

Comment

## Kyoto | the winners and losers

In the fevered final hours of negotiations at the Kyoto Climate Conference in 1997, it was clear that the decisions taken would have far-reaching and monumental effect. But even then, the abandonment of the paragraphs that would force developing countries to agree to future targets for their emissions was a convenient get-out clause to the US and its fossil fuel lobby, who campaigned hard for their inclusion. As the treaty was signed, North America could already see its escape hatch opening up. And nearly ten years later, and over a year after it came into force, the wrangling continues.

The agreement, made under the United Nations Framework Convention on Climate Change (UNFCCC), committed its signatories to reduce their carbon dioxide and five other greenhouse gases (GHGs) of 1990 levels by 5.2%, or engage in emissions trading if they maintain or increase emissions of these gases. However, even before the ink was dry, it became clear that a combination of loopholes under the non-Annex 1 rule, economic disparities and limited objectives had already rendered the agreement something of damp squib, even from the environmental lobby's viewpoint, who dubbed it 'Kyoto-lite'. Citing the Intergovernmental Panel on Climate Change, which has predicted an average rise in global temperature of between 1.4°C to 5.8°C between 1990 and 2100, estimates suggested that even if completed successfully, Kyoto would only reduce that increase between 0.02°C and 0.2°C by 2050.

It wasn't just the numbers that didn't add up. With 165 countries and governmental entities on board (representing over 61.6% of emissions from Annex 1 countries), headlines have since been centred on the refusal of the US and Australia to ratify the agreement, and the exception of populous countries like China and India. George Bush's symbolic signature on the document is not purely the bipartisan act of a former Texas oilman protecting his interests. Even populist President Bill Clinton and his

environment wonk Gore wobbled over ratification when the US Senate balked. Contrary to climate alarmists' rhetoric, the existing US policy is not based on a belief that global warming doesn't exist; rather it is a recognition of the damage that climate change mitigation strategies – which in practice would mean higher energy prices and drastic cutbacks in affordable energy use – would have on the superpower's economy.

Recent months have seen much talk on the Washington Beltway of an alternative, home-grown mitigation strategy – either a cap-and-trade scheme whereby industries purchase the right to emit GHGs, including CO<sub>2</sub>, but can sell credits for cuts in emissions; or the adoption of a long-term target for stabilising rising GHG concentrations in the atmosphere.

Attitudes towards Kyoto are also hardening in Australia. Prime Minister John Howard has rejected former US Vice President Al Gore's call for Australia to sign. Following a cordial call from the American green crusader, Mr Howard's public response was less than cordial. "I've made it very plain on behalf of the Government that we do not intend to sign a protocol which would export Australian jobs to other countries." A month later, Australia's Environment Minister Ian Campbell defended the country's refusal to sign the Protocol, saying the energy reduction pact was not the answer to global warming. After attending this year's UN Climate Change Conference in Switzerland, Campbell said Australia would never sign the agreement. "Signing Kyoto is a slogan, not a solution. Investing billions of dollars in the technologies we need to transform the way we produce and use energy is a substantial solution."

In countries already committed to Kyoto producers are having to find ways to reduce CO<sub>2</sub> emissions to avoid higher production costs that are the inevitable by-product of the agreement. Germany's largest utility, RWE AG, is spending to improve the efficiency of its ageing coal-fired power plants.

Carbon dioxide is also padding the profits of RWE and other utilities because they have been able to raise electricity rates to more than cover the new costs, but manufacturers that use a lot of juice are counting the cost, creating a substantial lose-lose situation for energy-intensive users. "The utilities get a huge amount of windfall profits, and the energy users get windfall costs," said Markus Weber, a manager responsible for CO<sub>2</sub>-allowance trading at steelmaker ThyssenKrupp AG.

Germany's experience with Europe's new emissions constraints holds important lessons for countries that want to curb CO<sub>2</sub> emissions, Kyoto's supporters claim, because the caps are starting to have their intended environmental effect: prodding industry to burn fossil fuels more efficiently.

Kyoto cheerleaders claim that far from being a crippling cost burden, the agreement is intended to stimulate new technologies and construction designs, creating jobs, improving health, and protecting the world's ecosystems by cutting emissions and upgrading energy efficiency for everything from factories to farm machinery to the family car and basic appliances. Evidence of this progress can be seen in India. Calcutta Electric Supply Corporation's (CESC) Budge Budge generating station has become the world's first coal-fired thermal power station to be registered with UNFCCC for environment-friendly work. Budge Budge has adapted a special chemical process that stood out to be "extraordinary" for its class in cutting down carbon emission.

Despite, or because of, the rife contradictions at play following the agreement, the question remains whether Kyoto will survive in its current form, or will countries like the UK commit to formats of its own, designed to placate those who feel they have been economically 'roughed-up' in the name of headline-grabbing? Such side-steps could very well herald the end before it has even got going. ●

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