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Introduction

Peter Christoff of Melbourne University writes that the new Labor government “should initiate a regional climate pact, established within the UN Framework Convention on Climate Change/Kyoto Protocol framework” aiming at both mitigation and adaptation. Christoff examines possible models for such a pact, and argues for the inclusion of major emitters Australia and Indonesia and a diverse group of smaller countries in the Pacific. “Environmental security is an issue best considered preemptively and cooperatively”, writes Chritoff. “If conditions associated with sea levels, and water and food availability, deteriorate, it is certain that issues of environmental security associated with the mass migration of peoples will become significant concerns for regional countries, including Australia."

Essay: South Seas Carbon Bubble: Australia and a near-Pacific regional climate Pact

For the past decade, under the Howard government, Australia has played a destructive and obstructive role in international climate negotiations, most importantly by refusing to ratify the Kyoto Protocol. By supporting the Bush administration’s rejection of Kyoto, the Howard government helped to limit the development of institutions (such as an international carbon market) intended to tackle global warming effectively. It also sought to establish alternative forums, treaties and pacts of lesser capability, including the Asia-Pacific Partnership for Clean Development and Climate (AP6), which has remained targetless and gravely under-funded [1].

Labor’s overwhelming national victory is in part founded on public recognition of the urgency of this

issue and on Labor's commitment to tackle climate change effectively. Rudd has promised ratification of the Kyoto Protocol as one of the first actions of his incoming government. But what else might a constructive Australian approach to international climate negotiations involve, at Bali and beyond?

This paper briefly discusses the benefits and liabilities of a South Pacific regional climate pact to be established within the UN Framework Convention on Climate Change (FCCC)/Kyoto framework, which Australia could propose alongside two other measures: the establishment of a separate annex in the Kyoto Protocol for major emergent (developing country) emitters, and the use of global border adjustment carbon taxes as a form of revenue raising and fund transfer to assist developing countries to move rapidly to a post-carbon economy [2].

Carbon bubbles, regional economic integration organizations, and Kyoto

Under Article 24, the Kyoto Protocol provides for regional economic integration organisations becoming parties to the Protocol. Article 4(6) also refers to regional economic organisations that are parties to the Protocol, and the responsibilities of member states within that organization/Party. To date, only one such regional economic organization – the European Union - has become a Party and formed a Protocol 'carbon bubble'. The Protocol does not talk about other sorts of collectivities becoming Parties.

Regional cooperation around mitigation through an agreed burden-sharing arrangement has benefited many partners in the EU carbon bubble and enabled a more equitable and efficient approach to reducing emissions among countries of varying economic and institutional capacity.

The EU – through the work of the European Commission - has facilitated 'burden-sharing' by enabling individual states to set emissions targets integrated within a larger economic and climate strategic framework. It has created a regional carbon market that is now the centre piece of the Kyoto carbon market. It has engineered a common energy market and sought to create a coherent energy strategy for the EU, and it has worked towards EU-wide standards for energy efficiency. Lastly, via the example of its leading members, it has enhanced the diffusion of institutional innovation and the implementation of renewable energy technologies.

As a result, the EU will meet its collective first commitment period target of 8% below 1990 levels by 2010. This will be achieved through a collective reduction of domestic emissions by 4.6% below 1990 levels by the EU 15 (the EU member group before enlargement in 2004) and supplementation through the use of other Kyoto mechanisms to achieve the remaining reduction [3].

The EU's capacity to go down this route has depended on the prior existence of a clearly defined and effective regional market and the well-entrenched and well-accepted regulatory and legal system that is embodied in the European Commission and European Parliament. But the EU's emissions performance is nevertheless beset by the challenges of coordinating national activities, and the collective actor and institutional problems that test its coherence. EU climate policy, as articulated through the Commission, has had some difficulty in managing those original member states (such as Spain and Portugal) which are materially and institutionally 'under-developed' compared to the EU average and its leaders. It has also been challenged by structural and other issues brought to the Union through the accessions from the former Soviet Bloc.

Australia's climate pacts as precedents

There are, I would argue, some weak Australian precedents for a regional pact: Australia already participates in a number of non-Kyoto climate pacts and arrangements, both multilateral and bilateral. The most extensive of these multilateral agreements – on paper – is the Asia Pacific Partnership on Clean Development and Climate. Of Australia's other multilateral arrangements, the recently concluded *Global Initiative on Forests and Climate* is perhaps the most promising in real terms [4]. Through funding allocation under this program of $AUD 200 million to Indonesia to tackle the problem of illegal logging, Australia may assist in a massive reduction of regional emissions from non-industrial sources. Indonesia's forestry-related emissions – some 3 billion tonnes of CO2 – are estimated to place Indonesia third on the global list of national emitters when both industrial and land use, land use change and forestry (LULUCF) emissions sources are included.

Australia has also entered into a range of bilateral agreements [5], including with:

- Indonesia (October 1996) [6],
- United States (Climate Action Partnership, February 2002),
- New Zealand (Australia New Zealand Climate Change Partnership, July 2003),
- China (August 2004),
- South Africa (December 2006),
- European Union and Japan (2007).

The specific objectives for the Bilateral Climate Change Partnerships Programme have been stated as working 'with other countries to:

- Undertake practical actions that achieve or facilitate emission reductions;
- Build capacity to enable implementation of mitigation and adaptation programs;
- Improve scientific understanding of climate change;
- Build support for an effective global response to climate change;
- Facilitate market opportunities for greenhouse technologies, products and expertise from Australia and partner countries; and
- Foster direct involvement by industry, business, scientists and communities in bilateral projects to broaden participation in climate change action.' [7]

In reality, however, the projects under these bilateral agreements have had less than $40 million committed to them - in total - since their inception, and are primarily focused on climate-related monitoring and research. There is little evidence that the bilateral agreements have ever been regarded as vital and ongoing arrangements or that they form part of any substantive foreign policy climate strategy. Furthermore, there is no evidence of substantive outcomes, especially in relation to emissions reduction activity.

An Australian regional climate change initiative – the South Sea bubble

Australia must be more ambitious. Labor should initiate a regional climate pact, established within the UNFCCC/Kyoto framework. The aim of this carbon pact would be to - cooperatively and equitably - improve the capacity and performance of its members to reduce their collective emissions, and to better meet their needs for climate-related adaptation.

The underlying argument here is that, in general, close regional cooperation:

- is more likely to be effective in addressing issues of climate equity that arise between developed and developing states, as recognized in the UNFCCC and the Kyoto Protocol, than a generalized global agreement to act.
- improves the monitoring of emissions and impacts.
- increases efficiencies in regional adaptation and mitigation activities.
- improves consideration of and responses to climate-related issues of regional environmental security.

Who would be included, and why?

The regional pact should include Australia, New Zealand, Indonesia, East Timor, Nuigini and other near-Pacific Islands drawn from Melanesia and Polynesia (including Fiji, the Solomons, Vanuatu, the Cook Islands) - our geographical neighbours. There are strong reasons for establishing such a pact which go beyond the accident of geographical proximity – reasons broadly indicated by the table, below.

Country	Population (million)	Total emissions Million t (2005 or nearest)	Global ranking for GHG emits	Protocol Annex B	Gross GDP ($US billion - approx)	Per capita GDP, $US approx [8]	Climate Vulnerability
Australia	20	560	13	Yes	520	26,300	High
New Zealand	4	77	32?	Yes	100	24,900	Moderate
Indonesia	226	3000+	3	No	370	1,640	Very High
Nuigini	6	?	?	No	4	708	Very High
East Timor	.975	?	?	No	0.7	350	Extremely High
Pacific states	?	?	?	No	?	Various	Extremely High

There are strong reasons for establishing such a pact which go beyond the accident of geographical proximity. This grouping includes countries well-matched to help each other. Australia and New Zealand are wealthy developed countries included in Annex 1 of the UNFCCC and Annex B of the Kyoto Protocol, with well-developed capacities for climate mitigation and adaptation. The rest are developing countries of varying degrees of significance in terms of their contribution to the problem of global warming, but each is highly vulnerable to global warming when capacity to adapt is considered in association with emerging climate-related physical threats.

Relations between these countries are well-developed, in some cases through trade, in others through aid links, and generally cordial. Such a pact could build upon existing institutional arrangements, such as the Trans-Tasman (New Zealand Australia) CER and the South Pacific Forum.

The region contains some of the planet's major emitting nations: Indonesia is one of the planet's greatest contributors of non-fuel emissions, while Australia is the seventh largest emitter among developed countries, is ranked 13th among all national emitters globally, and is perhaps the planet's highest emitter in per capita terms. Therefore such a pact contains significant opportunities for a globally meaningful mitigation effort: Indonesia's and Nuigini's forests are major carbon sinks threatened by illegal (and legal) logging.

These forests are also globally significant biodiversity reserves, and host many species currently under threat of extinction. Australia is regarded as a globally significant region for its biodiversity. Many of its unique terrestrial fauna and most of the Great Barrier Reef are also under intensifying threat of extinction from the impacts of global warming.

In terms of adaptation assistance and equity, the pact would facilitate provision of assistance from some of the richest to some of the poorest and most climate-vulnerable countries in the world – such as East Timor and certain Pacific island nations under threat of extinction from inundation.

Environmental security is an issue best considered preemptively and cooperatively. If conditions associated with sea levels, and water and food availability, deteriorate, it is certain that issues of environmental security associated with the mass migration of peoples will become significant concerns for regional countries, including Australia.

What would such a pact look like?

The current provisions of the Kyoto Protocol suggest several possible forms for such a pact. If one were to consider these along a continuum of institutional development, two models stand out. The most formal would involve the establishment of a new regional economic integration organization – along the lines of the European Union - for the purposes of dealing with climate mitigation and adaptation and with its own unified emissions target to which member states contribute through national allocation plans. (Alternatively, the Kyoto Protocol could be amended to enable regional pacts to be recognized without a regional member Party being formed).

Under the least formal arrangement, the pact's member states would coordinate their targets and activities under a regional pact that does not depend on a regional economic organization and therefore is not formally recognized in the Kyoto Protocol.

There are several obvious issues with and differences between what is here proposed for the southern region and the EU carbon bubble. First, there is currently nothing in our region resembling the common market arrangement that, in Europe, led to the European Commission. We would be starting a long behind where the Europeans were, in terms of institutional developments, when they entered negotiations over their individual and collective Kyoto targets. It would take considerable effort to establish such a highly developed form of regional economic cooperation, time which we do not have when addressing the problem of global warming. Second, South Seas bubble group would include both developed states with explicit emissions reduction targets and developing countries without such targets – and far greater diversity than the EU addressed.

Nevertheless the South Seas pact could and should develop its own collective emissions reduction target, even if only aspirational in the very near future. Developing states in the pact would be encouraged towards improvements in material standards of living while being assisted to meet their own voluntary targets during the second commitment period. They would also participate in and benefit from Kyoto Protocol mechanisms (such as its Clean Development Mechanism). Meanwhile,

Australia and New Zealand would adopt stronger mandatory targets, being confident that a small proportion of these could be met through Kyoto Protocol mechanisms applied in the near-Pacific region. In other words, it would be possible to move, over time, from the second to the first type of arrangement, and for a timetable for closer and more formal economic integration to be agreed. This is the path recommended for the pact's development.

How would such a pact work?

The pact would use trade, aid and direct investment to facilitate substantial transfers of wealth and technology between its members. It would include:

- financial and technological assistance to its developing state members to help reduce their reliance on fossil fuels while increasing standards of living;
- financial and institutional assistance to ensure that regional forestry is, at minimum, carbon neutral and that carbon sinks are enhanced rather than reduced;
- financial and material assistance to the region's developing states to deal with climate adaptation.

A pact might therefore:

- encompass what we have at present – a range of bilateral arrangements and agreements – but reviewed, bundled, strengthened to be more coherent and strategic…or wholly replaced by new arrangements;
- involve agreement about targets and modes of assistance to meet them;
- include a regional carbon trading scheme;
- provide funding for additional mitigation and adaptation programs;
- provide additional technology transfer programs.

What are the potential liabilities of such a pact?

Finally, while it is worth pursuing this pact strongly we must do so with clear recognition of its risks. Australia now has a very poor reputation in the near Asia-Pacific region, a reputation greatly diminished over the past decade through its (un)diplomatic bullying of neighbouring Pacific nations and its failure to deliver on even modest aid promises and other commitments. Failure on an issue of such importance would further undermine and damage regional relations. Profound skepticism will meet a promised new approach. This will threaten the pact's success and will need to be overcome with stringent guarantees for achieving realistic targets.

There is also a second danger, that 'bubbling along' could lead to burden-shifting within the South Pacific region via the CDM without any substantial additional emissions reduction. Indeed it could even foster emissions *growth*. Effective monitoring and transparent reporting would need to accompany the pact to ensure that it delivers real, rapid and substantial outcomes.

In all, however, this pact's benefits would far outweigh these avoidable cautioning considerations.

About the author

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End notes

[1] P. Christoff and R. Eckersley, 'The Kyoto Protocol and the Asia Pacific Partnership on Clean Development and Climate', in T. Bonyhady and P. Christoff, *Climate Law in Australia*, (Sydney: Federation Press, 2007).

[2] P. Christoff, P. 'post Kyoto? post Bush? Towards an effective 'climate coalition of the willing', *International Affairs*, 82(5), (2006), pp. 831-860; and P. Christoff, 'Beyond the Impasse: China and the US, Australia and Kyoto Plus'. Paper delivered at Asia Link Forum, Melbourne 'Five Minutes to Midnight' Lecture Series, 23 August 2007.

http://www.radioaustralia.net.au/fivemins/

[3] European Environment Agency, *Greenhouse Gas Emissions and Trends in Europe 2006*, EEA Report No 9/2006.

[4] See *Global Initiative on Forests and Climate*, Australian Greenhouse Office.

http://www.greenhouse.gov.au/international/forests/index.html

[5] For details about each agreement and its related program of action, see *International climate change partnerships*, Australian Greenhouse Office.

http://www.greenhouse.gov.au/international/partnerships/index.html

[6] Media release, Senator Hon Robert Hill, Minister for Environment, 'Historic Agreement between Australia and Indonesia on Climate Change', 24 October 1996.

http://www.environment.gov.au/minister/env/96/mr24oct.html

[7] See Bilateral Climate Change Partnerships Programme, Australian Greenhouse Office.

http://www.greenhouse.gov.au/international/partnerships/bccpp.html

[8] International Monetary Fund, *World Economic Outlook Database*, April 2007, via http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)_per_capita

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