



Simon Zadek

Plan B on climate: national deals

There is near universal consensus that a multilateral treaty is the only way to reduce global carbon emissions. Yet experience shows that deals focused on top-down mechanics fail, writes Simon Zadek. Unilateral action based on national self-interest is the only hope we have of effectively managing climate change.

It's official, at least unofficially, that Copenhagen will go down in history as the global community's failed effort to save itself, from itself. We are set to become, giving new meaning to that well-worn phrase, "toast". Beyond recriminations, of which there are already plenty, the real question is whether there is still a chance to forge the first twenty-first century deal rather than the last twentieth-century disappointment.

Lets start with the facts. Offers currently on the table are only enough to bring emissions down by 9–14 per cent from 1990 levels by 2020, even in the unlikely and optimistic scenario that they will be fully delivered in practice. This is less than half of what the IPCC says is required to keep global temperatures less than 2°C warmer. Only the foolhardy now continue to believe that the deal as it is currently framed will deliver much less than 3–4°C. Such a rise would be sufficient to, parochially, turn much of southern Europe into a semi-arid area, and more crucially overturn the livelihoods and exhaust the sources of life-critical water for hundreds of millions of people around the globe.

Money, we are told, is the deal-breaker, but the argument does not stand up to close scrutiny. Estimates vary but there is a convergent agreement on incremental cost estimates of about US\$80–120 billion per year on average over the period to 2020, or roughly US\$1.5 trillion. Delivering this amount would fulfil wealthy countries' pledge to fund the "incremental costs" of climate change above what is financed through national budgets, international aid and private investment.

This is not a trivial sum (official international development assistance is roughly US\$150 billion a year). Yet US Treasury Secretary Tim Geithner estimates that global lost output as a result of the recession could be in the order of US\$3–4 trillion in just one year. Gordon Brown pronounced at the close of the G20 in London that sovereign states, collectively, would spend on our behalf upwards of US\$5 trillion in stimulating us out of the current global recession. That is, the total amount needed up to 2020 amounts to about 12–15 per cent of what the malpractice of a few thousand bankers in cohorts with a bunch of regulators have cost us in just a few months.

Consider also the actual cost of delivering US\$1.5 trillion over a decade by the world's wealthiest nations. If financed through low-cost, perpetual, sovereign debt, it might cost around US\$15–20 billion a year on average, shared between all rich (OECD+) countries whose combined national incomes would be about US\$50–60 trillion annually. Put differently, the cost of sustaining ourselves as a global community is less than 50 per cent of the US\$40 billion or so we spend annually on dog and cat food.

Short-term economics and the associated politics, rather than finance, better explain our collective failure. Certainly, anyone following Fox News or assorted fantasy channels would conclude that our global economy would collapse under the weight of effective carbon management involving cap-and-trade, taxes and public financing. And it is true that there would be losers, dirty industries that do not currently pay to clean up their own mess, and nations that are stuck on dirty energy from China to South Africa, or can't bear to reshape unsustainable citizens' behaviour, such as the USA. But losers from a strong deal are far out-weighed by potential winners (ultimately all of us) from low carbon growth, and the sums involved in paying off losers, even handsomely, are frankly trivial if of questionable morality.

Short-term losers are, however, out in force. Although there are growing numbers of US companies arguing for a strong deal, the Environmental Defence Fund estimates that 2,600 registered corporate lobbyists (similar numbers to those rented to oppose Obama's healthcare reform) committed to securing a weak deal or no deal at all stalk the corridors of power in Washington DC. And the business of managing discontent is working. Sustained public campaigns in the US have reduced the numbers of citizens believing that climate change is our fault and our collective problem from 72 per cent to 57 per cent during 2009, a depressing view in the light of Obama's inspiring leadership over the same period.

And this is not just about "those Americans". Europe has provided leadership in its mitigation commitments and open-book estimates of incremental costs, but this has to be set against the retrograde attitudes emerging from eastern Europe's political leadership that, along with other continental disagreements, is reducing Europe's role to that of enlightened, philanthropic bystander. And the G77 and China, although correct about the West's historic responsibility, are wrong in responding to a toxic combination of short-term imperatives and deeply ingrained, largely justifiable distrust in the promises of wealthier nations. Nature's irreducible and inequitable bottom line is that development efforts will be shattered by our failure to act collectively and ambitiously now.

So we bemoan the fact that our political economy does not allow for ambitious global deals as we have made them in the past. Yet we continue, against all available evidence and inner logic, to bash away with a hammer as if the problem was indeed a nail.

Our challenge is not to invent new ideas, John Maynard Keynes famously quipped, but to let go of old ones. Never a truer word was said about the global climate negotiations. Our greatest enemy is our imagination about the task at hand. Progressive forces are united in believing that our mission is to create a Bretton Woods-type deal through a Westphalian-style process, or in layperson's terms, a binding international agreement negotiated and subsequently overseen by sovereign states. Through such a lens, we need national carbon commitments and public money loaded through a funnel at the top, a performance measurement and reporting framework linked to painful

penalties and glorious rewards, all overseen by a unitary governing platform made up of sovereign states.

Near universal consensus that this "tried-and-tested" approach is the best way to go means that anything else is by definition "less", and is either the work of fools, subversives or pessimists. From this perspective, there is no space for the very thought that there might be a more effective way to do a deal.

The most important lesson about marketing, Groucho Marx might have said (but didn't), is never to be fooled by one's own sales pitch. We know that global deals underpinned by sovereign binding commitments have almost always proved disappointing. Our survival of the Cold War, or the capacity of Europe to prevent a third outbreak of its own insanity had little to do with the classical multilateralism that graces Geneva or UN Plaza in New York. What has made history, for better and worse, has been the four horses of apocalypse: might-is-right, fear of mutually-assured destruction, acting unilaterally out of self-interest, and in all-too-rare but extraordinary moments the direct action of citizens.

Our most terrible secret is that a deal in Copenhagen that relies for its success on binding, long-term commitments by sovereign states to dramatically reduce emissions and provide adequate public finance to assist developing countries to address mitigation and adaptation challenges, will fail.

Uttering such taboo words in company, let alone writing them down in public, can be enough to close the doors to philanthropic funding, and solicit unwelcome calls from the likes of Bjorn Lomborg. More importantly, what has kept such muttering in the dark to date has been the argument that it erodes our collective ambition and plays into the hands of those economic and political interests who want no deal at all. And this might be true on both counts. But as I pack my bags for Barcelona to join the last stop of the UNFCCC negotiations before Copenhagen, the transparent failure of the process makes these cautions seem less relevant, and perhaps even perverse.

Whilst our twentieth century deals were deduced from principles into practice, early twenty-first century's international deals must be induced from practice and, on rare occasion, subsequently translated into principles and norms. Three reasons drive the need to invert the process in this way. First, trying to make complex deals between almost 200 nations is clearly a fool's errand in today's multi-polar, inter-connected world, exemplified not just by the climate negotiations but by the degenerated state of the trade negotiations. Second, binding commitments by sovereign states are, frankly, not worth the paper that they are written on. One of many examples of this is the casual discarding of legally binding public deficit and competition and subsidy rules within the world's most tightly regulated multi-nation arrangement, the European Union. Third, we see "globally deduced" deals overly focused on top-down mechanics and associated institutional arrangements, which in almost every instance have generated performance failures rooted in bureaucracy, political interference, rent-seeking and straightforward corruption. Look no further for ample evidence of this than the fate of the US\$5 trillion of so of official development assistance that has flowed over the last half a century.

Unilateral action based on national self-interest, supported where possible through international collaboration, is the only slim hope we have of effectively managing climate change. Whether we are effective will depend on the pace, scale and direction in which we can propel such self-interest. And

the signs are encouraging. China's 50 million electric vehicles (today) and the fact that it is erecting one new wind turbine every few hours is testimony to such drive, as is Brazil's unilateral commitments on deforestation and India's hugely ambitious national solar plan. Europe stands out as a regional unilateralist that has led the way in experimenting with legal commitments and a continent-wide, carbon-trading scheme.

Such actions are not a "substitute" for a global deal, they are the only possible basis for an international game plan that could get us to where we need to be. Focusing on what happens on the ground rather than how to commit and rain funds down from the clouds is not Plan B, but the only Plan A that makes sense.

What would it mean in practice to focus on an international deal that has less to do with living up to binding commitments and more to do with catalyzing national action. I would highlight three particular components:

A. Low Carbon Growth and Development: we need to focus imaginations and minds on "low carbon growth and development", in simple terms how each nation is going to develop and prosper in a low carbon future. [AccountAbility](#) has recently completed a review of the first batch of these (India, South Africa, UK, etc), and will launch in January 2010 a Country Climate Competitiveness Index that tracks and encourages progress along low carbon pathways. The UNFCCC can catalyze such efforts, not as a bureaucratic hurdle to access largely fictional finances, but as a process of profound domestic reflection to build awareness, constituency support and strategies for making progress.

B. Fast Start Clubs: we have to rely more on temporary "clubs" to catalyze ambitious early action, rather than investing in top-down permanent institutions that rapidly become part of the problem. Action in key areas such as energy efficiency, solar and other renewables and deforestation can more effectively be done through such clubs of nations and private actors, drawing from lessons from systemic collaborative action through initiatives like the Global Fund on AIDs, TB and Malaria. A "fast start fund" supporting such "club" initiatives, enabling immediate actions to be encouraged, seed funded and counted, should be a major feature in Copenhagen rather than being seen as a side event to the main deal.

C. Global Taxes: as the evidence mounts of the likely weaknesses and fragmentation of carbon markets over the next decade, our only hope for securing early, strong carbon price signals is likely to be through the imposition of carbon border tariffs, at a minimum by the US and Europe. Knowing that this would be a political bombshell and threaten Obama's legacy of internationalism as well as rocking the global trading system does not dissuade me of its merits, nor does its technical complexity and administrative challenges. Yet I believe it can help to deliver what no multilateral forum can agree on and what carbon markets at best will deliver too late. Equity and targeted effectiveness can be enhanced through blanket exclusions to all LDCs and exclusions linked to sector-level agreements that demonstrate progress against defined commitments.

Nobel prize winning economist Kenneth Arrow demonstrated in unintelligible mathematics that flawed equilibrium solutions could be less effective than well-designed, disequilibrium options. I would be the first to applaud an effective global deal with commitments and targets. But it's a chimera, and a dangerous one at that. My three suggestions are not new, and may not even be

the right or most important ones. Key is not their merits *per se*, but the underlying arguments about the reshaped contours of twenty-first century deals where practice will lead and induce norms rather than vice versa. Second-best in theory, but first-best solutions to get us where we need to be.



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