



(c) Assessment and Analysis of Impacts of Response Measures

Manuel F Montes

38th Session of Subsidiary Bodies, UNFCCC

Bonn, 6 June 2013

Order of Discussion

- Mandates
- The sustainable development basis for assessment methodology
- Typology of response measures
- Variety of impact of response measures
- Assessment checklist
- Reporting and surveillance

Basic Mandate

- Framework Article 3.5: “cooperate to promote a supportive and open international system that would lead to sustainable economic growth and development in all Parties”
- Framework Article 4.8: to take into account “concerns of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures”
- Framework Article 4.10: to take into account impact on countries “vulnerable to the adverse effects of the implementation of measures to respond to climate change”

Impact on Developing Countries

- Kyoto Protocol Art. 2.3: “The Parties included in Annex I shall strive to implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties”
- Kyoto Protocol Art. 3.14: “to implement the commitments mentioned in paragraph 1 above in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties”
- 1/CP.16 Par 88: need to assess “negative economic and social consequences for other Parties” . . . “in particular developing country parties”

Assessment Basis – Sustainable Development

- **para 54 of the Doha COP decision 1/CP.18 :**
 - Reaffirming that Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change; measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade, to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties
 - Also reaffirming the importance of avoiding or minimizing negative impacts of response measures on social and economic sectors, promoting a just transition of the workforce, the creation of decent work and quality jobs in accordance with nationally defined development priorities and strategies, and contributing to building new capacity for both production and service-related jobs in all sectors, promoting economic growth and sustainable development

Development Asymmetries

- Low technology and low technology capability
- Low incomes and small domestic markets
- Dependence on exports on a few commodities, high bulk and heavy per unit weight
- Low level of productivity and wages and vulnerable livelihoods
- Low level of diversification of economic activities
- Need for sustained long-term investment
 - financing (incl. from export earnings), technology transfer, and capacity building

Typology of Response Measures

- Standards & regulations
- Emission trading schemes, which can be applicable to imports of goods and services (EU airline policy)
- Tariffs and surcharges on goods and services
- Taxes on and subsidies for (the domestic private sector)
- Public investment

Nature of Response Measures

- Multiple co-impacts (positive for whom?)
 - Protect domestic industries
 - Develop new industries
- Variety of measures/approaches for different areas
 - For eg. Multilateral assessment for when many sectors/ countries are impacted
- For any measure, many implementation approaches – incl. compensatory actions

Qualitative Assessment from Discipline of Welfare Economics

- Will policy or change in policy regime improve the social and economic ('welfare') situation of all affected parties?
- Policy changes create winners and losers
- Compensation principle in economics
If there are losers, a policy change justified only if the losers can be fully compensated for their losses

Quantitative Assessment - CBA

- Methods of cost-benefit analysis (CBA) – monetised estimates of benefits and costs and see if there is a net benefit
- Can be used to compare among different policy approaches
- It is standard practice in this approach to weight different parties differentially – losses (and gains) of low income citizens weigh more heavily than those of the rich

Response Measures Assessment

- Apply qualitative and quantitative impact analysis for each affected developing country Party plus global impact
- Benefits – extent to which they advance sustainable development
- Costs – extent to which they obstruct sustainable development of country concerned
 - Remember: A diminution of trade and growth also reduces the ability of countries to tackle climate change and this should be included as a cost

Some Response Measures and their Impact (1/2)

1. Domestic subsidies for clean technology development
 - a. → introduce cleaner production and consumption
 - b. → disadvantage to developing countries wanting to enter the same sector if obstructed by intellectual property rights
2. Standards, eco-labeling
 - a. → reduced use of products w high energy content
 - b. → trade barriers and trade distortions leading to slower growth in developing countries

Some Response Measures and their Impact (2/2)

4. Carbon taxes, emission caps

- a. → reduced use of high energy content products
- b. → additional fiscal revenues
- c. → loss of export earnings for developing countries, reduced investment and growth rates, delaying economic diversification
- d. → developing country households cannot afford carbon tax, increase use of un-priced energy sources

Assessment Checklist (1/2)

1. What, if any, and how much, is the net global climate change impact of the measure? (science basis)
2. What are and how much are the adjustment costs that affected countries have to bear on the implementation of response measure?
3. What are the trade impacts of the measure? Are they consistent with multilateral rules? How much is the impact of the measure on net foreign exchange earnings of and industrial development policies in developing countries?

Assessment Checklist (2/2)

5. What is the impact of the measure on the fiscal and investment resources of the developing countries? What and how much are the impacts of reduced resources on investment and on the growth of potential national output? What are and how much are the impacts on reduced resources on social development?
6. What is the impact of the measure on developing country access to clean technology?

Assessment Process

- Response measures already impacting developing countries
- But no reporting of efforts of Annex 1 countries to minimize the negative impacts of their response measures in national communications
- Do not know how much burden of mitigation being passed on to developing countries without their consent
- To avoid and minimize negative economic and social consequences on developing countries, response measures must be assessed during design and before deployment

Who Should Assess?

- ✓ Because developed country response measures affect multiple parties in a variety of ways,
 - ✓ Response measures should be evaluated in a multilaterally-based body and
 - ✓ The assessment should be undertaken with the participation of all developing country parties affected.
-
- An example that exists now is the Trade Policy Review under the WTO

Thank you

montes@southcentre.org
www.southcentre.org

Tel: +41 22 791 80 50
Fax: +41 22 798 85 31

17-19 Chemin du Champ d'Anier
1209 Petit Saconnex, Geneva