The G20, climate financing and the UNFCCC COP21 meeting in Paris

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Warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, sea level has risen, and the concentrations of greenhouse gases have increased. The above statement, taken from the introduction to the IPCC Fifth Assessment Report (AR5) summary for policymakers, highlights the challenge that the international community faces in arresting the detrimental effects of global climate change. However, even though the degree of confidence that the IPCC has expressed in its predictions has only increased with each assessment report, international negotiations on climate change have, relative to the scale of the problem, languished. Nevertheless, there has been a clear recognition within the G20 that climate change cannot be left off the agenda of a leaders’ summit – it has been referenced at every G20 summit since leaders first assembled in Washington in 2008. Yet despite the fact that the biggest greenhouse gas emitters are all members of the forum, the G20 has done lamentably little to actually break the climate change stalemate beyond offering platitudinous statements within its communiqués, and commissioning reports which are forgotten with all the predictability of a sunset. Hence, if the G20 is to retain (or even obtain) credibility on climate change, and thus as a global governance forum, it must find a way to make a pragmatic and tangible contribution on this issue.

This paper presents two pragmatic suggestions for G20 leaders to pursue in dealing with climate change in 2014. Firstly, leaders should simply commit to turn up to the 2015 United Nations Framework Convention on Climate Change 21st Conference of Parties (UNFCCC COP21) negotiations in Paris. This would be a simple but symbolic commitment that would help to build momentum around the COP21 meeting. It would also be an important signal to non-G20 members that the G20 is not seeking to pre-empt the COP21 negotiations, or supersede the UNFCCC process.
Of course, there is not much point in promising to attend COP21 unless the leaders have something to add to the convention. Hence, leaders should also begin a serious conversation in 2014 about how best to mobilise the billions of dollars of investment funding that is needed for climate change mitigation and adaptation.\(^3\) Climate change financing was a prominent issue at Copenhagen; it was the subject of a 2010 report from the UN Secretary-General’s High-level Advisory Group on Climate Change Financing, and the G20 released a study on potential sources of funding in 2011.\(^4\) Ideally, a plan on how best to generate the requisite funding for a global ‘direct action’ climate change financing scheme would be reached by the time of the Paris negotiations, but even if the G20 were simply able to ‘get the ball rolling’ and build some real momentum in clarifying how the money would be raised and spent, this would be more valuable than any commitment to an arbitrary deadline or amount of funding.

The remainder of this paper briefly explains why the two ideas put forward are particularly well suited to the G20’s modus operandi, and how the Australian government could best contribute to their realisation as the 2014 Chair of the G20.

**G20 leaders and climate change**

Absent of a renewed global treaty on reducing greenhouse gas emissions, political leaders have a clear temptation to free ride on the long-term mitigation efforts of other countries, so as to avoid the short-term domestic political and economic costs of tackling climate change in their own backyard.\(^5\) This incentive to free ride has a notable salience for leaders in emerging economies, who naturally object to mitigation requirements that would impede their development – not least because emission-intensive industrialisation played such a major role in the economic development of wealthier countries.\(^6\)

Unfortunately, the free-rider dilemma is precisely why climate change has been depicted as ‘a diabolical policy problem’ at both the domestic and global level,\(^7\) because nothing less than cooperation from the entire international community – both developing and developed – will do if we are to avoid an increase in average global temperature of more than 2 degrees Celsius by the end of this century.\(^8\) Resolving the global impasse on climate change thus requires an appreciation of, and an ability to navigate through, differing conceptions of what constitutes economic, environmental and generational equity, as well as the unique political circumstances that leaders face within major greenhouse gas emitting countries.

Few individual agents are better equipped, or in a more influential position to address this impasse, than the leaders of the G20 countries. G20 leaders have, for the most part, obtained
their position because of their ability to mobilise, effectively negotiate with, and gain the support of multiple social groupings within their domestic polity. Accordingly, if the G20 is to retain any relevance in this area, key G20 leaders must apply their strengths in coalition building to tackle climate change. Although it is now a fairly clichéd reference point when discussing the potential of the G20, it is a fact that the London G20 summit in 2009 demonstrated the kind of political breakthrough that is unique to the remit of leaders: the London summit saw Gordon Brown reject a proposal from lower-level officials to double IMF resources on the grounds it was too weak, after which he assembled a leader-only meeting (with no aides) that resulted in a significantly larger boost to IMF funding than had been proposed by officials.9

By beginning a meaningful discussion on climate change in 2014, and committing to continue that discussion up to (and beyond) COP21 in Paris, G20 leaders can help to reframe the trajectory of climate change negotiation in a way that incorporates the realities of domestic and international politics. Ideally, such a shift would also build momentum around the UNFCCC negotiations in 2015.

Moving forward on climate financing

Another area in which G20 leaders can make a contribution is in advancing the debate on climate change financing. That so many high-level studies on this topic have been commissioned, with so little tangible action, highlights the deficit of political guidance that this debate has received from leaders. All the same, it is neither realistic nor desirable that the 2014 chair should seek to conclude an agreement on mobilising climate finance at Brisbane, as it is unlikely major emerging economy emitters (such as India or China) will deign to resolve this issue outside of the UNFCCC. Nevertheless, G20 leaders, with guidance from the Australian presidency, can and should assist the UNFCCC by starting a politically pragmatic discussion about two questions that have proven to be major stumbling blocks in discussions about climate change financing: namely, ‘Where will the money come from?’ and ‘Where will the money be spent?’

As indicated earlier, a range of ideas have been put forward as to how to best fund climate change financing. These include carbon taxes, financial transaction taxes (such as the ‘Robin Hood tax’), levies on aviation and bunker fuel, the redirection of fossil fuel subsidies,10 a reallocation of the IMF’s Special Drawing Rights (SDR),11 and emissions trading schemes. Provoking a serious conversation about which option (or blend of options) is the most
feasible and appropriate is a task that is well suited to the coalition-building capacity of political leaders.

As Barry Carin has noted elsewhere, one possible way of addressing the historical difficulty of getting leaders to seriously discuss where the money will come from might lie in first discussing where it should be spent. Despite understandable concerns from emerging economies about the equity of climate change burden sharing, the post-crisis fiscal situation of many G20 countries has meant funding mitigation and adaptation activities in foreign jurisdictions is, domestically, a tough political sell. Yet it is possible that G20 leaders could advance the debate on climate change financing by discussing and assessing the merits of domestic ‘direct action’ mitigation programs, calibrated to meet a set percentage decrease in greenhouse gas emissions. Such an approach should not preclude any discussion about overseas climate financing, but by starting with an exchange of perspectives on domestic climate change financing, G20 leaders could help to lay the groundwork for a future agreement on financing domestic and overseas projects. Given that the recently elected Australian government has expressed an interest in pursuing a domestic ‘direct action’ plan (focused on a 5 per cent reduction in carbon emissions by 2020, based on 2000 levels), there is a strong domestic and international incentive for the Australian Prime Minister to kick-start a conversation on how the major emitting economies that make up the G20 could better pursue their respective policies.

To conclude, the G20 can and should bring its own institutional comparative advantage to bear on the issue of climate change, namely, that it is led by the primary political figures (leaders) from twenty major economies and emitters. If the G20 were able to launch a pragmatic discussion on the two suggestions made in this paper in 2014, this would be good for the forum and good for the world. For although the UNFCCC rightly has primacy in coordinating the global response to reducing greenhouse gas emissions, if the relatively limited membership of the G20 is unable to at least instigate a meaningful conversation on climate change, then negotiations at COP21 in Paris – where there will be an additional 170 countries in the room – may not be much more productive. G20 leaders have the potential capacity to bust deadlocks that their lower-level officials and ministers do not, and few global issues require this kind of breakthrough from leaders more than climate change.

Notes

1. Research Associate, G20 Studies Centre, Lowy Institute for International Policy.


4. AGF, Report of the Secretary General’s High-Level Advisory Group on Climate Change Financing.


13. The 2009 experience at Copenhagen – where the ‘insider–outsider’ approach that major economies brought to the UNFCCC COP-15 negotiations clearly undermined the outcome – highlights the danger of such tactics.