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# International climate negotiations should focus on money, not targets

By Stephen Tindale

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★ International climate negotiations should focus on money – what should be paid for and who should pay – rather than targets. The G20 is a better forum for discussion of finance than is the United Nations Framework Convention on Climate Change (UNFCCC).

★ The G20 should implement its 2009 pledge to phase out inefficient fossil fuel subsidies.

★ Much of the revenue which governments currently spend on fossil fuel subsidies should be given instead to the Green Climate Fund. This would help developing and emerging economies to cut greenhouse gas emissions and adapt to the now-unavoidable impacts of a changing climate.

## Introduction

**The main barrier to climate protection and the expansion of low-carbon energy is now lack of money, rather than lack of political will. In international negotiations, developed countries argue with emerging economies, particularly China, about whether the cost should be borne by countries currently emitting the largest amount of pollution – China is now by far the worst polluter – or countries which have historically contributed the most. The historic approach puts the US top and Europe second.**

The best forum in which to make progress on the issue of climate finance is the G20, not the UN. G20 countries[1] are home to two-thirds of the world's population, and responsible for over 80 per cent of global GDP. They are also responsible for over 80 per cent of global greenhouse gas emissions today. A negotiation between 20 parties has much more chance of making progress than a negotiation between 192 parties (191 countries plus the EU) in the UNFCCC.

The UNFCCC sets targets. Targets can be useful, but without policy, technology and finance they become fig-leaves to conceal a lack of action. The 1997 Kyoto Protocol to the UNFCCC set legally-binding targets, to be met by 2008-12. But these were not enforceable, so did not drive energy policy anywhere. The 2009 climate summit in Copenhagen was supposed to agree post-Kyoto targets but did not. Since then, the 192 parties have merely managed to agree on a timetable to set new targets. The world's glaciers are retreating more rapidly than international climate negotiations are advancing.

The December 2015 climate summit, in Paris, is supposed to agree on a new set of targets. UN secretary-general Ban Ki-moon has invited world leaders to a meeting in New York on September 23rd this year, in the hope

*1:* Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

of injecting some momentum into the UNFCCC negotiations. But even if Paris 2015 does agree new targets, they will only come into force in 2020. And once again they will not be enforceable.

The EU should remain engaged in the UNFCCC talks, but pay more attention to G20 climate discussions. At their 2009 summit in Pittsburgh, G20 members pledged to phase out subsidies to fossil fuels. The EU's top priority in international climate diplomacy should be to make this pledge a reality. And it should deliver it in Europe.

G20 climate negotiations are unlikely to make much progress this year, since Tony Abbot, the Australian prime minister, will be chairing. Abbott's government opposes efforts to reduce greenhouse gases. But the G20 could deliver substantial policy change next year, when Turkey is in the chair. In 2007 the Inter-governmental Panel on Climate Change warned that Turkey – like the rest of the Mediterranean basin – is highly vulnerable to the impact of climate change.[2] In 2009, the year that Turkey and the EU opened discussions on the environmental chapter of the *acquis communautaire* as part of its accession negotiations, Prime Minister (now President) Recep Tayyip Erdogan acknowledged that "climate change is … one of the most important challenges facing humankind".[3] In 2011, his government introduced new subsidies for renewable energy and proposed that its share of electricity generation should rise from 2.5 per cent to 30 per cent by 2023.[4] The EU should treat the G20 summit in Turkey, not the UNFCCC summit in France, as its priority for climate diplomacy next year.

*"The best forum in which to make progress on the issue of climate finance is the G20, not the UN."*

This policy brief will assess the history and prospects of the UNFCCC, and conclude that even in the best-case scenario, Paris 2015 will not deliver significant progress. It will then consider the role of the G20 in tackling global warming and outline what the EU and the relevant member-states should agree in Turkey next year: a rapid phase-out of most subsidies to coal. Finally, it will propose that much of the additional money this phase-out will deliver to governments should be passed on to the Green Climate Fund.

## Why the UNFCCC will not solve the climate problem

The UNFCCC was signed at the first World Summit on Sustainable Development, held in Rio de Janeiro in 1992. The Convention recognises that human activity is affecting the climate, and creates a framework for inter-governmental negotiation. It now has 192 parties. The Convention states that the climate should be protected "on the basis of equity and in accordance with their common but differentiated responsibilities". This is an acknowledgement that Europe and North America have burnt enormous quantities of fossil fuels over the last two centuries, so have a historic obligation to help pay for the consequences and to support emerging and developing economies in using lower-carbon energy sources.

The Convention itself does not include specific targets for emissions reductions. These were not agreed until 1997, in the Kyoto Protocol. The 15 countries which were then members of the EU undertook that their average annual emissions of six greenhouse gases[5] over the years 2008 to 2012 would be 8 per cent lower than they had been in 1990. US vice-president Al Gore attended the Kyoto summit, and agreed that US emissions would be 7 per cent lower. Japan took on a target of minus 6 per cent. In line with the 'common but differentiated' principle, the protocol did not include any targets for developing countries.

The lack of targets for China had already caused political problems for the Clinton-Gore administration. In July 1997 – before the Kyoto meeting in December – the US Senate had voted 95-0 on the 'Byrd-Hagel resolution', which stated that the Senate would not ratify any UNFCCC agreement which did not include targets for developing countries. So when Gore signed the Kyoto protocol, he knew that the US would not ratify it. President George W Bush withdrew the US from Kyoto once he arrived in the White House, but this made no practical difference. As president Gore would have had no chance of getting the protocol ratified.

It does not matter to the climate where greenhouse gases are emitted: this differentiates climate policy from air pollution policy, since emissions of toxic gases are more dangerous in areas which already have high concentrations of such pollutants or where people live. The UNFCCC recognises that emissions from developing countries will increase. Under Kyoto, developed countries are allowed to invest in emissions-control projects in developing countries and count the avoided emissions towards their own greenhouse gas targets. Projects can include those that affect land use, such as preventing deforestation or planting new trees. Accurate assessment of the avoided emissions is extremely hard. In addition, countries that are failing to fulfil their Kyoto target may

*2:* IPCC 4th Assessment Report, 2007.
*3:* Recep Tayyip Erdogan, video address to UN summit on climate change, New York, September 22nd 2009.
*4:* Turkish ministry of environment and forestry, 'Turkey's climate change action plan', 2011.
*5:* Carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

buy credits from countries that are achieving more than the required level of reductions, and the baseline year for measuring reductions is 1990. Between that year and the signing of the Kyoto Protocol, communism collapsed and much old, inefficient industry in Russia and Eastern Europe was closed down. So the Russian government – which promised in Kyoto only that its emissions in 2008–12 would be no higher than in 1990 – had many credits to sell. This was a central reason why Moscow ratified Kyoto in 2004.

These different ways to meet the target – known in climate discussions as 'flexible mechanisms' – have enabled developed countries, and the EU, to meet their Kyoto obligations. Japan would have missed its target, a 6 per cent reduction, if it had not used flexible mechanisms. The EU 15 could have met their joint target (an 8 per cent reduction) without the mechanisms. But Denmark, Italy and Spain would have missed the national targets adopted by the EU in its 2002 'burden sharing' agreement, so used them.

The Kyoto targets are legally binding. What does this mean in practice? What would have happened if a signatory had missed its target? Professor Scott Barrett of Johns Hopkins University argues that nothing would have happened, since Kyoto is not enforceable.[6] EU laws are enforceable: the Commission can take a case to the European Court of Justice and, if it wins, collect substantial fines from the guilty member-state until it abides by the law. So an intra-European debate about legally-binding versus voluntary targets has substance. But it is not evident that calling UNFCCC targets legally binding is particularly meaningful. Which court would enforce them?

> *"Europe and North America have burnt enormous quantities of fossil fuels over the last two centuries."*

The most successful international environmental treaty is the 1987 'Montreal Protocol on substances that deplete stratospheric ozone'. This restricted the production and consumption of chlorofluorocarbons (CFCs) and halons in order to protect the ozone layer, and people from skin cancer. It was left to national governments to enforce. Overseeing the reduction in production was straightforward and relatively uncontroversial: by the time Montreal was signed the chemicals industry had developed alternative products and so did not strongly resist the phase-out of CFCs. The UNFCCC is a much more complex treaty: it does not involve banning or restricting products or chemicals. The enforcement of any agreed targets will be very difficult to achieve – and any agreement on enforcement mechanisms will take even longer than the agreement on the targets themselves. Progress on the UNFCCC is incredibly difficult because every country has a veto.

## The 2009 Copenhagen Accord

The Kyoto targets were meant to reduce emissions from 1990 levels by different percentages for different developed economies, by 2008-12. The 2009 summit in Copenhagen was billed – by negotiators, campaigners and the media – as the conference at which follow-up targets would be set. But it did not set any targets. Instead, it agreed a 'Copenhagen Accord'. This vague document, negotiated by a small number of countries led by the US, China, India, Brazil and South Africa, and then only 'noted' by the other countries, stated that over the next three years an amount of money "approaching $30 billion" a year should be provided by developed countries to a Green Climate Fund. This would be spent in developing countries dealing with the effects of a changing climate ("adaptation") and reducing greenhouse gas emissions ("mitigation"). Some of the funds would be spent on forest protection and reforestation, which helps with both. The money should be "new and additional" rather than from existing aid budgets. Contributions would increase to $100 billion a year by 2020.[7]

After the failure of the Copenhagen summit, the annual climate summits (in Cancun, Durban, Doha and Warsaw) have made no significant progress.

At the Durban summit in 2011, all countries agreed that they would work on a 'roadmap' for a legal agreement, to be reached in 2015 and to come into force in 2020. The Commission hailed this "a historic breakthrough".[8] It was not. It was a timetable, and an agreement to keep talking. Developing countries' acceptance of the possibility of having legal caps on emissions was a positive development, but caps on greenhouse gas emissions are only meaningful if they are low enough to protect the climate. And, as already argued, UNFCCC targets are not enforceable.

The Durban summit also agreed that countries which chose to could set themselves targets under a second commitment period of Kyoto ('Kyoto 2'), to run from 2013 to 2020. The EU has opted to take on such a target, based on its 2009 decision to reduce greenhouse gas emissions by 20 per cent by 2020. Alongside the EU are only the three European Economic Area countries (Iceland,

*6:* Scott Barrett, 'A portfolio system of climate treaties', Harvard, 2008.
*7:* UNFCCC, the Copenhagen Accord, 2009.
*8:* European Commission, 'Durban Conference delivers breakthrough for climate', December 12th 2011.

Liechtenstein, Norway) and Switzerland. No country outside Europe has set itself a Kyoto 2 target. The US never ratified Kyoto, and Canada withdrew in 2012. Japan and Russia, which had Kyoto 1 targets, have said that they will not be part of Kyoto 2.

If the Paris summit in 2015 did reach an agreement on a new protocol to replace Kyoto (which is not likely, but not impossible), Obama would have no chance of getting it ratified by Congress. Too many Congress members refuse to accept the view of the overwhelming majority of scientists that the climate is changing and that humanity is in part responsible. The President knows this, so is considering proposing a "politically-binding" accord instead of a legally-binding protocol for Paris.[9] The accord would commit political leaders to implementing policies to reduce emissions. It would not have to be ratified. This is a sensible approach: an agreement that might happen is better than a protocol which will definitely not happen. And, as argued above, 'legally-binding' UNFCCC targets are not enforceable in any case. But if a political agreement is the best that can be hoped for from the UNFCCC process, those concerned about climate change must look beyond the UN for action on mitigation and adaptation. And the focus should be on finance, not target setting.

*"Progress on the UNFCCC is incredibly difficult because every country has a veto."*

The 2009 Copenhagen Accord promised a Green Climate Fund. Five years on, rapid implementation is necessary. The UNFCCC is not the best forum to discuss implementation. Its meetings are too large – with around 9,000 participants – and its procedures are too slow. There is an international body which exists specifically for the climate finance issue: the Major Economies Forum on Energy and Climate.[10] However, this body is not effective. It was set up in 2007 by US president George W Bush began a series of meetings as an alternative to the UNFCCC. President Barack Obama upgraded the name – a meeting became a forum – and linked it explicitly to the UNFCCC. This was a mistake, turning the forum into yet more preparatory meetings for the annual summits. In May 2014 it met in Mexico, and concluded that a draft negotiating text for the 2015 Paris summit should be available at the 2014 summit in Lima. This text, they said, should reflect the positions and interests of all countries. It was not necessary to convene an international meeting in order to make such obvious points.

## The G20

The discussions on climate finance should instead take place in the G20, without any link to the UNFCCC. The countries in the G20 account for two-thirds of the world's population and 85 per cent of global gross domestic product. They are also responsible for over 80 per cent of global carbon emissions (see table 1). Four EU member-states - France, Germany, Italy and the UK – are in the G20. So is the EU itself. Spain attends G20 meetings, though is not formally a member.

China is now the country with the highest greenhouse gas emissions, and its per capita emissions of greenhouses gases have reached European levels (though American, Australian, Canadian and Saudi Arabian per capita emissions are still much higher).[11] However, China's historic contribution – which is what matters to the climate because carbon dioxide remains in the atmosphere for over a century – is less than half America's (see table 2). The UK, Germany and France together are responsible for 13 per cent of the historic contribution to temperature increase, so the EU is second only to the USA. And the UK has the second highest per capita historical emissions – behind only Luxembourg.

| | % |
|---|---|
| China | 28.5 |
| USA | 15 |
| EU | 11 |
| India | 6 |
| Russia | 5 |
| Japan | 4 |
| Germany | 2.5 |
| South Korea | 1.75 |
| Australia | 1.5 |
| Brazil | 1.5 |
| Canada | 1.5 |
| Mexico | 1.5 |
| Indonesia | 1.5 |
| Italy | 1.5 |
| Saudi Arabia | 1.5 |
| UK | 1.5 |
| France | 1 |
| South Africa | 0.75 |
| Turkey | 0.75 |
| Argentina | 0.5 |
| **Total of G20 members** | **83.75*** |
| Rest of world | 16.25 |
| **Total** | **100** |

TABLE 1: Annual greenhouse gas emissions of G20 members as percentage of global total, 2012.

*Source: PBL Netherlands Environmental Assessment Agency, Trends in global CO2 emissions, 2013 report.*

** The emissions of Germany, the UK and France are included in the EU's 11 per cent emissions, not counted twice.*

9: Coral Davenport, 'Obama pursuing climate accord in lieu of treaty' *New York Times*, August 26th 2014.
10: Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, South Africa, the United Kingdom and the United States.
11: PBL Netherlands Environmental Assessment Agency, Trends in global $CO_2$ emissions, 2013 report.

TABLE 2: Countries' historic contribution to temperature increase.

*Source: Damon Matthews et al, 'National contributions to observed global warming', Environmental Research Letters, January 2014.*

| | Country | % |
|---|---|---|
| 1 | USA | 20 |
| 2 | China | 8 |
| 3 | Russia | 8 |
| 4 | Brazil | 6.5 |
| 5 | India | 6.5 |
| 6 | UK | 6.5 |
| 7 | Germany | 4.5 |
| 8 | France | 2 |
| 9 | Indonesia | 2 |
| 10 | Canada | 2 |

The USA has the highest historic contribution and the second highest current emissions. US emissions are on a downward trajectory, due to shale gas extraction and the consequent switch from coal to gas for power generation. The Obama administration has an ambitious climate and energy policy which would – if it survives legal challenges – close down existing coal power stations unless they retrofit carbon capture and storage (CCS). However, the US has the world's largest coal reserves, and the shale gas revolution has not led the US to stop mining coal. Instead, it is exporting more coal. Cheap coal from the US is one reason why coal use in the EU is increasing. Like the carbon embedded in manufactured goods, this exported coal is not counted in national targets. Indonesia, a G20 member, is now the world's largest coal exporter, having recently overtaken Australia. Russia and South Africa are other major coal exporters in the G20. Russia also exports large quantities of gas, as Canada does, and oil, like Saudi Arabia and Mexico.

The G20 also includes the world's largest fossil fuel consumers. The most damaging fossil fuel, in climate terms, is coal. All G20 members use coal to generate a significant proportion of their electricity, except:

★ Brazil, which gets most of its electricity from hydropower;

★ Argentina, which gets most from gas and hydropower; and

★ France, which gets most from nuclear power.

Coal use is increasing significantly in the G20's emerging economies apart from Brazil and Argentina. Japan is also burning more coal, because its nuclear power stations have all been closed since the Fukushima accident in 2011. And Germany is burning more coal because of the German governments decision to close some nuclear power stations immediately after Fukushima. Since the Kyoto Protocol was signed in 1997, global coal use has increased by over 60 per cent.[12]

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However, China is moving away from unconstrained coal expansion. The government has banned the construction of new coal-fired power plants around Beijing and in the Yangtze and Pearl deltas. It has done this to improve air quality rather than to reduce greenhouse gas emissions, but generating electricity from sources other than coal will help with both. Coupled with Obama's proposed coal regulations, the Chinese move presents an opportunity to limit global coal consumption. If the EU is to retain any credibility in international discussions, it must at least keep up with the USA and China. It could do this by leading international negotiations in the G20 on how, and how quickly, to phase out coal subsidies.

## Phasing out fossil fuel subsidies

G20 members have already agreed in principle to end fossil fuel subsidies. President Obama has been the main proponent of this: he chaired the 2009 G20 summit in Pittsburgh, at which leaders promised to "phase out and rationalise over the medium term inefficient fossil fuel subsidies, while providing targeted support for the poorest. Inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change."[13]

Fossil fuels receive six times as much in subsidy as renewable energy does, according to the International Energy Agency (IEA). "The costs of subsidies to fossil fuels generally outweigh the benefits."[14] The International Monetary Fund (IMF) carried out an assessment on fossil fuel subsidies in response to the G20 Pittsburgh declaration. It found that total subsidy given globally to fossil fuels in 2011 was $2.38 trillion. This included $480 billion in actual expenditure, mainly by governments of oil exporters, and $1.9 trillion worldwide in indirect subsidies: tax breaks, tax rates too low to raise the revenue which governments spend dealing with the health impacts of fossil fuel use, priority access to land and so on. Thirty-four advanced economies gave indirect subsidies to fossil fuel sectors, amounting to $760 billion. Ending both forms of subsidy would reduce global carbon emissions by 14-15 per cent, and increase government revenues by 8 per cent.[15]

*12:* Index Mundi, World coal consumption by year, 2014.
*13:* G20, Pittsburgh Declaration, 2009.
*14:* IEA, 'World Energy Outlook', 2011.
*15:* IMF, 'Energy Subsidy Reform – Lessons and Implications', 2013.

The IMF assessed the economic, business and social policy arguments used by governments to defend the subsidies, and concluded that:

- "Energy subsidies depress growth through a number of channels. The effect of subsidies on growth goes beyond their adverse impact on fiscal balances and public debt."
- "Subsidies can crowd out growth-enhancing public spending."
- "Subsidies diminish the competitiveness of the private sector over the longer term."
- "Removing energy subsidies … strengthens incentives for research and development in energy-saving and alternative technologies."
- "Energy subsidies divert public resources away from spending that is more pro-poor."[16]

The G20 has yet to define which fossil fuel subsidies it considers to be inefficient.

Some subsidies are unavoidable or justifiable. For example, payments to restore sites where coal has been mined in the past; subsidies to develop CCS; or provide support to low-income households. Excluding these, in 2011:

- The US subsidised oil by over €10 billion, gas by €2.5 billion and coal by over €1 billion;
- Germany subsidised coal by over €2 billion and gas by €579 million;
- Canada subsidised oil by over €1.5 billion and gas by €634 million;
- The UK subsidised oil by €681 million; and
- Spain subsidised coal by €309 million.[17]

Since he took office in 2009, President Obama has tried to cut subsidies to oil and coal in each budget that he has sent to Congress. Each year Congress has rejected the proposal. The EU has not done much better. Subsidies are primarily a matter for the Competition Commissioner because they affect the Single Market, and the Commission could stop them using state aid rules. In September 2010 competition commissioner Joaquin Almunia decided – against the wishes of climate commissioner Connie Hedegaard and environment commissioner Janez Potocnik – that Spain could continue subsidising its coal industry until the end of 2014. The Commission said that it had received a firm commitment from Madrid that it would not ask to extend the deadline any further.[18] However, the German government then entered the fray, in support of its own large subsidies to the coal industry. And in December 2010 the Commission backed down, agreeing that coal subsidies could continue until 2018.

*"The countries in the G20 account for two-thirds of the world's population and…80 per cent of global carbon emissions."*

Why has there been little progress on either side of the Atlantic? Partly because of the gridlock caused by both the US constitution's 'balance of powers' and the division of roles between European institutions and member-state governments. And partly because of the prevalence of 'climate scepticism' – the refusal to accept that the atmosphere is warming or that humans have anything to do with it – among US politicians. Fewer European politicians reject climate science. But many of them, including the 2009-2014 Commission (apart from Hedegaard and Potocnik) regard climate change as a less pressing issue than promoting economic growth. But this is a false dichotomy. As noted above, the IMF has concluded that energy subsidies crowd out pro-growth public spending, as well as reducing the incentives for firms to become more efficient. The Juncker Commission should therefore treat the phasing out of fossil fuel subsidies as a priority. As well as making the European economy more efficient, this move would provide EU governments with additional revenue. Much of this should be given to the Green Climate Fund.

## Making progress with the Green Climate Fund

Developed country governments agreed in the 2009 Copenhagen Accord that they would give $30 billion a year by 2012, rising to $100 billion a year by 2020, to a Green Climate Fund. This money would then be disbursed to developing and middle-income countries to support mitigation of greenhouse gas emission and adaptation to climate change impacts.

Since 2009, governments and international institutions have been wrangling over the structure and rules of the Green Climate Fund. They have agreed that half the money should be spent on mitigation and half on adaptation, and that the Fund will be overseen by a Board, (the European Commission wanted a seat on the Board, but this proposal was rejected by non-European

*16:* IMF press release, 'IMF calls for global reform of energy subsidies: Sees major gains for economic growth and the environment', March 27th, 2013.

*17:* Author's calculation from figures in the OECD-IEA database, 'Fossil fuel subsidies and other support'.

*18:* James Kanter and Raphael Minder, 'Spain wins EU green light to subsidise coal for 4 more years', *New York Times* September 29th 2010.

countries). But governments have yet to agree on the voting weights of Board members: should this be based on the amount donated? They have also not yet agreed on whether there should be performance indicators on how money is spent – India and China are opposing this. And governments have yet to agree on whether donors should be allowed to earmark donations to particular forms of spending. For example, the US government wishes to earmark much of its money to private-sector projects.

This five year delay in spending more money on mitigation and adaptation could have been avoided by using the existing Climate Investment Funds – set up in 2008 and administered by the World Bank – as channels for the extra resources promised at Copenhagen. However, it would not be sensible now to change course, as this would cause further delay. And the proposed structure of the Green Climate Fund does have one significant advantage over the Climate Investment Funds: it will be able to lend to sub-central tiers of government. The Climate Investment Funds, being administered by the World Bank, are not permitted to do this: World Bank rules require a sovereign guarantee, which only central government can provide. Regional and local governments have significant roles to play in energy and climate policy. The EU works effectively with sub-central government in development aid.[19] The Green Climate Fund should do likewise.

So the Green Climate Fund should be established as soon as possible. And it should be given the money which was promised in the Copenhagen Accord. Little money has actually been delivered so far. The fund's secretariat is holding a 'pledging meeting' in November. The US government will not announce how much it will donate until after November's mid-term elections – probably at the UNFCCC meeting in Peru in December. The EU likes to claim leadership of international climate policy.

For example, the Strategic Agenda agreed by the European Council in late June states that "continuing to lead the fight against global warming" should be an EU priority for the next five year.[20] In reality, the EU leads only in setting targets, not in the more important matter of delivery. German Chancellor Angela Merkel gave a speech in July promising €750 million, but she has promised this several times in the past.

EU governments now have an opportunity to lead on delivery. They should make pledges about how much finance they will give to the Green Climate Fund at Ban Ki-moon's climate summit in New York on September 23rd. The Norway government has already said that it will announce its pledge that day.

*"The EU should concentrate on implementing its G20 agreement to phase out inefficient fossil fuel subsidies."*

Other European governments should follow suite. Then the EU should concentrate on implementing its G20 agreement to phase out inefficient fossil fuel subsidies, and make G20 summits the focus of its international climate negotiations.[21]

## Conclusion

Five years ago the EU made an international commitment to stop inefficient fossil fuel subsidies. The Commission has the power to implement this, under state aid rules. The new Commission should tackle these subsidies in 2015. Doing so would allow President Jean-Claude Juncker to demonstrate that the EU institutions – for all their imperfections – are not as gridlocked as their American counterparts. It would also give him a chance to show that his Commission is not under the thumb of the German government, despite Berlin's central role in his appointment. So the Commission should take the lead in setting the EU's own house in order on fossil fuel subsidies.

Why should EU do this? Firstly, because climate protection requires it: extreme weather is increasing, and many scientists are warning that we are approaching a tipping point, after which the global climate will spiral out of control. Second, because the EU entered into an international agreement to do so, and respect for international agreements is part of the EU's raison d'être. Third, because it would increase the EU's global soft power to acknowledge that Europe is responsible for more of the historic global warming than anywhere else except the US, and that it therefore has a moral obligation to help deal with the consequences. And there is a fourth – more hard-headed – reason. Subsidies to fossil fuels are economically inefficient. Ending them will save or raise substantial sums for governments. Spending on energy efficiency is economically efficient as well as socially beneficial. And investment in new energy technologies will enable European companies to compete in export markets.

European governments should give much of the revenue from the phasing out of direct and indirect subsidies for

*19:* Stephen Tindale, 'Priorities for EU development aid', CER policy brief, 2013.
*20:* European Council, 'Strategic agenda for the Union in times of change', July 27th 2014.
*21:* Alister Doyle, 'UN green fund to seek cash in November', *Reuters*, July 2nd 2014.

hydrocarbons to the Green Climate Fund. There should be no further delay in making this fund operational. It has the UNFCCC backing that it requires: most governments only "noted" the Copenhagen Accord, but none objected. Its implementation should now become part of G20 discussions, not UNFCCC discussions. So the EU should put its effort into making the G20 the primary forum for international work on combating climate change. It should regard the G20 summit in Turkey, not the December UNFCCC summit in Paris, as the top priority for climate diplomacy in 2015.

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