



COUNCIL ON FOREIGN RELATIONS



Leaders' Summit on Post-Kyoto Architecture: Toward an L20

Brief Summary of Meeting Notes, September 20-21, 2004

October, 6th, 2004

This meeting was convened to explore whether climate change would be an appropriate topic for attention through a possible “L20” leaders’ summit of key industrialized and developing nations. The meeting focused on the period after 2012—“post Kyoto”—and the special challenges of engaging developing countries and the United States. The deliberations were extremely positive but cautious about the prospects for using an L20 process to advance the cause of international collaboration to address the climate change problem. Many participants noted that the issue of “climate change” would need to be reframed—perhaps as “energy and environmental security”—so that a wider array of countries would find action in their interest.

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The meeting began with a focus on principles that could guide whether the L20, if it existed, could contribute to more effective solutions to the climate problem. Those include:

- Geography. A durable approach will require broader participation in the effort to control emissions—notably by the United States and also by key developing countries. The effectiveness of an approach must be judged on whether it can engage these nations to make credible long term commitments.
- Geometry. A politically sustainable deal requires more on the table than just targets for cutting emissions. Several papers presented at the meeting emphasized that the task of engaging developing countries, especially, will require crafting packages of promises and actions that span many issue-areas, as different countries have widely varied interests and priorities. Only leaders can make such cross-cutting deals.
- Arithmetic. To move towards a solution, there is a need for smaller numbers and higher levels of negotiators to mobilize support.
- Timing. For many nations, the Kyoto architecture is an important accomplishment; the L20 could look beyond Kyoto—to the year 2013 and beyond, and thus be seen as a complement to the Kyoto process.
- Sensitivity to Cost. Several of the papers and much of the discussion at the meeting focused on architectures that would help nations achieve the goal of limiting emissions at lowest cost. Attention to cost is essential because excessively costly programs will not be politically sustainable. Much of the meeting focused on whether the L20 forum would offer a crucible in which different cost-sensitive schemes could be brokered and tested, and whether that experimental approach would be more efficient than the highly multilateral approach that has predominated, notably in Kyoto.

- Progress. The case for making climate change one of the first issues for the L20 is strong only if there is the possibility of substantial progress. That may require balancing short term needs (i.e., “easy, early wins” that prove the L20 concept and demonstrate progress) with the need to develop a regime that is viable for the long-term.

The group was mindful that leaders are busy and wary of creating new institutions that require attention and bear risks of failure. Why should leaders be engaged on this issue? The answers focused on three attributes that a leaders’ level forum could offer. First, leaders can make tradeoffs across policies and institutions, breaking deadlocks and offering coherence to the agenda. Leaders are often attracted to forums where they can pursue personal views and can transcend the bureaucracy. Second, leaders often have longer time horizons than line ministers—they can outline long-term visions and indicate concrete steps as intermediate milestones. Third, complex cross-cutting commitments may be more credible when adopted at the leaders’ level as they involve commitments to peers, and institutions can be tasked to follow-up and assess progress. Such commitments are often difficult to characterize precisely and thus not amenable to codification in binding legal instruments, putting a special premium on credibility rather than legalistic enforcement.

Several participants noted the special character of commitments that leaders typically make at summits. Leaders do not develop complex legal instruments; often the tradeoffs that they made with other leaders are implicit, as many deals are politically impossible to codify precisely. Climate change, like most issues that could be on the L20 summit agenda, would require international and domestic commitments. Domestically, leaders *direct, commit, instruct* other ministries in their governments to act. Internationally, leaders *ask, delegate*. Several participants noted the paucity of international institutions that could supply analytical functions that L20 leaders might want to tap—just as G8 often taps OECD for critical analyses and monitoring functions.

The meeting included extensive discussion of how the L20 may be composed and how these select few members would be able to defend their legitimacy to act on a global problem. Several participants with summit experience noted that meetings with too many participants deteriorate into speech-making; too few participants risks undermining legitimacy and effectiveness of the solution. If climate change were part of the launch agenda for the L20 it may make sense to begin the discussions with a smaller group (say, a dozen) and then expand as needed—not least because key countries for other L20 issues may not be big players in the climate problem. If the L20 were capped at 20 then it may not be wise to fill that quota just with the top 20 climate players. Similar, some participants felt that the United States may be wary of a large multilateral institution—preferring, instead, to begin with bilateral agreements and then to stitch together a larger solution on that experience. (Indeed, most current U.S. international efforts are focused on small numbers of countries—often through bilateral partnerships, such as the U.S.-India partnership.) The discussion gave particular attention to whether the EU would be able to speak with one voice (and thus occupy one seat at the L20); many were skeptical.

Participants discussed the relationship between the L20 and other existing institutions. They noted the need for a new forum to break deadlocks in the G8 and the UN. However, they cautioned that the L20 should be careful not to run afoul of highly politicized issues in other forums, such as the perennial attempts at UN reform (including the agitations for adjustment in Security Council seating). Several participants underscored the wariness of new summits and the likely opposition from governments, especially in the EU, that are suffering from summit fatigue. If the L20 is to work it must demonstrate real prospects for progress—notably with engagement of the United States and key developing countries.

Several participants pointed out that the L20 may be created, initially, to focus on whatever is the hot topic of the day—presently terrorism, but possibly other issues in the future. In that context, it may be hard to prepare and plan for launching the L20 with climate change. A window of political opportunity may open, or maybe not.

Much of the meeting focused on architectures for controlling emissions of greenhouse gases. The discussion was complex and far-ranging, but a few key points emerged:

- The L20 can help by establishing principles and criteria that can guide an adaptive approach. Early commitments and approaches can be adjusted with experience. Such a long-term approach may also include long-term goals such as a target level of atmospheric concentration or carbon intensity; however, many participants stressed the difficulty of setting such goals. Nonetheless, most participants underscored that climate change is a long-term problem and thus long-term goals would be helpful—both as a compass for action and to help send credible signals on the need for innovation of new technologies. If the L20 is to play this long-term role it will also need the capacity to draw on institutions that can monitor and review progress and help to focus readjustment of long-term goals.
- The meeting devoted considerable attention to the merits of “price,” “quantity,” and “regulatory” instruments. Those include carbon taxes, emission caps with trading, renewable portfolio standards, and sundry other measures. The meeting also examined hybrids such as the “safety valve,” which combines an emission trading system with a device that limits the cost of compliance—offering greater surety about the cost of an emission control program. There were many disagreements about the merits of these different approaches, but it was clear that different countries are likely to favor different approaches. Moreover, such experimentation should be welcome as it is hardly clear which approaches are most sustainable and effective for the long-term. This finding suggests that the L20 should be sure to allow sufficient flexibility for diverse national approaches; for example, leaders might decide not to set goals in strict terms of emission quantities, so as not to preclude nations from using tax-based approaches. If such flexibility is allowed, considerable effort may be needed to identify the “net effect” of each nation’s commitments, as leaders will want to know how their efforts compare with those of other nations.
- Many participants underscored the need to complement emission control efforts with an explicit focus on technology, as technological change offers the only

politically sustainable strategy for long-term reduction in emissions. This observation suggests the need for explicit technology-focused cooperatives (e.g., as is under way already for coal, hydrogen, and nuclear power), in addition to credible limits on emissions (or emission taxes) so that firms face private incentives to deploy new technologies.

The meeting gave extensive attention to the issues surrounding engagement of developing countries, as they already constitute a substantial fraction of world emissions of greenhouse gases and their share is expected to grow in the future. A very large number of participants expressed frustration with the Clean Development Mechanism (CDM), the mechanism presently available under the Kyoto Protocol for encouraging investment in emission-reducing projects in developing countries. While some underscored that the CDM was just now getting under way and could become an important force, many others emphasized that the system was tied in red tape and was no substitute for devising a means of getting developing countries to undertake commitments of their own to reduce their emissions of greenhouse gases. Yet the search for alternatives has proved difficult.

Some participants suggested that “headroom” targets for developing countries would provide adequate incentives for them to participate in a global emission reduction regime. However, several participants who were intimately familiar with the negotiating positions of these countries underscored that their priorities were different and growth targets—unless so generous to be incredible—would not be sufficient. These nations had other priorities, notably development, and would be wary of any unidimensional effort to control emissions. The discussion focused on the need for broad packages of measures that would be attractive to developing countries—including measures related to diffusion of technologies. Other measures that may prove to be important could include new arrangements for regulation of the nuclear fuel cycle and promotion of nuclear power, as well as collective investment in new coal technologies. The L20 should also consider appropriate measures to facilitate adaptation to changing climates, as that issue is likely to be of special urgency for the most vulnerable nations, notably those in the developing world. Such packages could be far-ranging, which underscores that engagement of developing countries will require participation of agencies other than those charged with environmental protection, such as agriculture, industry, energy, development and finance. Some participants noted that many such broad activities are under way already; perhaps they could be stitched together, over time, into a more robust collective.

Some participants noted that while this argument for packages of measures was particularly applicable to developing countries, a more aggressive collective effort by industrialized nations could equally benefit from a broader package-oriented approach rather than a focus on a single set of instruments and commitments. Some nations will favor arrays of direct interventions such as standards for renewable power and energy efficiency, while others may prefer just broader performance goals such as emission caps or market instruments such as emission taxes. Many nations—industrialized and developing alike—view their support for new technology as an important part of an overall strategy to address climate change. Such measures should be encouraged, and

particular attention was given to the promise for collective investments in carbon sequestration and advanced coal-burning technologies.

Finally, the group revisited the main issues that had been addressed over the one-and-a-half day meeting by exploring how major world powers—potential L20 members—might react to the constitution of the L20 group and a focus on the topic of climate change. There was a cautious sense that most key players would welcome the L20. The United States could see the potential for breaking out of the Kyoto straightjacket and for pursuing new architectures in a smaller forum where its existing partnerships with key developing countries could carry weight. Most developing countries, it was argued, would welcome the L20 only if it offered a way to engage industrialized nations on issues of development. However, several participants noted that the EU may be lukewarm to the L20 concept. The EU, it was argued, would find it difficult to speak with a single voice on matters in front of the L20; yet it could prove difficult to create multiple slots for EU members in the L20, as now exists for G8. And the EU sees Kyoto as a viable and important framework, underscoring that a successful approach to climate through the L20 would require demonstrating additional value beyond the accomplishments of the Kyoto system.