

## Oxford Energy and Environment Comment

### September 2008

---

## St Petersburg 2008 – Developing Country Emissions: Common and Joint Responsibilities

by Benito Müller\*

### Preface

For the first time in its distinguished history, the St Petersburg International Economic Forum held a climate change panel at its XIIth session (6-8 June 2008).<sup>1</sup> The theme of the panel, was *Global Responsibility: Inaction today – the costs tomorrow*, mirroring the main theme of the recent *Stern Review*, whose author, Nicholas Stern, was giving the opening keynote address. Panellists were asked in advance to think about a number of questions. The one which I chose to focus on was: *Are individual countries and global management institutions ready to determine a course of **joint action** to be taken in order to eliminate the negative consequences of climate change?* This Comment is based on the answer I proposed during my panel presentation.

### The traditional conception

Traditionally, the problem of reducing global anthropogenic greenhouse gas emissions has been couched in terms of whether or not countries should take on (legally binding) sovereign commitments to reduce ‘their’ emissions (i.e. the emissions emanating from their sovereign territories). This tradition is very much alive, as illustrated by the following recent examples.

In his keynote address to the St Petersburg Panel, Nicholas Stern, for instance, listed the following *Key Elements of a Global Deal on Climate Change*:

1. *By 2020, demonstration by developed countries that they can deliver credible reductions, without threatening growth, and that they can design mechanisms and institutions to transfer funds and technologies to developing countries;*
2. *Subject to this, a formal expectation that developing countries would also be expected to take on **binding national targets of their own** by 2020, but benefit from one-sided selling of emissions credits in the interim;*
3. *Fast growing middle income developing countries with higher incomes will need to take immediate action in order to stabilise and reverse emissions growth, including sectoral targets and, **possibly, earlier national targets.***

A global survey of ‘Climate Decision Makers’,<sup>2</sup> in turn, states that *respondents are almost unanimous in calling for an effective international post-2012 agreement that includes all*

---

\* Director (Energy & Environment), *Oxford Institute for Energy Studies*, Managing Director, *Oxford Climate Policy*. E-mail: benito.mueller@philosophy.ox.ac.uk

*major emitting countries, and has rich countries transferring aid and technology to developing country signatories, as well as **legally binding country targets**. They are not confident this will be in place by 2009.*

The lack of confidence that this will happen by 2009 is clearly not unjustified. Given the prevailing differences in historic responsibilities for the problem and the respective capacities to deal with it, it is indeed highly unlikely that the ‘major emitting’ developing countries will be willing to adopt (internationally) binding mitigation commitments/targets any time soon. This became very clear during the UNFCCC workshop on *voluntary commitments* – a proposal put forward by the Russian Federation – held in Bonn/Germany in July 2007,<sup>3</sup> where almost all of the developing country interventions rejected the idea for fear of being led down the slippery slope towards binding commitments, as expressed by Egypt which saw the proposal as *a kind of way of bringing pressure to bear on developing countries in the context of voluntary commitments that would become binding commitments*.<sup>4</sup>

The UK House of Commons Environmental Audit Committee, in its report on *Reaching an International Agreement on Climate Change*,<sup>5</sup> has been rather more circumspect in its recommendation that *the [UK] Government must take a subtle approach to the negotiations, particularly with respect to developing countries. It will have to work closely with them to explore the actions that they might be willing to commit to. ... Emission reduction targets for developing countries would not be equitable in all cases given historic emissions.* The conclusion, – namely that *all developing countries will need to commit to a range of actions, but those in which per capita GDP is growing quickly will need to commit to more robust measures* – however, remained in the traditional conception, albeit with the concomitant acknowledgment that *substantial developed country financing will be required in order to shift developing countries onto a low-carbon path and also to encourage them to agree to mitigation actions*.<sup>6</sup>

## Conditional Commitments

As I have argued elsewhere on a number of occasions,<sup>7</sup> there is a fundamental conceptual difference between the problem of sharing the burden of developed and that of developing country emission reductions. The traditional conception illustrated above may be appropriate in the case of industrialised countries. Developing countries have always insisted on grounds of the UNFCCC principle of differentiated responsibilities and respective capabilities (Art. 3.1) that their emissions cannot be dealt with in the same way. Indeed, that difference was already clearly reflected in the Convention, which in Article 4.7 states that *the extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology*.

In other words, developed country commitments in the Convention—and elsewhere—are unconditional (‘sovereign’), while those entered into by the developing world have been conditional on actions by the developed world. And this conditional conception has been consistently reaffirmed by developing countries ever since. In Bali, it manifested itself in the final and most acrimonious debate of the whole Conference on whether ‘MRV’ (‘measurable, reportable, and verifiable’) should apply only to developing country mitigation actions, or also to the supporting and enabling finance, technology, and capacity building.<sup>8</sup>

The most recent manifestation was in the 8 July Statement by the Leaders of Brazil, China, India, Mexico and South Africa (‘G5’) in the wake of their participation at the Hokkaido G8 Summit, where they committed themselves to *undertaking nationally appropriate mitigation and adaptation actions which also support sustainable development. We would increase the depth and range of these actions supported and enabled by financing, technology and capacity-building with a view to achieving a deviation from business-as-usual*.<sup>9</sup>

As it happens, the afore-mentioned Russian Proposal also envisaged conditional (voluntary) commitments. But, given historic performance, there is—I argued at the time<sup>10</sup>—

little hope that the required finance and technology transfer would materialise. The key obstacle is what has been referred to as the ‘domestic revenue problem’<sup>11</sup> it becomes politically very difficult to transfer abroad any (significant) amounts of money which are part of the domestic budget, and which, as such, are subject to domestic funding demands for public goods such as health-care or education. Indeed, this is the key reason why *legally binding* conditional commitments are unlikely even to be signed by the envisaged donors, for fear of being forced into non-compliance due to domestic political pressures.

At the time, I felt that the only acceptable way forward would be some enhanced form of the Clean Development Mechanism (CDM) with some carbon investment guarantees financed by developed (Annex II) countries in the form of a minimum price guarantee (CER Put Options).<sup>12</sup> However, following Mr Kapil Sibal’s (Indian Minister of Science and Technology and Head of the Indian Delegation) closing statement in Bali, I began to think that there may indeed be other appropriate ways to address the problem of developing country emissions, for what he concluded at the time was that:

*It is not a question of what **you** will commit or what **I** will commit.  
It is a question of what **we** will commit **together** to meet that challenge!*

## **Joint Responsibility and Strategic Collaborations**

There is, of course, a sense in which what we commit to *is* a question of what you and I commit to. What Mr Sibal had in mind was clearly something different, namely a question of making a *joint commitment*, as opposed to synchronous independent (‘sovereign’) commitments. To be sure, he may have had in mind the sort of binding conditional commitments discussed earlier – i.e. ‘I commit to emission reductions if you commit to finance and technology’ – but the interesting point is that there are other, and I believe, more promising/realistic forms of joint commitments.

### ***The Concept of ‘Joint Responsibility’***

What I have in mind is a collective or joint responsibility for achieving the core objective, namely reducing (certain) developing country emissions. Take, for example, the emissions of the Chinese utility sector. Under the traditional conception, the idea would be for China to take on an internationally binding commitment to comply with a certain reduction target *on its own*. Under the conditional format, China would do the same, but the commitment would only be valid under certain conditions (e.g. that someone else, say the EU, provides sufficient finance/technology to meet the relevant mitigation target). Under a joint-responsibility arrangement, China together with some partner(s)–say again the EU–would commit themselves to achieve this target jointly. The difference between the three models becomes apparent when one asks oneself who would be praised/blamed if the target was or was not achieved. In the first case, the blame/praise would only be with China. In the second case, it could be with China, the EU, or with both, whereas in the joint-responsibility case it can only be with both.

The idea of taking on international joint-responsibilities in this narrow sense is nothing new. After all, many if not most defence treaties seem to have this type of format. For example, the North Atlantic Treaty of 1949 establishes a collective responsibility for the defence of its signatories. Article 3 of the Treaty states that *in order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack*. Indeed, the joint responsibility idea emerges even more clearly in the 1999 revision of the Alliance’s Strategic Concept<sup>13</sup> which, in Paragraph 8 states that

*the fundamental guiding principle by which the Alliance works is that of common commitment and mutual co-operation among sovereign states in support of the indivisibility of security for all of its members. Solidarity and cohesion within the Alliance,*

*through daily cooperation in both the political and military spheres, ensure that no single Ally is forced to rely upon its own national efforts alone in dealing with basic security challenges. Without depriving member states of their right and duty to assume their sovereign responsibilities in the field of defence, the Alliance enables them through collective effort to realise their essential national security objectives.*

The first key question left open in this context is who should enter into such joint-responsibilities agreements in the context of mitigating developing country emissions? To be very clear, the idea here is *not* to supplant the principle of common (but differentiated) responsibilities of the Convention. As a matter of fact, there are a number of ways in which the strictures regarding mitigation actions in developing countries of the Bali Action Plan could be implemented—e.g. through Annex I CER Retirement Obligations—without recourse to such joint-responsibilities. Indeed, it seems that joint-responsibility agreements would probably be best suited to bilateral activities, supplemental to the UNFCCC.

The second question to be addressed is how one would implement such joint-responsibilities for mitigating developing country emissions. If the arrangement really involves joint-responsibility in the strict sense, then it stands to reason that an implementation would have to be based on a more genuinely collaborative model than merely commitments to provide funding/technology from the one side and to use that funding/technology effectively from the other, which incidentally is why bilateral agreements may be more appropriate in this context at this stage in time.

### ***Strategic Collaboration: Partnerships and Joint Ventures***

There have been a large number of ‘strategic’ international collaborative climate change efforts, that is to say collaborations that involve governments. Most, if not all of them were ‘strategic partnerships’. There is, for example, the US-led ***Asia-Pacific Partnership on Clean Development and Climate***<sup>14</sup> which in its non-legally binding Charter sets itself the aim of creating *a voluntary, non-legally binding framework for international cooperation to facilitate the development, diffusion, deployment, and transfer of existing, emerging and longer term cost-effective, cleaner, more efficient technologies and practices among the Partners*. Another example is the ***EU-China Climate Change Partnership***<sup>15</sup> with the aim, by 2020, *to develop and demonstrate, in China and the EU, advanced “zero-emissions” coal technology [and] to significantly reduce the cost of key energy technologies and promote their deployment and dissemination*.

The form of these strategic partnerships is very similar to—and most likely based on—what the business sector calls ‘strategic alliances,’ that is formal relationships between independent partners with the aim of pursuing certain agreed business goals, but without creating an independent management structure. Given the longer-term goals of these strategic climate change partnerships, it is difficult to evaluate their chances of success, although it is generally recognised that some of them are likely to perform less-well than would be desirable.

Business, particularly the oil and gas sector, also have considerable experience with an extension of the ‘strategic alliance’ model, namely in so-called ‘joint ventures,’ where the collaboration actually involves the formation of a new separate and dedicated management entity. Probably the best know example of such a joint venture is that of *Sony Ericson*, a firm established in 2001 by the Japanese consumer electronics Sony Corporation and the Swedish telecommunications company Ericsson to take over their mobile phone productions. As it happens, a number of countries such as the People's Republic of China and to some extent India, require foreign companies to form joint ventures with domestic firms in order to enter a market, which may well be of significance in the present context, given the importance of these two countries with respect to solving the developing country emission problem.

At the ‘strategic,’ i.e. intergovernmental level, the equivalent to such a joint venture would be something the member states of the EU have been engaged in ever since the Treaty of

Rome in 1957. Clearly, it would not be realistic to think that countries would decide to embark on such a strong strategic joint venture just to pursue climate change aims. But there are weaker versions, such as the collaboration under the above-mentioned North Atlantic Treaty, which, after all gave rise to the North Atlantic Treaty *Organisation* with its own HQ, command structure, and budget.<sup>16</sup>

In my opinion, the key to the success of any such collaboration – be it as a strategic alliance or joint venture – is its potential to deliver tangible mutual benefits (‘win-win’ outcomes) for the partners. The more tangible the benefits, the more likely the success. And this also holds true for the strategic level, where ‘tangible’ means near-term economic benefits, as witnessed in a recent press article about the 2006 *US-India Peaceful Atomic Energy Cooperation Treaty*: At the moment, the deal still needs agreement from the *International Atomic Energy Agency*, the *Nuclear Suppliers Group*—which seeks to curb proliferation by controlling nuclear exports—and crucially from the US Senate (by way of ratification). According to the article, *the Bush Administration may warn Congress that if the IAEA and the group pass the deal but it does not, other countries will get the commercial benefit of selling kit to India*.<sup>17</sup>

### ***The ‘St Petersburg Proposal’***

While there are already a number of strategic (intergovernmental) partnerships dealing with climate change – and specifically with developing country emissions – it is not clear whether they will be able to achieve the enormous task of tackling these emissions in a manner consistent with the global environmental and domestic developmental objectives.

At the same time there have been a number of relatively successful large-scale international collaborations which have been based on the idea of genuine joint-responsibilities between the partners, but not in the climate change domain. Based on the initial argument that mitigating developing country emissions can to be treated as a matter of joint-responsibility between developed and developing countries, I put forward the idea at the St Petersburg panel that in certain cases, an international (bilateral) Joint Responsibility Framework Agreement as part of a strategic partnership/joint venture to mitigate certain developing country emissions might be one way to achieve the twin goals of global environmental integrity and national sustainable development in developing countries.

In short, the joint-responsibilities might provide sufficient incentives for governments to take seriously the need to collaborate constructively, while the partnership/joint venture model might provide the needed additional private sector incentives to carry out the job at scale.

### **Epilogue**

In the meantime, the proposal has been taken up as part of a large research project on Balancing Clean Development in China, led by the *Oxford Institute for Energy Studies* (Oxford) and the *Institute for Energy and Environmental Economics* at Tsinghua University (Beijing), with the aim of analysing the merits of this proposal, particularly in the context of a collaboration between the Chinese and European utility sectors.

## Endnotes

- <sup>1</sup> The programme of the XI Forum did contain a panel on climate change, but it was cancelled.
- <sup>2</sup> Globescan (2008)“Climate Decision Maker Survey: WAVE 1 Report of Findings”, 2 July 2008  
[http://www.globescan.com/news\\_archives/climate\\_panel2/GlobeScan\\_Climate\\_DecMaker.ppt](http://www.globescan.com/news_archives/climate_panel2/GlobeScan_Climate_DecMaker.ppt)
- <sup>3</sup> For more on this, see Benito Müller, *Bonn 2007: Russian Proposals, Policy CDM, and ‘CER Put Options’ (CERPOs)*, OIES Energy and Environment Comment, July 2007. Available at [www.OxfordClimatePolicy.org](http://www.OxfordClimatePolicy.org)
- <sup>4</sup> Benito Müller, *Bonn 2007: Russian Proposals, Policy CDM, and ‘CER Put Options’ (CERPOs)*, OIES Energy and Environment Comment, July 2007:5.
- <sup>5</sup> House of Commons Environmental Audit Committee (2008), “Reaching an international agreement on climate change” Sixth Report of Session 2007–08. July 2008
- <sup>6</sup> *Op. cit.* p.3.
- <sup>7</sup> See, for example:  
 Benito Müller, *Bonn 2007: Russian Proposals, Policy CDM, and ‘CER Put Options’ (CERPOs)*, OIES Energy and Environment Comment, July 2007, and  
 Benito Müller, *Bali 2007: On the road again! Impressions from the Thirteenth UN Climate Change Conference*, Oxford Energy and Environment Comment, February 2008.
- <sup>8</sup> For more, see Benito Müller, *Bali 2007: On the road again! Impressions from the Thirteenth UN Climate Change Conference*, Oxford Energy and Environment Comment, February 2008
- <sup>9</sup> <http://pib.nic.in/release/release.asp?relid=40146>
- <sup>10</sup> See Benito Müller, *Bonn 2007: Russian Proposals, Policy CDM, and ‘CER Put Options’ (CERPOs)*, OIES Energy and Environment Comment, July 2007
- <sup>11</sup> Benito Müller, *International Adaptation Finance: The need for an innovative and strategic approach*, EV 42, OIES, June 2008.
- <sup>12</sup> For more on these see Müller (2007).
- <sup>13</sup> Approved by the Heads of State and Government participating in the meeting of the North Atlantic Council in Washington D.C. on 23rd and 24th April 1999. <http://www.nato.int/docu/pr/1999/p99-065e.htm>
- <sup>14</sup> <http://www.asiapacificpartnership.org/>
- <sup>15</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/05/298>
- <sup>16</sup> See, for example: “North Atlantic Treaty Organization”. (2008). In *Encyclopædia Britannica*. Retrieved July 14, 2008, from *Encyclopædia Britannica Online*: <http://search.eb.com/eb/article-218591>
- <sup>17</sup> Bronwen Maddox, “Harm done by US-India nuclear pact eclipses benefits”, *The Times*, London, 11 July 2008, page 38. See also Glenn Kessler, “Congress May Not Pass U.S.-India Nuclear Pact: New Delhi Could Turn to Other Nations,” *Washington Post*, Wednesday, 9 July 2008; Page A10