



Addressing carbon leakage and competitiveness concerns for enhanced mitigation action

Side-event alongside UNFCCC Climate Change Conference, Bonn
21 May 2012, 18.15-19.45
Room Solar

Concerns for carbon leakage and competitiveness distortions are well spread and might prevent effective mitigation action. Related is the use of unilateral measures, in turn a source of tension. This session will assess the risks and explore solutions so as to enhance ambition on mitigation.

The first best option for addressing climate change would be to reach a global, comprehensive deal that would put a price on carbon emissions, thereby creating incentives for the phasing out of polluting technologies and promoting a shift to low carbon alternatives.

In the absence of such a deal, which does not seem to be within immediate reach, a second best option is for countries to move ahead unilaterally, designing national mitigation schemes. Such a development does however raise a number of questions and challenges.

First, for the countries implementing such measures, what is the impact of unilateral action? Will it lead to emissions simply moving across the border to countries with less stringent mitigation policies, or will it inversely create incentives for the domestic industry to move ahead of its counterparts in other countries, thereby strengthening its competitive position? Whereas focus in the debate has traditionally been on the former, research indicates that concerns for leakage may be exaggerated. Instead, there seems to be some support to the latter argument, based on the so called *Porter Hypothesis*.

Second, as unilateral action seems to be what we have for now as well as in a foreseeable future in terms of climate mitigation, should unilateral action be strengthened so that it can contribute to an enhanced action? Current levels of mitigation pledges are, as is well known, not sufficient to prevent temperatures from rising above the 2 degree target. If yes, how to create momentum in more countries to take unilateral action? How can countries with positive experiences of moving ahead serve as inspiration for those that find it more challenging to take action? How can national policies effectively boost clean energy innovation in the absence of a global, comprehensive climate deal?

However potentially valuable unilateral action is, it has over the past year proven to be tremendously sensitive from a political point of view. This has been illustrated not least by the EU

decision to include aviation into its emissions trading scheme. This underscores the necessity to engage in Dialogue about the boundaries of unilateral action- how can Parties ensure that unilateral action is not perceived as, nor has the effects of “green protectionism”? Indeed, how can unilateral action be compatible with the core principle of common but differentiated responsibility? And, in parallel, how can countries ensure that adverse impacts on those on the receiving end are minimized, while positive spillovers such as transfer of technology are enhanced?

This event will look into the issues mentioned above, with a view to fostering a constructive Dialogue that can serve to inform the policy processes of the UNFCCC.

Agenda

Introduction, Ingrid Jegou, Manager of the Global Platform, ICTSD

Moving ahead: Source of carbon leakage and lost business opportunities or of innovation and enhanced competitiveness? Thomas Brewer, Senior Fellow, ICTSD

Drivers of Climate Innovation: International Frameworks and National Policies. Ahmed Abdel Latif, Senior Programme Manager, ICTSD

How to strike a balance between a need for enhanced unilateral action and CBDR? Wei Zhuang, Max Planck Institute/ Centre for International Sustainable Development Law CISDL

Commentary by Rachel Swain, Senior Legal Specialist, Australian Department of Foreign Affairs and Trade