an initiative could lead to an Australian delegate being asked to chair the relevant negotiating group during the COP; an opportunity to return Australia to a seat on the podium.

Australia might also consider a policy agenda beyond the climate change negotiations themselves that strengthens the alignment between Australia's climate, economic, and trade objectives. Recently APEC and the WTO have agreed on steps to facilitate trade in environmental goods and services. Australia might support these moves with practical action that helps accelerate the processes already underway. This could lead to a better appreciation of the upsides of climate action in which more liberal trade plays a stronger role.

## CONCLUSION

The current climate change negotiations are of great importance for Australia. They will shape the actions countries take, the resulting economic opportunities and risks for Australia, and, ultimately, the extent of climate risks and impacts the nation faces. Few if any other international negotiations invoke such consequences. In no other multilateral process are Australia's interests so distinctive. The UN negotiations and related intergovernmental activities should be in the very top category of the Government's and DFAT's priorities. A year and much influence have been forgone. Early signs at Lima that the Government has recognised the need to lift its game are welcome but much further effort will be necessary for Australia to command the standing and influence required to secure its interests.

*...further effort will be necessary for Australia to command the standing and influence required to secure its interests.*

## ACRONYMS

ABARE	Australian Bureau of Agricultural and Resource Economics (now called the Australian Bureau of Agricultural and Resource Economics and Sciences, ABARES)
APEC	Asia-Pacific Economic Cooperation
APPCDC	Asia Pacific Partnership on Clean Development and Climate
CCS	Carbon capture and storage
CDM	Clean Development Mechanism
COP	Conference of the Parties (to the UNFCCC)
EU	European Union
G20	Group of Twenty, an international forum for the governments and central bank governors from 20 major economies: Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States.
GCF	Green Climate Fund
INDC	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
MEF	Major Economies Forum
OECD	Organisation for Economic Cooperation and Development
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
WTO	World Trade Organisation

## NOTES

<sup>1</sup> Comments from UK and US representatives to authors; see also Jeremy Williams, "Abbott's G20 Agenda: Climate Still the Elephant in the Room," *The Conversation*, 17 October 2014, <http://theconversation.com/abbotts-g20-agenda-climate-still-the-elephant-in-the-room-32810> and Ben Potter, "Australia Alone with Saudi Arabia on Climate Change," *Australian Financial Review*, 16 November 2014, [http://www.afr.com/p/national/eu\\_says\\_australia\\_alone\\_with\\_saudis\\_5kLYFtEB3WP5MjyUZnXvLI](http://www.afr.com/p/national/eu_says_australia_alone_with_saudis_5kLYFtEB3WP5MjyUZnXvLI).

<sup>2</sup> Mark Kenny, "Tony Abbott Seeks Alliance to Thwart President Obama on Climate Change Policy," *Sydney Morning Herald*, 10 June 2014.

<sup>3</sup> *The Coalition's Policy to Deliver Lower Prices by Scrapping the Carbon Tax*, September 2013, <http://www.liberal.org.au/our-policies>. In his pre-election address to the National Press Club, then-Opposition Leader Tony Abbott said: "More than anything, this election is a referendum on the carbon tax." (speech, Canberra, 2 September 2013, <http://www.liberal.org.au/latest-news/2013/09/02/tony-abbott-address-national-press-club-election-2013>).

<sup>4</sup> Australia has chaired the Umbrella Group in UNFCCC negotiations since its early days; was a founding member of the Asia Pacific Partnership on Clean Development and Climate (APPCDC); helped found the Cartagena Dialogue; and has been active in the Major Economies Forum (MEF) and other leader-level discussions.

<sup>5</sup> Alex Oliver, *Lowy Institute Poll 2014*, (Sydney: Lowy Institute for International Policy, 2014).

<sup>6</sup> U.S.-China Joint Announcement on Climate Change, 12 November 2014, See <https://www.whitehouse.gov/the-press-office/2014/11/11/us-china-joint-announcement-climate-change>.

<sup>7</sup> The target range is recorded in footnote 3 of Article 1.A of the Doha amendment to the Kyoto Protocol; Coalition statements supporting the target range and conditions are summarised in The Climate Institute, "Media brief – Coalition commitments to 5-25 per cent emissions reduction targets," October 2013, [http://climateinstitute.org.au/verve/\\_resources/TCI\\_MediaBrief\\_CoalitionTargets\\_October2013.pdf](http://climateinstitute.org.au/verve/_resources/TCI_MediaBrief_CoalitionTargets_October2013.pdf).

<sup>8</sup> Prime Minister of Australia, The Hon Tony Abbott MP, Minister for Foreign Affairs, The Hon Julie Bishop MP, "Assisting the Global Response to Climate Change," press release, 10 December 2014, <https://www.pm.gov.au/media/2014-12-10/assisting-global-response-climate-change>.

<sup>9</sup> See, for example, Prime Minister and Minister for Foreign Affairs, "Assisting the Global Response to Climate Change"; see also Australian Government, *Emissions Reduction Fund White Paper*, 2014.

<sup>10</sup> Climate Change Authority, *Targets and Progress Review Final Report*, February 2014 (Melbourne: Climate Change Authority, 2014): 65-68.

<sup>11</sup> Julie Bishop, "Address to Ministerial Dialogue on the Durban Platform for Enhanced Action," (speech, Lima, 10 December 2014).

<sup>12</sup> Established at COP 16 in Cancun in 2010 as a 'bank' to support developing country climate action.

<sup>13</sup> "Australia Won't Pay to Climate Fund," *AP*, 6 December 2014, <https://au.news.yahoo.com/world/a/25704250/australia-wont-pay-to-climate-fund/>. Australia's position seemed particularly difficult to justify when countries such as Canada (whose general position on climate change is quite close to Australia's) contributed; a difficulty compounded by the fact that developing countries with no obligations to contribute were doing so: Mexico, Panama, Peru, and Colombia have contributed (see Green Climate Fund, "Total Pledges Nearing USD 10.2 Billion," press release, 11 December 2014, [http://news.gcfund.org/wp-content/uploads/2014/12/release\\_GCF\\_2014\\_12\\_10\\_austria\\_pledge.pdf](http://news.gcfund.org/wp-content/uploads/2014/12/release_GCF_2014_12_10_austria_pledge.pdf) ; Indonesia and Mongolia have reportedly made small contributions (Mat Hope, "Briefing: Country Pledges to the UN's Green Climate Fund," *The Carbon Brief* (blog), 10 December 2014, <http://www.carbonbrief.org/blog/2014/11/briefing-country-pledges-to-the-green-climate-fund/>). Further, for many observers, the unfortunate irony of this decision was that the Australian co-chair of the GCF Board had done a remarkable job in getting the Fund on its feet, and helped ensure, against the odds, that governance arrangements were sensible and relatively robust — see discussion in Robin Davies and Jonathan Pickering, "No Tipping, Please: Australia's Contradictory Stance on the UN Climate Fund," *Canberra Times*, 2 December 2014, <http://www.canberratimes.com.au/national/public-service/no-tipping-please-australias-contradictory-stance-on-the-un-climate-fund-20141201-11v6au.html>.

<sup>14</sup> Joanna Heath, "How Bishop Pushed PM on Climate," *Australian Financial Review*, 8 December 2014; Phillip Coorey, "Julie Bishop 'goes bananas' over Andrew Robb climate chaperone," *Australian Financial Review*, 4 December 2014.

<sup>15</sup> For example, leader-level discussions under the APPCDC, G20, and MEF have helped build political momentum and foster practical cooperation on climate action, but all refer negotiations back to the UNFCCC.

<sup>16</sup> See

[http://unfccc.int/essential\\_background/convention/status\\_of\\_ratification/items/2631.php](http://unfccc.int/essential_background/convention/status_of_ratification/items/2631.php) (UNFCCC) and [http://unfccc.int/kyoto\\_protocol/status\\_of\\_ratification/items/2613.php](http://unfccc.int/kyoto_protocol/status_of_ratification/items/2613.php) (Kyoto Protocol; with the European Union the Protocol has 192 parties) (both accessed 19 January 2015).

<sup>17</sup> Although adaptation to climate change is often held to be as important as emissions reductions.

<sup>18</sup> Baker and McKenzie's consolidation of decisions on Reducing Emissions from Deforestation and Forest Degradation (REDD) illustrates this. See <http://www.bakermckenzie.com/News/Baker--McKenzie-launches-the-Consolidated-Guide-to-the-REDD-Rules-Under-the-UNFCCC-12-01-2014/>.

<sup>19</sup> The Kyoto Protocol is often characterised as a 'top down' regime, in contrast to the 'bottom up' nature of agreements since Copenhagen (2009), in which

countries have put forward their own nationally determined goals. In fact, the Kyoto Protocol was 'bottom up' too — Australia's target was nominated by the Minister for the Environment during the negotiations, when the secretary of the UNFCCC went from delegation to delegation asking what each one proposed. The essential difference is the legal status of the target.

<sup>20</sup> Australia has long championed the idea of 'differentiation' according to national circumstances: see, for example, Department of Foreign Affairs and Trade, *Australia and Climate Change Negotiations: An Issues Paper*, September 1997.

<sup>21</sup> UNFCCC, Decision 1/CP.19, operative paragraph 1.

<sup>22</sup> See, for example, Lenore Taylor, "Abbott Government Accused of Trying to Set up Climate Change Talks for Failure," *theguardian.com*, 8 December 2014, <http://www.theguardian.com/environment/2014/dec/08/abbott-government-accused-of-trying-to-set-up-climate-change-talks-for-failure>.

<sup>23</sup> These concerns of Australia and other countries to be able to be sure that everyone is doing what they say they will are hangovers from the concept of climate action as an unmitigated economic burden. As we see later in this paper, this is an increasingly anachronistic approach with evidence emerging of the validity of green growth.

<sup>24</sup> UNFCCC, Side events schedule, [https://seors.unfccc.int/seors/reports/events\\_list.html?session\\_id=COP20](https://seors.unfccc.int/seors/reports/events_list.html?session_id=COP20) (accessed 27 January 2015).

<sup>25</sup> See IEA, OPEC, OECD, and World Bank, *Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative*, 16 June 2010, <http://www.oecd.org/env/45575666.pdf> for a detailed study including suggestions for G20 action; IEA, *Redrawing the Climate-Energy Map*, 10 June 2014, p 67 for analysis of the potential emissions reductions from reduced subsidies. "Fuelling Controversy," *The Economist*, 11 January 2014, provides a succinct summary of the costs of such subsidies and of the economic benefits from reductions.

<sup>26</sup> IEA, *World Energy Outlook*, 2014, pp 333-37 (summarises Indonesia's reforms); Anna Bridel and Lucky Lontoh, *Lessons Learned: Malaysia's 2013 Fuel Subsidy Reform*, Global Subsidies Initiative research report March 2014, (Geneva: International Institute for Sustainable Development, 2014), [http://www.iisd.org/gsi/sites/default/files/ffs\\_malaysia\\_lessonslearned.pdf](http://www.iisd.org/gsi/sites/default/files/ffs_malaysia_lessonslearned.pdf).

<sup>27</sup> This story can be read as one about risk since the exact dimensions of dangerous climate change are uncertain. The 'below 2 degrees' goal was adopted in UNFCCC *Decision 2/CP.15 Copenhagen Accord*, 18 December 2009, paragraph 1.

<sup>28</sup> Leon Clarke et al in *Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* (eds Ottmar Edenhofer et al), 2014, Chapter 6 (see especially Table 6.3), (Geneva: IPCC, 2014); cumulative carbon dioxide emissions must be limited to less than 870-1240 Gt between 2011 and 2050 for a roughly 50 per cent chance of limiting warming to less than 2 degrees. The same general relationship applies regardless of temperature goal — to limit warming, the world needs to limit emissions.

<sup>29</sup> Christophe McGlade and Paul Ekins, "The Geographical Distribution of Fossil Fuels Unused When Limiting Global Warming to 2 Degrees C," *Nature*, 8



January 2015, pp 150-52. Note the availability of CCS does not have a dramatic impact on the future of coal because of its cost, late date of introduction, and assumed maximum rate of rollout.

<sup>30</sup> The current negotiating text does, however, include a number of references to global emissions budgets: see UNFCCC Ad Hoc Working Group on the Durban Platform for Enhanced Action, *Negotiating Text*, February 2015, FCCC/ADP/2015/1.

<sup>31</sup> Martijn Wilder, "The Global Economic Environment and Climate Change," in *The Economics of Climate Change*, (Melbourne: Committee for Economic Development of Australia, June 2014), discusses trends in public and private sector investment.

<sup>32</sup> Australia ranked fifth in production and second in exports in 2013 (Coal Statistics, World Coal Association, <http://www.worldcoal.org/resources/coal-statistics/>; accessed 24 Jan 2015). Coal accounted for 18 per cent of Australia's export revenue, with oil and gas accounting for a further 9 per cent (Australia Exports 1971-2015, Trading Economics, <http://www.tradingeconomics.com/australia/exports>; accessed 24 Jan 2015).

<sup>33</sup> Australian Government, The Treasury, *Australia's Low Pollution Future*, 2008, pp 106-13.

<sup>34</sup> For example, at the time of the original Kyoto Protocol negotiations ABARE estimated action to meet Australia's target would shave 1.4 per cent off Australia's GNP by 2010 if all countries pursued their targets independently (relative to a reference case with no climate action). Australia's estimated costs halved to 0.7 per cent once countries were assumed to link efforts through the Kyoto flexibility mechanisms (such as international emissions trading). Vivek Tulpulé et al, "An Economic Assessment of the Kyoto Protocol Using the Global Trade and Environment Model," OECD workshop paper, (Paris: OECD, September 1998).

<sup>35</sup> See, for example, Keywan Riahi et al, "Locked into Copenhagen Pledges—Implications of Short-Term Emissions Targets for the Cost and Feasibility of Long-Term Climate Goals," *Technological Forecasting and Social Change* 90 (Part A), January 2015, pp 8-23, [http://www.iiasa.ac.at/publication/more\\_XJ-15-016.php](http://www.iiasa.ac.at/publication/more_XJ-15-016.php); Leon Clarke et al in *Climate Change 2014*, Chapter 6 (see especially pp 453-55); Treasury, *Australia's Low Pollution Future*, Chapter 5.

<sup>36</sup> See, for example, Environmental Working Group, "French Proposal to Tax Non-Kyoto Supporters," *EnviroBlog* (blog), 15 November 2006, <http://www.ewg.org/enviroblog/2006/11/french-proposal-tax-non-kyoto-supporters>.

<sup>37</sup> Rex Pannell, "Australia 'Back Marker' on Climate Change," *Enviro Info*, 18 December 2014, <http://www.enviroinfo.com.au/australia-back-marker-climate-change/#.VLs2HHn9ID8>.

<sup>38</sup> The so-called 'flexibility mechanisms' of the Kyoto Protocol are the Clean Development Mechanism (Article 12); Joint Implementation (Article 6); and Emissions Trading (Article 17).

<sup>39</sup> The Republic of Korea's emissions trading scheme commenced operation in January 2015; World Bank and Ecofys, *State and Trends of Carbon Pricing*, May

2014 (Washington DC: The World Bank, 2014) summarises global developments.

<sup>40</sup> See discussion in Eswaran Somanathan et al, "National and Sub-national Policies and Institutions" in *Climate Change 2014*, Chapter 15.

<sup>41</sup> The EU imposed additional restrictions on international units in the EU Emissions Trading Scheme from 2013 (see Climate Change Authority, *Using International Units to Help Meet Australia's Emissions Reduction Targets*, July 2014, p 47 for details), and has adopted a 2030 reduction target for domestic emissions only (European Council, *Conclusions—23/24 October 2014*, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/145397.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145397.pdf)).

<sup>42</sup> *The Coalition's Direct Action Plan* (2010), <http://www.greghunt.com.au/Portals/0/PDF/TheCoalitionsDirectActionPlanPolicy2010.pdf> states "the Coalition will ensure that all action taken to achieve our 5 per cent CO2 emissions reduction target also delivers environmental improvements here in Australia, not overseas." See also Australian Government, Department of the Environment, *Emissions Reduction Fund White Paper*, 2014.

<sup>43</sup> See, for example, Andrew Light and Rebecca Lefton, "House Airline Bill Risks Diplomatic Fallout and Disaster to US Industry," Center for American Progress, 27 October 2011, <https://www.americanprogress.org/issues/green/news/2011/10/27/10556/house-airline-bill-risks-diplomatic-fallout-and-disaster-to-u-s-industry/>.

<sup>44</sup> The US EPA has proposed carbon emission standards for new and existing power stations: see <http://www2.epa.gov/carbon-pollution-standards/what-epa-doing>. China's State Council announced the ban on new coal-fired power plants in the regions surrounding Beijing, Shanghai, and Guangdong in September 2013: see Giles Parkinson, "China, US Say No to New Coal Plants," *Renew Economy*, 16 September 2013, <http://reneweconomy.com.au/2013/china-us-say-new-coal-plants-37836>; more recently, Beijing's Municipal Environmental Protection Bureau announced it would ban coal use in its six central districts by 2020: "China to Ban All Coal Use in Beijing by 2020," *AP*, 5 August 2014, <http://bigstory.ap.org/article/china-ban-all-coal-use-beijing-2020>.

<sup>45</sup> That is individual and institutional investors stripping fossil fuel holdings from their portfolios.

<sup>46</sup> Carbon Tracker Initiative and Grantham Research Institute on Climate Change and the Environment, *Unburnable Carbon 2013: Wasted capital and stranded assets*, (London: London School of Economics and Political Science, 2013).

<sup>47</sup> For example, see Brendan Pearson, "Coal Delivers a Clean Future for the Poor," *Australian Financial Review*, 6 October 2014.

<sup>48</sup> Treasury, *Australia's Low Pollution Future*, pp 166-67.

<sup>49</sup> This issue continues to attract comment in international assessments of national climate efforts. For example, Climate Action Tracker notes Australia's 2020 minimum 5 per cent target allows very significant growth from 1990 (excluding land sector emissions): <http://climateactiontracker.org/countries/australia.html>.

<sup>50</sup> 'Land sector' here refers to emissions from land use, land-use change, and forestry. Authors' calculations based on Australian Government, Department of

the Environment, *National Inventory Report 2012*, 2014, <http://www.environment.gov.au/climate-change/greenhouse-gas-measurement/publications/national-inventory-report-2012> and Australian Government, former Department of Climate Change (now part of the Department of the Environment), *The Australian Government's Initial Report under the Kyoto Protocol: Report to facilitate the calculation of the assigned amount of Australia pursuant to Article 3, paragraphs 7 and 8 of the Kyoto Protocol*, 2008, [https://unfccc.int/files/national\\_reports/initial\\_reports\\_under\\_the\\_kyoto\\_protocol/application/pdf/kyoto\\_target\\_web.pdf](https://unfccc.int/files/national_reports/initial_reports_under_the_kyoto_protocol/application/pdf/kyoto_target_web.pdf).

<sup>51</sup> Proposals are summarised in *Clarification of the text in section G (Article 3, paragraph 7 ter) of the Doha Amendment to the Kyoto Protocol, in particular the information to be used to determine the "average annual emissions for the first three years of the preceding commitment period"* (5 December 2014, FCCC/SBSTA/2014/L.25, <http://unfccc.int/resource/docs/2014/sbsta/eng/l25.pdf>). See also Marcus Priest, "Australia Throws Spanner in the Works at Lima Talks," *Sydney Morning Herald*, 11 December 2014, <http://www.smh.com.au/federal-politics/political-news/australia-throws-spanners-in-the-works-at-lima-talks-20141211-12548s.html>.

<sup>52</sup> The potential impact on Australia is discussed in Climate Action Tracker, <http://climateactiontracker.org/countries/australia.html>; they estimate it would lead to cancellation of 80 Mt of emissions rights. In this event, Australia could potentially reconsider its target.

<sup>53</sup> Australia has argued no new rules are needed (see Australian Government, Department of Foreign Affairs and Trade, "Submission Related to Article 3.7 Ter of the Doha Amendment to the Kyoto Protocol," October 2014, <http://www.dfat.gov.au/issues/climate-change/>). Negotiations will continue at the next SBSTA meeting in June 2015.

<sup>54</sup> This shift is in its very early stages, and it will be some time before investment markets respond in a substantial way. Still, evidence is tentatively vindicating the grounding concept that economic growth can remain strong while simultaneously fuelling improved social cohesion and environmental outcomes: see, for example, OECD, "Green Growth: Environmental Policies and Productivity Can Work Together," Policy Brief, December 2014, <http://www.oecd.org/greengrowth/PB-Green-Growth-EnvProductivity-Dec-2014.pdf>, and sources cited therein; World Bank, *Inclusive Green Growth: The Pathway to Sustainable Development*, 2012; Global Commission on the Economy and Climate, *Better Growth, Better Climate: The New Climate Economy Report: The Synthesis Report*, September 2014. CSIRO, *Australian National Outlook 2015* (forthcoming) sets out similar evidence for Australia.

<sup>55</sup> Vivid Economics, *G20 Low Carbon Competitiveness Index—2013 Update*, February 2013, <http://www.vivideconomics.com/index.php/publications/g20-low-carbon-competitiveness-index---2013-update>.

<sup>56</sup> Known as the Australia clause, Article 3.7 allows countries where the land sector was a net source of emissions in 1990 to register reductions in those emissions against their Kyoto target. In 1997, this provision was thought to apply only to Australia; while it has, in fact, been used by four other countries, it has benefited Australia the most (Romain Morel and Igor Shishlov, "Ex-Post Evaluation of the Kyoto Protocol: Four Key Lessons for the 2015 Paris

Agreement,” *Climate Report No 44*, CDC Climat Research, May 2014, [http://www.cdcclimat.com/IMG/pdf/14-05\\_climate\\_report\\_no44\\_-\\_analysis\\_of\\_the\\_kp-2.pdf](http://www.cdcclimat.com/IMG/pdf/14-05_climate_report_no44_-_analysis_of_the_kp-2.pdf).

<sup>57</sup> Australian Government, former Department of Climate Change (now part of the Department of the Environment), *The Australian Government’s Initial Report under the Kyoto Protocol: Report to facilitate the calculation of the assigned amount of Australia pursuant to Article 3, paragraphs 7 and 8 of the Kyoto Protocol*, [https://unfccc.int/files/national\\_reports/initial\\_reports\\_under\\_the\\_kyoto\\_protocol/application/pdf/kyoto\\_target\\_web.pdf](https://unfccc.int/files/national_reports/initial_reports_under_the_kyoto_protocol/application/pdf/kyoto_target_web.pdf).

<sup>58</sup> For some time Australian interventions were generally characterised by hard facts and merciless logic. A previous head of the UNFCCC Secretariat described them as ‘scary’. Realising that many delegates were simply not listening to these masterful expositions of objective truth, a head of delegation directed her colleagues to attempt to make their comments more emotive, reflecting the deep concerns about climate change that, in part, motivated most delegates, including Australians. This experiment prompted an astonishing response with Australian delegates suddenly being congratulated wholesale on their fine interventions. It was a lesson in the culture and psychology of the negotiations.

<sup>59</sup> All countries attempt to pursue national interests, but some define them in terms that highlight the interests they share with others. Australia shares an interest in a successful response to climate change with most other countries, but at this time perceived immediate risks to established industries were front of mind.

<sup>60</sup> In general terms, CCS is an integrated technology for capturing carbon dioxide in industrial processes and sequestering it permanently in geological formations.

<sup>61</sup> While few CCS proponents expected it to be taken up under the CDM, the campaign was designed to preserve the legitimacy of the technology (in effect, to create a new norm) so that future deployment would not be prejudiced.

<sup>62</sup> Australia’s low-emission endowments are just as remarkable as its fossil fuel resources. In addition to extensive renewable energy potential (see, for example, IRENA, *Renewable Energy Country Profile: Australia*), Australia holds the world’s largest known uranium reserves.

<sup>63</sup> They were shared with the Industry Minister.

<sup>64</sup> It is often the case that climate change, environment, and foreign affairs departments share responsibility for the negotiations and that climate change or environment ministers head delegations.

<sup>65</sup> See <http://www.majoreconomiesforum.org/> for details.

<sup>66</sup> One Australian delegate, a lawyer, famously carried with him almost everywhere a volume of the work of the philosopher Ludwig Wittgenstein at one COP. Notwithstanding much speculation, it was not clear what contribution that enabled him to make. It did, however, add an unaccustomed touch of intellectual bling to the Australia delegation.

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