

Paper I.1

REFLECTIONS AFTER POTSDAM

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1. The New World Context

Since Potsdam, there have been two significant changes in the global context for action on global warming and development.

1.1 The first change is an overwhelmingly positive one. At last, with the election of Obama, the US, which has, by absence or hostility, undermined any global solution to the climate problem for many years, seems now ready to positively engage, and even perhaps to try to lead. This has led to, and will no doubt continue to lead to, an increase in hope throughout the world.

1.2 The second change appears to be a much more negative one, that of the 'credit crunch' and the slowing of world growth, resulting in governments being preoccupied with maintaining levels of employment and reflating economies. In addition, the price of fossil fuels has been falling, thereby making renewables, energy saving and nuclear alternatives much less attractive for investors, which will remain so unless the carbon price is sustained by some combination of taxes, rationing and regulation.

1.3 Despite the inherently negative nature of the above, in practice 1.2 could also be viewed as a strategic opportunity. An ever worsening climate change situation, along with oil price volatility and the recent stress on food supplies, has already provided mounting evidence that this recession is not just a cyclic blip, but instead is connected to the fact that the planet's citizens are already using each year some 40 per cent more resources than the earth can provide sustainably. The fantasy that there can be infinite quantitative growth in human demands on the world's resources is no longer tenable. Nor can global differences of wealth continue to increase as they have in the last twenty years, buttressed by the spurious claim that poverty will be overcome by wealth trickling down to all. A decent livelihood for the world's poor implies redistribution on a global scale in a post-carbon economy that respects the planet's limits.

1.4 There is a growing awareness that the climb out of recession must take a new path, in the form of a Green New Deal in which the main growth takes place amongst the world's poor, whilst all move towards greater qualitative well being in the post carbon epoch. A new synthesis between global economic policy and climate strategy is required between two, often alien, camps, namely those of the economists and the climate scientists. Will the challenge be taken and if so how? Should this be in the form of a reformed IMF and World Bank, or a truly green Bretton Woods? A world bank which no longer finances and subsidises fossil fuel extraction on a large scale, but instead funds development of post carbon technology? A reformed IMF with Asia given its fair share of votes and a new programme of Special Drawing Rights for poorer countries designed to lift them and the world's economy onto a new sustainable development path? Trade policy, touching both food and energy security, also needs, like finance, to embrace the imperatives of global climate policy.

2. The Potsdam Process

2.1 In this new situation, the Potsdam initiative to develop a new understanding, or perhaps even a partnership, between India (the world's largest democracy) and the EU (the world's first international carbon market, implemented through the application of supra-national law) is more important than ever.

2.2 Because an equitable new global contract between the north and south must be at the heart of a Green New Deal, India and the EU have the potential to pioneer this. A joint undertaking of this nature would be of value in itself, as well for its role as a stimulus for change in the US.

3. Key points at the Potsdam seminar

3.1 The Potsdam seminar provided an unprecedented openness in discussion.

3.2 There was a joint awareness of the climate challenge and its link with development (which can also be seen in India's new climate policy). Evidence that has since emerged has reinforced the urgency.

3.3 The Potsdam seminar facilitated a move towards a common understanding of the principles of an equitable deal concerning (inter alia) equal per capita emissions and an historical responsibility of the rich to help adaptation and mitigation, i.e. the transition to a sustainable post carbon society, in the south.

3.4 It was stated that India is no longer ready to adopt a Contraction and Convergence model, as proposed by the global Commons Institute, which provides commitments to a timing of present and future cuts, which would trigger financial help. However, Manmohan Singh's principle in response to Merkel's offer on equal per capita, namely that India won't exceed the developed country per capita emission levels, was presented.

3.5 It was agreed that Working Parties, or alternative networks, should therefore be set in motion in order to explore;

- (a) practical collaborative actions, which might both achieve results and deepen the India-EU relationship, e.g. projects centred around solar technology, carbon markets, the networking of research centres, and the potential for an Indian involvement with the EU ETS.
- (b) the principles and practice of a more far-reaching solution, which might be taken up in the Copenhagen process or by a group of "willing" countries from the north and south, e.g. the modelling of climate and equitable mitigation (emission reduction) paths (for example for India and Europe to converge), investigating the finance necessary for adaptation, development and mitigation in India / developing countries, as well as the role of institutions.

3.6 As a result a number of papers have been prepared. Those for discussion in Session 1 are initial papers requiring further work. Those submitted for Sessions II and III however are intended to be the basis of more substantive decisions.

4. Developments since Potsdam

4.1 EU-India summit, September 2008

There was a useful programme of action agreed, but disappointments on both sides. What is needed now is to find a way to implement the good intentions highlighted by the summit and accelerate new actions and understanding for a long-term deal.

4.2 European Parliament Global Contract conference, November 2008

A conference took place investigating the need for a more holistic and cooperative international approach, through the development of a Global Contract. The memorandum concluded that the fight against climate change and the fight against global poverty would be won or lost together.

4.3 European summit, December 2008

An agreement was reached on implementing the principles agreed in 2007, as well as a crucial Commission proposal to move to auctioning. However there was also some slipping of timetable and targets. The issue of external competition (carbon dumping) came to the fore, making agreements with the US and other developed and developing countries more important than ever.