

Paris Meeting Report

March 12-13, 2006

Introduction

We met at OECD headquarters, under the chairmanship of Angel Gurría, Secretary-General of the OECD, in a Chatham House rule context. The purpose of the meeting was to assess the hypothesis that a well-prepared, expanded Leaders Summit, in support of the

Breaking Global Deadlocks conference at Langdon Hall, and a Chart summarizing the elements of a package deal, a potential multilateral Grand Bargain. There was also draft papers - “Internationalization of the Nuclear Fuel Cycle” (by Mohamed Shaker), “World Energy Needs, Climate Change and Governance” (by Colin Bradford), “Overview of the World Nuclear Operar Br

Climate change is at the forefront of France's electoral campaign. EU GHG reduction targets and efforts (4 x 20 program) is a signal of political will (there was a suggestion we should a case study out of this decision).

The issue of 'who pays?' is paramount. There is a scramble for 'old' energy resources (e.g. access to oil in Sudan, etc. by China and others)

China and India are in very different position than 5-15 years ago during Kyoto negotiations (other nations may now expect more from them both in terms of action and payment).

The OECD has spent 15 years servicing the UNFCCC Annex 1 group; they run seminars every year with the BRICS countries. They are doing country reviews and receive visits from the UNFCCC staff. Ministers of Economy and Environment are coming together to the OECD. The OECD is launching an Environmental Outlook next year. It is currently doing a Country review for China, reporting in June on the Chinese request for an independent evaluation.

Challenges in a Leaders' Process

When things move slowly, the cause is objective, substantive differences across countries, and uncertainty - not imperfect process. There is nothing in the package deal highlighting substantive differences. We must explicitly address the issue that costs and benefits of taking action vary across countries. However, we should focus on issues and deadlocks, not global inequality. As a "Track II" process, to be considered seriously by governments, we cannot set our sights at too 'practical' a level - we require bold solutions.

In the last ten years, the G7 did not achieve their objective of coordinating anything on macro economic policies – so why do we expect Leaders would succeed?

Cultural background differences lead to serious Leaders misunderstandings. The question is how to prepare for better meetings.

The chart representing the package deal or "Grand Bargain" is not concise and compelling enough. What is its main message? It should be to get the prices right and use the market. All we have to do is price carbon correctly, including externalities. Correct carbon prices and market environment will lead to massive technological change. The counter was you need the Grand Bargain to establish the market.

W e c o n s i d

Composition is substance- L20 may be an excellent idea; but reducing the number to 14 is contentious. Impossible choices have to be made to reduce to 14. (What about Nigeria, Indonesia, etc.?) Some want to debate composition further, others argue the issue is intractable (see link <http://www.l20.org/lessons/Lesson%201.pdf>)

Taking serious steps/measures often translates into sacrificing growth – difficult to sell politically. Financial mechanisms and penalties, are likely to be ineffective –why expect widespread compliance, even with the current cultural paradigm shift?

Comments on the Langdon Hall Chart

The next draft should enhance the focus on energy efficiency and conservation. We should highlight and build on the G8 Gleneagles Plan of Action to cut CO2 emissions. "Fuel efficiency delivers most". The answer to the climate and energy challenge cannot be on supply alone. This is economically unsustainable and ignores analysis showing that more can be done, at lower cost, if we mobilize both supply and demand (IEA's World Energy Outlook, Energy Technology Perspectives, Light's Labour's Lost tell compelling stories on this issue).

UNFCCC

UNFCCC	Set up permanent Bicameral Commission: <p style="text-align: center;"><i>Council of Ministers</i></p> <p style="text-align: center;"><i>Science body</i></p>	Evaluate policies & progress ? Broad based bargaining (e.g. carbon prices, emission fees, tradable permits, compensation) provide peer review policy venue ? Evaluate BAU emission trajectories. Review long term targets. Devise trigger mechanisms and voluntary accession for developing countries
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All agreed that any Leaders' Summit commitment should support the ongoing multilateral efforts under UNFCCC agreements; to work to ensure that the current negotiation process results in an ambitious and comprehensive agreement for concerted international action to reduce GHG emissions. Some felt that a "bottom-up approach" or miscellaneous deals might be inconsistent with this commitment.

We must change the unfortunate wording that the "council of ministers" of the suggested high level body should "negotiate" carbon prices; instead it should agree to practical measures to strengthen and extend the international carbon market.

We should more clearly advocate, (not negotiate) concerted international action towards a global price for carbon (e.g. introduction of globally harmonized carbon taxes and/or linking and extending existing emission trading schemes to ensure global coverage). The L14 might suggest practical measures to strengthen and extend the international carbon

market. The most important message is to get the prices right to reflect the costs of emitting GHGs into the atmosphere. This price should be reflected in all sectors, across all greenhouse gases and countries as far as possible. Making fossil fuels more expensive through a carbon tax instead would be the first best option. Other policies may be needed to complement it or to address market or policy failures, but we are early enough in the negotiations to still focus on working towards the first best solution.

IEA Mandates

<p>IEA</p> <p>& World Bank</p> <p>& IPCC</p>	<p>Provide UNFCCC with analytical framework for assessing national packages Extend stockpiling commitments to non-members</p> <p>Design and negotiate near-term investment guidelines for large coal and fossil fuel fired plants</p> <p>Design emission credit framework</p>	<p>Start with North-North reviews & develop simple comparable metrics</p> <p>Allow for carbon capture and sequestration retro-fitting Include monitoring, accounting and liability standards Codify bilateral agreements</p>
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respect to peer review, the intent is to promote the OECD work by giving the activity greater prominence. The suggestion to coordinate with the World Bank is intended to amplify the impact of OECD work. We should clarify the additional work being requested and how to better promote the work in the OECD family already being done in these areas.

We must focus on how to better use the results available from existing peer review processes to better support international decision-making over time on the climate issue.

We should reference the Declaration on Integrating Climate Change Adaptation into Development Co-operation from the recent Joint meeting of OECD Environment and Development Co-operation Ministers (April 2006). There was some discomfort with mention of the potential refugee problem.

World Bank Mandates

World Bank	Establish worldwide network of R&D institutions
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and CDM are not up to the task. There is a need to reinforce ongoing efforts by having other competent organizations suggest options to resolve design issues.

WTO Mandates

WTO	Establish positive incentives Recommend offset packages Work with National Trade and Agriculture Ministers	Reject border taxes and avoid punitive trading Replace food production subsidies with incentives for bio-fuel crops
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There was disagreement voiced regarding the idea of providing incentives for bio fuel crops. OECD analysis suggests that most current biofuel production, with the exception of ethanol production in Brazil, is economically inefficient and may have limited environmental benefits. It also competes with land use for agriculture for food – leading to social impacts such as the recent high price of corn tortillas in Mexico. Best to let the market chose the appropriate fuels once carbon is fully priced into fuel/energy choices. Doing away with traditional agricultural subsidies was deemed certainly recommendable, having been worked towards for many years, but “replacing them with subsidies for biofuels does not make sense.”

While biofuels and ethanol production are economically inefficient (even in Brazil) and

While biofuels does not make sense (While biofuels does not make sense)

Miscellan

What will the costs be of the better outcome of a more inclusive process (granted that more voices will lead to more or more effective policy packages)? We should describe alternative outcome- a G8 policy stuffed down others' throats- not implemented, delays.

To be sure we are being innovative enough (all kinds of groups and meetings are going on – India-Russia- China Summit; APEC) we should tabulate and do an analytical appraisal of the various intergovernmental processes in train. We should determine if the biggest gap is the lack of a G5 process.

Trailblazing has had its run. We have completed the advocacy group function- injecting G8 Summit reform and the L20 concept into the public domain. Perhaps it's time to establish a network of promising junior officials G8 note takers from the L14 or L# L# eshaps

Media are creators and multipliers of public opinion. Plan an op ed on German outreach now. Engage Japanese and Italians. Write a book- get a Gore forward.

What will the costs be of the better outcome of a more inclusive process (granted that more voices will lead to more or more effective policy packages)? We should describe alternative outcome- a G8 policy stuffed down others' throats with delays in implementation.

We must expand participation and engage the private sector- especially in the field of energy. We should be publishing more.

Conclusions

It is essential that any L14 commitment should support the ongoing multilateral efforts under the UNFCCC to reach an ambitious and comprehensive agreement for concerted international agreement. While a bottom up approach is not optimal, "the pe