Chapter 3

Challenges and Reality: China's Dilemma About the Durban Platform Negotiation

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At the 2011 Durban Conference, the United Nations Convention on Climate Change (UNFCCC) adopted a series of decisions, including the second commitment period of the Kyoto Protocol and a new mandate for the Durban Platform. This outcome symbolized a significant milestone in the global climate negotiations. Behind this positive progress, divergences of parties on key issues such as the sources and scale of finance mechanisms, technology transfer, emission reduction targets and the legal form of the outcome have not been substantially resolved. In 2012, a complicated negotiation scenario was revealed, with three parallel negotiation tracks operating under two UNFCCC mandates. To minimize the deep divide between the North and South on main negotiation issues, key sticking points may be moved to the Durban Platform and negotiated under this new track.

The Durban Platform as a new negotiation mandate has taken center stage in the global community. Key negotiation issues such as the principle of "Common but differentiated Responsibility," the issue of legal form and the framework, agenda, roadmap and timetable of the Durban Platform remain to be addressed in future negotiations.

China is willing to participate actively and constructively in the Durban platform negotiation, but the expectation that China will pledge more aggressive emission reduction actions goes against the social and economic development trajectory of China, which is the dilemma of China about participation in climate negotiations. China as the "factory of the world" is on the fast track of urbanization and industrialization. It shoulders the imperatives to alleviate poverty and narrow the domestic regional gap. Its coal-based resource endowment and inefficient technologies provoke challenges to the curbing of emissions. Decoupling of greenhouse gas (GHG) emissions with social economic development is a conundrum not just for China but also the world.

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Despite these challenges, China agreed the adoption of the Durban Mandate to initiate negotiations for the post-2020 international climate regime. This regime must be built on the basis of mutual respect and equity in accordance with respective responsibility and take full account of the right to development of developing countries and their financial and technology constraints in fighting climate change. Unrealistic emission reduction targets and unfair burden-sharing mechanisms for developing countries will neither facilitate the negotiation nor contribute to international cooperation in addressing climate change.

1. How to Interpret the Durban Outcome

1.1. *The North and South achieved a balanced outcome of the Durban Conference*

At the conference, the developed and developing countries made an important compromise about the second period of the Kyoto Protocol and the mandate to start the Durban Platform negotiation. Developing countries highlighted the successful extension of the second period of Kyoto protocol, while developed countries emphasized a single climate framework covering all parties. Both developing and developed countries had more or less achieved their negotiation targets. To this extent, the Durban Conference seemed to live up to the expectations of the international community.

1.2. *Key sticking points remain unresolved*

These may be moved to the Durban Platform and negotiated under this new track. One of reasons for the success of the Durban Conference was that it set up a new negotiating structure and approved a new negotiating mandate. This outcome, to some extent, buffered the tension among Parties on key negotiation sticking points. Parties have divided positions on these key issues but may prefer to negotiate these issues under the new mandate rather than trade off their interests in exchange for compromises. Key negotiation issues, such as the global emission peak, medium- and long-term emission targets in line with the 2°C limit and the legal form of the AWG-LCA (Ad Hoc Working Group on Long-term Cooperative Action under UNFCCC) outcomes, are major disagreements among Parties, which have little room for compromises. The settlement of these obstacles may either be a weak outcome under the Bali Roadmap Mandate or a refit into the Durban Platform. The later will allow these key sticking points to continue to be negotiated under the new mandate.

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1.3. *No substantial progress on emission reduction targets, finance mechanisms and technology transfer*

Although the European Union agreed to continue the implementation of the second period of Kyoto Protocol in Durban, they were very conservative on their target for emission reductions. The EU's current 20% GHG emission reduction target (with respect to 1990 levels) falls short of the once mentioned 30% reduction target. Other developed countries had no intention of raising the emission reduction targets they had proposed in the Copenhagen Agreement either; their goals were either conservative or designed to use a large share of international offsets such as CERs (Certified Emission Reduction). Developed countries need to improve further the scale and quality of their emission reduction targets as there was no substantial progress made in Durban on this issue. Regarding the issues of finance support and technology transfer, except for some consensus reached on a cooperation framework and mechanism, the Durban conference has made almost no breakthroughs on topics about which developing countries have concerns. Deep concerns of developing countries, such as those about financing sources, scale and verification criteria for finance support and technology transfer, were not addressed in Durban.

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1.4. *Durban was a milestone in the process of climate negotiation, but hardly was a success*

At the Durban Conference, a mandate for Parties to the UNFCCC to negotiate the Durban Platform by 2015 was adopted. It started the process of wrapping up the negotiation mandate of the Bali Action Plan, which has no doubt symbolized a significant development in international climate change negotiation. This outcome provided a platform for future negotiation but, due to its failure to settle key negotiation blockages, it was far less than a success.

2. The Durban Platform and the Post-2012 International Climate Negotiation

2.1. *Three parallel negotiation tracks under two UNFCCC mandates*

In 2012, a complicated negotiation scenario was revealed, with three parallel processes operating under two UNFCCC mandates: the AWG-KP (Ad Hoc Working Group on Further Commitments for Annex I Parties

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under the Kyoto Protocol) and the AWG-LCA under Bali Road Map mandate; and the ADP (Ad Hoc Working Group on Durban Platform) under Durban mandate. As the new mandate for post-2020 international climate negotiation was adopted and the second commitment period for the Kyoto Protocol was agreed, EU and other developed countries are likely to shift their focus for negotiation to the Durban Platform, and the expectations of the international community about LCA may center around the construction of a new international climate framework after 2020.

2.2. *Divergence of interests between the North and South hampers breakthrough on key negotiation issues*

The EU, US and other developed countries have divergent positions on the legal form of any future climate regime, but they stand on the same ground in advocating a universal emission reduction framework that covers all Parties. Under the current international political economy, it is unlikely for the North to initiate more aggressive emission reduction targets under AWG-KP and AWG-LCA. They have shown more interest in the negotiation of AWG-DP, which may exert more pressure on developing countries to cut GHG emissions. For the South, their interest to accelerate the negation under Durban Platform is slim. They stress more on the ratification of the second commitment period of Kyoto Protocol and the mobilization of 2012–2020 financial and technical support. The divergence of interests between the North and South indicates difficulties in making substantial progress on key negotiation issues. One of the potential compromises is to move these issues to the Durban Platform and negotiate them under the new track. Under this scenario, Parties outside the second commitment period of KP might propose loose emission reduction targets or actions based on respective capabilities. And in terms of financial and technical support, the Platform might establish frameworks to speed up actual implementation while skirting procedural difficulties.

3. Key Issues in the Durban Platform Negotiation

3.1. *"Common but differentiated responsibilities" in the future international regime*

Success in reaching any effective international agreement requires that it is based on widely agreed principles. The Durban Platform is a mandate

adopted under the UNFCCC. The guiding frameworks for the mandate should comply with the principles embodied in the Convention. Currently, there is a divergence of opinion among Parties on the understanding and interpretation of the "common but differentiated responsibilities (CBDR)" principle. There is a consensus among developing countries that the Kyoto Protocol demonstrates the principle of CBDR. Based on differentiating responsibilities and capacities, the Kyoto Protocol stipulates asymmetric priorities and commitments for developed and developing countries. Countries listed in Annex I have quantified emission-reduction obligations and responsibilities to provide financial assistance and technical support to developing countries for their effort to mitigate and adapt to climate change. And for developing countries, because of their underdeveloped economic and social conditions, their top priority is to alleviate poverty and sustain economic growth. They are expected to take emission reduction actions based on their respective capacities. Developed countries such as the EU have argued that, as the global economy is leaping forward, the CBDR principle should be interpreted dynamically. Some of the interpretations are in fact denials of CBDR, while some of them actually call for a bigger burden of emission cuts to fall on developing countries. At this stage, there remains a vast conceptual gap among Parties on the understanding of CBDR. How to define CBDR and how to guild the negotiation process under this principle is a key question to Durban Platform negotiation.

3.2. *The issue of legal form*

In recent years, the issue of the legal form for a future climate agreement has taken center stage within the global community. Prior to the Durban Conference, the discussion of the issue of legal form mainly focused on the legitimacy of LCA outcomes, while during the negation process of Durban Platform, Parties were divided over the form of legal outcome. EU and AOSIS (Alliance of Small Island States) reiterated their position on the need for a new universal and legally binding agreement, although China and India disagreed about determining the form of the outcome before Parties have agreed upon the substance of any future agreement. They stressed that due to the uncertainty of social and economic development after 2020, it is premature to decide now the legal form of the post-2020 climate regime. The deep divide over the form of the legal outcome of Durban Platform will keep challenging future negotiations and intensive debate will continue on this front.

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3.3. *The framework and agenda of the Durban Platform*

Questions such as how to construct the framework of the Durban Platform and whether it should be based on the groundwork of the Kyoto Protocol and LCA or should be started from scratch remain to be answered in the future negotiations. The agenda of the Durban Platform is expected to address concerns of all Parties, but there are debates on whether the inclusion of previous sticking issues on the new platform can facilitate the process of negotiation. Considering developing countries' concerns about the uncertainty of future social and economic development, it is not difficult to foresee their conservative and cautious attitude toward setting the framework and agenda for the Durban Platform.

3.4. *The roadmap and timetable of the Durban Platform*

Under the new mandate, the Parties initiated the Durban Platform to agree on a new climate treaty by 2015. This is a very demanding timetable. The slow progress in agreeing the emission targets, global emission peak, financial and technical support, in addition, the stalemate of US climate legislation and the diminishing political driving force of the Fourth Report of the IPCC, are challenges to conclude a new climate agreement before 2015.

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4. China's Dilemma about Taking Part in Negotiations

China is willing to participate actively and constructively in the Durban platform negotiation, but the expectation that China will pledge more aggressive emission reduction actions goes against the social and economic development trajectory of China, which is the dilemma faced by China with respect to participation in climate negotiations. China's total amount of emissions is increasing considerably with its rapid development. The control of carbon emissions and the reduction of energy use became important in order to address climate change, as well as to guarantee China's energy security. Therefore, China is willing to reduce energy consumption voluntarily even without constraints imposed by international agreement. China has basically achieved its goal of energy intensity reduction by 20% and has reduced carbon emissions by 1.46 billion tonness through the 11th five-year plan.[1] China has proactively and constructively participated in international climate negotiations. However, due to inability to predict the future and the challenges of current social and economic problems, China cannot go beyond reality to pursuit unrealistic targets. The challenges include the following.

4.1. *Low level of social and economic development*

China is currently at a relatively low level of economic development. In 2010, the per capita Gross Domestic Product (GDP) of China was about US$ 4,283[2] (based on exchange rates of the same year, the same below), only about one-third of the world's average. A remarkable disparity in economic development exists among different regions across China. The income disparity between rural and urban residents was also great. In 2011, the per capita disposable income of urban residents was US$ 3,461 while that of rural residents was only US$ 1,107, equivalent to 32% of the former.[3] Furthermore, poverty eradication is still a huge challenge for China. By the end of 2011, the poverty-stricken people in China's rural areas numbered more than 90 million, with the per capita annual net income less than 1500 Chinese Yuan (US$ 238).[4]

4.2. *Rapid urbanization leads to emission growth*

In the population structure of China, the proportion of the urban population has been rising as the total population has increased. The urban population rose from 31.9% in 2000 to 51.3% in 2011,[3] an increase of 19.4% in 12 years. According to developed countries' experience, the urbanization rate for an industrialised country needs to reach 70% plus. China is expected to complete its urbanization in 2030 based on the current rate of 1% per year. Data show that urban per capita energy consumption is 1.8 times[5] the rural per capita energy consumption. The accelerated development of cities will inevitably lead to the growth of energy consumption. As a result, urbanization and the income gap caused by urbanization are bound to encourage energy consumption growth.

4.3. *Industrialization and embodied energy export*

China is experiencing a critical period of industrialization. The Chinese economy has been growing by 10% on average during the past 30 years of reform and opening up. Its industrialization has now shifted from a labor- to a capital-intensive stage. In 2010, China's raw steel output reached 627 million metric tons; cement 1.87 billion tons, accounting for about 50% of the global production.[6] China has earned its reputation as the "factory of the world." China's rise to become, according to some reports, the largest single emitter of GHGs is closely linked to its economic growth, and particularly the export sector that has driven this growth. Export

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volumes accounted for 26% of GDP in 2010,[7] with the majority consisting of intermediate or consumption goods destined for developed countries' markets. Under current accounting rules, the emissions associated with these exports are fully attributable to China, since they took place within its territory. Given China's status as the world's factory, the energy used in the production of exports account to 26% of total emissions in 2006,[8] and this is unlikely to be changed before 2030. China therefore faces a long struggle to reduce emissions.

4.4. *Resource endowment and difficult adjustment of energy structure*

Compared with most developed countries, China is still heavily reliant on coal, which takes up 72% of its total energy consumption in 2010,[9] far exceeding the world average of around 30%. On the other hand, oil and natural gas takes up 20% and 4.6%[9] of total energy consumption, respectively. Regarding nuclear and other renewable energies, the percentage is only around 3.5%,[9] including hydro, lagging far behind France (39.1%) and the world average (6%). Coal still retains its position as China's primary source of energy and coal-driven energy consumption pattern is unlikely to change in the near future. China's energy resource endowment has greatly limited its ability to decrease its carbon emissions per unit of energy. Lack of advanced technology, including energy technology patents, has caused the very high cost of investment for developing new energy sources.

4.5. *Inefficient technology with lock-in effect of technologies*

Backward technology for energy production and utilization in China is one of the main reasons for China's low energy efficiency and high GHG emission intensity. On one hand, there are relatively large gaps between China and the developed countries in terms of technologies of energy exploitation, supply and transformation, transmission and distribution, industrial production and other end-use energy; on the other hand, out-of-date technologies still account for a relatively high proportion of production in China's key industries. For example, the overall energy consumption per ton of steel in large-scale iron and steel enterprises is about 200 kgce lower than that in small enterprises, and the overall energy consumption per ton of synthetic ammonia in large or medium enterprises is about 300 kgce lower than in small enterprises. Owing to the lack of advanced

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