The Dutch and European Contribution to International Climate Policy: building blocks for a viable strategy

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November 2010

About this paper:

This paper has been written for the Climate, Energy, Environment and Water Department of the Netherlands Ministry of Foreign Affairs. It is to be considered as a 'think piece' and is meant to stimulate further discussions and debate on the Dutch and European contribution to international climate policy. The responsibility for its contents lays with the author only. She would like to thank Sanne Kaasjager, Bert Metz, Simon Schunz, Jeroen van den Bosch, Coby van der Linde, Willemijn Verdegaal and Nick Mabey for their useful and constructive comments on earlier drafts of this paper. She would also like to thank the participants of a strategy meeting on international climate policy at Clingendael Institute on 24 June for their input.

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Executive Summary

The EU's international climate objectives consist of keeping temperature increase below a 2 degrees Celsius increase, and to obtain synergies with energy security, economic growth and development cooperation objectives. In the run-up to the Copenhagen Summit and beyond, the first objective received most attention. This paper argues that a focus on energy and economic opportunities could provide a more solid underpinning for climate policy, both with regard to convincing domestic audiences as towards international partners.

A number of developments have changed the parameters in which international climate policy, and the EU's contribution to it, takes shape:

- The emergence of a multipolar world order in which new powers have emerged and the EU's role has diminished
- A major reform of the EU's foreign policy system with the creation of the European External Action Service
- Focus on economic recovery, which has downgraded climate as political priority, but has catalysed ideas and activities to stimulate green growth
- Doubts that have been cast over climate science, although it is still taken as point of reference each time extreme weather events occur
- A continuing call for clean and reliable energy sources, for reasons of local pollution and security of energy supply
- The implementation of the revised energy and climate laws the EU adopted in 2009
- An increased recognition of the link between climate change and other major crises and security issues confronting governments, such as biodiversity loss, poverty and resource scarcity

The United Nations Framework Convention on Climate Change (UNFCCC) is the institutional focal point of the climate negotiations, but the contribution to achieving international climate policy objectives by other fora and market developments have increasingly been recognised. Within the UNFCCC the biggest dilemma is whether to continue with the Kyoto Protocol beyond 2012 or whether to negotiate a new treaty to which the US could rejoin. The forthcoming Summit in Cancun is unlikely to settle this issue. The US-initiated Major Economies Forum and the G-20 are considered the most promising fora to broker progress, but their contribution is not guaranteed and hinges upon climate change remaining a political priority issue. Progress moreover hinges upon the position of key players, of which a very brief overview is given in the following table:

Summary of positions of key players

US (followed at times by Australia, Canada, Japan and New Zealand)	• No progress on domestic legislation, which undermines international credibility • Climate change treated as energy and security issue
BASIC: Brazil, South Africa, India and China	• Reluctant to take up emission reduction commitment at international level • Consider themselves the representatives of the developing world and seek a larger role in international affairs

OPEC & Russia	• Extremely reluctant to take up meaningful emission reduction commitments • OPEC countries obstruct climate negotiations
Small Island Development States (SIDS) and Least Developed Countries (LDCs)	• Most vulnerable and agenda-setters of international climate agenda • Weak in the negotiations

The overview clearly illustrates the limits of the EU's possible influence on international climate policy. Other key players attach less importance to climate science and appear more conceivable to considering climate as energy, (economic) development and security issue. They seem not impressed by the EU's leading by example strategy. Hence, when willing to influence them, the EU will need to use other levers of influence. A central one, which is also prioritised by the Netherlands, is financing climate policies internationally. Here issues regarding additionality, the credibility of pledges and aid effectiveness still have to be resolved. Amounts provided may moreover never be considered sufficient. Other potential instruments to influence other countries include technology transfer (also in relation to intellectual property rules and innovation policies), setting favourable conditions for private investments, expanded use of market-based mechanisms (such as the Clean Development Mechanism), trade sanctions (such as a carbon tariff measure), withdrawing aid, diplomatic sanctions, military intervention, or issue linkage with other international negotiations. Such linkages are hard to envisage globally, but may be more feasible bilaterally.

Whatever instruments the EU chooses to deploy, a decision on them is needed swiftly and decisively in order to roll-out a credible strategy towards the next big UN Climate Summit that is foreseen in South Africa in 2011. The choice of instruments also needs to be matched with a proper climate diplomacy that goes beyond mere outreach of the EU's position. In this respect, a much larger role of the High Representative and European External Action Service (and EU delegations) could be envisaged.

The EU will also have to consider its preference with regard to regime options that bring its objectives closer and stand a chance of being realised. Four possible options that differ with regard to institutional venue, type of commitments, instruments and participants are:

1. A bottom-up expansion of the carbon market. This requires targets by other countries and their willingness to engage in international carbon trading.
2. Pledge and review of climate policies. This approach seems most viable, but is least certain to lead to real emission reductions.
3. Bilateral agreements. A considerable potential leverage for the EU, but only if it can offer exchanges in other areas that are demanded by the international partner.
4. Top-down legally binding agreement. Preferred option of the EU, but not of most other key players in the negotiations.

For all types of commitments, their credibility will depend on how they will be measured, reported and verified. Independent oversight will be crucial, but touches upon the heart of sovereignty and is therefore opposed by some, such as China. This is yet another strategic issue the EU will need to consider.

In the light of the experience in Copenhagen it is obvious that the EU needs to revise its climate strategy with regard to a number of issues, including: i) its objectives for international climate policy; ii) its preferred partners and the EU's approach towards them; iii) the leverages of influence it can bring to bear; iv) the type of commitments that are realistic and

acceptable; and v) the organisation of its climate diplomacy. The new Dutch government can contribute to this debate and is likely to take a fresh look at such issues. Specific recommendations to it include: i) to reconsider how its energy interests are linked to international climate policy; ii) to identify economic opportunities arising from the EU's climate and renewable energy policy; iii) to continue to use available expertise on development cooperation and private sector investments to contribute to the debate on climate finance; iv) to promote and use strategically the wealth of expertise on climate change available in the Netherlands; v) to concentrate activities paid directly by the Netherlands in selected countries; and vi) to contribute actively in finding internal consensus on climate policy across sectors in the EU.

Since, there are no guarantees that an international climate agreement will be concluded next year in South Africa, the EU and the Netherlands will have to consider an alternative to such an agreement, which could consist of a series of agreements on for instance adaptation, mitigation, technology cooperation, etc. or of a set of bilateral agreements in which these issues are covered.

1 Introduction

Experiences at the Copenhagen Climate Summit of December 2009 illustrate the importance attached to climate change in contemporary international politics. At the same time, the event clearly demonstrated the difficulties of agreeing to an ambitious international climate policy. Much has been said about the role of the EU ahead and during the Copenhagen Summit. This paper will not make a systematic analysis of what happened, but aims to look ahead. Nevertheless, it is acknowledged that for some aspects the Copenhagen Summit was a test case for the viability of the EU's approach to international climate policy. These aspects will be referred to where appropriate.

This paper will look at international climate policy in the context of international relations. The focus is on what the EU and the Netherlands could do to further their international climate policy objectives. These objectives are here considered to include:

- Keeping global emissions below levels that are scientifically estimated to keep temperature increase within a 2 degrees Celsius remit.
- To obtain a synergy between the objective of reducing emissions and the EU's economic and security interests in reducing (oil and gas) energy imports.
- To obtain a synergy between climate policies and the EU's competitiveness and economic growth agenda.
- To obtain a synergy between climate and development cooperation objectives.

In the current strategy the first objective is given most attention with the others being often made less explicit. Agreements established within the UNFCCC could contribute to achieving the objectives. Perhaps just as important is to look at international and national policy developments outside the UNFCCC framework. This paper aims at identifying some suggestions for how the EU and the Netherlands could influence these. The paper will also critically discuss the extent to which the EU can be expected to be influential with regard to reaching these objectives, taking into account its position in the world order and the limits to controlling market developments.

The main question that will be addressed is the following: In which ways may international climate policy develop in the coming two to three years and what viable strategy could the Netherlands and the EU adopt to influence these developments? To answer this question, or rather, to make suggestions for building blocks of a viable strategy, this paper in chapter 2 will discuss trends and developments relevant to international climate policy. It will argue that the multi-polar world order and economic crisis urge the EU to put less emphasis on climate science, and more on energy and economic opportunities arising from undertaking action in the field of climate change. In chapter 3 the state of play within the UNFCCC negotiations and other international platforms is discussed, along with the position of key players. In chapter 4, an overview is given of possible levers of influence the EU and the Netherlands have at their disposal to further international climate policy objectives with specific attention devoted to the Dutch emphasis on climate financing and the organisation of EU climate

diplomacy. In chapter 5 the desirability and feasibility of a comprehensive international agreement on climate change, regime options, and reliable measurement of climate action is discussed. In chapter 6 conclusions are drawn with regard to possible elements of a viable European and Dutch strategy for international climate policy.

2 Trends and developments relevant to international climate policy

Various trends and developments influence international climate policy. A number of them will be discussed here, whereas it is by no means the intention to give an exhaustive overview.

2.1 Multi-polar world order changes the game

In recent years a shift has occurred in the worlds' power constellation from Western dominance towards a multi-polar world order with the emerging economies as new important players internationally.[1] The US, China and the EU are considered key anchors in the new system with pivotal roles for middle-seized countries, such as Brazil, India, Russia, and South Africa, whose support is needed for building strategic alliances.[2] In addition, non-state actors, the private sector, and new clubs (e.g. G20), have emerged as important stakeholders at global and regional level. This changes coalition patterns, stimulates international debate in smaller settings and influences the dynamics of decision-making and voting patterns within the UN institutions.

The Copenhagen Summit has been referred to as the EU's wake-up call to the emergence of a multi-polar world order.[3] The emerging economies, assembled in the so-called BASIC group (Brazil, South Africa, India and China) proved much more assertive than in previous negotiation rounds. In other settings they operate more independently from each other, or can be found to operate in different coalitions, e.g. through the BRIC constellation, which includes Russia, and does not include South Africa. Common themes are their complaints about the EU's overrepresentation in international institutions, their reference to the EU as a declining power, and their own perception of being the self-conscious representatives of the developing world. They are not convinced the EU is reliable partner, referring to the lack of progress in the WTO's Doha Development Round and on the Millennium Development Goals as examples where the EU (and the US for that matter) fail to deliver. Even when the EU and the US are willing to shape the agenda with good ideas, they are less likely to become accepted.

Indeed, the new setting increases complexities of geopolitics and diplomacy. The traditional distinction between industrialised and developing countries is ceasing to exist. New and

[1] Cf. Zoellick, R.B. (2010), The End of the Third World? Modernizing Multilateralism for a Multipolar World, speech delivered at Woodrow Wilson Center for International Scholars, 14 April;
[2] Khanna, P. (2008), *The Second World: Empires and Influence in the New Global Order*, Random House.
[3] Spencer, T., Tangen, K. and. A. Korppoo (2010), The EU and the Global Climate Regime: Getting Bank in the Game, Briefing Paper 55, The Finnish Institute of International Affairs.

smaller settings for international discussions, such as the G20, Major Economies Meeting/Forum, and informal Ministerial meetings are likely to become even more important than they already are today. Nevertheless, the proof is still in the pudding with regard to their ability to deliver international agreements, as the EU likes to see them.[4] With regard to the less legally compelling agreements they typically lead to, the question is whether they will be honoured. At the same time, it is questioned whether a satisfactory agreement can be achieved within the UNFCCC with its cumbersome processes and requirement to take decisions by consensus. At least, informal (political) agreement in other settings seems needed first to get progress in the UNFCCC negotiations.

2.2 EU's foreign policy machinery in turmoil

In the coming years, the system of EU external relations is undergoing a major reform with the establishment of the European External Action Service (EEAS) and the transformation of EU delegations into true diplomatic missions tasked with political reporting. Much is still unclear with regard to the exact responsibilities and tasks of the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP), Catherine Ashton. She chairs the Foreign Affairs Council, is vice-President in the European Commission, and supervises the EU delegations and soon to be established EEAS. On international issues not belonging to the EU's Common Foreign and Security Policy (CFSP), it is still undecided whether and on which specific issues she will replace other Commissioners and the rotating Presidency. The same is true for another new actor, the European Council President Herman Van Rompuy. He will represent the EU internationally at 'his level' (i.e. heads of states and governments), for economic issues alongside Commission President Barroso.

For climate change, the uncertainties surrounding the implementation of the Lisbon Treaty and the system of EU external relations being in limbo, has several effects. First of all, it undermines the EU's credibility in international politics. Complaints are made about the system being even more complex than before and (the potential for) turf wars undermining the EU's diplomatic abilities. Ashton having to operate without the EEAS being in place does not help either. Secondly, it is still unclear who will eventually be in charge over the international climate negotiations.[5] The expansion of internal legislation after the adoption of the climate and energy package in April 2009 has shifted competences from the Member States to the EU level, which would entitle the European Commission to become the EU's main representative. Calls for a more diplomatic approach would justify involvement of Ashton and Van Rompuy seems interested as well. For the time being, the Environment Minister of the country holding the rotating Presidency remains formally in charge, but the Commission has become more influential in shaping the EU's position. During the negotiations, much of the work is done by the lead negotiators and issue leaders from other Member States. Thirdly, the current reform provides opportunities to strengthen the EU's

[4] With regard to climate change this point is also made in E3G (2010), *Building the 2C Coalition: European Climate Diplomacy after Copenhagen*, April.

[5] Cf. Van Schaik, L.G. (2010), The Sustainability of the EU's Model for Climate Diplomacy, in: Oberthür, S. and M. Pallemaerts (eds.), *The New Climate Policies of the European Union*, Brussels: VUB Press.

climate diplomacy and possibly to pursue in a more direct way its international climate policy objectives by means of bilateral agreements. The transformed EU delegations could obtain more and better information on the position of third countries, and could stimulate improved information-sharing among embassies of the EU Member States. The EEAS could identify linkages with other international agendas, contribute to a further integration of climate change into EU development aid, and to the further development of a climate and foreign policy strategy.

2.3 Europe's economic recovery and green growth strategies

Within the coming 2 to 3 years the economic crisis is still likely to take a heavy toll. Across Europe, the focus will be on reducing government deficits, the competitiveness position of domestic industry sectors, combating employment and managing the ever-increasing healthcare costs of an aging population. Just because economic recovery may still take a while, more distant policy problems, such as climate change, may somewhat decrease as a political priority. At the same time, green growth and innovation are perceived in business circles as creating new opportunities, and low carbon development strategies are gaining ground in a number of emerging economies (e.g. in South Korea). There is a particular interest in stimulating renewable energy, including solar power and biofuels.

Within the EU some green recovery measures have already been taken at EU and national level, but from now onwards it may be more difficult to free new funds for investments or to set stricter environmental standards. The uphill battle that was required to get 'resource efficiency' into the EU 2020 Strategy illustrates that the choice for green recovery has not yet been sustained. EU Member States also seem to use the economic crisis to justify backtracking from earlier commitments regarding climate financing for developing countries. At the same time, they demand stricter emission reductions from countries whose welfare is still much lowers than ours.

Nevertheless, within the EU there are still good (economic) arguments to pursue with redirecting research funds towards low carbon innovation and to take other measures that are likely to (re)build the EU's comparative advantage in resource efficient and low carbon technologies. These include that it could trigger the 'Third Industrial Revolution', create new jobs, lower energy costs, reduce local pollution (and thereby improve health), and stimulate innovative industries.[6] A better quantification of positive effects would be useful and could perhaps be provided by more research on the effects of the green stimulus packages that were agreed upon in 2008 and 2009. Some studies indicate a positive relationship between green investments and welfare growth[7], but others contest this.[8] Better data[9] are likely to be required

[6] Cf. Edenhofer, O. and N. Stern (2009), Towards A Global Green Recovery – Recommendations for Immediate G20 Action; Mabey, N. (2009), Delivering a Sustainable Low Carbon Recovery: Proposals for the G20 London Summit; European Climate Foundation (2010), Roadmap 2050 – A Practical Guide to a Prosperous, Low-Carbon Europe.

[7] See for example: Koopmans et. al,, (2010), Inversteren in een schone toekomst – De kosten en baten van een duurzame huishouding in Nederland, SEO economisch onderzoek, Amsterdam, July 2010 (in opdracht van het Regieorgaan Energietransitie).

in order to justify politically that a low carbon strategy needs to be taken into account when deciding on fiscal tightening, for instance by means of taxing carbon rather than income, . For (less radical) climate change policies, the overarching economic case seems already to be provided, for instance by the Stern Review of 2006.[10]

2.4 Climate science no longer beyond doubts

Although not as widely covered in all countries, the controversy over the leaked e-mails from leading IPCC authors, and small mistakes discovered in the IPCC reports, have casted doubts over the robustness of climate science.[11] Independent reviews were undertaken to address the concerns, but it seems some of the damage will be irreversible. For instance, it can be expected that more attention will be given to the degree of uncertainty of climate forecasts. And, even when scientific consensus is overwhelming, EU citizens may still question it on the basis of (false) information provided at weblogs, and in other media.[12] Politicians will not be able to ignore this and therefore it may be more difficult to argue strong climate change policies are needed, solely based on (new) insights provided by climate science. At the same time, a call for pursuing stronger climate change policy is likely to pop up each time an extreme weather event occurs and scientists confirm the link with climate change.

A practical problem with using science as a guide for climate policy is that the EU's own reduction target of 20% in 2020 is not fully consistent with what is scientifically predicted to keep temperature increase below 2 degrees Celsius. In the IPCC scenarios, industrialised countries, including the EU, would have to reduce emissions by 25-40%[13], which is explicitly acknowledged by the EU.[14] Chances are slimming that the EU will still increase its 2020 target to 30%.[15] With the recession, it has become cheaper to reach the 20% target, but the focus on economic recovery makes it more difficult to decide upon an increase to 30%, not least because competitiveness concerns prevail now that other countries have not committed to a similar carbon constraint in Copenhagen.

Hence, even though climate science will for obvious reasons remain an important element to guide climate policy, its importance among other objectives that motivate EU climate policy is likely to decrease.

[8] See for example: Calzada Álvarez, G. et al. (2009), Study on the effects on employment of public aid to renewable energy sources, Universidad Rey Juan Carlos.

[9] e.g. studies that are published in high ranking peer reviewed international journals or that are conducted by renown independent research institutes.

[10] Stern Review on the economics of climate change, 2006.

[11] Cf. Bojanowski, A. (2010), The Climategate Chronicle – How Science of Warming Was Compromised, Spiegel Online.

[12] Cf. Giddens, A. (2009), The Politics of Climate Change, Cambridget: Polity Press. The phenomenon of citizens creating their own views on the basis of inconclusive and false information can also be seen in other policy fields, such as health (e.g. with regard to vaccination campaigns).

[13] IPCC (2007), Summary for Policy Makers.

[14] EU Presidency Conclusions, March 2007.

[15] The EU's official position is that it will raise its 2020 reduction commitment to 30% if other industrialised countries take up a similar position and if emerging economies commit to meaningful emission reductions. This position is enlisted in various EU Council Conclusions and in the EU's submission to the UNFCCC.

2.5 Calls for clean and reliable energy here to stay

Whereas climate science and its assumptions and uncertainty ranges can be contested, nobody will be able to deny that the EU is a considerable importer of oil and gas, currently its main source of energy.[16] It is also widely acknowledged that energy is cost-factor of economic production that can be subject to considerable price spikes, that recovery of oil and gas is increasingly difficult and surrounded with (environmental) risks, and that the majority of exports comes from countries the EU does not always feel comfortable with. Although these countries –understandably- are concerned about a continuation of energy demand, and lose income when they uphold their supplies, they can put severe pressure onto the EU when they do so. In particular the Eastern EU Member States are afraid of Russia upholding gas supplies as already happened towards Ukraine and Belarus (with the effect of some EU Member States also receiving lower amounts of gas). Other Member States, including Germany, are less afraid and close bilateral gas deals with Russia and also European energy companies cooperate closely with their Russian counterparts. Some European politicians are afraid that Russia is able to divide the EU and have called for a common European external energy policy.[17] A stronger and more assertive EU that operates through a single voice, may however make Moscow increasingly nervous. A truly common EU energy policy seems also difficult to reconcile with the diverging energy systems and interests of the EU Member States.

Globally energy-related emissions are still on the rise[18], but pressure on them is mounting. Within the EU, the debate over energy scarcity, security of supply and energy costs is likely to stay on the political agenda. The same is the case for the attention given to environmental concerns regarding conventional energy production. The recent environmental disaster with the oil platform in the Mexican Gulf has been used to illustrate the need to become less dependent on oil by President Obama. Reducing emissions by pursuing a strong climate change policy focused on an increase of renewable energy sources and energy efficiency is also largely synergetic with the EU's energy interest, and for this reason in itself important to undertake.

2.6 EU 2020 climate targets and carbon market well-established

The political agreement on the climate action and renewable energy package in late 2008 was probably the EU's most significant achievement on climate change. The package followed the European Council Conclusions of March 2007 that called for a 20% reduction of greenhouse gases, a 20% use of renewable energy and a 20% energy efficiency improvement in 2020 compared to 1990 levels. It is composed of hard legislation:

- The revised ETS directive that will reduce emissions by 14% in 2020 from 2005 levels.[19] This cap is equal for all EU companies covered by the ETS.

[16] EU Member States do possess considerable stocks of coal, but their use is relatively expensive and causes considerable environmental and health risks, in addition to relatively high greenhouse gas emissions.
[17] Cf. Andoura, S., Hancher, L. and M. Van der Woude (2010), Towards a European Energy Community: A Policy Proposal, proposal by Jacques Delors, Notre Europe.
[18] See for an overview, Buijs, B. (2010), Three Observations of Global Energy and Climate – A Post-Copenhagen Analysis, Clingendael International Energy Programme briefing papers.
[19] Emissions trading directive 2009/29/EC

- The effort sharing decision that sets national targets for emission reductions in sectors not covered by the ETS.[20] Under this decision, the EU Member States will reduce their emissions by 10% in 2020 from 2005 levels. The target of the Netherlands is -16%.
- The renewable energy directive that sets national renewable energy targets.[21] The directive will lead to a renewable energy share of 20% in 2020. The target of the Netherlands is 14%.

Together these laws are likely to ensure that a 20% emission reduction (compared to 1990 levels) and a 20% renewable share will actually become a reality in 2020. Failing to comply with them will result in financial penalties for the individual companies covered by the ETS and the EU Member States for their effort sharing and renewable energy targets (through the infringement procedure). Even though it is still uncertain whether the 2020 emission reduction target will be increased to -30%, despite the -20% target not being considered that difficult to meet, measures will still be needed to reach the national targets, also in the Netherlands.[22] The EU legislation provides a reliable framework for the private sector, as EU legislation is extremely difficult to change once it is established. Moreover, the target is a significant increase compared to the 2012 Kyoto target of -7%. If this trend would continue in line with the EU's objective to reduce emissions by 80-95% in 2050, the EU would contribute considerably to global emission reductions.

The ETS has been criticised for not stimulating innovation into low-carbon technologies.[23] Nevertheless it is unlikely to be changed or replaced since the EU institutions and EU Member States are standing firmly behind it, and since it has created its own vested interests, notably a carbon service industry. The future incomes for national governments that will emerge from the auctioning of EU allowances will make it even more unlikely for it being replaced by another instrument, such as regulation or taxation. Switching to such instruments would also be a major operation and could risk delaying the achievement of the 20% target considerably. At best, they could be envisaged in addition to the ETS. Continuously improving the working of the ETS and aiming for its expansion to more sectors and countries, seems therefore a more viable strategy for the future. Revenue from auctioning and possibly a levy on carbon exchanges could moreover generate new sources of income for low carbon innovation inside the EU and climate finance for developing countries.

2.7 Climate change increasingly being recognised by and linked to other policy domains

In recent years it has increasingly been recognised that causes and consequences of climate change are intimately linked to other policy domains, such as energy, security, (economic) development and health. The issue has been included in policy debates and strategies of these other domains. An example is its inclusion in the renewed version of the European Security

[20] Effort sharing decision 406/2009/EC
[21] Renewable energy directive 2009/28/EC
[22] Cf. Referentieraming energie en emissies 2010-2020, ECN en PBL, April 2010.
[23] Henningsen, J. (2008), EU energy and climate policy: two years on, Brussels: European Policy Centre.

Strategy in 2008. Climate change ranks high among the issues of global concern and is explicitly included in discussions on scarcity of natural resources, crises confronting the world, and so on. In international discussions the security impact of climate change on the Arctic, Nile Basin, Afghanistan is frequently referred to, as well as its relationship to water, food and rare earth availability and its link with the spread of diseases.

To some extent the attention for climate change may be rhetorical and it remains to be seen to what extent other sectors will stay interested if politicians lose their interest in the issue. Nevertheless, for most domains, climate change is likely to stay on the radar screen. For the adaptation and mitigation agenda it seems relevant to keep the overview of what happens in these other areas in order to promote synergies, and avoid duplications and competition between activities.

2.8 Developments urge the EU to reframe its international climate position and strategy

In summary, the emergence of the multi-polar world order, the understandable focus within Europe on economic growth and competitiveness, and the doubts that have been casted over climate science, have shaped a context in which the EU's climate policy may develop at a slower pace. The emphasis on the need to undertake climate action in light of severe scientific findings on climate change is losing its appeal. Even the EU's own objective of reducing emissions by 20% in 2020 is not in line with IPCC scenarios, which undermines the EU's story. Instead, the contribution of climate policy to economic growth is a more appealing story, and -if not over exaggerated- more credible. Given the growing understanding that there are various positive co-benefits to climate policy, it will be more important to frame the climate debate within the EU in terms of opportunities for innovation, efficiency, stability, sustainability, health and employment. Framing it as a threat to humankind has not lead to sufficient action, and the relationship with energy security is rather considered an additional argument for undertaking action, than the core argument. The same is the case for extreme weather events, that ensure a continuous return of climate change as an issue of (political) attention, but whose contribution as an enduring motivation for reducing emissions is disputable. Reframing climate change in terms of economic opportunities fits better with the EU's internal agenda and with the logic of the international system, which operates following a logic of short to medium-term interests, rather than a logic of science-based preferences, even if these resemble longer-term interests.

3 Furthering international climate policy through the UNFCCC negotiations and beyond

Much of the international climate policy has focused on the multilateral negotiations that take place within the United Nation Framework Convention on Climate Change (UNFCCC). International climate policy stretches far beyond this framework though and is included in discussions in other international fora and institutions, often linked to debates on trade, investments, research, energy, development and security. It can emerge from the external effects of domestic measures (e.g. energy efficiency standards that reach beyond the territory for which they were set, the link of international projects to emissions trading), bilateral

agreements (e.g. on technology cooperation), public-private partnerships and multilateral talks. In this chapter we will discuss the possible contribution of the UNFCCC negotiations and other forms of international cooperation to furthering international climate policy.

3.1 Merging the UNFCCC and Kyoto tracks at the Cancun and South Africa Summits?

For the moment climate negotiations being undertaken within the UNFCCC context commence within two tracks. One track focuses on a continuation of the Kyoto Protocol (targets), and the other one on a completely new agreement that is to replace the Kyoto Protocol. The Copenhagen Accord contains aspects of both tracks. The objective is for a future agreement to cover five areas: long term goals ('shared vision'), emissions reduction, adaptation to unavoidable climate change, financial and technological support.[24] The key problem is that the US refused to ratify the Kyoto Protocol. The emerging economies to the contrary want to stick to it, because it currently exempts them from emission reduction commitments. Even though an expansion of countries to whom reduction commitments apply could be envisaged in a so-called second commitment period (i.e. after 2012 when the first commitment period expires), they will continue to argue for an exemption as long as the biggest polluter – the US – remains exempted.

The EU is in favour of a Kyoto type agreement, but with participation of the US and meaningful commitments of emerging economies. It seems open to an alternative form of agreement, as long as this will lead to real mitigation action and contains an – at least equally – robust machinery. However, its focus on market mechanisms makes it difficult to conceive of a treaty without firm emission reduction commitments since this omits the caps needed to establish a market. The EU may have realised that a targets and timetable approach, as enshrined in the Kyoto Protocol, may no longer be feasible internationally, but has not yet translated this into a choice for different types of commitments and instruments to reach them. A complicating factor is that the Kyoto Protocol has firmly established a set of market-based mechanisms,[25] that IPCC and other data are geared towards emission reduction targets, and that other states are also framing their discussion in such a way (without being able to reach agreement on them, neither on which base year to use for measurement).

Chances are close to zero that the next big UN Summit in Cancun will be able to translate the Copenhagen Accord into an international climate treaty. Observers consider the chances for success higher in December 2011 when South Africa will host the event, but even this may be wishful thinking. For Cancun the ambition of the EU and the Netherlands is to seek agreement on specific issues, such as funding to combat deforestation. In any case, the EU will have to take decisions with regard to its preference for either a continuation of the Kyoto Protocol, or a new Treaty under the UNFCCC (i.e. taking side with the developing countries

[24] These areas were identified at the Bali Summit in 2007.

[25] These are International Emissions Trading (IET), Clean Development Mechanism (CDM), and Joint Implementation (JI).

or the US respectively).[26] To maintain credibility, it will also have to decide quickly on crunch issues of its negotiating strategy, such as outlining details on climate finance (where are the funds coming from and for what type of climate activities in which countries?), the future of the CDM (as it is linked to the ETS), and the importance of climate change as an EU foreign policy issue.

3.2 Climate negotiations outside the UNFCCC

Negotiations taking place within the UNFCCC move at a very slow pace. They can be blocked by countries with relatively small contributions to the climate change problem and its potential solutions, as was demonstrated by the objection of countries, such as Venezuela and Sudan, to the Copenhagen Accord. The usefulness of furthering consensus outside the UNFCCC, in fora such as the US-led Major Economies Forum, the G-20 and the informal Ministerial dialogues that are organised at regular intervals, is relatively uncontested. The problem is rather that the focus of informal negotiations taking place in these fora is of a rather ad-hoc and informal nature and that a division of labour has not been defined. There is a risk of the dialogues not being sustained if climate change degrades further on the political agenda.

The G8 (+5) and G20 have been instrumental in achieving political consensus over climate change, and together with the Major Emitters Forum, they have contributed to putting pressure on countries to announce emission reduction commitments ahead of the Copenhagen Summit. Observers of international politics and the climate negotiations for this reason have argued in favour of platforms where shared awareness is raised,[27] 'minilateralism',[28] and an increased use of informal dialogues. The difficulty is to avoid them becoming mere 'talk shops', and to chose timing, topics and participants in a way that is commensurate with the UNFCCC process, which is filled with an ongoing string of meetings. In turn it proves difficult to ensure outcomes of extra-UN meetings are incorporated into the UNFCCC process. Another difficult issue is to include those influential decision-makers which are not usually involved in the UNFCCC negotiations, but impact the formal UNFCCC negotiations through their influence on national instructions. Although the support of finance and economics Ministers is insurmountable to an effective international climate policy that takes account of investment and market conditions, it remains incredibly difficult to gather them at the international level to discuss climate change policy and involve them meaningfully in the UNFCCC process. Thus far, they reluctantly involve themselves and play that role effectively at the national level.

For the EU, and the Netherlands, organising and setting the agenda of international dialogues, which take place outside the UNFCCC, is thus of key importance when willing to pursue an

[26] Others argue the EU does not need to make this choice, cf. Spencer, T., Tangen, K. and. A. Korppoo (2010), The EU and the Global Climate Regime: Getting Bank in the Game, Briefing Paper 55, The Finnish Institute of International Affairs.
[27] Evans, A. and D. Steven (2010), Hitting Reboot – Where next for climate after Copenhagen?, Managing Global Insecurity.
[28] Naim, M. (2009), Minilateralism – The magic number to get real international action, Foreign Policy.

international climate policy, or aspects of it. The same applies to including climate change in bilateral dialogues and agreements, particularly with the main players, whose positions are discussed in the next section of this paper. Bilateral relations offer the opportunity to be more specific with regard to what can be offered and asked for from third countries. Given its economic and aid power, the EU usually is also better positioned in bilateral negotiations. A problem is that bilateral deals are generally considered less legitimate (particularly if pursued in an asymmetrical relationship) and that these agreements do not automatically apply between the third countries.

3.3 Positions of key players in the negotiations

When willing to exert international influence it is important to be able to decide upon an international position, to be able to find out the position and underlying motivations of other key players in the negotiations, and to be able to respond to their position in such a way that a common agreement can be reached. Below the interests of key players in summarised in a grossly simplified way. The group of developing countries, G-77& China, is not discussed as a separate group, since it is composed of so many different interests. It is realised though that if this group sticks together it is an influential force in the climate negotiations, and the EU's ability to keep it on its side in the past has increased considerably its chances for reaching an agreement.

3.3.1 United States: will Obama deliver on climate change?

Obama has committed the US in the Copenhagen Accord to a 17% emission reduction in 2020 compared to 2005 levels, which is conditional upon the passing of domestic legislation. In the US, emission reductions could be established either by a bill in Congress or by legislation imposed by the Environment Protection Agency. The latter option would not require congressional support, but for this reason is perceived less legitimate.[29] An attempt to adopt a bill stranded in July. In August US climate negotiators have said that the US commitment of reducing 17% remains unaltered, but particularly in the light of the upcoming elections, the credibility of this statement is contested. In the US climate change traditionally is considered more of a national security and energy policy issue in comparison to the environmental focus taken in the EU. Most recently climate change was given a prominent place in the National Security Strategy.[30]

Australia, *Canada*, *Japan* and *New Zealand* have often used the US as a reference point for their position on climate change. Depending on their government, they may be somewhat more progressive or conservative, and they may look to Asia of the EU as well, but in general their position is very much influenced by the US position. This is particularly the case for Canada, whose economy is closely intertwined with the US economy. Japan is likely to aim at maintaining a focus on energy efficiency and technology transfer and has already set itself a more ambitious target than the EU. Australia and New Zealand more recently have increased

[29] See for a more detailed elaboration on the bills being discussed and the EPA option: Mildner, S.-A. and J. Richert (2010), The New US Climate Policy under Barack Obama, in: Dröge, S. (ed).
[30] *National Security Strategy*, President of the US/ Whitehouse, May 2010.

their interest in a progressive climate policy and consider to use emissions trading as reduction instrument. It is still too early to tell whether their renewed interest will sustain.

3.3.2 BASICally all that matters?

Brazil, *South-Africa*, *India* and *China* have become key players within the climate negotiations. Since the Copenhagen Summit they operate within the so-called BASIC-group, but their motivations, preferences and interests are not fully commensurate. *Brazil* is interested in promoting its biofuels success, and in the establishment of a mechanism to make forest protection financially lucrative.[31] *South Africa* will be hosting COP 15 in 2012, which is expected to be a 'make or break' Summit with regard to whether a future international climate agreement is still in reach. Despite an influential coal-lobby the country has been relatively constructive within the climate negotiations and aims at defending the interests of Africa throughout the negotiations.[32] *India* is considered most reluctant to taking up emission reduction commitments. Its per capita emissions are low, it priority lays with economic development, and it is keen on reiterating that industrialised countries should first undertake considerable emission reductions before looking at developing countries.[33] *China* has received by far the most attention. In absolute terms it is the largest emitter of greenhouse gas emissions, has staggering economic growth figures and significant international influence. It has adopted ambitious emission reduction and renewable energy policies, but feels rather strongly about not being subjected to international control with regard to whether these policies lead to the results that are aimed for.[34]

The BASIC countries have in common that they all want to reduce their dependency on (costly) foreign oil imports and to stimulate innovation into green technologies. With the exception of India, they seem to consider active engagement in the debate on international climate policy strengthens their foreign policy profile. They emphasise their right to development, the historical responsibility of the countries that industrialised in previous centuries, and their levels of welfare still being far below those of these countries. They like to portray themselves as defenders of the interests of the developing world, and frequently reiterate industrialised countries are primarily responsible for the climate change problem and should reduce emissions more sharply rapidly. Industrialised countries should pay considerable amounts (1-2 % of their GNP) for climate policies of developing countries. Their commitment and influence on the G-77 is pivotal to any successful international climate policy. Their commitment to reducing emissions is strongly dependent upon the US taking up a serious emission reduction commitment. More recently, the interest in climate change policy and the possible opportunities arising from pursuing it, have been somewhat on the rise.

[31] See for a more elaborate overview of the Brazilian position: Zilla, C. (2010), Brazil and Climate Policy: A Creative Partner with High Potential, in: Dröge, S. (ed).
[32] See for a more elaborate overview of the South-African position: Husar, J. (2010), South Africa in the Climate Change Negotiations: Global Activism and Domestic Veto Players, in: Dröge, S. (ed).
[33] See for a more elaborate overview of the Indian position: Wagner, C. (2010), India: A Difficult Partner in International Climate Policy, in: Dröge, S. (ed).
[34] See for a more elaborate overview of the Chinese position: Wacker, G. (2010), Caught in the Middle: China's Crucial but Ambivalent Role in the International Climate Negotiations, in: Dröge, S. (ed); Buys, B. (2009), China, Copenhagen and Beyond, Clingendael International Energy Programme.

With regard to the content of the position of the BASIC countries, other emerging economies, such as *Mexico (i.e.* the next COP hosting country), *Indonesia* and *South Korea* could be considered to belong to this group as well.

3.3.3 Dragging their feet: OPEC and Russia

The oil exporting countries, such as *Saudi Arabia* have always been a stumbling block in the international climate negotiations. The challenge is to contain their influence particularly on the G-77 group of developing countries of which they are part. In this regard, it may be a strategic choice for the EU to respect the BASIC countries' claim that they lead the developing world, despite them being no longer poor developing countries themselves.

Russia has much in common with the OPEC countries, although in the climate negotiations it is more isolated. Under the Kyoto Protocol it still has vast amounts of surplus emissions ('hot air'), which it would like to bank in a second commitment period. The EU has accepted Russia's surplus emissions in order to ensure its support to the Kyoto Protocol, but now is reluctant to see a continuation of their value, since they prevent Russia from contributing to absolute emission reductions. On top of this, *Russia* could gain a lot from an international climate policy in terms of energy efficiency and avoiding the melting of its permafrost. Its awareness of the climate problem has also increased recently with the extreme heat wave that caused damaging fires to the country and heavy pollution. Nevertheless, its interests as an energy exporter, has thus far dominated its positioning in the international climate negotiations. The EU could emphasise that it considers gas a less-polluting energy source, if compared to for instance oil, and its willingness to support investments of European companies in energy efficiency in Russia, but its climate change policy is likely to remain an issue of contention between the two powers.

3.3.4 Losing out: the Small Island States and the Least Developed Countries

The Small Island Development States (SIDS) and Least Developed Countries (LDCs) are the most vulnerable and play a large role in keeping the climate change problem on the international agenda. They have much to gain; yet at the same time they have little to offer in the negotiations. The challenge is how to channel climate financing for adaptation to these countries, whilst convincing the less vulnerable developing countries, such as the BASIC countries, to contribute to the global emission reduction effort.

According to experts, the support of the LDCs and SIDS is insurmountable to the EU's influence on the G-77. It can be questioned though it they are truly able to exert pressure on for instance the BASIC countries. The emerging economies increasingly engage into donor relations with them, and eventually they will compete over whether climate finance will be either allocated to mitigation activities in the emerging economies or to adaptation activities in the LDCs and SIDS. The EU's efforts to build coalitions with African countries is noteworthy in a similar way, but its contribution to achieving a global climate agreement could be questioned in a similar way.

In general, the EU's efforts to build coalitions with a large number of small, vulnerable and relatively poor countries testifies its respect to the UNFCCC logic in which all states are equally important. However, in reality achieving the international climate change policy objectives the EU has set itself, may critically depend on action by the major emitters and in this respect other coalitions and arrangements outside the UNFCCC may be more fruitful. Assisting poorer countries could still be pursued to achieve development objectives and to increase the degree of trust in the EU, but not necessarily to obtain explicit support for the EU's position in the climate negotiations.

3.4 The limits to the EU's influence in international climate policy

Now we have discussed briefly the position of other key players in the climate negotiations, it seems relevant to consider on what issues it seems most likely for the EU to build coalitions and how we could estimate its possible influence towards others. From the above overview we can learn that other key players in the negotiations attach less importance to the scientific argument that climate change policies should be undertaken promptly. They seem more sensitive to the relationship between climate change and their economic (and technological) development and security interests. By addressing these issues more explicitly in its strategy, the EU may thus not only find it easier to justify undertaking climate policy to its own population, but also to build coalitions with others.

With regard to the EU's aim of influencing international climate policy two issues avail: the EU's belief in a multilateral agreement on climate change and its relative power position vis-à-vis other players.

For the EU it is quite natural to address climate change by means of a multilateral agreement. Climate change is clearly a problem with a cross-border character and the EU has a strong believe in it being possible to address such issues by means of inter-state cooperation. This notion of the EU pursuing a 'Normative Power' in the world is much criticised. Others do not automatically share its strong belief in the effectiveness of multilateralism, and act more according a logic of interests.[35]

Indeed, 'realists' would argue that being able to yield influence in international affairs critically depends on the ability to threat with military force.[36] According to this view, the EU would hardly be able to influence international discussions at all. A softer version of realism argues that the EU's influence can also derive from its economic instruments 'aid and trade'. Today the EU is the largest economy and donor, and can therefore use this position pro-actively to promote its preferences, as it already does on some issues. Since the EU has been a rather progressive stance on climate change in recent years, to maintain international credibility, it would seem logical to deploy the aid and trade power resources for pursuing the

[35] Van Schaik, L.G. and S. Schunz, Explaining EU activism and impact in global climate politics: Is the Union a norm- or interest-driven actor?, forthcoming in Journal of Common Market Studies.
[36] See for instance Van Ham, P. (2008), *The Power of War: Why Europe Needs It*, Netherlands Institute of International Relations 'Clingendael".

international climate objectives. However, critics would argue aid and trade should not be used for this, as they have their own objective, reducing poverty and stimulating economic opportunities, respectively. Another aspect is that the EU's relative economic weight does grant it some power, but it is shrinking and does not mean it can determine other countries' policies. Others are irritated by what they perceive as the EU's arrogance and overrepresentation in international debates and institutions.

The EU's reliance on its 'leading by example strategy' in the climate negotiations can be considered an example of what annoys others. They understand that climate policy is an important issue for the EU through which it wants to demonstrate to its population that it is able to address and issue of their concern, but object to the EU imposing its preference on them. At least partially as a result of this, the EU's claim for leadership was not accepted by others during the Copenhagen Summit. In hindsight it is probably true that it over-estimated its possibility to influence the discussions on the basis of its position that was based primarily on normative preferences and a strong belief in effective multilateralism. That being said, it also true that without the EU, climate change would probably not have obtained as much political attention as it did thus far and that the EU has an interest in staying active on the file. Therefore in the next section we will consider in more depth what levers of influence it could bring to bear to further its objectives, thereby taking into account the limits to its potential influence.

4 Instruments for furthering international climate objectives

Thus far the EU's international climate policy has been largely based on persuasion with regard to the necessity of seeing climate change as one of the key challenges of our time, and to reduce emissions in line with the projections of the IPCC. The EU has come quite far with setting the agenda. Climate change has been discussed in all major international fora ranging from the G-8 and G-20 to the UN Security Council.[37] In addition, the EU has relied on its ability to offer development aid and to ensure projects to reduce emissions are actually undertaken in developing countries. This occurs through the Clean Development Mechanism that EU Member States and EU companies covered by the emissions trading scheme are allowed to use to reach their target. The EU has turned the carbon market into a reality.

However, the EU's strategy until the Copenhagen Summit has not brought the international legally binding climate agreement with emission reduction commitments by all major emitters, the EU officially aimed to achieve. The EU's agenda setting role, its ability to offer increased funds, and a wider spread of the carbon market, are therefore under pressure. Hence it is relevant to discuss what possible instruments could be envisaged to further the EU's international climate policy objectives. In this respect not only possible 'carrots' will be

[37] Oberthür, S. and C. Roche Kelly (2008), 'EU leadership in International Climate Policy: Achievements and Challenges', in: The International Spectator, 43(3): 35-50.

discussed, such as financing, but also 'sticks' the EU may chose to use, such as trade measures.

4.1 Climate Financing: A Dutch priority

The Netherlands has traditionally been a staunch supporter of the EU's position in the international climate negotiations. It has always aimed at contributing on specific aspects of the EU position. In the run-up to the Copenhagen Summit, climate financing, was one of its top priorities, and it remains to be so. Others priority items are: measuring, reporting and verifying (MRV), a continuation of the flexible mechanisms (notably CDM), strengthening outreach and the EU speaking with a single voice.[38]

It should not surprise that climate financing is a Dutch priority. The Netherlands is a relatively large development donor and possesses considerable influence in the international finance institutions (IMF and World Bank). It has a long-standing track record in development cooperation, and engaged early on in low carbon projects in developing countries through the CDM. With about half of its territory laying below sea level, it has moreover a considerable experience with water management, a key technology area needed for adaptation projects. At the same time, the Netherlands realises that financing is potentially the most important instrument to yield influence in international climate discussions and to reach mitigation and adaptation objectives. A recent example of its efforts is its initiative on Fast Start Finance that aims at implementing the commitments countries made at the Copenhagen through specific projects in developing countries. Thus far 10 countries and the EU have joined this initiative.[39]

4.1.1 How much is needed and will pledges be honoured?

Various estimates have been made with regard to how much climate finance is needed in particular for adaptation. Developing countries have asked industrialised countries to donate 1% of their GNP to finance climate measures, which would amount to 400 billion USD. The EU estimates the required financial resources range between 55 and 100 billion Euros annually up to 2020.[40] The Copenhagen Accord indicates that 100 billion USD should be mobilized by 2020. Industrialised countries pledged 30 billion USD until 2013.

However, the actual delivery of this fast-track finance is surrounded by uncertainty, neither is it clear whether it will be additional to already earmarked ODA. This is a long-standing demand by developing countries, who oppose to funds already pledged to them being relabelled into climate finance. The EU pledged 7.2 billion Euro, but with government budgets under immense pressure, it proves difficult for the EU Member States to keep up with development cooperation commitments, let alone to establish new budget lines for climate

[38] Cf. Internationaal klimaatbeleid na Kopenhagen (International climate policy after Copenhagen), letter to parliament, by the Netherlands Environment Minister (and also on behalf of the Minister for Foreign Affairs), 19 March 2010.
[39] Cf. http://www.faststartfinance.org
[40] Commission Communication, Towards a Comprehensive Climate Change Agreement in Copenhagen, COM (2009) 39 final, Brussels, 28 January 2009.

financing.[41] In terms of international credibility and trust from developing countries in the climate negotiations, it is of crucial importance though, that the EU delivers. At the same time, expectations should probably be managed in a downward direction with regard to the additionality of the funds and the future amounts that can be provided. A possible 'new' funding source could be the revenues resulting from the auctioning of EU ETS credits. These flows will start to emerge from 2012 onwards. A problem is that they are likely to be lower than estimated, due to the cap having become easier to reach in light of the economic downturn. The price of allowance may even collapse if the EU's reduction target for the ETS is not increased. Another problem is that the revenues were not earmarked for climate policies, as Member States considered it their own prerogative to decide on what they will be spent, particularly since budget allocation is typically a task of democratically chosen governments.

4.1.2 Setting up a sound infrastructure for climate financing

Although not all pledges may actually be delivered, the total funds that are likely to become available for climate finance can still be expected to be considerable. Such funds should be managed well in order to achieve climate adaptation and mitigation objectives. In this respect, much can be learned from the experiences in the development cooperation sector. In the area of climate change already some funds have been established and mainstreaming of climate objectives into development aid has started to materialise.

Under the Kyoto Protocol the most important fund is the Adaptation Fund, which is funded from a levy on credits obtained by CDM projects. With regard to its governance debate centred around whether the World Bank linked Global Environment Fund (GEF) would obtain an oversight role or whether a different structure would be established. Developing countries claimed the GEF to be too much under the auspices of the industrialised countries, and for reasons of ownership over the spending, advocated for an Adaptation Fund Board in which they would be equally represented. Although the EU preferred the GEF, it accepted the demands of the developing countries. On the 'Green Climate Fund' that was created by the Copenhagen Accord a similar discussion can be expected, which possibly could be facilitated by the Netherlands. Most likely some, or even most of the funds that will become available will be channelled through the existing bilateral and international channels of assistance, which include the World Bank, the UN Environment Programme (UNEP) and the UN Development Programme (UNDP). Currently a fund for forestry is already administered by the UNDP.[42] While these organisations should probably be reformed, this is unlikely to happen overnight.[43] In the short term discussion could be stimulated on their overall functioning, tendency to compete instead of to cooperate with each other and what this entails for their climate-specific tasks With regard to the integration into bilateral aid, increased donor coordination could take place, and more work is needed, for instance in the OECD

[41] Cf. EU Council Conclusions (2010), Financing climate change – fast start financing Report – Preliminary state of play on EU and Member States fast start finance, 9437/10.
[42] This concerns the so-called "Reducing Emissions from Deforestation and Forest Degradation" (REDD) scheme, cf. http://www.undp.org/mdtf/un-redd/overview.shtml
[43] Cf. Dröge (ed) (2010).

Development Assistant Committtee (DAC) to identify what type of projects apply as mitigation and adaptation projects, and if the latter category can be distinguished in earnest from mainstream development cooperation projects.

4.2 Technology transfer: the difficult debate on Intellectual Property Rights and financing innovation

The debate on technology includes two aspects that influence the potential for increased innovation into low carbon technologies and their rapid deployment at large scale. One is the discussion on intellectual property rights and the other one on the role of governments in stimulating low-carbon technologies.

With regard to intellectual property rights it is the question if these should be considered the best guarantee for private sector investments into research and development, or if rules should be relaxed to ensure new technologies become available quicker at low costs. Thus far, this question has not really been addressed, neither is it clear in which forum this should be done. In discussions on intellectual property rights, the EU generally attaches considerable importance to maintaining a high level of intellectual property protection to stimulate innovation into low-carbon technologies. Emerging economies generally oppose, since they argue new technologies should become available quickly, although some of them, notably China, seem to increasingly consider intellectual property rights a strategic asset of its own industry.

With regard to the role of governments the question is whether they should design policies that create incentives for low-carbon innovation by the private sector (i.e. market pull) or whether they should engage directly in financing research and development and/or buy intellectual property rights of new technologies (i.e. market push). The EU's emissions trading scheme, energy efficiency standards and carbon or energy taxes are exponents of the market pull vision. Subsidies for research(cooperation) and factors that enable the rapid deployment of new technologies (e.g. smart grids) exemplify the market push approach. The US-led Asia-Pacific Partnership is geared towards stimulating joint research. The private sector tends to appreciate government support for innovation better than regulatory measures, but it can also lead to market distortions and inefficiencies, not to mention the costs for government budgets that come along with it. Another aspect is that whereas the EU is most interested in promoting mitigation technologies, developing countries want adaptation technologies to be included into technology transfer mechanisms as well.

The EU and EU Member States have also engaged into schemes for technology transfer, but funds are rather fragmented and relatively small. According to a recent study by the German think tank SWP, the EU should step up its medium to long-term bilateral cooperation to develop low-carbon technologies, particularly in the energy sector or in energy consumption.[44] Potential partners include China, India, Russia, and South Africa.

[44] Dröge, S. (ed) (2010), International Climate Policy: Priorities of Key Negotiating Parties, SWP Research Paper, Stiftung Wissenschaft und Politik/ German Institute for International and Security Affairs.

Technologies should focus on low-carbon coal-based carbon generation, renewable energy, and the expansion of energy infrastructures. For the EU, obtaining a better overview of current projects, increased efforts and cooperation, and a clearer choice with regard to what types of technologies should be transferred seems needed. For the Netherlands, a niche market may be to put more emphasis on transfer of adaptation technologies in the water sector (to combat floods).

The next two items are related to the objective to stimulate technology development and deployment.

4.3 Mobilising private investments

A way to increase the uptake of low carbon technologies is to focus at greening private investments. Governments can usually not directly influence the investment choice private companies make outside their own territory, but there are various ways through which they can influence it in an indirect way. Ways to do so include:

- Setting favourable conditions of export credit agencies for low-carbon investments. Some efforts have been undertaken to incorporate climate change consideration in the rules that apply for export credit agencies set in the OECD.[45] The new EU exclusive competence for investment, which is enshrined in the Lisbon Treaty could justify setting such standards at EU level when the OECD rules would not ensure sufficient progress. Such standards would also apply for the European Investment Bank which eyes at getting a larger role in spending EU climate finance, but according to NGOs still funds a lot of 'dirty' projects in developing countries with its regular investments.[46]
- Co-financing low-carbon investments (directly or through the international finance institutions).
- Agreeing on decreased tariffs for low-carbon technologies in the WTO. Efforts to this regard are already undertaken.[47]
- Providing market information on low-carbon investments (reducing costs of investigation for private companies).

The EU and the Netherlands could continue to push for such options. To do so effectively, support by Economics and Finance Ministries is insurmountable. Involvement by the private sector in (re)designing investments policies is crucial as well.

4.4 Market mechanisms (including sectoral)

The uptake of low-carbon technologies can be stimulated as well by granting credits when low-carbon projects are realised in third countries and establishing a market through which these are purchased. This, in a nutshell, was the idea of the Joint Implementation and Clean

[45] cf. http://www.oecd.org/document/10/0,3343,en_2649_34169_43152266_1_1_1_37431,00.html
[46] Cf. Climate Proofing European Capital Flows, Both Ends Briefing Paper, March 2010.
[47] Cf. http://www.euractiv.com/en/climate-change/eu-us-eye-wto-free-trade-pact-climate-friendly-goods/article-168828

Development Mechanism. They were also meant to ensure reductions would take place where they are most cost-efficient. The effects of the CDM for technology transfer have been criticised as most of the projects would involve already available and tested technologies. Nevertheless, it could be questioned if these technologies would be used in developing countries without the CDM providing the financial incentive to do so.

The positive effects for technology transfer are likely to increase when the CDM would be replaced by a mechanism that would go beyond giving credits for individual projects, but would lead to a decarbonisation of complete sectors (e.g. all steel plants from one company in all developing countries; or building a bicycle lane infrastructure in large cities). There are various outstanding questions though with regard to scaling up the CDM. These include how to define sectors and the amount of credits that could be obtained when decarbonising them, the possibility of negative effects on incentives for own initiatives to decarbonise, and the effects on the availability of credits (i.e. if the market would be flooded). For the time being the 20% reduction target set in the EU does not seem to guarantee sufficient demand to ensure good prices for the currently allowed CDM projects, let alone for creating a larger market.

4.5 Trade sanctions (e.g. carbon tariff measure)

By some, such as EU Trade Commissioner Karel de Gucht, the option of installing trade sanctions is considered political dynamite as it could possibly lead to a trade war not seen before in history. The idea certainly does not fit well with the EU's aim for and interest in trade liberalisation and open markets. It is also not fully clear whether establishing a border measure to put a price on carbon-intensive products would be legally compatible with WTO rules. For sure, it cannot exceed the price domestic producers pay for meeting climate policy requirements, and with the 20% reduction target this price is not considered very high.

Others, such as France and Italy consider it a serious option to introduce what they call a 'carbon inclusion mechanism'. Since EU industry operates on world scale, they consider products imported into the EU should be subjected to a similar carbon constraint so as to ensure an equal level playing field.[48] Moreover, threatening with the establishment of a border adjustment measure could be used in the negotiations to convince China and other emerging economies to implement a serious greenhouse gas reduction policy. Otherwise their exports would be affected by the EU's carbon policy.[49] An interesting aspect in the debate is the position of the US; if it will still adopt a climate policy, this will likely come along with a carbon tariff measure. In this scenario it is the question whether the EU will still have a choice.

Regardless of which position the EU eventually takes on the issue of a border mechanism, it is important that a discussion is held and that after a decision is taken all EU Member States openly support it. Third countries follow the EU's internal debate on this issue with keen

[48] Cf. 'France details plan for 'carbon inclusion mechanism', Euractiv.com, 18 May 2010.
[49] Gros, D. and C. Egenhofer (2009), Climate change and trade: taxing carbon at the border?, Brussels: Centre for European Policy Studies.

interest and it gives a bad impression when some countries say a carbon measure will be considered, whereas other deny this. At least, it would be advisable if the EU would take a decision on border adjustment measures ahead of the South Africa Summit in 2011. For the Netherlands it is important to decide if it can support or oppose such an instrument being used and how much weight is given to this position. Not using trade measures as a possible 'stick' in the negotiations seems to make it all the more important that internal agreement in the EU on other leverages of influence, such as climate finance, is reached.

4.6 Withdrawing aid, imposing diplomatic sanctions or threatening with military intervention

In international relations rather strong instruments to yield influence are to withdraw development aid, to impose diplomatic sanctions (calling back diplomatic staff or opposing a country in a broader range of international negotiations), or even to threaten with military intervention. Since the use of such instruments is not in line with the EU's overarching foreign policy objectives and since their effect on achieving greenhouse gas emission reductions can be seriously called into question, it seems highly unlikely that the EU will consider to use them in the near or medium-term future. Nevertheless, if climate change will be framed more as a security issue, or if rivalry between states will be on the rise internationally, they may at one point in time become subject to discussion.

4.7 Issue linkage with other international negotiations

Agreement on international climate policy could also be facilitated by linking the issue to other issues on the international agenda. Within the environmental field such linkages can hardly be envisaged. On most other issues, the US or the developing countries do not look to the EU alone to be more forthcoming. An exception is probably their complaint about the *EU's overrepresentation in a number of international institutions*. In this respect the international finance institutions and UN Security Council are most frequently referred to. For the Netherlands this could imply giving up its permanent seat in the governing boards of the IMF and Worldbank. For the UK and France this could imply giving up their permanent seat in the UN Security Council. It is difficult to see EU Member States giving up such privileges for the sake of reaching a climate change agreement. Nevertheless, it could be argued that the concerns regarding the EU's overrepresentation are legitimate, and that the current arrangements undermine the relevance of these institutions. Giving up now may still offer the opportunity to ask returns, whereas this may no longer be the case in the future.

Another possible item where the EU could *make further concessions is its stance in the WTO negotiations on agricultural subsidies*. This is a highly sensitive issue as well, and it could be argued that the US would have to follow. An opportunity may arise when during the upcoming CAP-reform tariffs would be lowered in any case. In such as scenario, those in charge of EU trade policy would still have to be convinced of exchanging such an offer in the WTO with finding agreement in the climate negotiations. This is an issue that may become linked to the debate on a carbon border measure.

All in all, it appears very difficult to identify issues where issue linkage could occur. 'Grand bargains' are difficult to envisage as well, due to the fact that international negotiations on different issues do not tend to run in parallel, neither are they usually the responsibility of similar government departments or of the head of state and governments that meet in the G8 or G20. It is therefore perhaps more realistic to strive for issue linkage in bilateral deals with regard to relatively modest offers and concessions that are identified on a case-by-case basis.

4.8 Deciding swiftly on which levers of influence to use

One of the reasons why the EU underperformed in Copenhagen was its internal strive over the instruments to use to influence negotiating opponents. The divide over whether and under which conditions to move from a 20% to a 30% target, the eleventh-hour and rather unspecified offer on fast-track climate finance, and the looming debate on the possibility of threatening with border measures, undermined the EU's credibility. The EU entered the negotiations with a 'wish list' and although its final offer on climate finance can be considered substantial, it did not impress.

An important lesson is that the EU should swiftly decide on which levers to include in its climate strategy. Subsequently, individual EU Member States should not continue with suggesting additional levers may still be decided upon (e.g. extra financing, or the EU going to 30% in any case, or not, if it is up to them). Instruments should be selected to a larger extent on the basis of the interests and motivations of negotiating opponents the EU wants to influence. For instance, if they show no real interest in the EU going from a 20 to 30% reduction, the EU can still do this, but should not expect this to influence the stance of its negotiating opponents. The same applies to its claim for 'leadership by example'. In line with the instruments chosen, the strategy should be adjusted. Expectations with regard to technology transfer or climate finance should not be raised if the EU will not be able to meet these expectations. If a border measure is chosen, the EU could underline that it prefers not to use it, but that it has little of a choice if it wants to safeguard its competitveness position and its emission reduction objective. In any case, once the instruments or leverages of influence, are (re)chosen they should be matched with a coherent and effective climate diplomacy. This is an issue that will now be discussed.

4.9 Strengthening EU climate diplomacy

Despite the tremendous increase in resources invested by EU Member States into diplomatic outreach of the EU's international position in the climate negotiations, traditional foreign policy mechanisms were still not used to their full potential ahead and during the Copenhagen Summit. The EU was lacking sufficient insights into the position and underlying motivations of negotiating partners and on some issues engaged in wishful thinking regarding what could be achieved in the negotiations. 'Miracles' were expected from flying in heads of states and governments whereas positions of key players in the negotiations were still miles apart. The attendance of the political leaders may have secured a deal was eventually reached, but it was far less ambitious than the EU aimed for and the process by which it came about damaged its image as leader in the negotiations.

The importance of speaking with a single voice is often reiterated in the debate on the EU's role in international (climate) negotiations. Perhaps just as important though is that it has a sound position with clear priority objectives, good insights into the positions of others, and that it is able to respond to them.[50] Crucial is the EU's reactive capacity, which is currently hampered by positions being almost 'set in stone' after they have emerged out of EU coordination. The difficulty with formulating fallback positions and with reasoning in alternative scenarios is that it is already quite difficult to agree upon a position and that internal EU discussions often leak. Nevertheless, it is broadly acknowledged that the EU needs to become more strategic as it operates in an environment that is strongly determined by global power politics and other actors' strategic behaviour.

Paradoxically, it could be expected that a stronger and more coherent EU would invoke a stronger opposition, which needs to be taken into account in the strategy. The role of diplomats would therefore stretch beyond mere outreach of the EU's position. It should focus on obtaining insights in the position and motivations of others and consider how to present the EU's position in response to the position of these others. In order to be efficient, more coordination and cooperation between national diplomats of EU Member States should take place (e.g. through the green diplomacy network). The changing role of the EU delegations in third countries and the establishment of the European External Action Service (EEAS) in this respect offer a tremendous opportunity to strengthen the EU's climate diplomacy. The delegations being tasked with political reporting to the EEAS and getting in charge with regard to the coordination of activities of embassies of EU Member States, *inter alia* on development cooperation, offers new possibilities for obtaining insights and increasing thoughts on how the EU's climate message will be delivered most smoothly, and on which specific issues bilateral trade-offs could emerge.

A more strategic and fundamental question is whether the EEAS and its superior, the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP), should obtain only a supporting role or should take over final responsibility over international climate policy. In the short term it seems unlikely that they will have sufficient capacity and knowledge, but in the longer term they may be able to take over. In this debate a fundamental question is whether climate change still is primarily an issue for environment Ministers and their staff, or if it has entered the realm of foreign, security and development policy (with a stake for international economics and energy resources). The latter track has already become increasingly involved, but is not leading and coordination between the two tracks could still be improved. Diplomats could possibly also more easily link climate change to other issues, such as aid and trade relationships.

Another question is to what extent international climate policy is an issue where EU Member States can have their own policies and to what extent it is a common European policy. On

[50] Cf. Schunz, S., Happaert, S. and K. Van den Brande (2009), *European Union foreign policy and global climate change: towards a comprehensive European climate diplomacy?*, Catholic University of Leuven: Leuven Centre for Global Governance Studies.

fully harmonised EU policies (which are considered an exclusive EU competence), the European Court of Justice has decided that the Commission is entitled to represent the EU externally. The logic behind this is that international agreements can necessitate the EU to revise internal legislation for which the Commission is responsible (and on which it has the right of initiative for revising it). For issues where no common EU policy exists, EU Member States often also aim at coordinating their position and usually endow the chair of the Council (i.e. the rotating Presidency, or for foreign policy the HR/VP) to conduct the external representation. For shared competence matters, such as climate change, EU coordination and the Commission's involvement is obligatory, but who is in charge depends on the thrust of the competence. Until now Member States have always denied the Commission the authority over external representation, but with the adoption of the revised climate policy in 2009, this may legally no longer hold. If the Commission or the HR/VP (being also Vice-President of the European Commission) would take over on some or all issues discussed in the international climate negotiations, it will be important to safeguard ownership and resources of the EU Member States for international climate policy (in terms of expertise, climate delegates, and financial resources). The current system of lead negotiator could be continued at the expert level of the negotiations. The EU could also opt to appoint a Climate Representative from among the EU Member States. Such a person could be embedded within the EEAS or DG Climate.

Climate diplomacy within Europe is still needed as well. If support of more hesitant Member States is to be warranted, a focus on energy security and energy efficiency may be more important than reiterating climate science. If the Southern and Eastern EU Member States need to be brought on board, competitiveness concerns cannot be ignored. It is not about convincing them about the need to undertake emission reduction policies, but about making it politically acceptable for them to engage in them.

5 Towards a comprehensive climate policy or a set of agreements on specific issues?

Currently the UNFCCC is considered the primary negotiating framework for mitigation, adaptation, technology, and finance. Although the encompassing character of the negotiations may create opportunities for exchanges within the negotiations, in general the agenda is considered too full and over-ambitious. Indeed a relevant question seems to be whether the aim should be to strive for a comprehensive approach to international climate policy or whether tasks and responsibilities should be clearly delineated in order to be effective.

On the one hand, in order to pursue an effective climate policy, it is difficult to disentangle climate change related issues, such as mitigation, adaptation, technology transfer, financing, forestry, etc. On the other hand, the overload of issues on the negotiations agenda has made the process and content of the negotiations so difficult and including so many stakes that it is difficult to find agreement.

From an EU perspective it could be interesting to split mitigation and adaptation and to separate issues, such as technology transfer, forestry, etc., but this may undermine already fragile degrees of trust by developing countries. Nevertheless, it could be argued that if in South Africa still no comprehensive agreement is reached, it is perhaps better to separate issues, to start with dividing mitigation and adaptation. In any case progress on various specific issues is already triggered by processes taking place outside the UNFCCC context. Examples include the REDD+ partnership on fast-start finance for forest-related mitigation action in developing countries that was agreed to in Oslo in May 2010[51], and capacity building and research cooperation initiated by individual countries.

5.1 Four possible regime options

Various regime options have been identified for the future of international climate policy focusing on the institutional venue, type of commitments, instruments and participants to agreements.[52] Here we will discuss four of them.

5.1.1 Bottom-up expansion of the carbon market

The EU has proposed to expand its ETS to all of the OECD countries by 2015 and to the non-OECD countries by 2020. Emerging economies could be included for specific sectors only.[53] Linking the EU ETS to other schemes requires credible emission caps, for instance ones that are founded in domestic climate legislation, which cannot be easily changed. Exchange rates for credits may need to be established when the carbon constraint in other countries is more or less stringent than the one applied inside the EU, since otherwise an unequal level playing field would emerge. Including the emerging economies could mean that they would become the major sellers of emissions rights, but only if designed in such a way and if demand is created by shortage in the EU and other industrialised countries with an emissions trading scheme. Making the emerging economies profit from emissions trading could increase their support for international climate policy, but it would come at a cost.

With regard to the current CDM projects, it is the question whether these will be continued in the future. International offsets may not be acceptable to others with whom the EU prefers to link, e.g. the US. In addition, it could diminish incentives for domestic action in countries eligible for CDM and risks double counting of projects if they would also established an emissions trading scheme with links to the ETS.

At the same time there is a debate on reforming the CDM from a projects-based mechanism to a sector-based mechanism to increase its effectiveness in terms of emission reductions. In such proposals industrialised countries would finance Nationally Appropriate Mitigation Actions (NAMAs) in developing countries, which could include the emerging economies. On

[51] See for more information: http://www.oslocfc2010.no

[52] Cf. Stavins, Robert N. "Options for the Institutional Venue for International Climate Negotiations." Policy Brief, Harvard Project on International Climate Agreements, Belfer Center for Science and International Affairs, Harvard Kennedy School, May 2010. PEW Centre, etc.

[53] European Commission (2009), Towards a comprehensive climate change agreement in Copenhagen, Brussels 28 January 2009, COM(2009)39 final.

the one hand it is interesting to link such mechanisms to the ETS as it generates funds from the private sector (and their involvement in emission reductions). It also ensures emission reductions will occur where they are most cost-efficient. On the other hand, it may diminish incentives for own action by emerging economies and become increasingly difficult to explain to domestic populations why mitigation in emerging economies needs to be financed by industrialised countries, not only in the US, but also in EU countries.

5.1.2 Pledge and review

An option could be to agree that countries do not commit to legally binding reduction targets, but to policies that will lead to emission reductions. Such a pledge and review system would critically depend on mechanisms to review whether these policies are actually implemented and lead to emission reductions. It would not guarantee emissions to stay below certain thresholds. Therefore it is not fully commensurate with the EU's objective for agreeing on emissions ceilings and dividing the reduction efforts in a top-down manner. As a consequence, a pledge and review approach is also difficult to combine with an international system of emissions trading. At national or regional level emissions trading could still be used as policy instrument to reach a certain pledge made by a state or a group of states (e.g. the EU), but a linkage with other schemes or international offsets in developing countries would have to be deduced from national pledges. This in turn would make these less voluntary and is thus also not in line with the philosophy of pledge and review.

Nevertheless, the pledge and review option may be the only acceptable one for the emerging economies and, although not preferred by the EU, may be the most viable way to achieve agreement on international climate policy. The Copenhagen Accord can be considered a pledge and review agreement, something which also illustrates the feasibility of this scenario.

5.1.3 Bilateral agreements

The EU has already decided that it will pay more attention to climate policy in its bilateral relations. Bilateral climate agreements could include provisions on technology transfer and finance for adaptation and mitigation projects. Dialogues could strengthen mutual understanding. It is important to see to them being well-linked to the multilateral talks (sometimes bilateral and multilateral discussions are separate streams).

The EU could also reinforce carbon policy through bilateral agreements by including climate provisions in the trade and aid agreements it signs with third countries. Third countries criticise the EU for using its market and donor power to achieve foreign policy objectives, and to impose environmental and food safety standards. Including climate change more forcefully in bilateral agreements could thus cause a lot of irritation. At the same time, it seems one of the few options the EU has at its disposal in case if wants to further international climate policy in the absence of a global agreement. When the EU imposes a climate provision without backing it with financial support, the question is whether third countries will actually implement provisions on climate change and if the EU can monitor this effectively.

5.1.4 Top-down legally binding international agreement

According to the EU 'A global and comprehensive legal agreement remains the only effective way to reach the agreed objective of staying below 2º C increase in global temperature compared to pre-industrial levels.'[54] The Cancun Summit should 'at least provide concrete decisions anchoring the Copenhagen Accord to the UN negotiating process and addressing remaining gaps, including as regards adaptation, forestry, technology and monitoring, reporting and verification.'[55]

The EU's desire for a top-down legally binding international agreement is understandable. A Kyoto-type of approach is also most in line with its preference for emissions trading as instrument for reductions. The problem is that others seem less convinced and if agreement is found it will still be a considerable challenge to implement it in all countries.

In order to achieve the EU's ultimate climate objectives it may be asked if it would really make a difference if the Kyoto Protocol would not continue or be replaced after 2012. It can be expected that due to energy and economic interests, the EU and other major energy consumers (e.g. Brazil, China, India, US, Japan) will continue to pursue climate policies. Public pressure with regard to health and environmental considerations are likely to contribute to this as well. The absence of a deal may offer opportunities to truly integrate adaptation and other climate financing in mainstream development cooperation. It would still allow the EU to continue with CDM and other offsets through linking these independently to its own ETS. Finally, the UNFCCC could still be used for measuring, reporting and verifying emission reductions. The total of emission reductions may not be sufficient though to keep emission paths in line with what is scientifically considered necessary to keep temperature increase below the 2º Celsius target. This in turn increases risks for extreme weather events, floods, spread of diseases, etc.

5.2 Measuring, reporting and verifying emission reductions (MRV)

MRV touches upon the heart of sovereign states. Whereas for EU countries, and to some extent OECD countries, this is no big deal, for others, notably China, this is much more sensitive. A deal was established between the US and China in Copenhagen, but the issue has not been settled in full. When emerging economies undertake domestic climate action no international control is obliged. Only when projects are funded from abroad this will be the case. This will pose the question how reliable domestic action is, and makes it difficult to offer (extra) access to emission credits when a certain commitment is met.

Discussions on the national communications to the UNFCCC and the developing countries demand for the industrialised countries to pay for their reporting requirements illustrate the need to step up cooperation on improved data collection on greenhouse gas emissions and on the implementation of reporting requirements from international agreements.[56] Having better

[54] European Council Conclusions, 25/26 March 2010.
[55] Idem.
[56] See also Dröge (ed) (2010).

insights into the emission profiles of other countries is also important with regard to making judgements about the comparability of efforts and the level playing field for companies.

As discussed under the Dutch priority for climate financing, building trust with regard to how climate funds are spent in developing countries is vital for such funds becoming available. With regard to adaptation, still much work is to be done to define ways to measure efforts undertaken and their effectiveness. As with regular ODA spending, monitoring and reporting of how funds are spent will thus also be relevant to adaptation.

6 Towards a viable EU and Dutch strategy

The Netherlands is one of the relatively active EU Member States on climate change, and is in this function contributing to shaping the EU's position. The EU is a key player in the international climate debate, although it should not over-estimate its own influence in the current international system. In order to further their international climate change objectives the EU and the Netherlands can undertake a number of steps. This chapter draws some policy conclusions and raises some key questions that build on the analysis given in this report.

6.1 Recommendations to the EU

For the moment, the increased complexity and uncertainty resulting from the multi-polar world order, economic crisis, and US position makes it difficult for the EU to proclaim leadership in the international climate negotiations. The BASIC countries are likely to continue their activities on climate change, for reasons of (renewable) energy interests, and their increased preference to take up global responsibility. They support the UN/Kyoto system and perhaps it will be possible to let them defend it towards OPEC, and Russia. The EU should also aim at letting them deal with the radicals, such as Venezuela and Sudan.

This does not mean that the EU should take a back seat in international climate policy, but rather that it could take up a somewhat more modest/ low profile position. This would include 'less talking, more listening'.[57] It is important not only to focus at 'outreach', but also at obtaining better insights into the positions of others and to consider how to respond to these in a tailor-made fashion.

The remaining time towards Cancun also offers the opportunity to reframe the EU's own position in terms of energy interests, economic opportunities and global development responsibilities. After a new strategy has been defined climate diplomacy could be stepped up. Depending on which instruments the EU is willing to use and which forum it aims at for reaching progress on international climate policy, the issue could be included more explicitly in bilateral relations with a view to influencing the outcome of the South Africa Summit.

[57] Nick Mabey, E3G, 2010.

Some key policy conclusions and questions for the EU are the following:

- What does it want to achieve in international climate policy? If there are other objectives than the 2 degrees C, these should be made more explicit. Since, a number of developments have eroded domestic support for the EU's science-driven approach and other objectives may help in building bridges to others, it would also be advisable to attach more importance to the economic, energy and development objectives of EU climate policy.
- What are the most important countries with whom the EU wants to cooperate on international climate policy and in what way? Does it want to steer the debate or take a more modest role? In this respect it could be considered to accept a larger role for the BASIC countries and to hope they will influence in a positive direction the position of Russia, the OPEC countries and the radicals.
- What is the EU willing to offer to bring its international climate policy objectives closer? If the EU wants to influence others with regard to its objectives for international climate policy, its leading by example strategy will not be sufficient. It will need to consider what additional levers of influence can be deployed to increase the credibility of its demands in the international climate debate. In this respect it will be necessary to clarify the EU's stance on climate finance to developing countries and to decide whether, in what form, for which reasons and under which conditions trade measures would be used. Another issue is whether and under which conditions a unilateral continuation of the CDM post 2012 would be acceptable to the EU.

Can the EU accept future commitments on climate change that are not coded in a legally binding international treaty? Ahead of the South Africa Summit the EU will have to decide what form of international climate agreement is realistic and acceptable to it. It may have to consider more seriously a pledge and review type of regime. What type of climate diplomacy is most suitable for achieving the international climate objectives it want to achieve? The current uncertainty surrounding the EU's external representation on climate change needs to be addressed. An arrangement should be sought that ensures continuity in the preparation and external representation of the EU's position, while at the same time ensuring diplomatic abilities and knowledge of the EU institutions and EU Member States are fully used. For instance, the European or Foreign Affairs Council could give a formal mandate to the EEAS to manage the diplomatic strategy that is to deliver the EU's climate change objectives. If the current capacity for climate diplomacy in DG Relex and the EU delegations is taken as a point of reference, it becomes clear immediately that in order to do so a vast expansion of EU diplomats working on climate change would be necessary.

6.2 Recommendations to the Netherlands

A the time of writing this paper, a new Dutch government just commenced work. Its Coalition Agreement[58] does not refer to international climate change policy, which means that it is not yet clear what the position on this issue will be. Since the new government is more right-

[58] *Freedom and Responsibility*, Coalition Agreement VVD-CDA, 30 September 2010.

wing, liberal and conservative than the previous one, it may want to draw inspiration from the new approach developed by the liberal-conservative government than recently commenced work in the UK, notably with regard to climate diplomacy.[59]

A number of issues specifically may be relevant to take into account when defining a revised position. A first issue is to (re)consider energy interests. The new government has already announced that new licences for nuclear energy plants will be granted and that the current subsidy schemes for renewable energy will be transformed and paid from a surcharge on energy bills. Outstanding issues are whether a common EU external energy policy is acceptable in the light of own oil and gas reserves, if the Netherlands will aim at obtaining EU funds for carbon capture and storage projects, if adjustments will be made to spatial planning regulations in order to take away barriers to the expansion of renewable energy production, if energy efficiency, notably in the buildings sector will be promoted and if the favourable conditions for use of Dutch gas given to Dutch industry sectors (notably the glass houses) will be continued.

A second issue appears the need to reframe the rationale for climate change policies. In the light of the considerable debate on climate science, other motivations for climate change policy, that are better tuned in with energy and economic interests, are likely to become more important. Linked to this development, it seems relevant to identify which economic opportunities can be exploited (e.g. water management, sustainable agriculture).

A third issue is that it will remain to make sense for the Netherlands to stimulate further debate on climate finance, as it has done in recent years, most recently in the context of the initiative on fast start finance.[60] This still seems the most viable leverage of influence the EU can bring to bear. The Netherlands has a proven track record both with regard to climate projects and mainstream development cooperation. It is also a major source of foreign direct investment and hosts a considerable financial services sector. Key questions for the future are whether a distinction between mitigation and adaptation would need to be established, and what innovative finance mechanisms can be envisaged with a view to them generating substantial revenues. Possibly the Netherlands could become an active participant in the UK initiated Capital Markets Climate Initiative.[61]

A fourth issue seems to be to promote and use strategically expertise available in the Netherlands. There is a wealth of knowledge on clean energy, climate science, and the carbon market, which could be considered a strategic asset in a time when other states become (truly) interested in climate change as well. It is also in the Dutch interest to promote the service industry consisting of renewable energy consultants, carbon market experts, water managers, specialists in greening agricultural production, etc.

[59] Cf. The Diplomacy of Climate Change, speech by foreign secretary William Hague to the Council on Foreign Relations in New York, 27 September 2010.
[60] Cf. http://www.faststartfinance.org
[61] Cf. http://www.decc.gov.uk/en/content/cms/news/pn_098/pn_098.aspx

A fifth issue is to continue with target countries for intensified cooperation on climate. Currently the Netherlands concentrates its activities on climate change within a limited number of countries. From an EU perspective it would be beneficial to have a good overview of which Member States are active in which countries (climate donor coordination). The EU delegations in third countries currently do not take up this task, but could be asked to do so by the EEAS. The contacts with the large countries, such as China, India and Brazil, could for instance be channelled through the EU delegation in order to avoid that they will be able to play a divide and rule strategy towards the Member States.

A final issue where the Netherlands may contribute is in helping to build and maintain consensus within the EU on the international climate policy strategy. This may require the support of economic and finance ministries, since these seem to hold the strongest reservations in some of the other EU Member States and are unlikely to be convinced by our environment, energy and foreign ministry. The challenge is to find solutions to the (legitimate) concerns of other countries without compromising emission reduction objectives.

6.3 A longer term strategy

Even though this may seem early, the EU and the Netherlands may already consider what to do if no comprehensive agreement is reached at the 2011 COP in South Africa. In such a scenario it seems to make sense to argue for a substantial reform of the way international climate negotiations are conducted. One element could be to break up the negotiations and to pursue negotiations and cooperation on some of them in other international fora. For instance, adaptation and technology transfer (and cooperation) could be taken out. To maintain trust it may be necessary to reach agreement on these issues first, before pushing further on emission reduction targets.

Cleary, at this point in time, the strategic debate on international climate change policy is far from finished. Even though the Copenhagen Summit can be considered a sobering experience for the EU, the issue will not cease to exist and it will remain in the EU's interest to promote its international climate policy objectives. It is therefore crucial to use this moment to rethink the EU's strategy and for the Netherlands to take an active part in this challenging endeavour.