

Switzerland's Fair Share in a Climate Constrained World

*An analysis of Switzerland's climate obligations,
in the context of the pre-Copenhagen search for a
viable global climate accord, and as informed by the
Greenhouse Development Rights approach*



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1 Introduction and Summary

Later this year the world will come together in Copenhagen in further attempt to craft an effective global climate agreement. As recent trends in climate science make clear, the stakes could not be higher. Climate change poses a grave threat to us all, and to the world's most vulnerable people in particular. And though time is running out, we have thus far failed to rise to the challenge.

Tackling the climate crisis will require an unprecedented and mammoth effort – both in the scale of the response that the science tells us is necessary, and in the level of international political cooperation that will be required. Frankly, the situation demands an emergency global mobilization, one that must come even while billions of people in developing countries are still struggling to escape poverty. Given this, equity is not a merely aspirational goal. Justice is a fundamental matter, in realist as well as moral terms. The Copenhagen accord will be fair or it will fail. Fundamentally, the situation is as simple as this.

Switzerland is a nation with a very distinct character. Still, at the moment its official climate policy is not so very different from that of the European Union. For this reason it often makes sense to consider Swiss climate policy along with its EU analog, and this report will generally do so. One important exception is Switzerland's 2008 proposal – “Funding scheme for Bali Action Plan,” more commonly known as the Swiss tax proposal¹ – which represented a distinctly Swiss approach, one that (while we find it to be insufficiently fair to poor countries, see Section 5.3) expressed a willingness to think creatively and globally that will certainly be needed in the years ahead.

More particularly, and taking due account of the fact that the pre-Copenhagen negotiations are not going well, this report will examine Swiss climate policy in the context of the Greenhouse Development Rights framework. This will be done with an eye to understanding Switzerland's proper climate obligations, as they would be codified within an equitable global emergency climate mobilization, and, in this context, looking at the inadequacies of the EU-style commitments that Switzerland is proposing to adopt.

1.1 Switzerland and the global climate negotiations

The global climate negotiations are now in a critical stage, the success of which will depend on how we deal with the issue of climate justice – the obligations that wealthy, industrialized countries have to help developing countries adapt to climate change and transition to a low-carbon future. In this context, Switzerland will inevitably be called upon to do its “fair share” to stabilize the global climate. But what exactly would this mean?

Switzerland has recently committed to cut its carbon emissions by at least 20% from its 1990 levels by 2020, and has further averred that it is prepared, subject to the outcome of the upcoming Copenhagen negotiation, to raise that commitment to 30%. This is essentially the same as the EU's current negotiating position, (though Switzerland seems to be allowing an

¹ See “Funding Scheme for Bali Action Plan,” UVEK, Bern, May 21, 2008, www.environment-Switzerland.ch/climate

even larger proportion of offsets than the EU). Given that in 2007, the latest year for which we have Swiss emissions data, its CO₂ emissions were 2.7% below 1990 levels, this of course means that, in the 20% case, Switzerland would be obligated to reduce (or offset) its 2020 emissions by a further 17.3%. And in the case where Europe, and thus Switzerland, choose to adopt a target of 30% below 1990, it would be obligated to reduce (or offset) its 2020 emissions by a further 27.3%.

In much of the climate discourse, the Intergovernmental Panel on Climate Change (IPCC) has been cited as calling for industrialized countries like Switzerland to adopt GHG reduction targets of 25% to 40% below 1990 levels by 2020 in order to prevent global average temperatures from rising more by than 2°C relative to the pre-industrial temperature level, which is a commonly-accepted threshold for dangerous levels of climate change. This, as it turns out, is for several reasons a misinterpretation of IPCC science (see Appendix 1), and in fact the low end of this 25-40% range is now widely understood to be dangerously lax.² Still, many groups have chosen it as a place to stand, and from which to argue for the industrial countries to adopt an aggregate emissions reduction target of at least 40%. In Switzerland, for example, the *Klima Initiative* has called for an affirmative national commitment to 30% reductions (by 2020, below 1990), one that is not conditioned on the Copenhagen outcome but has to be met entirely by “hard” domestic reductions. and then supplemented by Gold Standard offsets designed to compensate for the “grey emissions” embodied in the goods that Switzerland imports from other countries.

But even if Switzerland were to commit to cutting its emissions by 40%, would that mean it was contributing its “fair share” to the global effort to tackle climate change? The answer is no, for the simple reason that cutting its domestic emissions reductions are only part of Switzerland’s responsibility. Along with the rest of the wealthy world, Switzerland arrived at its current level of welfare via a developmental path from which the rest of the world, we now know, must be excluded. The industrialized countries, to be sure, must reduce their emissions, but even if they now started to do so (reducing by, say, 80% by mid-century, as the G8 leaders have proposed), it will still mean they had exploited nearly two-thirds of the earth’s finite capacity to withstand our GHG pollution. The only way to solve the climate problem, then, is if they also help make possible an alternative means of development, by which the world’s poorer countries can survive and thrive within the one-third of the remaining space. If the climate problem is to have any solution, it will be one in which the industrialized countries come to recognize their duty as a global one, not merely a domestic one.

While this recognition motivates the basic structure of the UNFCCC and its Kyoto Protocol, it is the ongoing negotiations under the Bali Road Map that are hoped to a truly lead to a step-change in “long-term cooperative action” between the North and South to work beyond the climate crisis. To their credit, Swiss climate organizations have voiced their support for strong international action in addition to strong domestic mitigation efforts. But in Switzerland as elsewhere in the wealthy world, international action is generally seen as an additional request, secondary to the domestic reduction demands that have occupied most of the political debate. If we are to mount a successful global response to the climate crisis, international

² This realization has recently been codified in the official position of the Climate Action Network International. See *Climate Action Network – International Position on an Annex I aggregate target1*, April 7, 2009, http://www.climatenetwork.org/climate-change-basics/by-meeting/bonn-i-mar-apr-2009/CAN-A1aggregate_target_position7Apr09-FINAL.pdf

action will have to be seen as one of its two vital pillars, equally in need of ambitious action in the mold of an emergency mobilization.

1.2 The Greenhouse Development Rights Framework

The above argument is firmly grounded in the foundational principles of the UN Framework Convention on Climate Change – that all countries must respond in accordance with their “common but differentiated responsibilities and respective capabilities”. The Greenhouse Development Rights (GDRs) Framework is a system for quantifying these principles based on transparent and well-defined indicators, providing a coherent method for determining what level of contribution different countries would, under a fair and adequate global accord, make to the overall mitigation and adaptation effort. GDRs is designed to support the aggressive, science-based reductions in overall greenhouse-gas emissions that are necessary to avoid dangerous levels of climate change while, at the same time, preserving the right of all people to reach a dignified level of sustainable human development free of the privations of poverty.

Reflecting the underlying principles of the UNFCCC, the GDRs Framework bases a country’s mitigation obligations on its “capacity” – or financial wherewithal to address the climate problem – and its “responsibility” – or contribution to the climate problem. “Capacity” is defined as the sum of all individual income in a country excluding income below a “development threshold” set at a level of income that represents a defensible border between the poor and the global consuming class. Empirical studies of poverty indicators across countries argues for setting the development threshold at about \$20 per person per day. “Responsibility” is defined as a country’s cumulative emissions since 1990, excluding emissions that correspond to consumption below the development threshold.

1.3 Switzerland’s obligations under GDRs

Under GDRs, Switzerland’s mitigation obligations are calculated as a share of the global mitigation requirement, based on a combined indicator of its responsibility and capacity called a *Responsibility and Capacity Index*, or RCI. By 2020, Switzerland’s share of the global RCI is roughly 0.37%, thus assigning it a 0.37% share of the total global mitigation burden (which comes to approximately 18 billion tons of CO₂-equivalent GHG) as its share of a global effort which has a reasonable probability of keeping warming below 2°C. This would give Switzerland a 2020 mitigation obligation of 66 MtCO₂-equivalent. While this is a small fraction of the total global mitigation requirement, it implies quite a sizable mitigation requirement for Switzerland. Under the GDRs framework, this amounts to an emissions allocation of 130% *below* 1990 emissions levels.

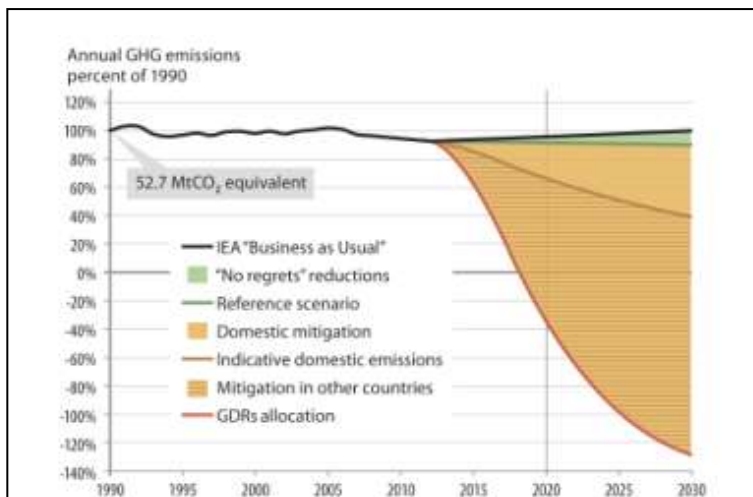


Figure ES1: Switzerland's mitigation obligation, as calculated by the GDRs framework, in a manner that is consistent with an overall 2°C emergency stabilization pathway. This mitigation obligation is shown divided into a domestic (solid tan) mitigation obligation and an international (striped tan) mitigation obligation.

Note: the GDRs framework does not, in itself, specify what fraction of a country's obligation should be met domestically, and what fraction internationally. Here we set the domestic reduction to be about 40% below 1990 levels in 2020, and continue it to reduce domestic emissions by 90% relative to 1990 in 2050. This domestic reduction could be changed, for example to 30%, or 50%, but this would *not* change the size of Switzerland's total mitigation obligation.

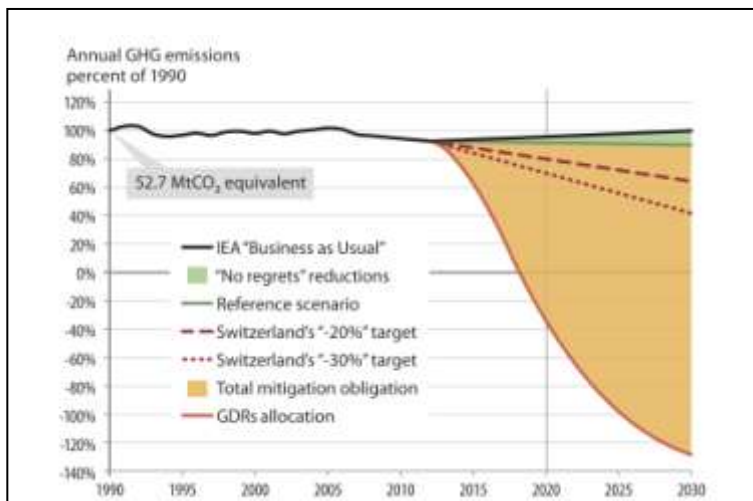


Figure ES2: Switzerland's mitigation obligations (the amber area), as calculated by the Greenhouse Development Rights framework under a 2°C emergency stabilization pathway. Note that Switzerland's emission allocation falls all the way to zero by about 2025, and then continues to drop to 130% below 1990 levels by 2030.

For comparison, we show Switzerland's targets under today's official Swiss targets, with 20% (dashed red line) or 30% (dotted red line) reduction below 1990 levels in 2020, extrapolated linearly to 2030.

Accepting this as Switzerland's 'fair share' of the global effort³ has significant implications for the emission reduction targets required. Figure ES1 shows Switzerland's emissions allocation (the red line), relative to its reference pathway (the green line).⁴ As is clear (the size of the tan wedge) Switzerland's GDRs allocation plummets to well below zero by 2020. This reflects the fact that Switzerland's mitigation obligation exceeds its projected emissions in 2020.

The analysis here estimates that Switzerland should have a domestic target for 2020 of about 40% below 1990 levels - that is equivalent to a reduction in annual emissions of 16 MtCO_{2e} - plus an additional obligation to support emissions reductions in developing countries of 50 MtCO_{2e}, which together make up its complete mitigation obligation of 66 MtCO_{2e}.

How does this compare to Switzerland's existing domestic policy targets? See Figure ES2, where the dashed line corresponds to Switzerland's current official

³ Also, note that Switzerland would have a further obligation to accept 0.37% of the global adaptation burden, though adaptation is not discussed in detail in this brief report.

⁴ The "Reference Scenario" is based on a combination of the International Energy Agency's "Energy Outlook 2007" emissions baseline, and an estimate of no-regrets emissions reductions in turn based on McKinsey and Company and IPCC estimates. See Baer et al 2008 for details.

policy objective of reducing emissions to 20% below 1990 levels by 2020, and the dotted line corresponds to the stronger 30% below 1990 policy target that the EU (and Switzerland) are holding out as a stronger conditional target.

The GDRs allocation, in which Switzerland's 2020 allocation is 130% below 1990 emissions levels, is obviously eye-catching. It's important to understand why this number corresponds to a burden that is entirely reasonable. Switzerland is a rich country, and thus has a high capacity and a correspondingly high reduction obligation. At the same time, the Swiss economy generates relatively modest level of domestic carbon emissions, owing to the sectoral distribution of economic activity and the current portfolio of energy resources. Expressed in proportion to its domestic emissions, then, Switzerland's reduction obligation appears quite large.

Still, this figure accurately reflects the necessary level of ambition, if Switzerland is to do its fair share under an emissions trajectory that is truly consistent with the 2°C objective. So note that there are other ways to express this ambition. This 130% figure is, to be sure, particularly useful, for the climate debate is one in which national targets are almost always, misleadingly, expressed in terms of domestic reductions from a 1990 baseline. In this context, figures like Switzerland's 130% underscore the point that wealthy countries properly have reduction obligations that are *higher* than their domestic emissions, reflecting a *two-fold obligation* to, on the one hand, make domestic reductions and, on the other, invest in international reductions. It's a critical point and can hardly be overstated. In cash terms, however, it translates into an economic cost that is entirely reasonable (as discussed in Section 5.3 of the report), especially so given that what is at stake is the integrity of the earth's climate system.

1.4 Key Recommendations

- That Switzerland commit itself to strictly science-based approaches, and to accepting its fair share of the stringent emission reductions that are required under such approaches. That it recognize that, under a straightforward codification of the UN Framework Convention's principles of "common but differentiated responsibilities," this means that Switzerland, in 2020, should bear about 0.37% of the global mitigation and adaptation burdens, whatever they may be.
- That Switzerland insist on fair and transparent metrics of capacity and responsibility as the foundations for a new climate agreement; that it set out to bridge rather than exploit the international divide; that it recognize that future economic growth must be based on accelerated de-carbonization and social justice; that it work to ensure the next global climate regime is one that protects and promotes true sustainable development.
- That Switzerland embrace the conclusions of such a "fair shares" analysis, even though it implies a mitigation obligation that soon exceeds its current emissions – for example, it would give Switzerland a 2020 mitigation obligation of 66 MtCO₂-equivalent, which comes to an emissions allocation of 130% below 1990 emissions levels – obligations on this scale are in fact just and necessary.
- That Switzerland approach the climate negotiations from a long-term perspective. That it recognize, in particular, that the North must lead by example. That it strain to understand why the South is loath to support any global differentiation proposal until

the North has demonstrated its willingness to meet its own proper commitments and launch the global climate transition.

- That Switzerland see that the South, with its lesser responsibility and its vastly greater need, cannot reasonably be asked to put aside its wariness and pioneer the greenhouse transition. That, again, the North must lead by example.
- That Switzerland, following up on its tax proposal, work to define and establish international financial and technology-transfer frameworks that are fair enough to actually work.
- That, in particular, Switzerland realize, and publically affirm, that any climate-related financial obligations are inherently additional to existing ODA (Official Development Assistance) obligations.

2 Framing the moment

Later this year the world will come together in Copenhagen in further attempt to craft a new global climate agreement. As recent trends in climate science make clear, the stakes could not be higher. Climate change poses a grave threat to us all, and to the world's most vulnerable people in particular. And though time is running out, we have thus far failed to rise to the challenge.

Tackling the climate crisis will require an unprecedented and mammoth effort – both in the scale of the response that the science tells us is necessary, and in the level of international political cooperation that will be required. Frankly, the situation demands an emergency global mobilization, one that must come even while billions of people in developing countries are still struggling to escape poverty. Given this, equity is not a merely aspirational goal. Justice is a fundamental matter, in realist as well as moral terms. The Copenhagen accord will be fair or it will fail. Fundamentally, the situation is as simple as this.

In framing what is required, it is helpful to distinguish the long-term from the short. The short-term problem is straightforward enough – the industrialized countries, which committed in 1992 in Rio to lead the way to a post-carbon world, have simply not done so. Their emissions path has not been significantly transformed, and in some key cases (the US in particular), emissions have continued along a rapid upward trend. Moreover, the financial and technological support for mitigation and adaptation in developing countries, which was promised in Rio, in Kyoto, and on many occasions since, has simply not arrived. Given this, the North has still to demonstrate its willingness to lead.

The long-term problem is even worse. The climate negotiations are fundamentally stymied by the effort-sharing question – who should do how much, and when? – and could easily remain at an impasse through Copenhagen and beyond. This impasse derives from the bitterly unequal nature of our shared social world, which turns out to matter a great deal in realist as well as moral terms. To tackle the climate crisis effectively requires an emergency global climate mobilization, which must come while billions of people, overwhelmingly but not exclusively in the South, are still struggling to escape poverty.

The centrality of this development crisis to the climate problem cannot be overstated. Nor can its most obvious implication, that the international climate policy impasse will not be broken without a fair global effort-sharing architecture, one that promises a way forward that does not threaten the development of the South.

In this context, this report will apply the Greenhouse Development Rights framework to evaluate both the adequacy and the realism of official Swiss climate policy, making reference as appropriate to both the European Commission's recent "Communication" and Switzerland's own tax proposal, which remains of political interest despite the marginal role it is playing in the negotiations. The question, of course, is what the GDRs approach implies for Switzerland, a country that, while small, is extremely wealthy and technologically advanced.

The EC Communication that sets out the European Union's (and frames Switzerland's) ambition for Copenhagen has its own context – the climate negotiations, as we find them today, seventeen years after Rio, twelve years after Kyoto, and almost two years after Bali. This is a context far too large and complex to summarize in any brief manner, but, that said, a few essential aspects of the situation can, and should, be clearly and unambiguously laid out:

- First, many people are looking to Copenhagen to break the climate policy impasse. This, however, will not happen unless industrialized country negotiators realize that, though they have committed through the UNFCCC to chart the way to a post-carbon world, they

have simply not done so. There is much to say about this, but the bottom line is that, despite all the time that has been lost, despite all the discord and fragmentation of our rich / poor world, and despite even the economic crisis, the industrialized countries must still lead. If the negotiations impasse is to be broken, they must move to do so.

- Second, the science makes clear that developing countries must also act, bravely and aggressively. Unless they do, there's virtually no chance of the committed global mobilization we so desperately need. In the Bali Action Plan developing countries indicated a willingness to take on mitigation actions, supported and enabled by measurable, verifiable and reportable financial and technological resources from the developed countries. But here we must be extraordinarily clear - while in the time since Bali a large number of detailed and helpful proposals and climate initiatives from the South have been put forward, it would be foolish, and even dangerous, to misread their meaning. In particular, we must not allow ourselves to imagine that these indicate a willingness to accept legally binding commitments to targets and timetables.
- Third, we must see Copenhagen as part of a longer process. In time, developing countries may take on legally binding obligations. But, critically, the North has met neither its Rio nor its Kyoto commitments, and given this, there are clear limits to what can be asked of the South. In this context, the challenge of Copenhagen is two-fold. First, it must establish international trust by way of bold action, enabling the short-term policies necessary to reach a global emissions peak and then bend the global emissions curves rapidly downward. Second, it must set the stage for the transparent and explicitly justice-based global accord that will have to follow it if we are to reduce long-term global emissions quickly enough to stabilize the climate system.

All this is reasonably well known, though little of it has been thought through with sufficient clarity. Perhaps the habit of strategic ambiguity has taken its toll. In any case, we find it useful to be precise and explicit, for as we will argue, there is still a huge gap between reality, as dictated by the science, and realism, as defined by professional politicians. It is a gap that must be closed, and Copenhagen, while it cannot do the whole of the job, can certainly make a new beginning.

3 The Right to Development in a Climate-constrained world

A warming of 2°C over pre-industrial temperature levels has been widely endorsed as the maximum that can be tolerated or even managed. This is well known throughout Europe. Indeed, the Europeans are largely responsible for establishing 2°C as a “line in the sand” that must not be crossed. At the same time, the emerging science has made it clear that even 2°C is by no means safe, a realization that is clearly articulated in the IPCC’s Fourth Assessment Report and reinforced by a steady stream of subsequent studies.

This point must be stressed, for as we approach Copenhagen the negotiations are under terrific pressure to “soften” goals and compromise targets – the better to declare “success” in December. But the science is telling us, quite unambiguously, that just the opposite is necessary. There is, for example, a significant if not readily quantifiable risk that a warming of even less than 2°C could trigger the irreversible melting of large portions of the Greenland and West Antarctic Ice Sheets. And, with a manifest warming of only 0.8°C, we are already seeing effects – such as the precipitous receding of the Arctic sea ice – that are not only dangerous in themselves but also the beginnings of positive feedbacks that, we now know, will further accelerate the warming. Moreover, and significantly, the fact that these feedbacks are already in motion is strong evidence that the overall sensitivity of the climate system is quite high, and that stabilization concentrations that even recently were considered to be manageably safe – 450 ppmCO₂-equivalent for example – are in fact quite dangerous.⁵ Consequently, some are now calling for keeping warming well below 2°C, and two key blocs of countries in the international climate negotiations – the Alliance of Small Island States and the Least Developed Countries, which together represent nearly 800 million people in 80 countries – have explicitly rejected a 2°C goal. They have demanded that nations limit warming to “as far below 1.5°C as possible.” And, now, Rajendra Pachuri, the head of the IPCC, has gone so far as to say that “as chairman of the Intergovernmental Panel on Climate Change (IPCC) I cannot take a position because we do not make recommendation... But as a human being I am fully supportive of that goal. What is happening, and what is likely to happen, convinces me that the world must be really ambitious and very determined at moving toward a 350 [ppm CO₂] target.”

Yet even as the science increasingly underscores how extremely dangerous it would be to exceed 2°C, many people are losing all confidence that we will be able to prevent such a warming, or even a far greater one. This loss of confidence, moreover, is based not on any doubt about our collective scientific and technological abilities, but rather on the sense, now quite widespread, that our societies are not up to the political challenges of climate stabilization.

Our very different conclusion is that the 2°C line can indeed be held, but that doing so demands courageous initiatives and a robust policy architecture, both of which go beyond politics as usual. That, in particular, they demand a sense of shared global purpose and solidarity that can only be rooted in a commitment to poverty alleviation and sustainable development that is as emphatic and non-negotiable as the climate crisis itself. Moreover, and critically, we argue that an honest recognition of just how immensely high the stakes really are, and a straightforward analysis of the global effort-sharing system that will be

⁵ For more on this point, see the IPCC’s AR4 and updates to the science found, for example, in David Spratt & Philip Sutton, *Climate Code Red: the Case for Emergency Action*, especially chapter 5, “The Quickening Pace.” (Scribe Publications, Melbourne, 2008). See www.climatecodered.net.

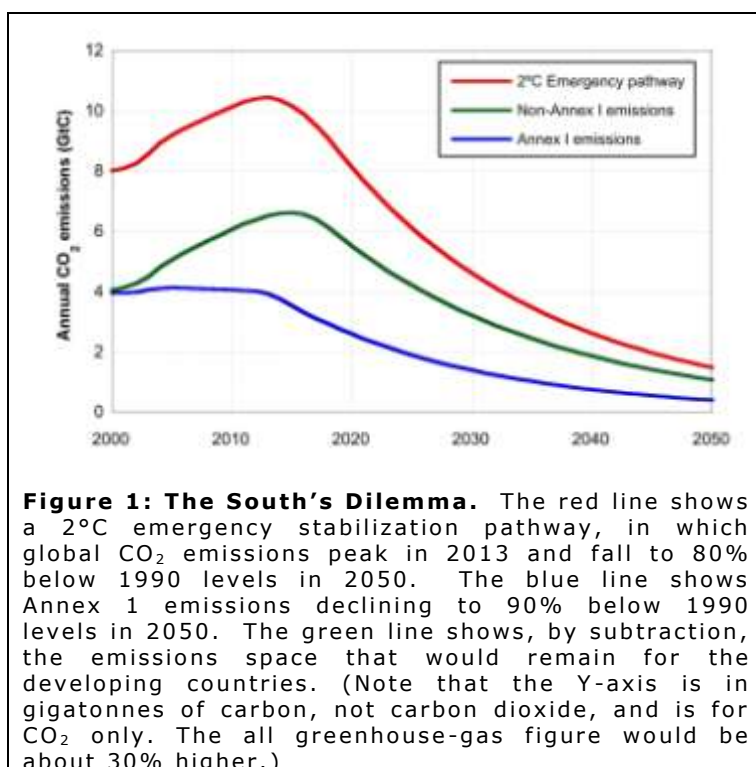
needed to break the international impasse, are preconditions to the bold thinking and grand initiatives that are needed.

Accordingly, we begin our analysis by following the science, with the goal of clearly identifying an adequately precautionary climate objective. We do not analyze here the implications of a temperature target lower than 2°C, though such would certainly be illuminating, because under current circumstances such a target is not (yet) the focus of mainstream policy attention. But we do define a global emissions objective – a “2°C emergency pathway” – that preserves a good chance of keeping warming below 2°C, in contrast to the many analyses and policy pronouncements that are based on targets and trajectories that yield equal chances of success and failure. We then set out to straightforwardly articulate the key elements of a climate architecture that can make that pathway politically viable.

Just as critically, since carbon-based growth is no longer a viable option in either the North or the South, we frame the problem as one of urgently needed decarbonization in a twice-divided world, one sharply polarized between the nations of the North and the nations of the South and, on both sides, between the rich and the poor people within those nations.

The South’s dilemma

A simple thought experiment illustrates the scope of the political challenge. Here, in red, we



show a scientifically realistic assessment of the size of the remaining global carbon budget, defined by a pathway ambitious enough to be considered a true 2°C emergency pathway. We also show the portion of that budget that wealthy Annex 1 countries would consume even if they undertake bold efforts to virtually eliminate their emissions by 2050 (as shown in blue). Doing so reveals, by subtraction, the alarmingly small size of the carbon budget (shown in green) that would remain to support the South’s development.

A few details only make the picture starker:

- The efforts implied by this 2°C emergency pathway are heroic indeed. It reflects an *emergency* response, in which global emissions peak before 2015 and decline to 80% below 1990 levels by 2050, such that CO₂ concentrations can peak below 420 ppm and then start to fall steadily toward 350 ppm by the end of the century. Yet even this would hardly mean that we were “safe.” We would still suffer considerable climate impacts and risks, probably failing to keep warming below 1.5°C, and would be subject to approximately 15-30% chance of overshooting the 2°C line⁶. Thus, this is what the

⁶ For details, see Baer and Mastrandrea (2006) and Meinshausen (2006).

IPCC would refer to as a trajectory that was “likely”, but not “very likely” to keep warming below 2°C.

- The Annex 1 emission path shown here is far more aggressive than even the most ambitious of current European and American proposals. It has emissions declining at more than 5% annually from 2012 onwards, and ultimately dropping to a near-zero level. It’s a tough prospect, and if it can be considered politically plausible today, it is just barely so.
- Still, despite the apparent stringency of the Annex 1 trajectory, the atmospheric space remaining for developing countries would be extremely constrained, and if Annex 1 reductions are any less ambitious than shown, it only implies even more radical reductions in the South. Even as shown, developing country emissions would have to peak only a few years later than those in the North – still before 2020 – and then decline by more than 5% annually through 2050. And this would have to take place while most of the South’s citizens were still struggling out of poverty and desperately seeking a meaningful improvement in their living standards.

It is this last point that makes the climate challenge truly daunting. For the only proven routes to development – to water and food security, improved health care and education, secure livelihoods – involve expanding access to energy services, and, consequently, a seemingly inevitable increase in fossil fuel use and thus carbon emissions. From the standpoint of the South, this seems to pit development squarely against climate protection. It is for this reason that developing countries remain unambiguous in their insistence that, as important as it is to deal with climate change, a solution cannot come at the expense of their development.

Things don’t have to be this way – after all, clean energy alternatives exist – but the point is that they still exist only in potential, as “alternatives” that have not been seriously pursued. The North has not led the world in developing them, and indeed continues to pursue measures that slow them down (consider fossil fuel subsidies). In any case, these alternative paths are not yet real, not at least for the poor.

That poverty – rather than climate change – is foremost in the minds of southern negotiators should thus surprise no one. The development crisis has shown itself to be not merely a challenge but an intractable crisis, badly in need of an expansion of resources and political attention. To make matters worse, the impacts of climate change are now directly affecting the world’s poor, not as some abstract future threat, but as a tangible force undermining food security, water security, and livelihoods. And now, the South’s negotiators have to face the very real possibility that the imperatives of climate stabilization will deprive their countries of access to the cheap fossil energy sources that made development possible for the wealthy countries. Both China and India have long counted on their vast coal reserves to fuel their long-awaited growth. With even the minimal Millennium Development Goals being treated as second-order priorities, and little demonstrated interest in meeting them on the part of the North, the South has little reason to assume that the North would not willingly allow the exigencies of the climate crisis to eclipse the poverty crisis.

The situation, to put it gently, invites political impasse.

4 The Greenhouse Development Rights framework, in brief

The Greenhouse Developments Rights⁷ approach was designed to highlight the challenges of the extremely rapid emissions reductions that are needed to stabilize the climate system, and to demonstrate the sort of principle-based effort sharing system that will be needed before we can seriously expect to achieve such rapid reductions. It seeks to squarely face, in particular, this fundamental problem: Ultimately, the vast majority of the emission reductions required to “prevent anthropogenic interference with the climate system” must be in the developing world, where most emissions now occur and where emissions are growing most rapidly. At the same time, the development crisis, and beyond it the fundamental aspirations of the developing world, demand a vast expansion of energy services to finally eliminate endemic “energy poverty,” a goal that, in turn, seems inexorably to imply increased carbon emissions.

This is the core of the climate predicament, and the reason why the developing countries insist that, as important as climate stabilization may be, it cannot come at the expense of their development. This, precisely, is the problem that must be solved before any true emergency mobilization can possibly begin.

Although the Greenhouse Development Rights approach does not begin with a realpolitik-style assessment of different nations’ stated levels of ambition, it ultimately charts out what might be the only pragmatic way forward. Beginning with the structural logic of the climate impasse, it asserts that a “right to sustainable development” is not only ethically justifiable, but also, fundamentally, a non-negotiable foundation of greenhouse-age geopolitical realism. Its key claim is that, unless the climate regime explicitly preserves such a right, developing country negotiators may quite justifiably conclude⁸ that they have more to lose than to gain from any truly earnest engagement with a global climate regime that, after all, significantly curtails access to the energy sources and technologies that historically enabled the industrialized world to bring prosperity to its people.

The core of the GDRs approach is thus the simple proposition that the poor must, at a minimum, be excused from the burdens of the climate transition. This simple concept is then built up into a demonstrably robust effort-sharing framework based on responsibility and capacity – the two equity principles at the core of the UNFCCC’s “common but differentiated responsibilities and respective capabilities”. Critically, GDRs defines both responsibility and capacity in terms of a *development threshold* – a level of well-being that is modestly above a global poverty line. Individuals living below this threshold are not expected to bear the costs of addressing the climate problem, and are instead allowed simply to prioritize development.

In turn, the GDRs approach defines and quantifies the burdens appropriate to the world’s relatively well-off population, those living above the development threshold. Critically, it does

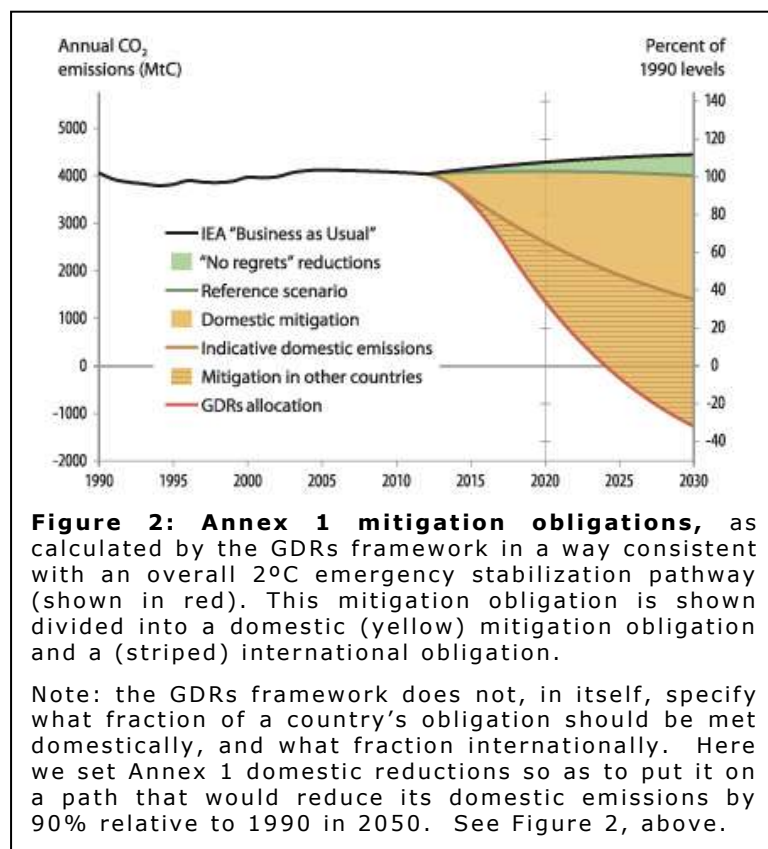
⁷ The reader will find a more complete explanation in the Annex, along with quantitative results.

⁸ The statement issued by the “G5 countries” (Brazil, Mexico, India, South Africa and China) after 2008’s G8 meeting in Japan is particularly notable, for it contains this: “Negotiations for a shared vision on long-term cooperative action at the UNFCCC, including a long-term global goal for greenhouse gases (GHG) emissions reductions, must be based on an equitable burden sharing paradigm that ensures equal sustainable development potential for all citizens of the world and that takes into account historical responsibility and respective capabilities as a fair and just approach. It is essential that developed countries take the lead in achieving ambitious and absolute greenhouse gas emissions reductions in accordance with their quantified emission targets under the Kyoto Protocol after 2012, of at least 25-40 per cent range for emissions reductions below 1990 levels by 2020, and, by 2050, by between 80 and 95 per cent below those levels, with comparability of efforts among them.” (Emphasis added. See <http://www.twinside.org.sg/title2/climate/info.service/climate.change.20080702.htm>).

so for well-off individuals in both the developing and industrialized countries. It is this minority, after all, that has both the responsibility for the climate crisis and the capacity to solve it, and regardless of where they live, they are the ones who must bear the costs of the transition.

The GDRs approach then proceeds to quantify equitable shares for each nation of the total global effort required to achieve sufficient mitigation and adaptation, based on the capacities and responsibilities of the well-off individuals living within that nation's borders. This calculation, critically, is not driven by measures of mitigation potential *within* that individual nation, for GDRs is concerned with equitably dividing the *entire* global effort of the climate mobilization. This effort may be expressed as, say, the costs of actions taken to adapt globally, or the tonnes of reductions required to reach the desired global emission trajectory, which is what we ultimately need to share equitably. If one wants to gauge comparability of effort, it is helpful to be able to express national efforts as shares of some common quantity.

This approach allows us to discard the myopic tendency to conceive of national climate obligation in terms of obligated domestic reductions, and to focus directly on the real objective, which includes both curbing the emissions of the consuming class and ensuring that, as people in the "underdeveloped world" rise out of poverty, they can do so along sustainable, low-emission, paths, while having access to the adaptation support needed to minimize damage and suffering. The GDRs approach thus implies that those of us with responsibility and capacity, (i.e., those above the development threshold) bear a two-fold obligation. We must commit to deep and prompt reductions in our own domestic emissions, but, in a sense that is just as strict and legally binding, we must also support through finance and technology a rapid clean energy transition in the developing world, along with sufficient adaptation. These obligations follow straightforwardly from our relative historical



responsibility and wealth, and there is nothing very surprising about their sizes. A quantitative analysis of the country-specific data on incomes and historical emissions leads, in the end, to results that are quite intuitively obvious.

Figure 2 illustrates this point. Note, critically, that it not only shows Annex 1's total mitigation obligation, but also shows an *indicative* division of this obligation into a domestic mitigation effort (solid) and an international mitigation effort (striped). In this case, the domestic mitigation effort is defined as matching the rapid decline needed to put the

Annex 1 countries on course toward emission levels 90% below 1990 levels by 2050. Thus, by 2020, Annex 1's domestic emissions are approximately 40% below 1990 levels. Its international obligations, which are over and above this ambitious domestic effort, reflect an

additional mitigation effort of about the same scale. This can be understood as the “MRV” (Measurable, Report-able and Verifiable) support from Annex 1 to non-Annex 1 countries required by the Bali Action Plan that is needed to drive the low-carbon transition in the developing world.⁹

4.1 Effort-sharing in the Copenhagen period

The world follows a complex and varied course. It cannot be fully captured by any top-down, principle-based scheme such as GDRs, which is ultimately and inevitably ahistorical. Given this, it's no surprise that the GDRs analysis is almost indifferent to the politics that got us to the climate impasse, and to the political accommodations that will be required to get us beyond it. It is, for example, entirely blind to the North-South trust deficit, though that deficit effectively rules out the simplest way forward, which is that countries, whether of the North or of the South, would simply commit to carry their “fair share” of the climate burden, and then proceed, relatively directly, to the practical negotiations that would be necessary to operationalize a fair global regime.

But, in reality, the trust deficit cannot be so easily passed over. Which is to say that the South cannot reasonably be expected to take on legally binding commitments in the Copenhagen period, not even if these commitments are defined in a rigorously principle-based way that genuinely safeguards its right to development. In reality, the South sees any agreement that would legally curtail its emissions as simply too big a risk to take. Nor is this reticence hard to understand. To this point, industrial development has been almost entirely driven by fossil fuels, and why, without the North's demonstrated willingness to help chart out, and indeed pave an alternative course, should the countries of the South sign away their rights to follow along this proven pathway?

And the North has thus far wholly failed to demonstrate such a willingness. Quite the contrary, given Annex 1's neglect of its Rio promise to return emissions to 1990 levels by 2000 (notwithstanding its unwitting formal compliance by virtue of the Soviet economic collapse), and given the past decade of half-hearted efforts to meet Kyoto commitments (and, in the case of the United States, of entirely shunning them). Indeed, the South's distrust of legally binding commitments is directly linked to the North's inattention to its own emission constraints, and equally to the North's repeated failure to meet its UNFCCC and Kyoto commitments to provide technological and financial support to the processes of mitigation and adaptation in the South.

This all constrains the prospects for the Copenhagen period. And it tells us that, above all, the Copenhagen accord must be one in which the Annex 1 countries seize the opportunity, finally and definitively, to “take the lead in combating climate change and the adverse affects thereof” (as the UNFCCC obliges them to). In particular, the Copenhagen period is Annex 1's last best chance to earnestly work through concerted action, to build confidence in the possibility of a fair and adequate global climate transition. For there is still some time. Through aggressive and sweeping mitigation initiatives at home, and through good-faith support to non-Annex 1 countries seeking financial and technological resources to mitigate and to adapt, it can still launch the transition to a post-carbon world.

It is equally clear what a Copenhagen phase is *not*. It is not a time for Annex 1 countries to try to minimize their own responsibility by pointing fingers at others. It is not time for Annex 1 countries to make their own efforts contingent on the efforts of others. It is not a time for Annex 1 countries to plead hardship amidst the current financial crisis, while pressuring much poorer nations to take on binding commitments. Annex 1 must simply reaffirm its acceptance

⁹ Note that while the figure for Switzerland in this report are for all gases and are measured in CO₂e, this figure is in CO₂ only and is scaled in megatons of carbon. Both Annex 1 emissions and the necessary global mitigation would be somewhat larger if **all** greenhouse gases were counted.

of the “full incremental costs” of climate actions, globally, during the Copenhagen phase. Only this is consistent with the UNFCCC, with Kyoto, and with Bali. And it is the right thing to do.

Which is not, we hasten to add, to excuse the South from earnestly engaging. Not only do the more affluent of the southern countries, such as Singapore and South Korea, have a significant capacity to act, but so does China, despite its very poor majority. Such countries must act, and unless they do, progress on a global climate response will be stymied. The question is how they must act, and here we are compelled to emphasize one word above all others: *voluntarily*.

We say this despite even our own analysis, which suggest that, by a proper reckoning, the South’s obligation to act is large, already amounting to about a quarter of the global total. So, while legally-binding, principle-based southern commitments might ultimately be necessary, the time for them has not yet come. This next period will be one in which the developing countries, though they must act, aggressively and in many ways, will do so under agreements that are softer and more implicit than many in the North might wish. Nor should this be seen as unfair and unreasonable. The South, though it insists on latitude unavailable to the industrialized countries, is not (as many believe) obstinately persisting in an outdated and legalistic interpretation of the UNFCCC and the Kyoto Protocol, in the hopes of indefinite free-riding. Rather, its wariness is fully understandable, confronted as it is by both a climate crisis and a development crisis, and skeptical that both poverty and carbon-based growth can be simultaneously left behind. And consider that the North has for the past seventeen years shown a comparable wariness, despite its much less compelling justification! It is for just this reason that it must now decisively take the lead.

4.2 The implications

This view will strike some northern observers as distressingly sharp, but its actual quantitative implications – in terms of Annex 1 obligations – are not particularly dramatic. Certainly, a burden-sharing framework such as GDRs will calculate a different set of obligations if it is applied to only the subset of countries that are in Annex 1, instead of to all countries. However, as it turns out, the membership of Annex 1 does generally reflect the world’s current concentration of responsibility and capacity; despite having more than five-sixths of the world’s population, the developing world currently has barely 20% of the global responsibility and capacity (as reflected in the RCI). So while Annex 1 countries’ obligations would be greater if they were to temporarily take on the non-Annex 1 share of the global reduction obligations as well as their own (and thus meet their long-standing obligation to take the global lead) they would only do so by a rather modest amount. Instead of being obliged to reduce emissions a bit more than 60% below 1990 levels by 2020 (combining both domestic and international reductions, as shown in Figure 2), Annex 1 reduction obligations would rise to be about 80% below 1990 levels. To be sure, the difference between the two targets reflects a non-trivial additional effort for the North, but the fact remains that this sort of move would accurately express the logic of the situation. It is not clear, in other words, that there is any other way to break the international climate policy deadlock.

5 Switzerland's proposed commitments vs. its GDRs obligations

The GDRs framework provides a transparent, principle-based method of calculating appropriate national obligations for every country in the world, developed or not. In this next Copenhagen phase, however, when developing countries cannot be expected to take on legal obligations beyond those contained in the UNFCCC, the GDRs framework could just as well be used to allocate national obligations among countries of the developed world alone. As suggested at the end of the last section, this would temporarily increase the obligations of the developed countries, but not dramatically.

For the purpose of this report, however, we are calculating Switzerland's obligations in a straightforward manner, one in which the GDRs responsibility and capacity indicator is not modified by the political demands of the moment but rather "taken straight," so as to allocate the global mitigation requirement to non-Annex 1 countries as well as those in Annex 1. That is to say, the tables and charts in this report reflect a world in which the political impasse that now bedevils the negotiations is fully resolved, and a fair shares, principle-based, global effort-sharing system has thus become possible. As such, it should be interpreted as expressing a minimal interpretation of Annex 1 obligations, one that would not quite encompass the effort required to fulfill UNFCCC commitments. The numbers below, in other words, are not "radical" and "unrealistic," but rather conservative.

GDRs obligations are first and foremost approached as a percentage share of a global total, whether that total is a global mitigation requirement measured in tons of carbon, a monetary estimate of the total global costs of mitigation, or the global costs of adaptation.

In the current debate, burden-sharing primarily identifies national obligations with national mitigation targets expressed as a percentage reduction below a base year. The GDRs framework can be used to calculate such targets as follows. The first step is to estimate the global mitigation requirement – that is, the reductions below a projected baseline required to reach a 2°C emergency emissions reduction pathway. In 2020, the global mitigation requirement is approximately 18 billion tons of CO₂-equivalent. The second is to use the responsibility-capacity indicator (RCI) to calculate each country's share of that global mitigation requirement. The third is to define an emission target for each country, by subtracting the country's share from its own emissions baseline. In this way, the effective allocation of emissions rights to each country can be straightforwardly calculated.

Based on calculations which are detailed in the Appendices, Switzerland's share of the global obligation is 0.44 per cent in 2010. This is rather small in absolute terms, but large compared to Switzerland's 0.11% share of global population, a result that directly reflects its relative wealth and historical responsibility. Based on plausible but quite uncertain projections of global growth of income and emissions (see the Appendices) this share would fall to 0.37% in 2020 and 0.30% in 2030. In 2020, Switzerland's share (0.37%) of the global mitigation requirement (18 GtCO₂-eq) would be a mitigation obligation of about 66 MtCO₂-eq.

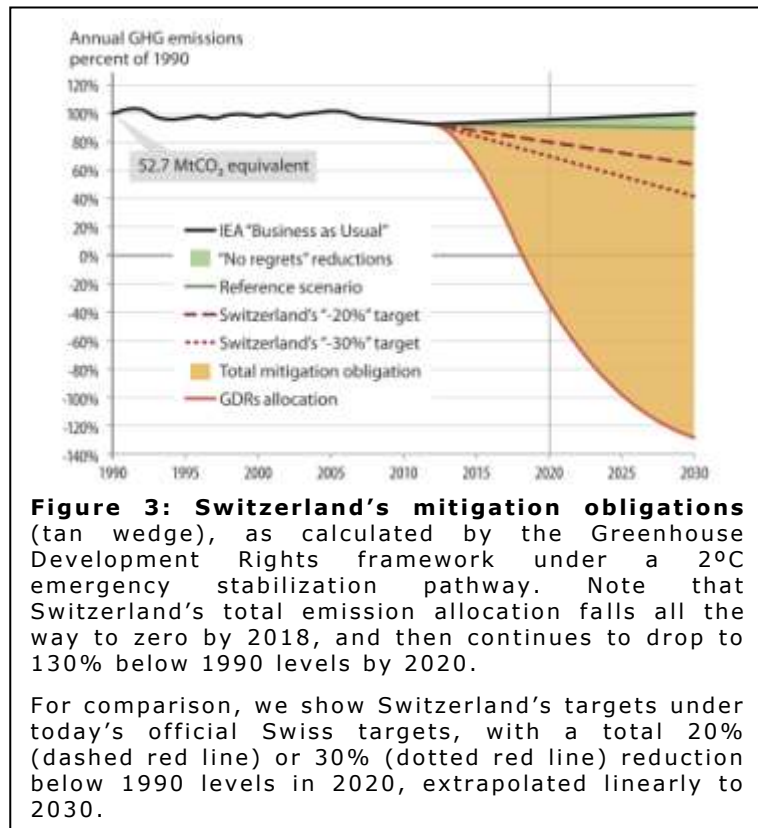
5.1 Switzerland's GDR allocation

Figure 3 shows the Swiss reduction obligation, subtracted from its estimated baseline (the green line).¹⁰ (The light green "wedge" of "No regrets" emissions reductions do not count

¹⁰ The estimated emissions to 2012 are based on a recent estimate from the Environmental Protection Agency that emissions in 2012, projected last year to be 72 MtCO₂-equivalent in 2012, might be 4.6% less due to the ongoing global recession. Projections to 2020 are based on growth rates from the International Energy Agency's *World Energy Outlook* (2007).

towards a country's reduction obligation, because they have negative or zero net costs – see the Appendices for details.) The resulting allocation, shown by the red line, reaches zero before 2020, and becomes steadily more negative as time goes on.

How does this compare to Switzerland's existing targets? To make this clear, we have added two further lines to Figure 3. The dashed red line corresponds to a 2020 reduction of 20% below 1990 levels, as has been offered by Switzerland.



The dotted red line, in turn, corresponds to a 2020 reduction of 30% below 1990 levels, the target Switzerland might adopt conditional on comparable effort from other countries. In contrast, the GDRs reduction target for Switzerland in 2020 (corresponding to its 66 MtCO₂-eq mitigation obligation) is 130% below 1990 levels.

Obviously, this reduction target is starkly beyond the others being discussed. But it's important to understand why this number corresponds to a burden that is entirely

reasonable and proportionate. Switzerland is a rich country, and thus has a high capacity and a correspondingly high reduction obligation. At the same time, the Swiss economy generates relatively modest level of domestic carbon emissions, owing to the sectoral distribution of economic activity and the current portfolio of energy resources.

Expressed in proportion to its domestic emissions, then, Switzerland's reduction obligation appears quite large. Still, it accurately reflects the necessary level of ambition if Switzerland is to do its fair share under an emissions trajectory that is truly consistent with the 2°C objective. Though there are other ways to express that scale of obligation, this 130% figure is, to be sure, a useful one, for the climate debate is one in which national targets are almost always, and sometimes quite misleadingly, expressed in terms of domestic reductions from a 1990 baseline. In this context, figures like Switzerland's 130% underscore the point that wealthy countries properly have reduction obligations, as part of a global mobilization, that are *higher* than their domestic emissions. This underscores the fact that the already-industrialized nations have a *two-fold obligation* to, on the one hand, make domestic reductions and, on the other, invest in international reductions. This is a critical point and can hardly be overstated.

Figure 4 presents an *indicative* division of Switzerland's two-fold reduction obligation into a domestic mitigation effort (solid tan) and an international mitigation effort (striped tan). A precise dividing line between these two areas is not specified by the GDR framework, which takes flexibility on this point as essential, to accommodate nationally-specific economic and political factors. In this example, the domestic mitigation effort is defined so as to match the rapid decline needed to put the Annex 1 countries on course toward a target of 90% reductions relative to 1990 levels by 2050. (See Figure 1, above, and the associated

discussion). It should be read, then, as an interesting and important example, but it is still only an example, of how the total obligation might be apportioned into a domestic and international reduction obligations. A lower level of domestic ambition would not reduce the size of the total obligation, but indeed would increase the size of Switzerland's necessary international effort.

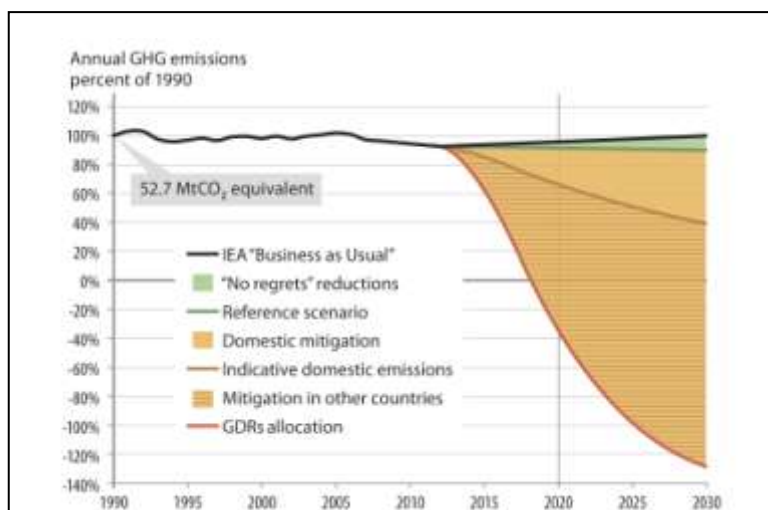


Figure 4: Switzerland's mitigation obligation, as calculated by the Greenhouse Development Rights framework, in a manner that is consistent with an overall 2°C emergency stabilization pathway. This mitigation obligation is shown divided into a domestic (solid tan) mitigation obligation and an international (striped tan) mitigation obligation.

Note: the GDRs framework does not, in itself, specify what fraction of a country's obligation should be met domestically, and what fraction internationally. Here we set the domestic reduction to be about 40% below 1990 levels in 2020, and continue it to reduce domestic emissions by 90% relative to 1990 in 2050. This domestic reduction could be changed, for example to 30%, or 50%, but this would *not* change the size of Switzerland's total mitigation obligation.

international reduction obligations. A lower level of domestic ambition would not reduce the size of the total obligation, but indeed would increase the size of Switzerland's necessary international effort.

In conformance with the overall global emissions reduction goal, and its share of the global RCI, and our (somewhat arbitrarily) indicative case in which A1 domestic emissions drop 90% by 2050, Switzerland's 2020 domestic emissions are about 40% below its 1990 levels. Its remaining obligation, which is over and above this significant domestic effort, and which would be discharged

internationally, reflects another large mitigation effort, as defined by the overall emissions allocation that, as noted above, is about 130% below 1990 levels in 2020. In this case, the domestic reductions come to 16 MtCO_{2e} and international reductions come to 50 MtCO_{2e} to be achieved through financing and technology transfer, the two together summing to Switzerland's 66 MtCO_{2e} reduction obligation for 2020. Thus, only about one quarter of the total "lift" is domestic, though, again, this number is only illustrative.

This additional international obligation can, in the language of Bali, be thought of as the measurable, reportable and verifiable ("MRV") support that is needed to enable a low-carbon transition in the developing world. Which is to say that Switzerland, like all countries with high capacity and responsibility, has an obligation to ensure both deep domestic reductions and catalyze rapid reductions in developing countries through financial and technological support.¹¹

¹¹ It should be remembered that these calculations depend on certain choices used to define capacity, responsibility, and other matters. One choice that is of political importance is the decision regarding the date at which historical responsibility starts to be counted. The results presented here assume a start date of 1990, but if one wished instead to define historical responsibility in terms of emissions since 1950, say, the result would be a 0.41% share of global obligations for Switzerland in 2020 instead of the 0.37% calculated with the 1990 responsibility start-off date. Another choice of political interest is the treatment of the net carbon embodied in imports and exports in determining responsibility. This too would increase Switzerland's share of global responsibility, and thus its share of the global obligation.

This is not to say that support for international mitigation appears only in the GDRs framework. Indeed, since Bali, its absence from any effort-sharing approach would be glaring indeed, and many NGOs, and the EC itself, are now casting about for a language with which to clearly talk about these international obligations. Some speak in terms of Euros, some in terms of tonnes, some in terms of a fraction of a total international effort. One helpful convenience offered by GDRs is a way to discuss these international obligations directly, a way that allows one to directly assess comparability of effort across countries, and the adequacy of the overall package. Table 2 below, collects proposals for mitigation targets and international assistance.

	2020 domestic mitigation obligation	2020 international mitigation obligation
Switzerland under 20% Target	-20% (includes 10% offsets)	not quantified
Switzerland under 30% Target	-30% (15% or 20% offsets ¹²)	not quantified
Klima Initiative	Minimum of 30%	not quantified
Klima Alliance	40% (not offsets)	17 million ton annual CO ₂ e reduction (to compensate for embodied emissions) offset at the Gold Standard level
Bread for All / Fastenopfer	40%	40% as either MRV or Gold Standard offsets
Greenhouse Development Rights	-130% (combined domestic and international)	

Table 2: Switzerland 2020 reduction targets under various proposals.

Presented in this way, Switzerland's two-fold GDRs obligation is very explicit, and also very bracing. Indeed, it is large enough to seem entirely implausible by today's standards of political realism. However, the key conclusion of our analysis is that obligations of this scale for countries with high capacity and substantial responsibility are, in the final analysis, absolutely necessary to a viable and effective climate regime. It is only by way of such large obligations that a climate regime can effectively bring about two vital outcomes. First, driving ambitious domestic reductions, and thus ensuring that the wealthier countries free up sufficient environmental space for the poorer countries to develop. Second, driving equally ambitious international reductions – enabled by technological and financial support from the wealthier countries – and thus ensuring that this development can occur along a decarbonized path.

Also these figures reflect an implementation of GDRs that estimates Switzerland's domestic and international obligations in terms of tons of reductions. But as we stated at the outset, the core of the GDRs approach is the calculation of a percentage share, a calculation that can also be done in terms of mitigation obligations calculated in monetary terms. Obligations to support adaptation, it should be noted, must *necessarily* be done in monetary terms

¹² The Federal Council specification limits the offshore fraction of the Swiss effort to half, which, in the case of an overall Swiss target of 20%, implies a "hard" domestic reduction target of 10%. If Copenhagen goes well and Switzerland, following the EU, adopts an overall reduction target of 30%, this same limitation rule of course implies hard domestic reductions of at least 15%.

5.2 The bottom line

The GDRs emission allocations shown above are especially daunting presented as reduction trajectories. But they are considerably less so when their implications are examined in terms of economic cost. To do this, we can look to estimates of the cost of an ambitious climate response, and allocate it among nations in accordance with their RCI.

When it comes to estimating the total scale of global mitigation and adaptation costs, there is, or course, tremendous uncertainty. This is not the place to discuss cost estimates in any depth, except to note that they span a fairly wide range. The Stern Review, for example, surveyed a range of modeling analyses and found mitigation costs rising up to the order of 1% of Gross World Product by 2050. Stern has subsequently revised this estimate upward as he has come to advocate more ambitious climate action.¹³ The analysis backing up the EC Communication provided two alternative results. Its macroeconomic analysis (using the GEM-E3 model) concluded that the mitigation scenario would impose in 2020 a 1.0% GWP cost relative to the baseline. Its more techno-economic analysis (using POLES) found mitigation costs of €175 billion, or about ¼% of the EC's projected 2020 Gross World Product, and more or less comparable with the other bottom-up analyses, such as like the recent well-publicized McKinsey study, which estimate around \$200 billion to \$400 billion for global costs¹⁴.

Recently, there have been two important developments on the cost-estimate front. One is that the UNFCCC Executive Secretary, Yvo de Boer, relating on UNFCCC research, has specifically estimated the annual cost of an adequate climate transition program to be about \$300 billion annually (\$100 billion for adaptation and \$200 billion for mitigation).¹⁵ The other is that the International Institute for Environment and Development has just released a major new report which, while not providing new cost estimates, argues persuasively that existing estimates of the cost of adaptation (including the ones relied on by Yvo de Boer) "have a number of deficiencies" and that, in particular, "a re-assessment of the UNFCCC estimates for 2030 suggests that they are likely to be substantial under-estimates."¹⁶

In the face of such a situation, we find it useful to admit that one cannot know the cost of stabilizing the global climate, and to instead conduct a thought experiment in which we take the 2020 global funding requirement as being exactly 1% of the projected Gross World Product. It is a useful figure to start with, as it is well within the range of published estimates of the cost of a global climate transition, though it is four times larger than the size of the EC's techno-economic estimate, equal to the EC's macroeconomic estimate, and half as large as Stern's revised estimates.

Given an assumed total global climate transition costs of 1% of GWP, (or \$944 billion in 2020 in our projection), one can ask how GDRs would allocate those costs. The US, with 29.1% of the global RCI, would be obligated to pay about \$275 billion. Similarly, the EU's share would be about \$216 billion (22.8% of the global RCI). Switzerland's share (0.37% of the global RCI) would be about \$3.5 billion - this relates to Switzerland's responsibility to pay for the combined cost of mitigation and adaptation at home and in developing countries. Again, we

¹³ See the Stern Review (2006) and, for Stern's 2008 revisions, his *Key Elements of a Global Deal on Climate Change*. London: The London School of Economics and Political Science.

¹⁴ Andrew Pendleton, *Fairness in global climate change finance*, Institute for Public Policy Research, London, March 2009. www.boell.de/downloads/ecology/fairness_global_finance.pdf

¹⁵ *300 billion dollars a year for climate change adaptation and mitigation says UNFCCC Executive Secretary*, UNEP News Centre, Bonn, 17 August 2009. <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=594&ArticleID=6270&l=en>

¹⁶ *Assessing the costs of adaptation to climate change. A review of the UNFCCC and other recent estimates.* Martin Parry, Nigel Arnell, Pam Berry, David Dodman, Samuel Fankhauser, Chris Hope, Sari Kovats, Robert Nicholls, David Satterthwaite, Richard Tiffin, Tim Wheeler. August 2009, <http://www.iied.org/pubs/display.php?o=11501IIED>

are making the heroic assumption here that the developing world is also carrying its GDR-specified share of the global obligation, under a (hopeful) scenario in which the Annex 1 countries have finally and whole-heartedly launched a global climate transition well before 2020. In this case, we will find China's share would be \$98 billion (10.4% of the global RCI), India's about \$11 billion (1.2%), and so on, as shown in Table 3, below. Otherwise, the approximately 30% share of the global costs to be covered by non-Annex 1 countries in 2020 would also be allocated among Annex 1 countries, increasing their obligations proportionately.

	National Income (Billion \$)	National Capacity (Billion \$)	National Capacity % GDP	National Obligation (Billion \$)	National Obligation % GDP
EU 27	\$19,327	\$15,563	80.5%	\$ 216	1.12%
EU 15	\$16,752	\$13,723	81.9%	\$ 188	1.12%
EU +12	\$ 2,574	\$ 1,840	71.5%	\$ 28	1.09%
Switzerland	\$ 372	\$ 313	84.1%	\$ 3.5	0.95%
United States	\$18,177	\$15,661	86.2%	\$ 275	1.51%
Japan	\$ 5,071	\$ 4,139	81.6%	\$ 62	1.23%
Russia	\$ 2,905	\$ 1,927	66.3%	\$ 41	1.40%
China	\$13,439	\$ 5,932	44.1%	\$ 98	0.73%
India	\$ 5,814	\$ 972	16.7%	\$ 11	0.19%
Brazil	\$ 2,535	\$ 1,376	54.3%	\$ 16	0.64%
South Africa	\$ 706	\$ 422	59.8%	\$ 10	1.42%
Mexico	\$ 1,744	\$ 1,009	57.9%	\$ 15	0.84%
LDCs	\$ 1,549	\$ 82	5.3%	\$ 1	0.06%
Annex 1	\$50,368	\$40,722	80.8%	\$ 652	1.29%
Non-Annex 1	\$44,037	\$18,667	42.4%	\$ 292	0.66%
High Income	\$49,279	\$40,993	83.2%	\$ 655	1.33%
Middle Income	\$41,546	\$18,190	43.8%	\$ 286	0.69%
Low Income	\$ 3,579	\$ 206	5.8%	\$ 3	0.08%
World	\$94,405	\$59,388	62.9%	\$ 944	1.00%

Table 3. GDP, capacity, and obligation, projected to 2020. These figures assume that the total cost of the global climate program is 1% of GWP, projected as \$944 in 2020, and that the obligation is distributed not just among Annex 1 countries, but globally.

These figures are, again, based on the assumption of a total annual global cost, for both mitigation and adaptation, of 1% of GWP. If they turned out, instead, to be 0.5% of projected 2020 GWP rather than a full 1%, national obligations would come to only half of these figures. Switzerland's share would drop to \$1.75 billion. Or, considering the EC's 2020 mitigation-only cost estimate of €175 billion (220 billion US dollars), which comes to about 0.23% of projected 2020 GWP, Switzerland's 2020 share would drop to less than a \$1 billion.

5.2.1 GDRs considered as a tax system

What does this tell us? Well, consider that the Greenhouse Development Rights framework could be operationalized in many ways – as a global cap and trade system, as an auction-based system, as a fund-based system, or even as an international system of climate taxes and rebates. All approaches would have their advantages and their disadvantages. And it does seem that, in ruminating about costs and trying to understand what they mean in

concrete terms, thinking in terms of a global tax is particularly useful. In this case, the RCI, in effect, would serve as the basis of a modestly progressive global “climate tax” – not a carbon tax, but a capacity and responsibility tax. And the size of this tax could be expressed in individual terms, by simply assuming that it is passed down to taxpayers at various levels of (2020) income, according to their individual RCIs, *thus ensuring that effort sharing within nations exactly parallels effort sharing among nations.*

Under such circumstances, individuals below the development threshold, who contribute nothing to their nation’s obligation, would similarly pay nothing toward fulfilling that obligation. In effect, their “climate tax” would be zero. Which is to say that, in 2020, the roughly two-thirds of the world’s population that falls below the development threshold (assuming for simplicity that intranational income distributions remain as they are today, though of course they will change) would be exempt from paying any climate tax, enabling them to prioritizing the attainment of a basic level of welfare. The remaining population (comprising approximately the top third of the global population), which is projected to control 85% of the world’s income in 2020, would cover the total global mitigation and adaptation cost.

Country	income	Total costs: 0.5% of GWP			Total costs: 1.0% of GWP			Total costs: 2.0% of GWP		
		marginal tax rate	average tax rate	annual tax	marginal tax rate	average tax rate	annual tax	marginal tax rate	average tax rate	annual tax
US	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
US	\$15,000	0.88%	0.44%	\$65	1.75%	0.87%	\$131	3.50%	1.74%	\$261
US	\$30,000	0.88%	0.66%	\$197	1.75%	1.31%	\$393	3.50%	2.62%	\$786
US	\$60,000	0.88%	0.77%	\$459	1.75%	1.53%	\$918	3.50%	3.06%	\$1,836
US	\$120,000	0.88%	0.82%	\$978	1.75%	1.63%	\$1,956	3.50%	3.26%	\$3,912
Switzerland	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
Switzerland	\$15,000	0.89%	0.28%	\$42	1.78%	0.56%	\$84	3.57%	1.12%	\$168
Switzerland	\$30,000	0.89%	0.43%	\$128	1.78%	0.85%	\$255	3.57%	1.70%	\$510
Switzerland	\$60,000	0.89%	0.50%	\$297	1.78%	0.99%	\$594	3.57%	1.98%	\$1,188
Switzerland	\$120,000	0.89%	0.53%	\$636	1.78%	1.06%	\$1,272	3.57%	2.12%	\$2,544
Sweden	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
Sweden	\$15,000	0.58%	0.29%	\$43	1.15%	0.58%	\$87	2.30%	1.15%	\$173
Sweden	\$30,000	0.58%	0.44%	\$131	1.15%	0.87%	\$261	2.30%	1.74%	\$522
Sweden	\$60,000	0.58%	0.51%	\$303	1.15%	1.01%	\$606	2.30%	2.02%	\$1,212
Sweden	\$120,000	0.58%	0.54%	\$648	1.15%	1.08%	\$1,296	2.30%	2.16%	\$2,592

Table 4. “Climate tax” for various income levels. The marginal tax rate, average tax rate, and total annual bill are shown, under three different assumptions about the total costs of the emergency climate mitigation and adaptation costs (0.5%, 1.0%, and 2.0% of Gross World Product).

Please understand that we are not advocating a global climate tax. But we very much do believe that the system by which the effort associated with the climate transition is apportioned, between and within countries, must be progressive. And thinking in terms of a tax table allows us to apply the moderately progressive effort-sharing system that is GDRs at the individual level, and thus to see what the “unrealistic” global emergency climate stabilization program that we advocate would actually cost individuals.

Here we show three representative cases: a country with high responsibility relative to its capacity (the US), and of course Switzerland, as well as Sweden, another country with low responsibility relative to its capacity. (The details: US cumulative per capita emissions, 1990

to 2020, are projected to be 133 tons of carbon¹⁷, while Sweden's are projected to be 40 tons and Switzerland's are projected to be 40 tons. Reporting these numbers for 2010 yields US cumulative per capita emissions of 105 tons, Swedish cumulative per capita emissions of 34 tons, and Swiss per capita emissions of 33.5 tons.)

Note that, although each incremental dollar of income or ton of emissions is taxed at the same rate (as in a "flat tax"), income and emissions below the development threshold are explicitly excluded, and therefore the whole system is modestly progressive. And note especially that when you compare individuals with the same level of income, across countries with different levels of responsibility, their overall "tax" is not the same. As table 4 shows, the tax for individuals at the same income level varies (being highest for the US and lowest for Sweden), reflecting the fact that this is a capacity- and responsibility-based *climate tax*, not simply an income tax, nor a carbon tax.

The key point this "climate tax" exercise demonstrates is that *the cost of stabilizing the climate is not onerous*. Consider the medium case above, in which we estimate the total costs of stabilizing the climate as being 1% of GWP in 2020. As you can see, a Swiss citizen earning \$60,000 a year would pay a climate tax of \$594 a year, or less than \$2 a day. This is not a large sum, and, again, keep in mind that this is based on a global cost estimate that is quite high when compared to that used by the European Commission. *If you instead use the EC's global cost estimate, this same citizen would pay a climate tax of about \$125 a year, less than half a dollar a day.* If we are instead extremely pessimistic, and we assume that even Stern's revised estimate is low by a factor of two, and that total global costs will be an unthinkable 4% of GWP, then this individual would be asked to contribute somewhat less than \$8/day. By any measure, this is a small price to pay to save the planet.

This analysis has two clear implications, that fair effort sharing is of great pragmatic significance, and, by definition, any fair effort-sharing system must take intra-national income distribution into proper account. Even if the costs of a rapid climate transition are assumed to be quite high, and even if these costs are deemed to be solely the obligation of the minority of people with incomes above a \$7,500/year development threshold (less than one third of the global population today) they would still be quite bearable. The rich and the relatively well-off can easily afford to shield the poor from the costs of combating climate change. They can, in other words, afford to honor a meaningful right to development.

5.2.2 GDRs vs. the Swiss tax proposal

The Swiss tax proposal is well known, around the world and especially within Switzerland, for being "progressive." And it is, inasmuch as it exempts emissions below a per-capita threshold, so that the poorest countries are completely exempt, countries just over the threshold pay taxes on a very small proportion of their emissions, and high-emitting countries pay tax on essentially all of their emissions. However, the Swiss tax is still based on current emissions alone, rather than historical emissions, and does not account for capacity at all. That is to say, it is not based on ability to pay, so countries with the same per-capita emissions pay the same tax regardless of whether they are poor or rich. Since global variations in carbon intensity are very large and not well correlated with income, this variation can drive national tax rates far from what would be expected from the normal – income based – understanding of "progressivity."

Additionally, the tax is based only on current emissions, and inasmuch as the need to pay for adaptation stems from cumulative emissions, this effectively eliminates any responsibility or liability coming from historical cumulative emissions, even over the relatively recent period to

¹⁷ To convert to tons of carbon dioxide rather than carbon, multiply by 3.7. This figure accounts for CO₂ from fossil fuel combustion and cement manufacturing only; all-GHG figures would be somewhat higher.

1990. This is a critical problem, particularly given the fact that the tax also contains no measure of capacity to pay.

The outcome, then, is that the Swiss tax is not as progressive as one might expect, as can be seen from Table 5:

Country or Region	Percent of global tax under the Swiss tax proposal	Percent of RCI under the GDRs Framework	Swiss tax proposal, compared to GDRs
United States	26.04%	32.53%	-19.94%
Switzerland	0.15%	0.44%	-65.10%
Russia	7.44%	4.08%	82.20%
Ukraine	1.24%	0.34%	261.49%
China	25.00%	5.71%	338.00%
India	0.00%	0.57%	-100.00%
Annex I	61.30%	76.48%	-19.85%
Non-Annex I	38.70%	23.52%	64.54%
EITs	13.85%	7.95%	74.18%
EU 27	16.09%	25.59%	-37.13%

Table 5. Swiss tax proposal compared to GDRs framework. Because neither cumulative emissions nor income is considered by the Swiss tax, the high income countries pay substantially less, and high-emitting poor countries (China, Ukraine) pay substantially more when compared to the GDRs “tax rates.”

This is obvious when comparing this tax to GDRs. Because neither cumulative emissions nor income is considered by the Swiss tax, the high income countries pay substantially less, and high-emitting poor countries (China, Ukraine) pay substantially more when compared to the GDRs “tax rates.” Some countries which have obligations under GDRs (notably India) do become completely exempt. But the implication of this is similarly not progressive, for it means that high-emitters in poor countries have no obligations under the Swiss tax proposal. In GDRs, in comparison, the existence of a “personal” exemption is not averaged to exempt entire countries.

6 The EU's opening move

Switzerland's self-imposed climate target was not assigned as part of the larger EU effort-sharing agreement, but it is clearly not a coincidence that it aligns with that agreement. In this context, it deserves to be placed against the backdrop of the broader EU position on comparability of effort within Annex 1, and in particular the European Commission Communication *Toward a Comprehensive Climate Change Agreement in Copenhagen* (EC, 2009). With its effort-sharing decision, and especially with the EC Communication, the EU made its long awaited opening play in the Copenhagen negotiations. In this section, we discuss the emerging EU position, as reflected in the EU climate and energy package, the EC Communication, the EC Staff Working Document that elaborates on it (EC, 2009a; 2009b), the modeling analysis that explores its implications (JRC-IPTS, 2009), and the March 2009 decision of the Council of EU Environment Ministers (Council, 2009).

With the official discussion now in "full negotiating mode," the numerical and methodological details embodied in the EC Communication and its background documents are being replaced by the more subtle positioning of ministerial and high-level statements. These are, obviously, the meat of the ongoing negotiations, but at the same time it's clear, for example from the March 2009 statements of the Environment Council and the Economic and Financial Affairs Council, that the details of the EC Communication and its supporting documents should be kept close in hand. For example, when the Ministers speak of "capability to pay," it is by recalling the EC Communication that we know the very particular analysis of GDP per capita that they have in mind. It is by the nuances of the Communication that we can understand what the EU really intends.

While we are critical of the EU's position, the EU must be commended on certain crucial points. It has steadfastly stood by the 2°C objective, and even as crowds of voices are raised to say that it is no longer in reach, the EU has taken a more productive tack. The EC Communication even acknowledges that the emerging science demands an *increase* in ambition, and warns that concentrations may have to be reduced to even "as low as 350 ppmv CO₂ equivalent". This is a brave statement, as is clear to anyone who even vaguely understands its implications with regard to the available global GHG budget, and the extraordinarily ambitious climate regime that will be needed to keep us within that starkly limited budget. That this reference to 350 was unfortunately dropped from the Environment Council statement is testimony only to the weight of conservative political opinion. The EU's environment ministers understand the science, and that any climate regime ambitious enough to keep us within the available GHG budget is will be extraordinarily challenging.

Also, in light of this starkly limited global GHG budget, the EC communication treats seriously the question of an effort-sharing. It recognizes that a repeat of Kyoto, where targets were established through an entirely non-transparent negotiations process unanchored by any explicit set of foundational principles (and commonly known as "horse trading"), is simply not an option. It therefore attempts to lay out an alternative, a seemingly transparent, fair, and principle-based approach to effort-sharing in general and national emission targets in particular. In this effort, however, the EU unfortunately falls far short. Indeed, we argue that the EC approach, in both its design and its probable outcomes, is unlikely to provide the basis for a workable climate regime.

First, at the most fundamental level, the effort-sharing approach embodied by the EC Communication is structurally disjoint. In fact, it is a muddle of at least three disparate effort-sharing schemes:

(i) In the first, it applies a popular interpretation of the IPCC Fourth Assessment Report Table 13,7 (the “Bali Box”) to share the global GHG budget between the Annex-1 and non-Annex 1 countries. The result is a proposed reduction target of 27.5% below the 2020 baseline for Annex 1 (30% relative to 1990 emissions), and for non-Annex 1 countries a reduction of 15-30% below the 2020 baseline. The indicative non-Annex 1 reduction level presented in the EC Staff Working Document, is a deviation of approximately 16% from the baseline by 2020, (consisting of a 13% reduction in energy and industrial sectors, and a halving of emissions from deforestation.) As argued in Section 3 above, we do not believe that the Bali Box provides a basis for such a apportioning of effort.

(ii) It next calls upon a set of four quantitative indicators to set emission targets for individual Annex 1 countries. In the background documents to the EC Communication, the further step is taken of proposing analogous indicators to set emission targets for non-Annex 1 countries.

(iii) As a third step, it outlines two options for establishing obligations for developed countries to fund adaptation and mitigation in developing countries.

The result of mixing these three different effort-sharing approaches is a needlessly complex system. This system appears to be principle based, but only from certain angles. It is intermittently transparent, but ultimately obscure. It is deeply, and perhaps by design, ad hoc.

All of which is important to note, because there is no compelling reason why a single effort-sharing methodology, based on a single set of transparently defined and principle-based indicators, would not work at least as well. In particular, a single composite indicator of capacity and responsibility can be used to allocate both the mitigation and adaptation sides of the global climate obligation, either within a restricted subset of nations (i.e. Annex 1) or globally. Alternatively, the same sort of principle-based indicator can be used to determine contributions to any one of a variety of international funding mechanisms. So why did the EU, instead, choose to conflate numerous indicators at multiple levels of analysis? We do not know, but one point at least is clear – by so doing, and contrary to any claims to transparency, the EU has created a system in which it is unnecessarily difficult to gauge the meaning of “comparability of effort.”

Consider next the set of four “key parameters” that the EC Communication presents as its basis for setting fair and comparable Annex 1 emissions targets¹⁸:

- **“GDP per capita**: reflecting the capability to pay for domestic emission reductions and to purchase emission reduction credits from developing countries;
- **GHG emissions per unit of GDP**: indicating the domestic GHG emission reduction potential;
- **Trend in GHG emissions** between 1990 and 2005: recognising domestic early action to reduce emissions;
- **Population trends** over the period 1990 to 2005: taking into account the link between the size of the population and total GHG emissions.”

These may at first sight seem appropriate indicators, for they are transparent, practical, and directly related to GHG emissions. Moreover, both the EC Communication and its background documents present data to show how these indicators demonstrate quite clearly the broad range of countries found within not only Annex 1, but non-Annex 1 as well. However, and critically, the EC at no point coherently argues that these indicators usefully

¹⁸ Note that in the March 2 statement of the EU environment ministers, these principles are repeated, though in pointedly more general terms. For example “**GHG emissions per unit of GDP**: indicating the domestic GHG emission reduction potential” becomes “the GHG emission reduction potential.”

represent the equity principles upon which effort-sharing in the climate regime should be based, and in fact there are strong reasons to doubt that this is the case. In particular, this set of indicators is at best only partially consistent with the Framework Convention's fundamental equity principles of "common but differentiated responsibilities and respective capabilities." In particular, if this phrase is understood to refer to countries' responsibility for contributing to climate change, i.e., their historical emissions, it is not captured by any of the four indicators. And even if this phrase is understood to merely refer to countries' *current* (rather than historical) emissions, it is still not adequately captured.

GHG emissions do appear in the context of *GHG per unit of GDP*, which is presented as an indicator of emission reduction potential, as it often is. However, as an indicator of reduction potential, *GHG per unit of GDP* falls short in two ways. First, as the EC Communication itself notes, this indicator is an exclusively domestic measure of potential to reduce, and says nothing about national potentials to enable international reductions, i.e., to contribute to MRV financial support, which constitute an extremely large portion of developed countries' total climate obligations. Here, the appropriate measure would be an indicator of ability to pay. Second, even as a measure of potential for domestic emissions reductions, it is not clear why *GHG per unit of GDP* is a more appropriate measure than *GHG per capita*. If it is, then, two countries, one with twice the emissions and income of another, have an equal potential for domestic reductions, and this is obviously not the case. Rather, to be blunt, *normalizing by GDP has the effect of granting more allowances to wealthier countries*. More particularly, it obscures the potential for the high-emitting, high-consumption lifestyle patterns of wealthier populations to be mitigated by lifestyle changes.

The EC has, of course, identified *GDP per capita* as an indicator of capacity to pay. But while this might seem a reasonable choice, it is inconsistent with how nearly all societies actually interpret capacity to pay when it comes to allocating public costs among private citizens. Setting climate obligations proportional to *GDP per capita*, as presented in the EC Communication, is equivalent to a "flat tax", which is nearly universally seen as being, if not actually regressive, then certainly insufficiently progressive. In other words, it is generally accepted that individuals should bear tax burdens that are more than proportional to their income. Most countries implement such taxes through tax schedules with a zero tax bracket (that protects the limited incomes of the extremely poor from taxation) and by way of tax rates that rise (in percentage terms) as income rises. If the EC were to assign target based on a more progressive definition of capability to pay, it could have dramatic effects on allocation of effort among different countries.

The EC has also used population growth as one of its four indicators, explaining that "Countries with an increasing population will have more difficulties to reduce their emissions than countries with stable or declining populations, assuming per capita income, carbon and energy intensity are all stable." This is a recognition of an essential fact: when a future emission target is expressed with respect to a base year, the relative effort required to meet that target depends critically on the factors which drive emissions trends, and these can vary considerably between countries. Which raises the question of why only population trends are taken into account here, and whether such a partial measure of baseline emission trends is reasonable and fair. Some countries, for example Ukraine and China, have relatively low (or negative) population trends, but might be expected to have high economic-growth and energy-intensity trends, as more people rise out of poverty and gain access to energy services. In general, a more defensible way of ensuring comparability of effort would be to assign targets relative to business-as-usual emission trajectories, rather than any single emissions driver or base year. For example, the EC (and many others) refer to a 15-30% "deviation from business as usual" when discussing non-Annex 1 emission pathways¹⁹. And,

¹⁹ The EC's supporting analysis considered population growth from 2005 to 2020 when calculating non-Annex 1 country targets. Since non-Annex 1 targets were defined relative to business-as-usual, which

finally, while there are serious difficulties in determining business-as-usual pathways, in the problems associated with base years (see for example Kyoto itself) are worse.

The final indicator presented by the EC is the 1990-2005 emission trend, chosen for the purpose of “rewarding early action by developed countries to reduce emissions”. The intent here is reasonable, and fully consistent with the overall notion of responsibility of nations for historical contributions to the climate problem (and, conversely, to the climate solution). But the particular indicator chosen is nevertheless problematic because does not distinguish between early action to reduce emissions and economic collapse.

The above problems are fundamental, and indicate a failure of both rigor and transparency. Proposed indicators should be clearly derived from the principles they are intended to express, and their justification – in the face of other possible indicators – should be clearly laid out. The EC has done none of this, and the result is a muddle that inspires little trust, particularly with regard to the consistency of its indicators with the core principles of “common but differentiated responsibilities and respective capabilities.”

An equally profound problem arises from the way that these indicators are used. The EC procedure for setting targets does indeed start with the specified four indicators, but it then enfolds them in a shroud of additional, and generally ad hoc, parameterizations. The whole system ends up being a black box that is very weakly linked to the principles that were used to justify the whole exercise in the first place. Table 6 below lists these parameters and their values, the justifications for which do not appear in either the EC Communication or its supporting documentation. Nor is this a complete list, since the target-setting algorithm relies as well on additional parameters to specify the relative weighting of each of these four indicators, and the degree to which a target and an indicator deviate from a linear relationship²⁰.

ad hoc parameters in the EC model of effort-sharing	
Parameter	Value
1. Aggregate allocation for Annex1	30 % relative to 1990
2. Aggregate allocation for non-Annex1	16 % relative to baseline*
3. Average as a function of GDP per capita	-11.5 %
4. Range as a function of GDP per capita	20 %
5. Average as a function of CO2 per unit of GDP	-11.5 %
6. Range as a function of CO2 per unit of GDP	24 %
7. Average as a function of early action	-8.5 %
8. Range as a function of early action	28 %
9. Average as a function of population growth	2 %
10. Range as a function of population growth	10 %

* See the EC Communication supporting analysis by the JRC-IPTS. Figure includes additional land-use reductions.

Table 6. Various parameters, extracted from the official technical background documents that support the EC Communication, that determine targets using the EC “four indicator” model of effort-sharing.

already takes into account population trends, it is actually redundant to use population trends as a determinant of reduction targets.

²⁰ This deviation appears visually as a “kink” in the line with different slopes on either side, as seen in Figure 7 of the EC Staff Working Document (Part 2).

Needless to say, it is possible to generate entirely different effort-sharing allocations among countries simply by adjusting these parameters. The choice of the averages (which vary from negative 11.5% to positive 2%) and the ranges (which vary from 10% to 28%) entirely determines the relative targets of different countries. Yet, no explanation is given for the particular choice of these all-important parameters. Nor is any explanation given for why the targets deviate from a linear relationship with the indicators in the particular idiosyncratic manner that they do. Eliminating the kink in the population indicator would relax Ukraine's target by approximately 10%, while eliminating the kink in the intensity indicator would relax Australia's by about 10%.

In other words, the target calculated for a particular country depends as much on the arbitrary choice made for each of these parameters as it does on the value of the country's four quantitative indicators. Thus, the specific targets derived by the EC analysis cannot in any way be said to be a straightforward or unambiguous result of the indicator values. The same criticism can be raised about the algorithm (even less completely explained) by which the indicative targets for developing countries are determined (Section 4.2, JRC-IPTS report).

After laying out the four-indicator proposal for target setting, the EC Communication goes on to briefly discuss "Innovative International Funding Sources." These are critical to the EC's vision of a viable Copenhagen agreement, for they are its central response to the core element of the Bali decision, wherein the developed countries committed to providing measurable, reportable, and verifiable financial and technological support for developing country mitigation actions, and improving access to "adequate, predictable and sustainable financial resources and financial and technical support" for mitigation and adaptation (Bali Action Plan, UNFCCC Decision 1/CP.13).

Here it should be said that the EC Communication Staff Working Documents, if not the Communication itself, helpfully reaffirms that "a composite index that reflects responsibility and capability might be the most suitable and politically acceptable way forward."²¹ This vastly improves upon the disjoint, random, and entirely inadequate manner in which Annex 1 countries fund the existing climate related funds under the UNFCCC and Kyoto Protocol. Adding some concreteness, the EC Communication outlines two options. The first is a quantitative formula, which the EC suggests could be based on national emissions allowances and GDP/capita, as indicators of "polluter pays" and "ability to pay", respectively. For the second option, a percentage of national allowances could be withheld at the international level and auctioned, (as in the "Norwegian proposal") but possibly with the percentage increasing with GDP/capita.

These are both plausible if not ideal approaches, and the EC Staff Working Document expands upon them both, presenting some quantitative examples of the national shares implied by various choices of indicators for different countries.²² The examples, to be sure, deserve much of the same criticism as the EC's approach to setting reduction targets received just above, but we will not repeat it here.

The main shortcoming of the EC Communication's discussion of funding, and it is an extremely serious one, is simply that the EC remains entirely equivocal regarding the total scale of the financial support that it is willing to provide. In fact, it signals quite strongly that its willingness to provide support is rather limited, and it does this in several ways. First, it explicitly states that all "low-cost" and "net benefit" mitigation options should be borne by developing countries, and asserts that developed countries will provide only "financing beyond the domestic capabilities of the respective developing country." Especially lacking a definition of "domestic capabilities", this is a problematic offer. A similar qualification limits

²¹ Commission Staff Working Document, Part 1, Executive Summary, p. 11.

²² Staff Working Document, table 22, Part 1.

adaptation funding, where the EC Communication specifies that adaptation support would be “to the most vulnerable and poorest” ... “in particular LDCs and Small Island Developing States.” While it is important to reach the most vulnerable and the poorest, the commitments from industrialized countries must go much further than this. This apparent restriction on the eligible recipients of adaptation funding is likely to be taken as a further evasion of Europe’s UNFCCC and Kyoto obligations.

For the EC Communication to be taken as a major contribution to a fair Copenhagen agreement, it would have had to make a strong and unambiguous statement about the EU’s willingness to provide serious MRV support and adaptation funding. The developing countries have very clearly stated that this is an absolute priority for them, and a condition for significantly stepped up engagement. If anything was hoped for from this EC Communication, it was a strong signal regarding the willingness to support developing country actions. This, unfortunately, has not yet been delivered.

7 Conclusion

“Our duty is to help the victims of climate change. We have made promises in Bali. And we need everyone's support to come to an agreement in Copenhagen.

That's why we have to commit to a massive and immediate reduction of greenhouse gas emissions. That's why we have to find a solution quickly to finance adaptation particularly in developing countries.

Switzerland has proposed to finance adaptation with a global CO2 tax. Our proposal is based on two principles: the "polluter pays" principle and solidarity. A global CO2 tax would help the countries that suffer the most from climate change to deal with its harmful impact...

Switzerland proposes to establish a Global Adaptation Framework to bridge the gap between those who have the know-how and the means for adaptation and those who need it urgently...because without them we will never find an agreement to reduce global warming.

We have no right to forget them. And it's in our interest not to forget them.”

Moritz Leuenberger, Swiss minister of environment, transport, energy and communications²³

Swiss Minister Moritz Leuenberger is of course correct that “we have to commit to a massive and immediate reduction of greenhouse gas emissions” and “find a solution quickly to finance adaptation” But it is interesting, and perhaps a bit discouraging, to note that since he spoke these words (February), Switzerland has ceased to develop its global carbon-tax proposal choosing to revert to a more typical role as a de facto, if not official, member of the European Union.

This is not altogether a compliment, for solidarity with the EU negotiating position is not shaping up as a strategy that is altogether compatible with, for example, Leuenberger's call to “help the victims of climate change.” And it is particularly problematic with respect to the industrialized countries commitments made in Rio and repeated in Kyoto and Bali. .

This report, for its part, has argued that an emergency mobilization is necessary to prevent a climate catastrophe. It has moreover urged that that mobilization be executed in an equitable way. Neither of these moves is novel, but it then adds a rigorous, principle-based, and data-supported way of quantifying their meaning. In doing so, it leads to a very clear conclusion. Even if the costs of a rapid climate transition are assumed to be quite high, and even if they are deemed to be the sole obligation of the minority of people living above a modest threshold of development (less than one third of the global population today), they would still be quite bearable. At a few dollars per day, the rich and the relatively well-off can easily afford to shield the poor from the costs of combating climate change. They can, in other words, afford to honor a meaningful right to development.

What, in this spirit, do we recommend?

- That Switzerland commit itself to strictly science-based approaches, and to accepting its fair share of the stringent emission reductions that are required under such

²³ Moritz Leuenberger, February 5.,2009, Delhi Sustainable Development Summit

approaches. That it recognize that, under a straightforward codification of the UN Framework Convention's principles of "common but differentiated responsibilities," this means that Switzerland, in 2020, should bear about 0.37% of the global mitigation and adaptation burdens, whatever they may be.

- That Switzerland insist that transparent metrics of capacity and responsibility as the best foundations for a new climate agreement; that it set out to bridge rather than exploit the international divide; that it recognize that future economic growth must be based on accelerated de-carbonization and social justice; that it work to ensure the next global climate regime is one that protects and promotes true sustainable development.
- That Switzerland embrace the conclusions of such a "fair shares" analysis, even though it implies a mitigation obligation that soon exceeds its current emissions – for example, it would give Switzerland a 2020 mitigation obligation of 66 MtCO₂-equivalent, which comes to an emissions allocation of 130% below 1990 emissions levels – obligations on this scale are in fact just and necessary.
- That Switzerland approach the climate negotiations from a long-term perspective. That it recognize, in particular, that the North must lead by example. That it strain to understand why the South is loath to support any global differentiation proposal until the North has demonstrated its willingness to meet its own proper commitments and launch the global climate transition.
- That Switzerland see that the South, with its lesser responsibility and its vastly greater need, cannot reasonably be asked to put aside its wariness and pioneer the greenhouse transition. That, again, the North must lead by example.
- That Switzerland, following up on its tax proposal, work to define and establish international financial and technology-transfer frameworks that are fair enough to actually work.
- That, in particular, Switzerland realize, and publically affirm, that any climate-related financial obligations are inherently additional to existing ODA (Official Development Assistance) obligations.

This report, at bottom, is about the principles of capacity and responsibility. But there are other principles, too, in play in the climate negotiations. One of them, which we hope to see more of in the months ahead, is the principle of leadership. It has been lacking and – we confess – it is easy to understand why. The challenges of the climate emergency, after all, are great ones.

But it's time, now, to rise to such challenges. For change, and for leadership, and for the ability to see that the frenetic pace of current events will not soon abate. And for the realization that, as Nelson Mandela once so keenly noted, "It always seems impossible until it's done."

Right now, in truth, it seems impossible. But there is still time.

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8 Appendix 1: A comment on the “Bali Box”

As suggested above, we must be honest about the science and its implications if we are to rise to the climate challenge. For this reason, and because so much has been inferred from a particular table in the IPCC’s Fourth Assessment Report (AR4) – the so-called “Bali Box” in which we are supposedly told that emissions in the developed world must drop to “25 to 40% below 1990 levels in 2020” if we’re to hold the 2°C target – it’s necessary to be precise about that table and its uncertain relationship to “what the science requires.”

The table, more precisely, is in Box 13.7 from AR4’s Working Group III volume, and it has been central to effort-sharing and target-setting discussions that first crystallized in the Vienna and Bali negotiations and have continued into the EC’s Communication. These discussions have focused on the most stringent of the scenario families that were evaluated by the IPCC and termed the Category A scenarios:

Box 13.7 The range of the difference between emissions in 1990 and emission allowances in 2020/2050 for various GHG concentration levels for Annex I and non-Annex I countries as a group^a

Scenario category	Region	2020	2050
A-450 ppm CO ₂ -eq ^b	Annex I	-25% to -40%	-80% to -95%
	Non-Annex I	Substantial deviation from baseline in Latin America, Middle East, East Asia and Centrally-Planned Asia	Substantial deviation from baseline in all regions

Table AP1. Reproduction of the first rows of Box 13.7 from Working Group III of the IPCC’s Fourth Assessment Report.

There’s a lot to say about this table, but two points are crucial. First, the “Category A” scenarios are not “2°C trajectories,” and second, the “-25% to -40%” numbers are emissions *allocations*, and as such are products of particular effort-sharing approaches. They reflect not only technical analyses, but political judgments and assumptions as well, and cannot be considered objective results of a “scientific” discussion.

It’s important to be clear about what the IPCC did and did not do in creating this table. In particular, it’s important to point out that this table is based on a survey of published studies that use widely varying baselines, target trajectories, and effort-sharing frameworks. These studies were not designed by the IPCC, and were not specified by their authors to have any particular common characteristics with regards to their temperature objectives. Nor, importantly, did the survey restrict itself to studies of effort-sharing approaches that were consistent with the principles and provisions of the UNFCCC.

Elsewhere in AR4 an overlapping set of low-emissions studies is categorized somewhat differently as “Category I” (445 to 490 ppm CO₂-equivalent), and it is noted that these correspond to an “best estimate” equilibrium temperature rise of not 2°C, but “2°C to 2.4°C”. Furthermore, even emissions pathways that stabilize at the lower end of the 445 to 490 ppm CO₂-equivalent range are expected to have a 50% chance of exceeding 2°C warming at equilibrium, with the chance of forcing temperatures considerably higher than 2°C if they peak substantially higher than their ultimate stabilization level and stay above that level for more than a few years before declining, as indeed most of the Category A / Category 1 scenarios do. Thus, adopting the IPCC’s language for referring to probabilistic statements, it is incorrect to refer to Category A / Category 1 scenarios as “likely” to keep the temperature increase below 2°C.

Equally importantly, the “25 to 40% below 1990 levels” description of Annex 1 targets in the Bali Box bears no direct relationship to the associated global emissions trajectories. The stringency of the Annex 1 reduction target can be traded off against the stringency of the non-Annex 1 target; for any given global target, a higher (or lower) Annex 1 allocation can be matched with a lower (or higher) non-Annex 1 target. The 25-40% range presented in the Bali Box encompasses neither the upper nor lower bound of Annex 1 shares under plausible effort-sharing systems. Notably, the fact that all the studies surveyed calculate a “substantial deviation below baseline” in the allocation given to non-Annex 1 countries by 2020 indicates that one obvious burden-sharing principle – the UNFCCC principle that the Annex 1 countries will bear the full incremental costs of emissions reductions, and thus that the non-Annex 1 countries will get an allocation equal to their baseline growth – has plainly been excluded.

Nor does the 25-40% range even fully capture the variation in the studies that *were* included in Box 13.7. In fact, as documented in an influential recent paper²⁴ by den Elzen and Höhne, the authors of Box 13.7, at least two burden-sharing calculations that produced Annex 1 reduction targets of greater than 45% below 1990 in 2020 were simply dropped as “outliers.” However, no justification for this was given. Our own Greenhouse Development Rights paper, which was included in the aforementioned den Elzen and Höhne paper though it was published after AR4, would have qualified as yet another outlier, with Annex 1 reduction targets up to 68% below 1990 levels in 2020, reflecting both a more stringent global target and an alternative effort-sharing principle.

To confuse matters even more, the den Elzen and Höhne paper noted above used a different methodology to quantify the “substantial deviation below baseline” required in non-Annex 1 countries, taking 25-40% Annex 1 reduction targets as given, and producing the now famous “15% to 30% reduction from baseline” that has now been cited in supporting documents to the EC Communication. The study contained a broader sensitivity analysis, but their reports highlighted only a small set of the relevant results. They filtered out alternatives in which either higher Annex 1 reductions (of 40% or higher relative to 1990 levels) or lower baselines led to non-Annex 1 reductions of less than 15%. Thus the widely repeated “15% to 30% reduction from baseline” numbers do not reflect the full range of possible 450 ppm CO₂-e scenarios. In particular, 450 CO₂-e ppm overshoot scenarios that involve effort-sharing arrangements in which non-Annex 1 reductions from baseline are less than 15% have disappeared.

In short, the combination of Box 13.7 and the post-Box 13.7 discussion has left the widespread but incorrect impression that to stay below 2°C of warming it is sufficient and equitable for Annex 1 countries to make reductions in the 25-40% range, and for non-Annex 1 countries to deviate from 15-30% below baseline. The results of an IPCC survey have thus been grossly misinterpreted as an IPCC endorsement of a particular range for a non-Annex 1 reduction target. As was evident from the response of the non-Annex 1 countries during the Poznan negotiations, this interpretation is far from a consensus position.

All of which needs to be closely noted as we head into the Copenhagen negotiations. For while the Bali Box, in its rollup of 450 ppm CO₂-equivalent scenarios, can be considered a first draft of the emergency emissions pathway we so badly need, Copenhagen demands a second draft, and it should take major steps forward in at least two ways:

- First, the next-generation emergency pathway should not be calculated with respect to a temperature objective (less than 50% chance of keeping warming below 2°C) that is now widely recognized as being unacceptably dangerous. James Hansen and his team, in particular, have set out to make this very clear, with important recent

²⁴ Climatic Change (2008) 91:249–274, *Reductions of greenhouse gas emissions in Annex 1 and non-Annex 1 countries for meeting concentration stabilisation targets*, Michel den Elzen, Niklas Höhne.

contributions to the science of climate protection (e.g. Target Atmospheric CO₂: Where Should Humanity Aim) that show that the IPCC's current definition of a "low-emissions target" (the 450 ppm CO₂-equivalent featured in the Bali Box under Category A) would fail to leave us a planet "similar to that on which civilization developed." In particular, it would likely fail to stabilize the major continental ice sheets, and thus would not prevent a catastrophic rise in sea levels. The temperature implications of a "low-emission target" must, at a minimum, honestly aim to ensure the stabilization of the Greenland and West Antarctic Ice Sheets. At this late date in the negotiations, we must adopt the discipline of making the temperature and impact consequences of proposals explicit and visible.

- Second, a reference emergency pathway should not be so vague when it comes to defining overall global emissions budget and timeframe, and should certainly not rely on such meaningless language as "substantial deviation from baseline". The ambiguity here allows far too much slippage and bad-faith negotiation, and it is not helpful. What is needed is enough specificity to allow a clear understanding of the effort needed, in terms of the time available before global emissions need to peak, and the rate at which they will have to decline thereafter.

If these ambiguities are left unresolved in the timeframe of the Copenhagen negotiations, we may well end up giving up on strategies that can avoid a warming of 2°C, or even considerably higher. In particular, proposals promising only a post-2020 global emissions peak would dramatically diminish society's ability to achieve a 2°C pathway. Indeed, it would condemn us, and our children, to a bitter choice between catastrophic warming on the one hand and, on the other, an extremely disruptive, 11th-hour infrastructural and economic transition with near-zero odds of gaining political acceptance and being implemented in time.

9 Appendix 2: The Greenhouse Development Rights Framework

The climate crisis does not come to us alone, but rather amidst worsening social and economy turbulence. Some of this turbulence – the “financial crisis” in particular – is sharp and episodic, but, always, there is the crisis of inequality and poverty – the ongoing development crisis. Given this, any potentially viable global climate accord must address the crisis of poverty and development. In particular, it must acknowledge and explicitly preserve a right to development or, more precisely, a right to sustainable human development. The bottom line in this very complicated tale is that the South is neither willing nor able to prioritize emissions reductions above the social and economic advancement of its people. And that, therefore, the key to climate protection is the establishment of an international effort-sharing regime in which it is not required to do so.

The *Greenhouse Development Rights* framework is, accordingly, designed to protect the right to sustainable human development, even as it drives extremely rapid global emissions reductions. To do this, it proceeds in the only possible way, by concretely interpreting the official principles of the UN’s *Framework Convention on Climate Change*, according to which Parties commit themselves to “protect the climate system ... on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities.”

As explained more fully below (in the concluding section of this appendix), the Greenhouse Development Rights framework anticipates a future when all countries are taking on a share of the burdens under a global climate regime. In the meantime, as specified in the UNFCCC, it is time for the industrialized world (the countries identified in Annex 1 of the UNFCCC) to “take the lead in combating climate change and the adverse effects thereof”. In particular, the present “Copenhagen period” is Annex 1’s last best chance to earnestly work, through concerted action, to build confidence in the possibility of a fair and adequate global climate transition. For there is still time. Through aggressive and sweeping mitigation initiatives at home, and through good-faith support to non-Annex 1 countries seeking financial and technological resources to mitigate and to adapt, it can still launch the transition to a post-carbon world.

As a first step, the GDRs framework codifies the right to development as a “development threshold” – a level of welfare below which people are not expected to share the costs of the climate transition. People below this threshold have survival and development as their proper priorities. As they struggle for better lives, they are not obligated to expend their limited resources to keep society as a whole within its sharply limited global carbon budget. They have, in any case, little responsibility for the climate problem and little capacity to invest in solving it.

People with incomes that exceed the development threshold, on the other hand, are taken as being wealthy enough to begin bearing the burdens of the climate transition – as having realized their right to development and as bearing some fraction of our common responsibility to preserve that right for others. They must, as their incomes rise, assume a steadily rising share of the costs of curbing the emissions associated with their own consumption, as well as the costs of ensuring that, as those below the threshold rise toward and then cross it, they are able to do so along sustainable, low-emission paths. These obligations, critically, are taken to belong to *all* people with incomes above the development threshold, whether they live in the Annex 1 or Non-Annex 1, in the North or in the South.

The level and method by which a development threshold would best be set is clearly a matter for debate, one that we welcome. One matter, though, must be stipulated – the development

threshold is emphatically not an “extreme poverty” line, one which is typically defined to be so low (\$1 or \$2 a day) as to be more properly called a “destitution line.” For a threshold to reasonably capture the principle of a right to development, it should be set to be at least modestly higher than a global poverty line; it must reflect a level of welfare that is beyond basic needs, though well short of today’s levels of “affluent” consumption.

For the purposes of our indicative quantification here, we draw upon recent empirical analyses of the individual income levels and their correlation with indicators of poverty. As it turns out, an income of approximately \$16 per day (PPP adjusted) sets the point at which the classic plagues of poverty – malnutrition, high infant mortality, low educational attainment, high relative food expenditures – begin to disappear, or at least become exceptions to the rule. Taking a figure 25% above this global poverty line (development by any measure must reflect more than a mere escape from poverty) we illustrate the implications of the Greenhouse Development Rights approach based on calculations relative to a development threshold of \$20 per person per day (\$7,500 per person per year). Not coincidentally, this income correlates well with the level at which the southern “middle class” begins to emerge.

Once a development threshold has been defined, logical and usefully precise definitions of *capacity* and *responsibility* naturally follow, and these can be built upon to specify and calculate national obligations for shouldering the climate challenge. Capacity, which we take to mean income that is not demanded by the basic necessities of everyday life, is income that is at least hypothetically available to be “taxed” to support a global climate mobilization; such a tax would not *compromise a fundamental level of welfare*. Honoring a right to development

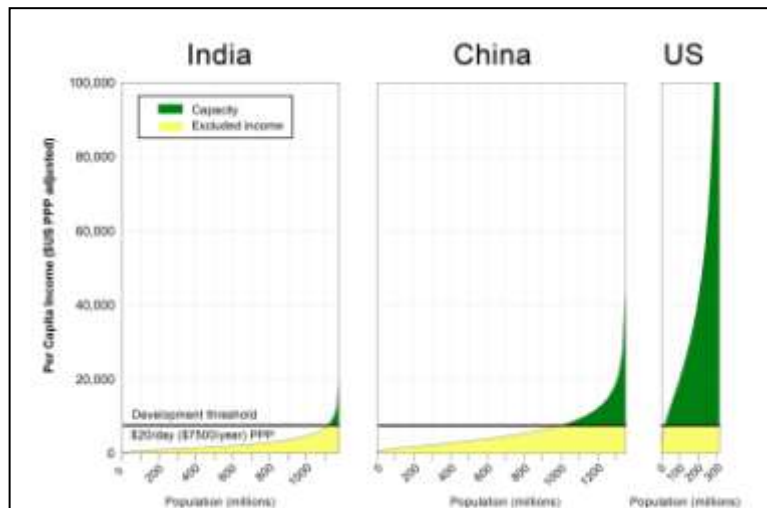


Figure AP1. The development threshold. These curves approximate income distributions within India, China, and the US. Thus, the green areas represent national incomes above the (\$20 per person per day, PPP) development threshold, our definition of national capacity. (Chart widths are scaled to population, so these capacity areas are correctly sized in relation to each other.)

Note: Switzerland, with its tiny population, cannot usefully be shown on this comparative chart. But a similar graph, drawn to a different scale to illustrate Switzerland, would show that 99.5% of the Swiss population was living above the development threshold. Contrast this to the US, for which this figure is 96.5%.

thus means that an individual’s capacity must be defined not as *all* of his or her income (as for example in a GDP/capita metric) but rather as their income *excluding income below the development threshold*. And that, in turn, a nation’s aggregate capacity should be defined as the sum of all individual income above the development threshold. Responsibility, by which we mean contribution to the climate problem, can similarly be defined as cumulative emissions (since some agreed starting year) excluding emissions that correspond to consumption below the development threshold.

“Development emissions,” like “development income,” do not contribute to a country’s obligation to act to address the climate problem.

Thus, in the GDRs framework, both capacity and responsibility are defined in individual terms, and in a manner that takes explicit account of the unequal distribution of income within countries. This is a critical and long-overdue move, because the usual practice of relying on national per-capita averages fails to capture either the true depth of a country’s development

urgency or the actual extent of its wealth. Indeed, if one looks only as far as a national average, then the richer, higher-emitting minority lies hidden behind the poorer, lower-emitting majority.

These measures of capacity and responsibility can be straightforwardly combined into a single indicator of obligation: a “Responsibility Capacity Index” (RCI). This calculation is done for all Parties to the UNFCCC, based on country-specific income, income distribution, and emissions data. The precise numerical results depend on the particular values chosen for key parameters, such as the year in which national emissions begin to count towards responsibility (we use 1990 as our indicative “responsibility start date,” but a different dates can be defended, and the online GDRs calculator²⁵ supports dates as early as 1751) and, especially, the development threshold.

Crucially, the GDRs framework lays out a straightforward and transparent operationalization of the UN’s official differentiation principles, and that, again, is designed to protect the poor from the burdens of global climate mobilization. Beyond that, the values of specific parameters can be easily adjusted and should certainly be debated; all of them, of course, would have to be negotiated.

GDRs results for representative countries and groups (percent shares)							
	2010					2020	2030
	Population (percent of global)	GDP per capita	Capacity (percent of global)	Responsibility (percent of global)	RCI	RCI	RCI
EU 27	7.3	30,472	28.8	22.6	25.7	22.9	19.6
EU 15	5.8	33,754	26.1	19.8	22.9	19.9	16.7
EU +12	1.49	17,708	2.7	2.8	2.7	3.0	3.0
Switzerland	0.11	39,181	0.60	0.27	0.44	0.37	0.30
United states	4.5	45,640	29.7	36.4	33.1	29.1	25.5
Japan	1.9	33,422	8.3	7.3	7.8	6.6	5.5
Russia	2.0	15,031	2.7	4.9	3.8	4.3	4.6
China	19.7	5,899	5.8	5.2	5.5	10.4	15.2
India	17.2	2,818	0.7	0.3	0.5	1.2	2.3
Brazil	2.9	9,442	2.3	1.1	1.7	1.7	1.7
South Africa	0.7	10,117	0.6	1.3	1.0	1.1	1.2
Mexico	1.6	12,408	1.8	1.4	1.6	1.5	1.5
LDCs	11.7	1,274	0.1	0.0	0.1	0.1	0.1
Annex 1	18.7	30,924	76	78	77	69	61
Non-Annex 1	81.3	5,096	24	22	23	31	39
High Income	15.5	36,488	77	78	77	69	61
Middle Income	63.3	6,226	23	22	22	30	38
Low Income	21.2	1,599	0.2	0.2	0.2	0.3	0.5
World	100 %	9,929	100 %	100 %	100 %	100 %	100 %

Table AP2. Percentage shares of total global population, GDP, capacity, responsibility, and RCI for selected countries and groups of countries, based on projected emissions and income for 2010, 2020, and 2030. (High, Middle and Low Income Country categories are based on World Bank definitions. Projections based on International Energy Agency *World Energy Outlook 2007*.)

Still, for all that, our indicative calculations are well chosen and interesting. Looking at just the 2010 numbers, for example, they show that the United States, with its exceptionally large share of the global population of people with incomes above the \$20 per day development threshold (capacity), as well as the world's largest share of cumulative emissions since 1990 (responsibility), is the nation with the largest share (33.1 percent) of the global RCI. And that the EU follows with a 25.7 percent share. And that China, despite being relatively poor, is large enough to have a rather significant 5.5 percent share, which is still less than that of the much smaller but much richer country of Japan (7.8%). And that India, also large but much poorer, falls far behind China with a mere 0.5 percent share of the global obligation to act.

Switzerland, as clearly shown by the GDP per capita figures in Table AP2, above, is a very wealthy country, with per capita income about 15% higher than the EU15 average. Its share of the global obligation (RCI) is 0.44% in 2010, which is large compared to its 0.11% share of the global population, reflecting its relative wealth and historical responsibility. Its share of global capacity is higher than its share of global responsibility, which reflects a national carbon intensity that is low relative to other industrialized countries.

As Table AP2 shows, the global balance of climate obligation changes over time, as differing rates of projected national growth change the global income structure. The projections here predate the global financial crisis, and would have been uncertain even in its absence, but they reflect business-as-usual as modeled by the International Energy Agency, and are thus among the most widely vetted BAU projections available. In any case, the results of these differing rates of national growth are most evident in the projected change in China's share of the total RCI, which nearly triples between 2010 and 2030 (from 5.5% to 15.2%), reflecting China's rapid economic growth, its increase in emissions, and the large number of its citizens whose incomes are projected to rise above the development threshold in the coming two decades.²⁶ They are also reflected in the drop of Switzerland's 0.44% share of the global 2010 RCI to 0.37% in 2020 and 0.30% in 2030.

These figures, again, illustrate the application of the GDRs framework by way of a particular choice of key parameters. Note that for this indicative calculation, the RCI is defined such that all income (and all emissions) above the development threshold count equally. This amounts to a "flat tax" on capacity and responsibility. However, it might well be more consistent with widely shared notions of fairness if the RCI were defined in a more progressive manner. Which is to say that a strong case can be made for a capacity calculation in which an individual's millionth dollar of income contributed far more to their RCI than his or her ten-thousandth dollar of income. A more progressive formulation of RCI would also be more consistent with the "tax schedules" by which the income tax codes of most countries are structured. And it would, naturally, shift more of the global burden to wealthy individuals and wealthy countries.

Still, and regardless of the particulars of any example quantification, the GDRs framework, or any approach to differentiating national obligations that is similarly designed to ensure a meaningful right to development, could potentially reframe the entire differentiation and effort-sharing debate. For one thing, it would allow us to objectively and quantitatively estimate national obligations to bear the burdens of climate protection (obligations to support adaptation as well as obligations to mitigate) and to meaningfully compare efforts and obligations even between wealthy and developing countries. Using the terminology of the

²⁶ The projected figures here are by no means definitive. For example, the share of the RCI that is here being attributed to China is not yet adjusted to include the carbon that is "embodied" in Chinese exports. Some significant fraction of this carbon would be better posted against the accounts of the nations that import and consume these exports, and soon they will be. And, as noted in the text above, a more "progressive" definition of the RCI would similarly shift the distribution of obligations further toward the relatively wealthier countries.

Bali Roadmap, it would allow us to flexibly gauge the “comparability of effort” across countries. Another way of putting this is that it would give us tools we need to escape the Annex 1 / Non-Annex 1 divide, which has become a critical obstacle to the progress of the negotiations.

Not that a global effort-sharing system would substitute for the political rapprochement between North and South that we so desperately need. Such a rapprochement that can only come with a significant effort by the North to finally meet its unmet commitments to the South. But now, in the hope that such an effort may finally be on the horizon, it's time to look forward. A new beginning in Copenhagen would still just be a beginning. Even if the post-Copenhagen world saw trust established and decisive action prioritized by all sides, the comparability-of-effort problem would remain, and remain critical, and something like the GDRs framework would be necessary to solve it. After all, in a GDRs style system, debates about whether Saudi Arabia or Singapore should “graduate to Annex 1” would be entirely unnecessary; both would simply be countries with obligations of an appropriate scale, as specified by their RCIs.

That said, however, the real value of the GDRs approach is a deeper one – GDRs defines and quantifies national obligations in a way that explicitly safeguards a meaningful right to sustainable development. By so doing, it takes at face value the developing country negotiators' claim that they can only accept a regime that protects development, and just as importantly it tests the willingness of the industrialized countries to step forward and offer such a regime.

9.1 Operationalizing a GDRs effort-sharing framework

How might such obligations be operationalized? Consider two complementary examples, each a stylized version of the more complex mechanisms that would emerge in real negotiations. The first is a single grand international fund through which all mitigation and adaptation would be financed – such as, say, a greatly expanded version of the Multinational Climate Change Fund proposed by Mexico or the “Financial Mechanism for Meeting Financial Commitments under the Convention” proposed by the G77 and China. Here, the RCI could serve as the basis for determining each nation's obligatory financial contribution to the fund.

Whatever the operationalization, cost would of course be a major issue. And when it comes to estimating the total scale of global mitigation and adaptation costs, there is, of course, tremendous uncertainty. This is not the place to discuss cost estimates in any depth, except to note that they span a fairly wide range. The Stern Review, for example, surveyed a range of modeling analyses and found mitigation costs rising up to the order of 1% of Gross World Product by 2050. Stern has subsequently revised this estimate upward as he has come to advocate more stringent targets.²⁷ The analysis backing up the EC Communication provided two alternative results. Its macroeconomic analysis (using the GEM-E3 model) concluded that the mitigation scenario would suffer in 2020 a 1.0% GWP cost relative to the baseline. Its more techno-economic analysis (using POLES) found mitigation costs of €175 billion, or about ¼% of the EC's projected 2020 Gross World Product, and more or less comparable with the other bottom-up analyses, such as like the recent well-publicized McKinsey study, which estimate around \$200 billion to \$400 billion for global costs²⁸.

Recently, there have been two important developments on the cost-estimate front. One is that the UNFCCC Executive Secretary, Yvo de Boer, relating on UNFCCC research, has specifically estimated the annual cost of an adequate climate transition program to be about

²⁷ See the Stern Review (2006) and, for Stern's 2008 revisions, his *Key Elements of a Global Deal on Climate Change*. London: The London School of Economics and Political Science.

²⁸ See an interesting discussion of the issues here in Andrew Pendleton, *Fairness in global climate change finance*, Institute for Public Policy Research, London, forthcoming

\$300 billion annually (\$100 billion for adaptation and \$200 billion for mitigation).²⁹ The other is that the International Institute for Environment and Development has just released a major new report which, while not providing new cost estimates, argues persuasively that existing estimates of the cost of adaptation (including the ones leveraged by Yvo de Boer) “have a number of deficiencies” and that, in particular, “a re-assessment of the UNFCCC estimates for 2030 suggests that they are likely to be substantial under-estimates.”³⁰

In the face of such variance situation, we find it useful to admit that one cannot know the cost of stabilizing the global climate, and to instead conduct a thought experiment in which we take the 2020 global funding requirement as being exactly 1% of the projected Gross World Product. It is a useful figure to start with, as it is well within the range of published estimates of the cost of a global climate transition, though it is four times larger than the size of the EC’s technoeconomic estimate, equal to the EC’s macroeconomic estimate, and half as large as Stern’s revised estimates.

Given an assumed total global climate transition costs of 1% of GWP, (or \$944 billion in 2020 in our projection), one can ask how a GDR allocation would allocate those costs. The US, with 29.1% of the global RCI, would be obligated to pay about \$275 billion. Similarly, the EU’s share would be about \$216 billion (22.8% of the global RCI), of which Switzerland’s share (0.37% of the global RCI) would be about \$3.5 billion - this relates to Switzerland’s responsibility to pay for the combined cost of mitigation and adaptation at home and in developing countries. China’s share would be \$98 billion (10.4%), India’s about \$11 billion (1.2%), and so on, as shown in Table AP3, below.

²⁹ *300 billion dollars a year for climate change adaptation and mitigation says UNFCCC Executive Secretary*, UNEP News Centre, Bonn, 17 August 2009. <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=594&ArticleID=6270&l=en>

³⁰ *Assessing the costs of adaptation to climate change. A review of the UNFCCC and other recent estimates.* Martin Parry, Nigel Arnell, Pam Berry, David Dodman, Samuel Fankhauser, Chris Hope, Sari Kovats, Robert Nicholls, David Satterthwaite, Richard Tiffin, Tim Wheeler. August 2009, <http://www.iied.org/pubs/display.php?o=11501IIED>

	National Income (Billion \$)	National Capacity (Billion \$)	National Capacity % GDP	National Obligation (Billion \$)	National Obligation % GDP
EU 27	\$19,327	\$15,563	80.5%	\$ 216	1.12%
EU 15	\$16,752	\$13,723	81.9%	\$ 188	1.12%
EU +12	\$ 2,574	\$ 1,840	71.5%	\$ 28	1.09%
Switzerland	\$ 372	\$ 313	84.1%	\$ 3.5	0.95%
United States	\$18,177	\$15,661	86.2%	\$ 275	1.51%
Japan	\$ 5,071	\$ 4,139	81.6%	\$ 62	1.23%
Russia	\$ 2,905	\$ 1,927	66.3%	\$ 41	1.40%
China	\$13,439	\$ 5,932	44.1%	\$ 98	0.73%
India	\$ 5,814	\$ 972	16.7%	\$ 11	0.19%
Brazil	\$ 2,535	\$ 1,376	54.3%	\$ 16	0.64%
South Africa	\$ 706	\$ 422	59.8%	\$ 10	1.42%
Mexico	\$ 1,744	\$ 1,009	57.9%	\$ 15	0.84%
LDCs	\$ 1,549	\$ 82	5.3%	\$ 1	0.06%
Annex 1	\$50,368	\$40,722	80.8%	\$ 652	1.29%
Non-Annex 1	\$44,037	\$18,667	42.4%	\$ 292	0.66%
High Income	\$49,279	\$40,993	83.2%	\$ 655	1.33%
Middle Income	\$41,546	\$18,190	43.8%	\$ 286	0.69%
Low Income	\$ 3,579	\$ 206	5.8%	\$ 3	0.08%
World	\$94,405	\$59,388	62.9%	\$ 944	1.00%

Table AP3. GDP, capacity, and obligation, projected to 2020. These figures assume that the total cost of the global climate program is 1% of GWP, projected as \$944 in 2020.

These figures are, again, based on the assumption of a total annual global cost, for both mitigation and adaptation, of 1% of GWP. It turned out, instead, to be 0.5% of projected 2020 GWP rather than a full 1%, national obligations would come to only half of these figures. Switzerland's share would drop to \$1.75 billion. And it is also worth noting that, using the EC's 2020 mitigation-only cost estimate of €175 billion (220 billion US dollars), which comes to about 0.23% of projected 2020 GWP, that estimated costs are about half of the 0.5% figure. In this case, Switzerland's share would drop to, say, \$800 million (€596 million) in 2020.

What does this tell us? Well, consider that the Greenhouse Development Rights framework could be operationalized in many ways – as a global cap and trade system, as an auction-based system, as a fund-based system, or even as a system of internationally harmonized taxes. All approaches would have their advantages and their disadvantages. And it does seem that, in ruminating about costs, and trying to understand what they mean in concrete terms, thinking in terms of a global tax is particularly useful. In this case, the RCI, in effect, would serve as the basis of a modestly progressive global “climate tax” – not a carbon tax, but a capacity and responsibility tax. And the size of this tax could be expressed in individual terms, by simply assuming that it is passed down to taxpayers at various levels of (2020) income, according to their individual RCIs, *thus ensuring that effort sharing within nations exactly parallels effort sharing among nations.*

Under such circumstances, individuals below the development threshold, who contribute nothing to their nation's obligation, would similarly pay nothing toward fulfilling that obligation.

In effect, their “climate tax” would be zero. Which is to say that, in 2020, the roughly two-thirds of the world’s population that falls below the development threshold (assuming for simplicity that intranational income distributions remain as they are today, though of course they will change) would be exempt from paying any climate tax, enabling them to prioritizing the attainment of a basic level of welfare. The remaining population (the top third of the global population), which is projected to control 85% of the world’s income in 2020, would cover the total global mitigation and adaptation cost.

Country	income	Total costs: 0.5% of GWP			Total costs: 1.0% of GWP			Total costs: 2.0% of GWP		
		marginal tax rate	average tax rate	annual tax	marginal tax rate	average tax rate	annual tax	marginal tax rate	average tax rate	annual tax
US	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
US	\$15,000	0.88%	0.44%	\$65	1.75%	0.87%	\$131	3.50%	1.74%	\$261
US	\$30,000	0.88%	0.66%	\$197	1.75%	1.31%	\$393	3.50%	2.62%	\$786
US	\$60,000	0.88%	0.77%	\$459	1.75%	1.53%	\$918	3.50%	3.06%	\$1,836
US	\$120,000	0.88%	0.82%	\$978	1.75%	1.63%	\$1,956	3.50%	3.26%	\$3,912
Switzerland	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
Switzerland	\$15,000	0.89%	0.28%	\$42	1.78%	0.56%	\$84	3.57%	1.12%	\$168
Switzerland	\$30,000	0.89%	0.43%	\$128	1.78%	0.85%	\$255	3.57%	1.70%	\$510
Switzerland	\$60,000	0.89%	0.50%	\$297	1.78%	0.99%	\$594	3.57%	1.98%	\$1,188
Switzerland	\$120,000	0.89%	0.53%	\$636	1.78%	1.06%	\$1,272	3.57%	2.12%	\$2,544
Sweden	\$7,500	0.00%	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	\$0
Sweden	\$15,000	0.58%	0.29%	\$43	1.15%	0.58%	\$87	2.30%	1.15%	\$173
Sweden	\$30,000	0.58%	0.44%	\$131	1.15%	0.87%	\$261	2.30%	1.74%	\$522
Sweden	\$60,000	0.58%	0.51%	\$303	1.15%	1.01%	\$606	2.30%	2.02%	\$1,212
Sweden	\$120,000	0.58%	0.54%	\$648	1.15%	1.08%	\$1,296	2.30%	2.16%	\$2,592

Table AP4. “Climate tax” for various income levels. The marginal tax rate, average tax rate, and total annual bill are shown, under three different assumptions about the total costs of the emergency climate mitigation and adaptation costs (0.5%, 1.0%, and 2.0% of Gross World Product).

Please understand that we are not advocating a global climate tax. But we very much do believe that the system by which the effort associated with the climate transition is apportioned, between and within countries, must be progressive. And thinking in terms of a tax table allows us to apply the moderately progressive effort-sharing system that is GDRs at the individual level, and thus to see what the “unrealistic” global emergency climate stabilization program that we advocate would actually cost individuals.

Here we show three representative cases: a country with high responsibility relative to its capacity (the US), and of course Switzerland, as well as Sweden, another country with low responsibility relative to its capacity. (The details: US cumulative per capita emissions, 1990 to 2020, are projected to be 133 tons of carbon³¹, while Sweden’s are projected to be 40 tons and Switzerland’s are projected to be 62 tons. Reporting these numbers for 2010, a more tractable projection, yields US cumulative per capita emissions of 105 tons, Swedish cumulative per capita emissions of 34 tons, and Swiss per capita emissions of 52 tons.)

³¹ To convert to tons of carbon dioxide rather than carbon, multiply by 3.7. This figure accounts for CO₂ from fossil fuel combustion and cement manufacturing only; all-GHG figures would be somewhat higher.

Note that, although each incremental dollar of income or ton of emissions is taxed at the same rate (as in a “flat tax”), income and emissions below the development threshold are explicitly excluded, and therefore the whole system is modestly progressive. And note especially that when you compare individuals with the same level of income, across countries with different levels of responsibility, their overall “tax” is not the same. The tax for individuals at the same income level varies (being highest for the US and lowest for Sweden), reflecting the fact that this is a capacity- *and* responsibility-based *climate tax*, not simply an income tax, nor a carbon tax.

The size of this tax is not onerous. Consider the medium case above, in which we estimate the total costs of stabilizing the climate as being 1% of GWP in 2020. As you can see, an Swiss citizen earning \$60,000 a year would pay a climate tax of \$697 a year, or less than \$2 a day. This is not a large sum, and, again, keep in mind that this is based on a global cost estimate that is quite high when compared to that used by the European Commission. *If you instead use the EC’s global cost estimate, this same citizen would pay a climate tax of about \$175 a year, less than half a dollar a day.* If we are instead extremely pessimistic, and we assume that even Stern’s revised estimate is low by a factor of two, and that total global costs will be an unthinkable 4% of GWP, then this individual would be asked to contribute somewhat less than \$8/day. Still a small price to pay to save the planet.

This analysis has two clear implications, that fair effort sharing is of great pragmatic significance, and, by definition, any fair effort-sharing system must take intra-national income distribution into proper account. Even if the costs of a rapid climate transition are assumed to be quite high, and *even* if these costs are deemed to be solely the obligation of the minority of people with incomes above a \$7,500/year development threshold (less than one third of the global population today) they would still be quite bearable. The rich and the relatively well-off can easily afford to shield the poor from the costs of combating climate change. They can, in other words, afford to honor a meaningful right to development.

9.2 The GDRs framework & national reduction targets

Another perspective on effort sharing, one that is central to the ongoing negotiations,

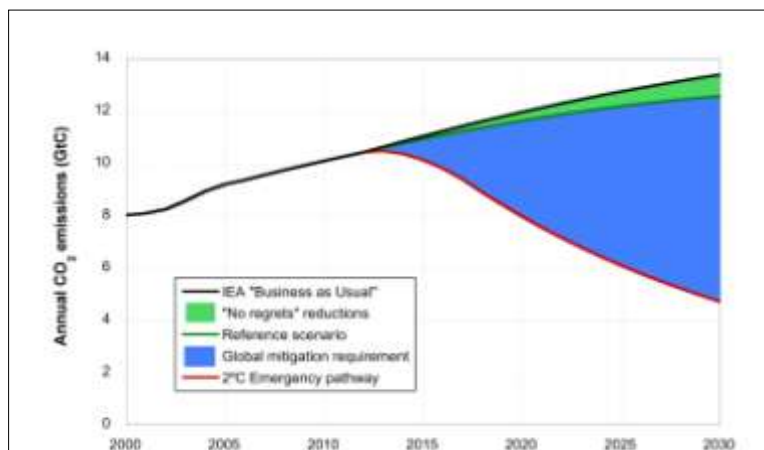


Figure AP2: Total global mitigation requirement. The BAU scenario, minus no-regrets mitigation options, yields the global reference scenario.

expresses post-2012 obligations in terms of emission reduction obligations and Kyoto-style national targets. To illustrate it, we start by comparing a global “business-as-usual” trajectory to the rapidly dropping 2°C emergency pathway, a comparison that allows us to straightforwardly calculate the total amount of mitigation needed globally in any given year.

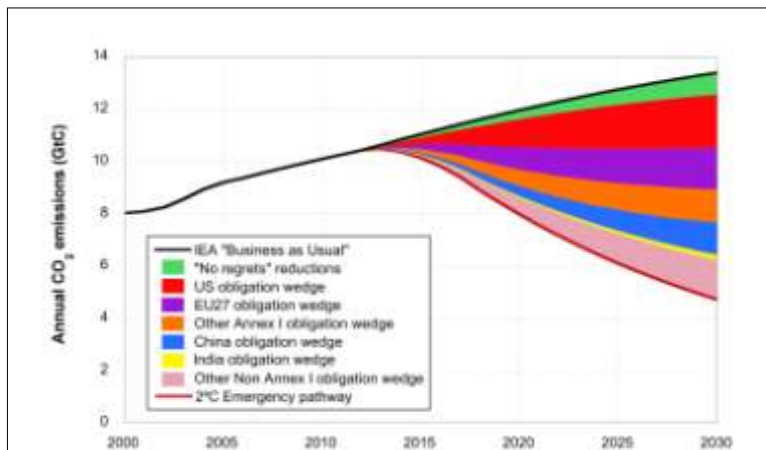


Figure AP3: Total global mitigation requirement divided into "national wedges". The global mitigation requirement is divided into obligation wedges that show the shares of the global mitigation requirement that would be borne by particular nations (or groupings of nations) in proportion to their share of the total global RCI.

Figure AP2 shows this rapidly growing gap divided between "no regrets" reductions (green), which have zero or net negative costs, and the much larger "global mitigation requirement" (blue).³² As shown, the global mitigation requirement, excluding the no-regrets opportunities, grows to approximately 3.7 GtC in 2020. (Note that these calculations and the discussion that follows are based on estimates for CO₂ only; a similar proportional reduction in all GHGs would imply a

roughly 30% larger mitigation requirement, about 4800 GtC-equivalent in 2020).

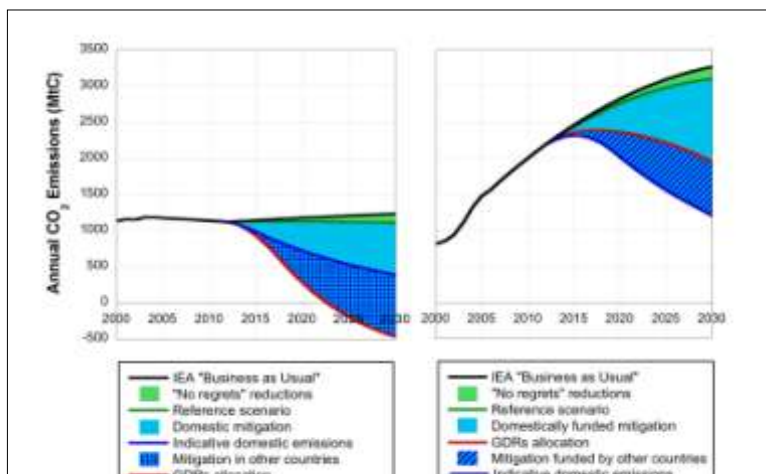


Figure AP4: GDRs EU obligations, a GDRs China pathway. The EU's obligations are calculated in a way that would put its domestic emissions on a path toward 90% reductions by 2050, while its remaining mitigation obligation is fulfilled by an international obligation (represented here by the dark blue hatched area in the left panel). Conversely, some of the mitigation taking place in China is enabled by other countries through technology and financial support (the dark blue striped area in the right panel). Note that the sizes of these various areas are merely indicative; the GDRs framework does not, in itself, specify what fraction of a country's mitigation obligation should be met domestically, and what fraction internationally.

In the GDRs framework, national emission reduction obligations are defined as shares of the global mitigation requirement, as allocated among countries in proportion to their RCI. This is illustrated in Figure AP3, which shows this allocation into national obligations with, to give a few prominent examples, the US's share (29.1%) of the total mitigation requirement appearing as the large red wedge, the EU's share (22.8%) as the large purple wedge, and China's share (10.4%) appearing as the smaller but still significant blue wedge. Thus, for example, the EU's mitigation obligation is (22.8% of the 3.7 GtC

³² The business-as-usual scenario in this analysis is taken from the International Energy Agency (IEA, 2007); the size of the no-regrets reductions potential is derived from McKinsey Company analysis (Enkvist et al., 2007), and the emergency pathway is the same as that which was presented far above in Figure 3.

global mitigation requirement in 2020) is about 850 GtC.

If this mitigation obligation were interpreted literally and achieved entirely through domestic reductions, it would imply reductions of nearly *140% below 1990 levels – minus 500 MtC* – by 2030. Obviously, this is impossible. In fact, for mitigation obligations of this magnitude to make sense, countries must not be expected to meet them entirely through domestic reductions. Thus, whatever is not accomplished domestically would need to fulfill internationally, by way of reductions in other countries that are “supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner.”³³

On its left side, Figure AP4 (below) shows the total EU mitigation obligation with an indicative division into a domestic (light blue) mitigation obligation and an (dark blue hatched) international mitigation obligation. The domestic mitigation effort is here defined so as to match the rapid decline needed to put the EU on course toward 90% domestic reductions relative to 1990 levels by 2050.

This makes for a stringent, and thus illustrative, example, one in which the EU achieves physical domestic reductions by 2030 of more than 60% below 1990 levels. But note two things. First, this level of domestic reductions is merely indicative. There is nothing about the GDRs framework that, in itself, dictates what fraction of a country’s total mitigation obligation would be discharged domestically. Rather, we assume that national preferences for domestic vs. international mitigation would vary with national circumstances, and that the final balance would depend on tradeoff between cost efficiency and political acceptability. Second, and critically, even this ambitious rate of domestic reductions satisfies well less than half of the EU’s total mitigation obligation. The remainder, amounting to nearly 900 MtC of reductions in 2030, must be discharged in other countries. In total, assuming domestic reductions of more than 60%, the EU would still be obligated to make international reductions greater than 70% of its 1990 emissions.

Moreover, this very demanding result is by no means an anomaly or methodological quirk, but rather a direct outcome of the principles underlying the GDRs framework. Like any country with high capacity and responsibility, the EU is assigned a very large obligation – large enough to necessitate extremely ambitious reductions both domestically and internationally.

China, in contrast, would be obligated to reductions of about 1100 MtC in 2030 (light blue shading), all of which could be made domestically. At the same time, another substantial quantity of reductions within China, about 750 MtC in 2030 is our estimate, (blue striped shading), would be enabled and supported by other countries with higher capacity and responsibility.

These examples illustrate a robust and striking conclusion. The national mitigation obligations of the countries with high capacity and responsibility greatly exceed the reductions they could conceivably make at home. In fact, their mitigation obligations will typically come to exceed even their total domestic emissions. Which is to say that, under a GDRs effort-sharing framework, countries with high capacity and responsibility ultimately receive “negative allocations”³⁴.

³³ The Bali Action Plan, Decision 1/CP.13 para 1(b) ii.

³⁴ Incidentally, this kind of negative allocation can never arise under Contraction and Convergence style trajectories, wherein high-emitting countries are only required to transition from their high grandfathered allocations down toward the global per-capita average. Greenhouse Development Rights, it should be said, arose from an effort to adapt the per capita approach (the most well-known of them being Contraction and Convergence), to the realities of a largely depleted global emission budget and an ongoing development crisis.

Obligations of this scale may seem simply implausible by today's standards of political realism, even for countries with high capacity and responsibility. Nevertheless, they are, in the final analysis, quite unavoidable. It is only through explicit obligations of this magnitude that a climate regime can effectively bring about its two essential outcomes. First, by driving ambitious domestic reductions, these obligations ensure that the wealthier countries free up sufficient environmental space for the poorer countries to develop. Second, by driving equally ambitious international reductions, enabled by technological and financial support from the wealthier countries, they ensure this development occurs along a decarbonized path.

These examples thus show, with startling clarity, that a major commitment to North-South cooperation – including large financial and technological transfers – is an inevitable part of any viable climate stabilization architecture. This situation reflects the actual nature of national obligations and the obvious truth of the greenhouse world: even if the wealthy countries reduce their domestic emissions to zero or near-zero levels, they must still, in addition, enable large emissions reductions in countries that lack the capacity (and responsibility) to reduce emissions as much as an emergency 2°C mitigation pathway requires, without significant assistance from others.

It is only by accepting their *two-fold obligation* that the wealthy countries can enable a climate regime that is genuinely consistent with the right to development.

9.3 Recap: differentiation and sequencing

We have argued that the climate challenge requires a simple, transparent, and compelling effort-sharing framework, one that's robust enough to be universally applicable, and to make sense even when comparing wealthy, middle income, and poor countries, each with skewed, and often highly skewed, income distributions. Such a framework must be built upon the principles of "common but differentiated responsibilities and respective capabilities," and, crucially, it will have to explicitly preserve a coherently defined right to sustainable development. These are the qualities that a differentiation scheme must have if it is to be more than a mere policy abstraction, if it is to serve as the backbone of a viable climate protection architecture. Without such a framework, the emergency climate mobilization we so urgently need will remain stalled amidst endless disagreement over who should do what, and when, and how.

We have further argued that the GDR framework embodies the necessary characteristics, although we would not presume that our particular quantitative results – relying as they do on the datasets now available, and our particular choice of various parameters – are the final word. But we do argue that differentiation is ultimately unavoidable, and that – once it is fully deliberated and vetted – a scheme that is structurally akin to the one outlined here will be needed if we're to break the impasse that prevents a global emergency mobilization.

However, the world follows a complex and varied course. It cannot be fully captured by any top-down, principle-based scheme such as GDRs, which is ultimately and inevitably ahistorical. Given this, it's no surprise that the analysis above minimizes the politics that got us to this impasse, and the political accommodations that will be required to get us beyond it. It neglects, in particular, a global lack of political will and a North-South trust deficit that effectively rule out the simplest way forward, in which the nations of the North and the South each legally commits to carry its "fair share" of the climate burden.

To be sure, the main problem is simply that the scale of the required action appears overwhelming. Looking at either the United States or the China trajectories above, or that of any other country, the implied effort is barely imaginable given today's meager political willingness to solve the climate problem. This is not a result of the particular effort-sharing approach in question, but rather a simple consequence of the stringency of the emergency transition now upon us. Were we to run the same analysis with a much weaker temperature target, the results would be rather less daunting. That is to say, the scale and urgency of the

action required now is largely a consequence of our lethargic response to the climate challenge thus far. In particular, with the Annex 1 countries having entirely neglected their Rio promise to stabilize emissions at 1990 levels by the year 2000, and after the past decade of half-efforts to meet their Kyoto commitments (and, in the case of the United States, of entirely shunning them), the climate challenge has grown much more severe than it might have.

But even if the scale of the required action were more modest, the South would still be unlikely to accept legally binding commitments. Indeed, it would be so even if those commitments were defined in a principle-based way that safeguards its right to development, such as way presented here. It is not simply that the South is stubbornly waiting for the North to fulfill its formal UNFCCC responsibility to “take the lead” in combating climate change. It is that the South sees any agreement that would curtail its emissions as simply too big a risk to take at this point. Fossil fuels have driven development up to now, and the countries of the South are not about to sign away their right to follow along this proven pathway, not without the North’s demonstrated willingness to help chart out, and indeed pave, an alternative course. The South’s distrust of legally binding commitments is directly linked, therefore, to the North’s inattention to its own emission constraints, and equally to the North’s repeated failure to meet its UNFCCC and Kyoto commitments to provide technological and financial support for mitigation and adaptation in the South.

None of this, however, excuses the South any longer from the obligation to earnestly engage. This is the case not only in the more affluent of the southern countries, such as Singapore and South Korea, but also in China, which though suffering a relatively low average per-capita income, nevertheless has a significant capacity to act. Such countries must act, and unless they do, progress on a global climate response will be stymied. The question is how they must act, and here we are compelled to emphasize one word above all others: *voluntarily*.

And we say this despite even the results of our own analysis, which suggest that a GDR-based reckoning of the South’s obligation is sizable, amounting already to somewhat more than one-fifth of the global total. We do so for the obvious reason that a legitimate Copenhagen phase simply cannot push legally-binding mitigation commitments onto the non-Annex 1 countries. The course of the negotiations thus far, and the failure of the North to demonstrably “take the lead,” has made this the simple political reality. Indeed, there may not be a single non-Annex 1 country, of any wealth or size, that is prepared to accept legally-binding commitments. Nor, it is important to note, is this what is asked of them by the Bali decision, which calls only for “nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner.”

So, while legally binding commitments based on a principle-based global differentiation might ultimately be necessary, we will, in this next Copenhagen period, have to accept a variety of types of actions, some of them softer and more implicit than we might perhaps wish. Among the Annex 1 countries, commitments should carry the force of law, and take the clear, unambiguous form of legally-binding quantified emission targets as well as legally binding commitments to financial and technological support. But for the developing world, we will have to allow considerable flexibility.

Such flexibility does not mean that efforts of countries of the South will not be measured, and compared. If South Korea, Singapore, and the United Arab Emirates do not appear to be engaging at least as much as – or indeed, more than – the much poorer countries of Annex 1, such as Ukraine and Belarus, they would obviously be seen as free-riding. Moreover, they would be undermining any claim that principle-based differentiation is an important ingredient of a robust effort-sharing agreement for the future. In particular, they would be undermining their own claim that the wealthy Annex 1 countries must finally accept their disproportionate but fair share of the global obligation to act.

So while Copenhagen will not focus on global differentiation, it should make bold progress in the sequence of steps toward it. Specifically, we would argue that the elaboration of principle-based measures of effort, like the RCI we have introduced above, would be an important indicator of success in Copenhagen. If the current round of negotiations succeeds, we will know this in part because a coherent and public conversation about fair shares of the global effort will have come into far greater prominence, and given credence to the use of explicit quantitative indicators for assessing national performance with respect to such fair shares.

10 Appendix 3: Switzerland's Responsibility and Capacity Indicator (RCI)

A national RCI is a function of four nationally-specific data elements, plus a global development threshold.³⁵ The four national elements are:

1. Per-capita income,
2. Cumulative per-capita CO₂ emissions,
3. Gini coefficients (a measure of intranational inequality),
4. Population.

Two of these – per-capita income and per-capita emissions – are in turn derived from projections for national income, national emissions, and population.

While each country's RCI, in absolute terms, depends solely on data about that country (and the development threshold), in practice, the RCI is almost always used to allocate a national share of some global obligation – to mitigate, to contribute to a global fund, to pay for adaptation, etc. This is to say that *what really matters to Switzerland is its fraction of the global RCI*, and this fraction will, necessarily, depend on data about other countries as well as data about Switzerland.

The distribution of global RCIs is also dependent on the global “development threshold,” which defines a level of well-being that is modestly above a global poverty line. Individuals living below this threshold are not expected to help bear the costs of addressing the climate problem, on either the mitigation or adaptation side.

10.1 Data and data sources

The RCI database includes all 192 countries that are members of the UNFCCC, plus Taiwan, Iraq, and the West Bank and Gaza. Data for China and Hong Kong, which are typically reported separately in most income and emissions databases, are combined.

Income

Most historical income data comes from the World Bank's *World Development Indicators Online*, which contains data for national income in PPP (Purchasing Power Parity) adjusted terms for almost all of the 195 countries in the GDRs database. For a few others the CIA World Factbook is used.

Income projections are based on projected growth rates from the International Energy Agency's *World Energy Outlook 2007*, applied to reported 2006 income. The projected growth rate for Europe, which is applied to Switzerland, is about 3% annually in 2005 and declines to about 2.1% by 2030.

³⁵ This appendix does not explain the reasoning behind the RCI, nor why these elements are appropriate to its calculation. For a detailed discussion of these matters, see the latest edition of the Greenhouse Development Rights book, downloadable at www.greenhousedevelopmentrights.org.

Projected income is then dynamically adjusted to take account of the expected change in PPP conversion factors. A statistical relationship between MER (market exchange rate) and PPP-based income is used to adjust the PPP conversion rate as national incomes converge or diverge from the projected per capita income of the US economy, which is the reference case for PPP calculations.

CO2 emissions

Historical estimates (through 2006) of CO₂ emissions from fossil fuel use and cement manufacturing are taken from the data set of the United States Energy Information Agency. Emissions between 2007 and 2012 are based on an assumption that overall Annex 1 emissions decline slightly over that period, as would be consistent with Kyoto parties meeting their targets and US emissions stabilizing. Baseline emissions are projected after 2012 based on projected growth rates from the International Energy Agency's *World Energy Outlook 2007*, applied to reported 2005 emissions. Per-capita emissions are calculated from national emissions and historical/projected population. Note that these figures do not account for the global recession which began in 2008 and has worsened in 2009; however, they also do not reflect the much higher than expected growth rates in larger developing countries between 2000-2006, which leads (as discussed in Sheehan 2008) to a much higher non-Annex 1 – and thus global – emissions baseline.

The GDRs framework calculates responsibility in terms of cumulative emissions. But note that it also supports projections of responsibility into the future, for which emissions data is not available. Thus, in projections if not historical cases, responsibility diverges from emissions. Because wealthy countries are assumed to be supporting emissions reductions internationally, it is not emissions but the annual allocation of emissions rights which accumulates as “responsibility”. That is to say, when a country's emissions allocation declines to zero and below, its responsibility ceases to increase and begins to decline.

Gini Coefficients

Gini coefficients for the majority of countries in the GDRs database are taken from the World Income Inequality Database. For countries which have reliable national or supranational sources (e.g., US Census Bureau, EU Europa database) newer Ginis are used where available. For some countries other sources are used, and for those for which no published figures are available, Gini coefficients are estimated on the basis of comparable countries.

For Switzerland, the figure used in the GDRs database is 31, from a survey reported in the WIID database. Gini coefficients are assumed to remain the same going forward – not because they are expected to remain the same, but because there is no reliable statistical pattern to the change in Gini coefficients over time. (There is a strong current correlation between per capita income and inequality as measured by Gini coefficients, with rich countries having on average significantly lower inequality than poor countries, but recently inequality has been increasing in countries across the income spectrum from the US to China.)

Population

Current and historical population is taken from the World Bank's *World Development Indicators Online*. Data is available for almost all of the 195 countries in the GDRs database. For a few others the CIA World Factbook is used. Projections are based on the growth rates

implied by the UN Population Division's Medium Variant from their last report, applied to the most recent (2006) data.

10.2 Calculating the RCI from the GDRs dataset

Because there are some moderately complex calculations involved in deriving the RCI, the actual work is done by a computer program – the “GDRs Calculator” – that was written and is maintained by Eric Kemp-Benedict of the Stockholm Environment Institute in Boston, Massachusetts. The calculator is online at <http://www.ecoequity.org/GDRs/Calculator/>

Central to the calculation is the commonly used assumption that national income distributions can be modeled as lognormal distributions. The lognormal distribution has been shown to provide a reasonable approximation of measured income distributions. With this assumption, any national income distribution can be modeled with just a Gini Coefficient and the per-capita income.

Using this assumption, the capacity and responsibility for each country for each year can be calculated from the underlying dataset, and then combined into the RCI. Capacity for a given year is defined as the sum of the income of all individuals in the country, excluding the total income of everyone under the (\$7500) development threshold, and, for people making more than \$7500 annually, counting only income above that threshold. Responsibility is calculated in a similar manner, assuming that emissions are linearly proportional to income (that is, assuming that all individuals have the same ratio of emissions to income); that is, all emissions are excluded for those whose incomes are under the development threshold, and emissions equivalent to \$7500 of consumption at the national average carbon intensity are excluded for those with income over the threshold. Unlike the calculation of capacity, however, responsibility is calculated on a cumulative basis, starting from 1990, so that Responsibility in (say) 2015 is the sum of responsibility calculated in this way for each year from 1990-2015. Capacity and Responsibility are then normalized as a percentage of the global total, and combined into a single Responsibility and Capacity Indicator by taking the average. (Note that one could also choose to weight one more heavily than the other).

It should also be noted that, because the RCI is based on the projected allocation, and the allocation is a function not just of the RCI but also of the assumed national BAU emissions baselines, no regrets baselines, and the global target trajectory, the RCI itself is sensitive to the emissions baselines and targets.

10.3 Special considerations for this report

One adjustment has been made to the standard GDRs calculations for this report. The national baselines and allocations have been estimated in terms of all greenhouse gases (GHGs), to conform with the terms of the national and especially Annex 1 policy discourse; whereas the standard GDRs approach, as reflected, for example, in the Greenhouse Development Rights book (Baer et al, 2008), uses only CO₂ due to the unavailability of reliable all-GHG measurements and projections for developing countries.

It should be noted that projections through 2012 define emissions levels as levels prior to afforestation and use of Kyoto mechanisms, since doing so best approximates actual domestic emissions as they will be in 2012. It should also be noted that while these projections, in all GHG terms, are used in the figures, the database which drives the RCI

calculator has not been changed; thus there is a small discrepancy between the reported RCI and that which would be implied by the more detailed, all-gas projections.

Finally, the conversion between CO₂ and all GHGs was made on the basis of an estimate from the World Resources Institute's Climate Analysis and Indicators Tool v. 6.0, which estimates that worldwide non- CO₂ emissions are equal to about 30% of CO₂ emissions in 2005; thus the annual mitigation requirement is simply assumed to be 1.3 times the value for CO₂ only.

10.4 Calculating the Swiss RCI

Following the description above, the table below indicates the calculation of the RCI for Switzerland from 2000 through 2030. Note that emissions (per capita and cumulative per capita) are calculated based on the *allocation* of emissions rights to Switzerland under the GDRs reference case; thus, as Switzerland's allocation is negative after 2018, emissions per capita are negative and cumulative per capita emissions decrease.

Year	Per Capita Income (\$PPP)	Population (millions)	Per Capita Emissions (MtCO ₂ -e)	Cumulative Per Capita Emissions (MtCO ₂ -eq)	Share of population over development threshold	Share of global capacity	Share of global responsibility	Share of global RCI
2000	34,523	7.18	6.1	67.8	99.2	0.73%	0.30%	0.51%
2005	35,182	7.44	6.2	95.7	99.3	0.64%	0.29%	0.47%
2010	39,181	7.61	5.8	122.8	99.6	0.60%	0.27%	0.44%
2015	43,257	7.74	4.0	145.9	99.8	0.56%	0.25%	0.41%
2020	47,198	7.88	-1.1	148.1	99.8	0.53%	0.23%	0.37%
2025	51,037	8.02	-4.3	129.8	99.9	0.49%	0.21%	0.34%
2030	54,875	8.15	-5.8	101.2	99.9	0.46%	0.19%	0.30%

11 Appendix 4: EU and selected country details (projected to 2020)

	income	population above dev't threshold	capacity	responsibility share	capacity share	RCI share	national obligation to pay	Average obligation to pay	reference emissions	GDRs allocation ³⁶
Country	\$PPP per capita	% of national population	% of GDP	% of global total	% of global total	% of global total	% of GDP	\$ per person above dev't threshold	% relative to 1990	% relative to 1990
EU 15	41,424	99	82	16.70	23.11	19.91	1.12	468	96	16
EU +12	25,981	95	71	2.85	3.10	2.97	1.09	300	82	45
Austria	46,728	100	84	0.36	0.56	0.46	1.10	514	118	17
Belgium	43,689	100	83	0.61	0.66	0.64	1.27	556	95	23
Bulgaria	23,601	96	68	0.18	0.19	0.18	1.05	259	104	75
Cyprus	37,089	100	80	0.04	0.04	0.04	1.21	450	214	99
Czech Republic	36,386	100	79	0.57	0.49	0.53	1.36	495	82	38
Denmark	46,639	100	84	0.28	0.37	0.32	1.18	549	88	7
Estonia	31,107	98	76	0.07	0.05	0.06	1.44	459	52	30
Finland	41,757	100	82	0.28	0.31	0.30	1.24	518	113	39
France	40,850	100	82	1.97	3.64	2.80	1.00	409	97	1
Germany	44,082	100	83	4.43	4.99	4.71	1.25	551	78	16

³⁶ Note that this is an emission allocation expressed as a **percent of 1990** levels, not a mitigation obligation expressed as a **percent reduction below 1990** levels.

	income	population above dev't threshold	capacity	responsibility share	capacity share	RCI share	national obligation to pay	Average obligation to pay	reference emissions	GDRs allocation ³⁶
Country	\$PPP per capita	% of national population	% of GDP	% of global total	% of global total	% of global total	% of GDP	\$ per person above dev't threshold	% relative to 1990	% relative to 1990
Greece	40,870	99	82	0.49	0.63	0.56	1.15	471	121	30
Hungary	31,625	100	76	0.24	0.39	0.31	0.97	309	91	33
Ireland	43,799	100	83	0.21	0.31	0.26	1.11	486	123	40
Italy	39,361	99	81	2.26	3.15	2.70	1.10	438	105	20
Latvia	25,313	93	71	0.02	0.06	0.04	0.78	212	43	11
Lithuania	26,869	95	72	0.05	0.10	0.08	0.86	246	43	13
Luxembourg	84,236	100	91	0.06	0.07	0.07	1.38	1160	91	16
Malta	34,312	99	78	0.01	0.02	0.02	1.05	364	152	59
Netherlands	47,798	100	84	0.87	1.14	1.00	1.18	566	97	14
Poland	24,796	93	70	1.17	1.09	1.13	1.16	309	89	50
Portugal	27,672	91	74	0.26	0.37	0.32	1.00	305	144	45
Romania	17,864	90	59	0.27	0.36	0.32	0.83	165	69	44
Slovakia	28,286	100	74	0.15	0.19	0.17	1.05	300	71	33
Slovenia	41,273	100	82	0.07	0.11	0.09	1.07	441	122	37
Spain	35,781	99	79	1.49	2.23	1.86	1.05	378	148	38

	income	population above dev't threshold	capacity	responsibility share	capacity share	RCI share	national obligation to pay	Average obligation to pay	reference emissions	GDRs allocation ³⁶
Country	\$PPP per capita	% of national population	% of GDP	% of global total	% of global total	% of global total	% of GDP	\$ per person above dev't threshold	% relative to 1990	% relative to 1990
Sweden	42,517	100	82	0.26	0.57	0.41	0.95	404	86	-14
Switzerland	47,198	100	84	0.23	0.53	0.37	0.95	449	95	-19 ³⁷
United Kingdom	41,899	99	82	2.71	3.71	3.21	1.13	476	87	13
United States	53,671	96	86	31.85	26.37	29.11	1.51	841	119	41
Japan	40,771	100	82	6.24	6.97	6.61	1.23	504	104	26
Russia	22,052	95	66	5.38	3.24	4.31	1.40	326	77	53
China	9,468	41	44	10.74	9.99	10.36	0.73	169	443	381
India	4,374	14	17	0.72	1.64	1.18	0.19	58	391	363
South Africa	14,010	51	60	1.42	0.71	1.07	1.42	395	188	139
Brazil	11,519	44	54	1.15	2.32	1.73	0.64	170	227	120
Mexico	14,642	59	58	1.39	1.70	1.54	0.84	207	169	99
LDCs	1,567	2	5	0.05	0.14	0.10	0.06	58	310	294
Annex 1	38,425	94	81	69.49	68.57	69.03	1.29	529	101	38
Non-Annex 1	6,998	26	42	30.51	31.43	30.97	0.66	180	319	258
High Income	44,365	98	83	69.74	69.02	69.38	1.33	602	126	45

³⁷ Note that this 19% is based on the “standard” GDRs calculation, which is based on fossil-fuel CO2 only. The figures for Switzerland elsewhere in this report take account of all GHGs in the baseline and the mitigation obligation. Because the ratio of non-CO2 gases to CO2 is different (smaller) for Switzerland than the global average, even though the fraction of the global mitigation obligation has not changed (0.37% in 2020), the reduction relative to the 1990 baseline is larger (-30% instead of -19%).

	income	population above dev't threshold	capacity	responsibility share	capacity share	RCI share	national obligation to pay	Average obligation to pay	reference emissions	GDRs allocation ³⁶
Country	\$PPP per capita	% of national population	% of GDP	% of global total	% of global total	% of global total	% of GDP	\$ per person above dev't threshold	% relative to 1990	% relative to 1990
Upper Middle	17,438	73	62	14.12	11.74	12.93	1.08	256	116	79
Lower Middle	7,419	30	37	15.93	18.89	17.41	0.54	132	325	277
Low Income	2,022	3	6	0.22	0.35	0.28	0.08	51	189	182
World	12,415	38	63	100 %	100 %	100%	1 %	330	170	108

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