

Supplementary Question

Do you support the exclusion of any carry-over credits from the Kyoto agreement in the calculation of Australia's emissions reductions against its targets?

Here is my answer.

This is a very technical question that would take someone who has been heavily involved in the negotiations and who is intimately familiar with the term “carry-over credits”, including how it has been defined and applied to the Kyoto agreement and should be applied to its successor agreement, at least a week to answer. Since I do not have a week to provide a technical and considered response, that is read the whole agreement and the successor agreements, etc. I will instead explain what I think underlies this question and how I would approach negotiations between countries were I to become involved in negotiations of this kind in the future.

First, I would ensure when transitioning between agreements and negotiating each countries' obligations, that the underlying objective would still be to reduce carbon emissions by 1.5% in the next decade at the very least. In principle, it does not make sense to say that since Kyoto targets were fairly low and Australia was able to overshoot that this now entitles Australia to aim for less in regard to a latter agreement.

The issue is what was in the agreement exactly? If this was in the agreement explicitly then we are within our rights to do so but this is still very problematic. If not in the agreement, then I think we are not acting in a way which is consistent with the spirit of what the agreements sought to achieve and we certainly would be compromising our ability to negotiate in the future or take a leader role. In other words, I do not think we should carry over if there was nothing in the agreement that explicitly said this was possible to carry over to a different set of targets, as negotiated in a latter agreement. We should not be rewriting an agreement and imposing our own interpretation on it. An agreement is an agreement is an agreement. We are also shining light on the fact that enforceability of the agreement is still a problem by taking this stance unilaterally.

If this was in the agreement, that one could carry over, a very problematic situation in itself, I would be inclined to do all I can to better understand how “carry-over credits” were to be achieved by each respective country to the agreement and what this means for the next round of negotiations. For instance, would it involve one country having invested heavily in storage of carbon or moving away from coal energy production? The problem with saying, for instance, a 1.5% reduction in carbon emissions overall is that this is not very helpful as a goal; since it refers to an outcome achieved by a multitude of actions and actors. I think it is important to understand the different actions that have been committed to, that is, by focussing on specific actions (or disaggregating), as some actions may be more conducive to carry

over than others in practice and/or as a aspect of the negotiation process for coming to some sort of consensus and agreement ultimately.

The problem with one country carrying over is that then others will be inclined to do so too. I think it is important to understand (by applying Ricardian comparative advantage principles of sorts) that it may turn out that some countries have a comparative advantage in regard to the specific ways in which they can reduce their emissions and this needs to be understood. It may be possible to negotiate around this and ensure that the reduction possibility frontier as it pertains to at least two countries or more could still be positive, that is, in regard to any carry over by one or more countries. However, a positive outcome, as a matter of logic, can only be achieved if everyone wants to achieve the best outcome possible, preferably a 1.5% reduction in emissions or more, that is, everyone is committed to not acting opportunistically since this will not be good for anyone in the long-run and then the worst could happen to our planet.

(If there is an economist in your group, then they should know what I am trying to say even though I do not think like a classical economist but a strategist).

In short, if it is not in the agreement explicitly then we should not carry over. If it is then we need to build a business case that not only considers Australia's position in very specific action terms but what would constitute the business case of other countries in very specific action terms. Although it is tempting to negotiate with the best scenario for Australia in mind, it is more likely that we can come to achieve a positive multilateral outcome if we consider what benefits the most parties while ensuring we do what we need to do to maintain the climate health of our planet. It is about understanding our comparative advantages and ensuring we achieve win-win with these advantages in mind. Related to this is that we should ensure that our aid money in part funds initiatives in emerging economies to reduce carbon emissions and ensure investment is in sustainable industries. One way or the other, the objective should be to achieve a positive reduction possibility frontier across countries and a 1.5% reduction in emissions as soon as possible and not longer than a decade.

I hope my thoughts on this matter are helpful and help your associates to understand for whom they should vote for at the next election. As indicated, I believe climate change can only be properly addressed if there an integrated set of policy reforms for the future and theses are successfully implemented. I think it is essential that we avoid coming across as "one issue" focussed.

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